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Allianz Group  
**Interim Report Second Quarter  
and First Half Year of 2014**

**Allianz** 

# Allianz at a glance

## QUARTERLY AND HALF YEAR RESULTS

		three months ended 30 June			six months ended 30 June			More details on page
		2014	2013	Change from previous year	2014	2013	Change from previous year	
<b>Income statement</b>								
Total revenues <sup>1</sup>	€ MN	29,456	26,776	10.0%	63,420	58,824	7.8%	6
Operating profit <sup>2</sup>	€ MN	2,771	2,367	17.1%	5,494	5,164	6.4%	7
Net income <sup>2</sup>	€ MN	1,858	1,675	10.9%	3,598	3,476	3.5%	8
thereof: attributable to shareholders	€ MN	1,755	1,588	10.5%	3,395	3,295	3.0%	8
<b>Business segments<sup>3</sup></b>								
<b>Property-Casualty</b>								
Gross premiums written	€ MN	10,846	10,754	0.9%	26,063	25,951	0.4%	11
Operating profit <sup>2</sup>	€ MN	1,346	1,179	14.2%	2,835	2,498	13.5%	12
Net Income <sup>2</sup>	€ MN	969	1,001	(3.2)%	1,614	2,018	(20.0)%	14
Combined ratio	%	94.6	96.0	(1.4)%-p	93.6	95.1	(1.5)%-p	13
<b>Life/Health<sup>4</sup></b>								
Statutory premiums	€ MN	16,961	14,125	20.1%	34,124	28,962	17.8%	20
Operating profit <sup>2</sup>	€ MN	984	669	47.1%	1,864	1,524	22.3%	21
Net Income <sup>2</sup>	€ MN	731	474	54.2%	1,360	1,102	23.4%	22
Margin on reserves	BPS	79	58	21	76	66	10	23
<b>Asset Management<sup>4</sup></b>								
Operating revenues	€ MN	1,606	1,815	(11.5)%	3,123	3,726	(16.2)%	28
Operating profit <sup>2</sup>	€ MN	675	804	(16.0)%	1,321	1,704	(22.5)%	28
Net Income <sup>2</sup>	€ MN	419	488	(14.1)%	825	1,056	(21.9)%	28
Cost-income ratio	%	58.0	55.7	2.3%-p	57.7	54.3	3.4%-p	28
<b>Corporate and Other</b>								
Total revenues	€ MN	132	132	–	271	280	(3.2)%	–
Operating result <sup>2</sup>	€ MN	(219)	(274)	20.1%	(441)	(513)	14.0%	31
Net Income <sup>2</sup>	€ MN	(248)	(277)	10.5%	(117)	(674)	82.6%	31
<b>Balance sheet as of 30 June<sup>5</sup></b>								
Total assets <sup>6</sup>	€ MN	754,330	711,079	6.1%	754,330	771,079	6.1%	36
Shareholders' equity	€ MN	54,979	50,084	9.8%	54,979	50,084	9.8%	35
Non-controlling interests	€ MN	2,833	2,765	2.5%	2,833	2,765	2.5%	35
<b>Share information</b>								
Basic earnings per share	€	3.87	3.50	10.6%	7.48	7.27	2.9%	104
Diluted earnings per share	€	3.84	3.47	10.7%	7.41	7.18	3.2%	104
Share price as of 30 June <sup>5</sup>	€	121.70	130.35	(6.6)%	121.70	130.35	(6.6)%	1
Market capitalization as of 30 June <sup>5</sup>	€ MN	55,556	59,505	(6.6)%	55,556	59,505	(6.6)%	–
<b>Other data</b>								
Standard & Poor's rating <sup>7</sup>		AA Stable Outlook	AA Stable Outlook	–	AA Stable Outlook	AA Stable Outlook	–	–
Conglomerate solvency ratio <sup>5,8</sup>	%	185	182	3.0%-p	185	182	3.0%-p	35
Total assets under management as of 30 June <sup>4,5</sup>	€ BN	1,814	1,770	2.5%	1,814	1,770	2.5%	26
thereof: third-party assets under management as of 30 June <sup>5</sup>	€ BN	1,373	1,361	0.9%	1,373	1,361	0.9%	27

1 – Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

2 – The Allianz Group uses operating profit and net income as key financial indicators to assess the performance of its business segments and the Group as a whole.

3 – The Allianz Group operates and manages its activities through four business segments: Property-Casualty, Life/Health, Asset Management and Corporate and Other. For further information, please refer to note 4 to the condensed consolidated interim financial statements.

4 – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

5 – 2013 figures as of 31 December 2013.

6 – Prior year figure has been restated to reflect the implementation of IFRS 10. For further information, please refer to note 2 to the condensed consolidated interim financial statements.

7 – Insurer financial strength rating, affirmed on 4 November 2013.

8 – Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 30 June 2014 would be 177% (31 December 2013: 173%).

► To go directly to any chapter, simply click on the headline or the page number.

All references to chapters, pages, notes, internet pages, etc. within this report are also linked.

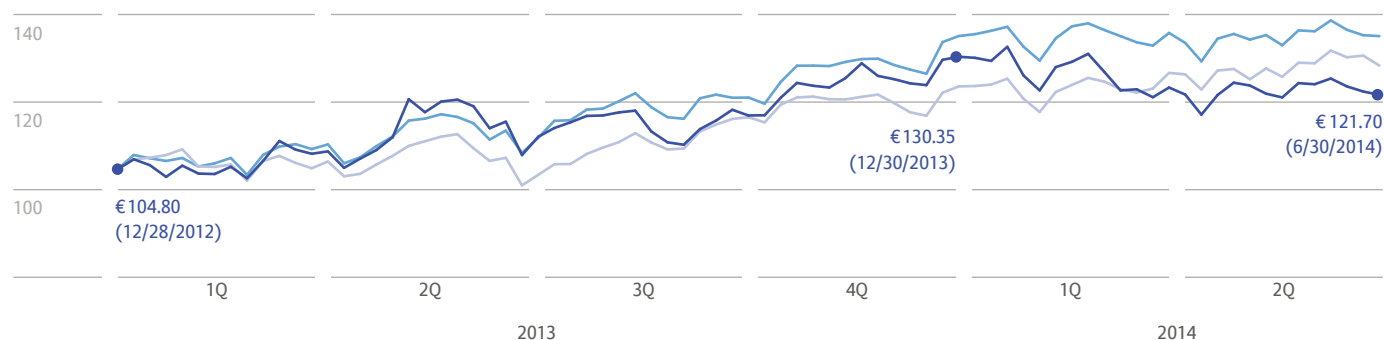
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## Allianz Share

### DEVELOPMENT OF THE ALLIANZ SHARE PRICE VERSUS STOXX EUROPE 600 INSURANCE AND EURO STOXX 50

indexed to the Allianz share price in €



■ Allianz ■ STOXX Europe 600 Insurance ■ EURO STOXX 50  
Source: Thomson Reuters Datastream

Allianz Share price (6M 2014):  
High: € 133.90 (1/17/2014) Low: € 117.20 (4/15/2014)

### BASIC SHARE INFORMATION

Security codes	WKN 840 400
	ISIN DE 000 840 400 5
Bloomberg	ALV GR
Reuters	0#ALVG.DEU



# INTERIM GROUP MANAGEMENT REPORT

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# INTERIM GROUP MANAGEMENT REPORT

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# Executive Summary

SECOND QUARTER 2014

- Revenues grew 10.0% to € 29.5 BN.
- Operating profit increased 17.1% to € 2,771 MN.
- Net income strong at € 1,858 MN, up by 10.9%.
- Solvency ratio at 185%.<sup>1</sup>

## Allianz Group overview

**Allianz SE and its subsidiaries (the Allianz Group) have operations in over 70 countries. The Group's results are reported by business segment: Property-Casualty insurance operations, Life/Health insurance operations, Asset Management and Corporate and Other.**

## Key figures

### KEY FIGURES ALLIANZ GROUP

€ MN	2014	2013
three months ended 30 June		
Total revenues	29,456	26,776
Operating profit	2,771	2,367
Net income	1,858	1,675
Solvency ratio <sup>1,2</sup> in %	185	182

## Earnings summary

### ECONOMIC AND INDUSTRY ENVIRONMENT IN THE SECOND QUARTER OF 2014

Overall, the global economy provided a mixed picture in the second quarter of 2014 but continued to expand at a moderate pace. Economic data, such as industrial production figures, point to slightly weaker growth momentum than previously expected. This holds true not only for the Eurozone, but also for major emerging markets like Brazil. However, overall still favorable sentiment indicators – such as the purchasing managers' index – conflict somewhat with the weaker hard macro data.

In Europe, the European Central Bank (ECB) announced further monetary easing measures, cut the main refinancing rate from 0.25% to 0.15% and forced the deposit rate into negative territory. Despite an expected return to growth in the second quarter of 2014, the U.S. central bank continued to convey a very dovish message. Despite the ECB's actions, the Euro proved resilient against the U.S. Dollar.

Yields on 10-year German government bonds closed the quarter at 1.3%, 60 basis points lower than at the beginning of the year. Following a pronounced tightening in the preceding quarters, spreads on government bonds in the Eurozone periphery moved more or less sideways in the second quarter of 2014. This was in spite of lower benchmark bond yields and doubts about the robustness of the economic recovery in some major industrialized and emerging market economies, as well as geopolitical risks related to the Ukraine and the Middle East.

Equity markets in both emerging and mature markets edged upwards.

Supportive economic conditions and only minor natural catastrophes helped the insurance industry to register a good first half-year. In particular, insured natural catastrophe losses were markedly below the long-term average. However, low investment yields are persisting, price competition increasing and regulation is being tightened still further. Thus, overall insurance market conditions continue to remain challenging.

<sup>1</sup> – Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 30 June 2014 would be 177% (31 December 2013: 173%).

<sup>2</sup> – 2013 figure as of 31 December 2013.

## MANAGEMENT'S ASSESSMENT OF SECOND QUARTER 2014 RESULTS

Our *total revenues* grew 10.0% to € 29.5 BN. On an internal basis<sup>1</sup>, revenues increased by 11.5%. This favorable development was driven by the continued strong revenue growth in our Life/Health business segment and supported by stable revenues in our Property-Casualty business segment. Lower operating revenues in our Asset Management business segment partly offset this growth.

Our *operating profit* increased 17.1% to € 2,771 MN. Our Life/Health business recorded strong operating profit growth due to an improved operating investment result. Our Property-Casualty business recorded a higher underwriting result largely due to an improvement in the accident year loss ratio. The operating profit decline in our Asset Management business segment resulted primarily from lower average assets under management. The operating result from the Corporate and Other business segment improved in all of its three reportable segments.

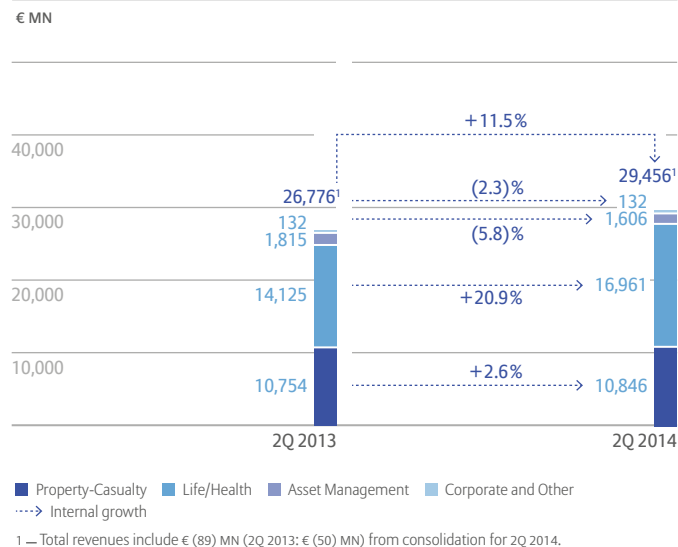
Our *net income* increased 10.9% to € 1,858 MN. This was mainly driven by our higher operating result but partly offset by lower non-operating realized gains. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 1,755 MN (2Q 2013: € 1,588 MN) and € 103 MN (2Q 2013: € 87 MN), respectively.

Our *capitalization* remained strong and *shareholders' equity* increased by € 4.9 BN to € 55.0 BN compared to 31 December 2013. Our conglomerate solvency ratio strengthened by three percentage points to 185%.

## Total revenues<sup>2</sup>

### 2014 TO 2013 SECOND QUARTER COMPARISON

#### TOTAL REVENUES – BUSINESS SEGMENTS



*Property-Casualty* gross premiums written were up 0.9% to € 10.8 BN. On an internal basis, gross premiums written increased by 2.6% driven by a positive volume effect. Internal growth was supported mainly by our subsidiaries in Germany, in the United Kingdom, at AGCS and Allianz Worldwide Partners.

*Life/Health* statutory premiums amounted to € 17.0 BN, a strong increase of 20.9% on an internal basis and driven by single premium savings products, mainly in the United States, Germany and Italy.

*Asset Management* operating revenues declined by € 209 MN to € 1,606 MN. The main drivers were lower average third-party assets under management and a slight decrease in margins, but also the allocation of certain entities to other business segments.<sup>3</sup> We recorded third-party net outflows of € 17 BN in the second quarter of 2014.

Total revenues from our Banking operations (reported in our *Corporate and Other* business segment) remained flat at € 132 MN.

<sup>1</sup> — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 43 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and the Allianz Group as a whole.

<sup>2</sup> — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

<sup>3</sup> — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.



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## 2014 TO 2013 FIRST HALF YEAR COMPARISON

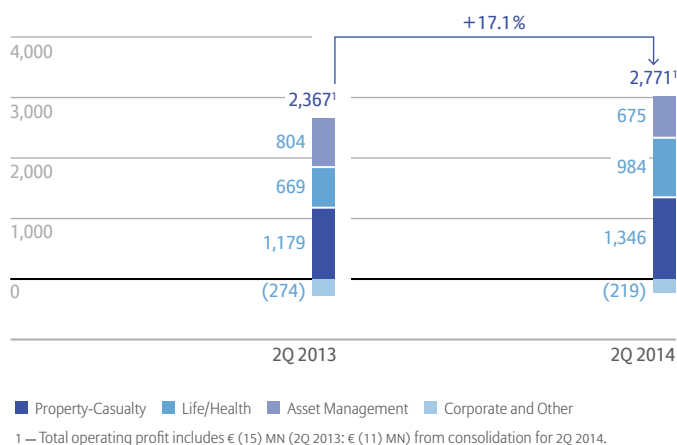
We generated total revenues of € 63.4 BN, an increase of 7.8% compared to the first six months of 2013. On an internal basis, revenues grew by 9.3%. We recorded remarkable growth in savings products premiums in our Life/Health business, which more than offset the lower operating revenues due to decreased performance fees and lower third party-assets under management in the Asset Management business segment. Total revenue growth was supported by higher gross premiums written in our Property-Casualty business segment.

## Operating profit

### 2014 TO 2013 SECOND QUARTER COMPARISON

#### OPERATING PROFIT – BUSINESS SEGMENTS

€ MN



Our *Property-Casualty* operating profit grew by € 167 MN or 14.2% to € 1,346 MN. The underwriting result increased by € 159 MN to € 516 MN, largely due to an improvement in our accident year loss ratio, which benefited from lower natural catastrophe losses. Our operating investment income (net) rose by € 22 MN to € 806 MN.

*Life/Health* operating profit increased by € 315 MN or 47.1% to € 984 MN. This was mainly driven by an improved operating investment result which was burdened by higher losses from the net of foreign currency translation effects and financial derivatives in the second quarter of 2013.

*Asset Management* operating profit declined by 16.0% to € 675 MN. On an internal basis, operating profit declined by 9.7% driven by lower average assets under management. Our cost-income ratio increased by 2.3 percentage points.

In *Corporate and Other* the operating loss decreased by € 55 MN to € 219 MN, with all three reportable segments contributing to the improvement.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

Operating profit increased by € 330 MN to € 5,494 MN. This increase was driven by our Life/Health business segment due to an improved operating investment result and our Property-Casualty business segment driven by the strong underwriting result. This was partly offset by the operating profit decline in our Asset Management business segment as a result of decreased performance fees and lower average assets under management.

## Non-operating result

### 2014 TO 2013 SECOND QUARTER COMPARISON

Our *non-operating result* decreased by € 171 MN to a loss of € 39 MN, mainly driven by lower non-operating realized gains.

*Non-operating income from financial assets and liabilities carried at fair value through income (net)* decreased by € 40 MN to a loss of € 33 MN. This was mainly due to unfavorable impacts from hedging-related activities.

*Non-operating realized gains and losses (net)* decreased from € 458 MN to € 243 MN due to major realizations in the previous year's quarter.

*Non-operating impairments of investments (net)* decreased from € 64 MN to € 23 MN, mainly as a result of higher impairments on investments in financial sector assets in the second quarter of 2013.

*Non-operating interest expenses from external debt* improved from € 233 MN to € 207 MN. New issuances have had lower funding costs compared to bonds that matured or were redeemed.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

Our *non-operating result* decreased by € 168 MN to a loss of € 155 MN. This was largely driven by the lower non-operating investment result due to lower non-operating realized gains and higher unfavorable hedging-related impacts in the first six months of 2014 partly offset by the one-off effect from pension revaluation<sup>1</sup> in the first quarter of 2014.

<sup>1</sup> – For further information on the one-off effect from pension revaluation, please refer to note 4 to the condensed consolidated interim financial statements.

## Income taxes

### 2014 TO 2013 SECOND QUARTER COMPARISON

*Income taxes* increased by € 50 MN to € 874 MN, driven by a € 233 MN higher income before income taxes compared to the second quarter of 2013. The effective tax rate decreased to 32.0% (2Q 2013: 33.0%), mainly due to lower trade tax expenses in the second quarter of 2014.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Income taxes* were up by € 40 MN to € 1,741 MN, driven by a € 162 MN higher income before income taxes compared to the first six months of 2013. The effective tax rate was relatively stable at 32.6% (6M 2013: 32.9%).

## Net income

### 2014 TO 2013 SECOND QUARTER COMPARISON

*Net income* increased by € 183 MN to € 1,858 MN, driven primarily by our higher operating result. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 1,755 MN (2Q 2013: € 1,588 MN) and € 103 MN (2Q 2013: € 87 MN), respectively. The largest non-controlling interests in net income related to Euler Hermes and PIMCO.

*Basic earnings per share* increased from € 3.50 to € 3.87 and *diluted earnings per share* increased from € 3.47 to € 3.84. For further information on earnings per share, please refer to note 39 to the condensed consolidated interim financial statements.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Net income* grew by € 122 MN to € 3,598 MN, driven primarily by our higher operating result. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 3,395 MN (6M 2013: € 3,295 MN) and € 203 MN (6M 2013: € 181 MN), respectively.

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## TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT TO NET INCOME (LOSS)

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Total revenues<sup>1</sup></b>	<b>29,456</b>	<b>26,776</b>	<b>63,420</b>	<b>58,824</b>
Premiums earned (net)	16,700	16,291	33,386	32,963
<b>Operating investment result</b>				
Interest and similar income	5,538	5,413	10,677	10,580
Operating income from financial assets and liabilities carried at fair value through income (net)	(20)	(708)	(271)	(929)
Operating realized gains/losses (net)	783	733	1,563	1,612
Interest expenses, excluding interest expenses from external debt	(101)	(102)	(199)	(212)
Operating impairments of investments (net)	(51)	(118)	(347)	(181)
Investment expenses	(232)	(217)	(431)	(425)
<b>Subtotal</b>	<b>5,917</b>	<b>5,001</b>	<b>10,992</b>	<b>10,445</b>
Fee and commission income	2,538	2,679	4,946	5,433
Other income	45	42	123	102
Claims and insurance benefits incurred (net)	(12,257)	(11,972)	(24,066)	(23,610)
Change in reserves for insurance and investment contracts (net) <sup>2</sup>	(3,598)	(3,071)	(7,038)	(7,170)
Loan loss provisions	(15)	(15)	(24)	(29)
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(5,706)	(5,786)	(11,156)	(11,250)
Fee and commission expenses	(831)	(788)	(1,613)	(1,566)
Operating amortization of intangible assets	(4)	–	(9)	–
Restructuring charges	8	(6)	9	(100)
Other expenses	(26)	(8)	(56)	(54)
<b>Operating profit (loss)</b>	<b>2,771</b>	<b>2,367</b>	<b>5,494</b>	<b>5,164</b>
<b>Non-operating investment result</b>				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(33)	7	(101)	3
Non-operating realized gains/losses (net)	243	458	369	725
Non-operating impairments of investments (net)	(23)	(64)	(89)	(135)
<b>Subtotal</b>	<b>187</b>	<b>401</b>	<b>179</b>	<b>593</b>
Income from fully consolidated private equity investments (net)	–	(4)	(5)	(8)
Interest expenses from external debt	(207)	(233)	(411)	(474)
Acquisition-related expenses	2	(16)	6	(41)
One-off effect from pension revaluation	–	–	116	–
Non-operating amortization of intangible assets	(21)	(16)	(40)	(57)
<b>Non-operating items</b>	<b>(39)</b>	<b>132</b>	<b>(155)</b>	<b>13</b>
<b>Income (loss) before income taxes</b>	<b>2,732</b>	<b>2,499</b>	<b>5,339</b>	<b>5,177</b>
Income taxes	(874)	(824)	(1,741)	(1,701)
<b>Net income (loss)</b>	<b>1,858</b>	<b>1,675</b>	<b>3,598</b>	<b>3,476</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	103	87	203	181
Shareholders	1,755	1,588	3,395	3,295
Basic earnings per share in €	3.87	3.50	7.48	7.27
Diluted earnings per share in €	3.84	3.47	7.41	7.18

1 – Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

2 – For the three months ended 30 June 2014, expenses for premium refunds (net) in the business segment Property-Casualty of € (72) MN (2Q 2013: € (37) MN) are included. For the six months ended 30 June 2014, expenses for premium refunds (net) in the business segment Property-Casualty of € (131) MN (6M 2013: € (100) MN) are included.

## Risk management

Risk management is an integral part of our business and supports our value-based management. For further information, please refer to the Risk and Opportunity Report in our Annual Report 2013. The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of its risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs. The risk profile described in the latest Risk and Opportunity Report remains unchanged. As a reminder, Allianz continues to be exposed to two external forces which affect our risk profile and would not normally be associated with our core operating activities: the European sovereign debt crisis and regulatory developments – especially the European solvency directive, Solvency II. The current crisis in the Ukraine and prolonged instability in the region have only limited impact on Allianz's risk profile. Allianz's exposure to the Ukraine is immaterial, while Allianz's exposure to Russia is within our risk appetite and manageable, given that the Russian exposure is to a large extent currency hedged. Therefore, the Ukrainian crisis may only have a material negative impact on Allianz's risk profile in case of a significant escalation of the crisis with subsequent strong spillover effects onto global markets.

### THE EUROPEAN SOVEREIGN DEBT CRISIS

The European sovereign debt crisis remained subdued and the Eurozone continued its moderate growth. In the second quarter, several European sovereign ratings or rating outlooks improved, following the continuing economic and fiscal stabilization of some member states. Against this backdrop, a stabilization of several peripheral government spreads was observable. Despite the recent calming of financial markets, many of the root causes of the sovereign debt crisis remain unresolved and markets could fluctuate widely again in the future, having adverse implications for Allianz's balance sheet.

Our management is continuously monitoring and responding to these external developments. This is supported by operational contingency planning for Allianz SE and its operating entities, with scenario analysis being conducted regularly. In addition, we further seek to optimize our product design and pricing in the Life/Health business segment with respect to guarantees and surrender conditions. Looking forward, our robust actions to deal with the various crisis scenarios have bolstered our financial and operational resilience to strong shock scenarios. Continuous monitoring remains a priority to ensure the sustained effectiveness of our contingency measures.

### REGULATORY DEVELOPMENTS

In July 2013, the Financial Stability Board designated Allianz as one of nine G-SII firms (Global Systemically Important Insurers). In November 2013, the European Trialogue process involving the Council of the European Union and the European Parliament came to an agreement on the Solvency II "Omnibus II" directive, allowing the new risk-based solvency capital framework for the E.U. to proceed with a planned introduction date of January 2016. This was approved by the European Parliament in March 2014. Although details of future regulatory requirements, especially Solvency II and those applying to G-SIIs, are becoming clearer, the final rules are still evolving. This creates some uncertainties in terms of the ultimate capital requirements for Allianz.

In addition, due to the market value balance sheet approach, the Solvency II regime will lead to higher volatility in regulatory capital requirements compared to Solvency I. Finally, the multiplicity of different regulatory regimes, capital standards and reporting requirements will increase operational costs.

## Events after the balance sheet date

For information on events after the balance sheet date, please refer to note 41 to the condensed consolidated interim financial statements.

## Other information

### BUSINESS OPERATIONS AND GROUP STRUCTURE

The Allianz Group's business operations and structure are described in the Business Operations and Markets chapter in our Annual Report 2013. Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

### STRATEGY

The Allianz Group's strategy is described in the Strategy and Steering chapter in our Annual Report 2013. There have been no material changes to our Group strategy.

### PRODUCTS, SERVICES AND SALES CHANNELS

For an overview of the products and services offered by the Allianz Group, as well as sales channels, please refer to the Business Operations and Markets chapter in our Annual Report 2013. Information on our brand can also be found in the Progress in Sustainable Development chapter in our Annual Report 2013.

# Property-Casualty Insurance Operations

SECOND QUARTER 2014

- Gross premiums written at € 10.8 BN.
- Operating profit grew 14.2 % to € 1,346 MN, benefiting from a strong underwriting result.
- Combined ratio at 94.6 %.

## Business segment overview

Our Property-Casualty business offers a wide range of products and services for both private and corporate clients. Our offerings cover many insurance classes such as motor, accident/disability, property and general liability. We conduct business worldwide in more than 50 countries. We are also a global leader in travel insurance, assistance services and credit insurance. We distribute our products via a broad network of agents, brokers, banks and other strategic partners, as well as through direct channels.

## Key figures

### KEY FIGURES PROPERTY-CASUALTY

€ MN	2014	2013
three months ended 30 June		
Gross premiums written	10,846	10,754
Operating profit	1,346	1,179
Net income	969	1,001
Loss ratio in %	66.2	67.3
Expense ratio in %	28.4	28.7
Combined ratio in %	94.6	96.0

## Gross premiums written<sup>1</sup>

### 2014 TO 2013 SECOND QUARTER COMPARISON

On a nominal basis, we recorded *gross premiums written* of € 10,846 MN, up € 92 MN – or 0.9% – compared to the second quarter of 2013. Unfavorable foreign currency translation effects were € 284 MN, largely due to the depreciation of the Australian Dollar, the Argentine Peso, the Brazilian Real and the Turkish Lira against the Euro.<sup>2</sup> Consolidation/deconsolidation effects were positive and amounted to € 95 MN. These mainly stemmed from our acquisition of Yapı Kredi Sigorta in Turkey in the third quarter of 2013.

On an internal basis, our gross premiums written increased by 2.6%. The negative price effect of 0.4% was more than offset by the positive volume effect of 3.0%. We experienced solid growth in Germany, in the United Kingdom, at AGCS and Allianz Worldwide Partners.

To analyze internal premium growth in terms of price and volume, we use four clusters based on 2Q 2014 internal growth over 2Q 2013:

#### Cluster 1:

Overall growth – both price and volume effects are positive.

#### Cluster 2:

Overall growth – either price or volume effects are positive.

#### Cluster 3:

Overall decline – either price or volume effects are negative.

#### Cluster 4:

Overall decline – both price and volume effects are negative.

Cluster 4 is not shown in this quarter as none of our operating entities represented here recorded both negative price and volume effects.

<sup>1</sup> – We comment on the development of our gross premiums written on an internal basis; i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

<sup>2</sup> – Based on the quarterly average exchange rates in 2014 compared to 2013.

## CLUSTER 1

In the *United Kingdom* gross premiums increased to € 694 MN. The strong growth of 15.5% on an internal basis was largely due to higher volumes in our motor business and tariff increases in most of our lines.

At *Allianz Worldwide Partners* gross premiums totaled € 689 MN. The rise of 7.0% on an internal basis benefited from volume increases in our U.S., French, German and U.K. travel business.

In *Germany* gross premiums went up to € 1,785 MN. The internal growth of 6.0% stemmed mainly from our motor and commercial non-motor business with positive volume and price impacts.

In *Asia-Pacific* gross premiums amounted to € 165 MN. The main contributor to the 5.2% increase on an internal basis was a strong growth in our motor business in Malaysia.

In *Spain* gross premiums climbed to € 500 MN, up 2.9% on an internal basis. This reflected both higher volumes and tariff increases across all lines of business.

## CLUSTER 2

At *AGCS* gross premiums grew to € 1,264 MN – an increase of 3.8% on an internal basis. This was supported by higher volumes in our engineering and marine insurance business. Price decreases, in particular in our aviation and energy lines, had a partly offsetting effect.

In *Australia* gross premiums stood at € 704 MN. The internal growth of 2.3% was largely attributable to higher volumes in our motor business, which more than compensated for declining tariffs in most of our lines.

In *France* we recorded gross premiums of € 903 MN. We expanded by 1.0% on an internal basis benefiting from price increases across all lines of business.

In *Central and Eastern Europe* gross premiums amounted to € 555 MN. On an internal basis, we grew by 0.9% with our motor business in the Czech Republic being the main driver. The overall price effect was negative.

In the *United States* we recorded gross premiums of € 496 MN. The increase of 0.4% on an internal basis was driven by tariff increases in our retail lines. Volume declines in our commercial lines, which continued to be impacted by our strict underwriting discipline, had a partially offsetting effect.

In *Switzerland* gross premiums were flat at € 152 MN. Although we generated higher volumes, particularly in our motor business, these could not overcompensate for the overall negative price effect.

## CLUSTER 3

In *Italy* gross premiums decreased to € 1,011 MN – a drop of 2.2% on an internal basis. This was largely attributable to falling prices, mainly in our motor business. Despite regulatory changes weighing on volumes, increases in our motor business – in particular in our direct channel – led to a positive volume effect.

In *Turkey* gross premiums amounted to € 257 MN. The decrease of 11.1% on an internal basis was due to volume decreases in our motor business impacted by tax changes negatively affecting car sales.

In *Latin America* gross premiums went down to € 524 MN – a decline of 1.3% on an internal basis. We experienced volume reductions mainly in Brazil due to the ongoing stabilization phase of a new IT platform.

In *Credit Insurance* gross premiums decreased to € 530 MN, down 0.6% on an internal basis. Main drivers were increased competition for new business and flat turnover volumes in a soft market.

## 2014 TO 2013 FIRST HALF YEAR COMPARISON

On a nominal basis, *gross premiums written* increased by 0.4%. Adjusted for foreign currency translation and (de-)consolidation effects, this represents a rise of 2.2%. This was comprised of a positive volume effect of 2.1% and a positive price effect of 0.1%.

## Operating profit

### OPERATING PROFIT

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Underwriting result	516	357	1,221	897
Operating investment income (net)	806	784	1,553	1,547
Other result <sup>1</sup>	24	38	61	54
<b>Operating profit</b>	<b>1,346</b>	<b>1,179</b>	<b>2,835</b>	<b>2,498</b>

<sup>1</sup> — Consists of fee and commission income/expenses, other income/expenses and restructuring charges.

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## 2014 TO 2013 SECOND QUARTER COMPARISON

**Operating profit** increased by € 167 MN or 14.2% to € 1,346 MN driven by a strong underwriting result.

Our **underwriting result** grew by € 159 MN to € 516 MN. This was largely due to an improvement in our accident year loss ratio, which was supported by a lower impact from natural catastrophes. This result was partially offset by higher large losses and by a less favorable run-off compared to the second quarter of 2013.

The **combined ratio** improved by 1.4 percentage points to 94.6%.

### UNDERWRITING RESULT

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Premiums earned (net)	10,701	10,379	21,111	20,691
Accident year claims	(7,452)	(7,579)	(14,432)	(14,543)
Previous year claims (run-off)	366	595	619	746
Claims and insurance benefits incurred (net)	(7,086)	(6,984)	(13,813)	(13,797)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(3,036)	(2,976)	(5,948)	(5,885)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds) <sup>1</sup>	(63)	(62)	(129)	(112)
<b>Underwriting result</b>	<b>516</b>	<b>357</b>	<b>1,221</b>	<b>897</b>

1 – Consists of the underwriting-related part (aggregate policy reserves and other insurance reserves) of “change in reserves for insurance and investment contracts (net)”. For further information, please refer to note 29 to the condensed consolidated interim financial statements.

Our **accident year loss ratio** stood at 69.6% – a 3.4 percentage point improvement compared to the previous year’s figure. After the heavily burdened second quarter of the previous year, net losses from natural catastrophes dropped from € 549 MN to € 172 MN, decreasing their impact by 3.7 percentage points to 1.6%.

Excluding losses from natural catastrophes, our accident year loss ratio was at 68.0%, a 0.3 percentage point deterioration from the second quarter of 2013. This was mainly driven by higher large losses in our global lines which offset the favorable development in the attritional losses in our European core markets.

The following operations contributed positively to the development of our accident year loss ratio:

**Germany:** 2.9 percentage points. This was largely attributable to a reduced burden from natural catastrophes compared to the second quarter of the previous year which was severely impacted by the Frederic flood and the Manni/Norbert storm. The improvement was further supported by lower attritional claims and a favorable price momentum, particularly in our motor and commercial non-motor business.

**Reinsurance:** 0.5 percentage points. The development resulted from lower losses from natural catastrophes, despite an increased impact from large losses.

**Switzerland:** 0.4 percentage points. This was due to lower natural catastrophe losses and large claims than in the second quarter of the previous year.

**France:** 0.2 percentage points. This was supported by an improvement in the attritional losses – including a lower impact from large claims – despite the higher burden from natural catastrophes driven by storm Ela in the second quarter of 2014.

The following operations contributed negatively to the development of our accident year loss ratio:

**United States:** 0.4 percentage points. The negative impact stemmed mainly from higher weather-related claims and large losses in our property business.

Our **run-off result** decreased by € 229 MN to € 366 MN – resulting in a run-off ratio of 3.4%. This change primarily reflects the previous year quarter’s rather high level of run-off and reserve strengthening in certain operating entities in the second quarter of 2014.

In the second quarter of 2014, total expenses amounted to € 3,036 MN, compared to € 2,976 MN in the same period of 2013. Our **expense ratio** improved by 0.3 percentage points to 28.4%. This mainly resulted from an increased premium base, the absence of the fire levy in Australia and improvements in productivity.

### OPERATING INVESTMENT INCOME (NET)<sup>1</sup>

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Interest and similar income (net of interest expenses)	923	925	1,763	1,797
Operating income from financial assets and liabilities carried at fair value through income (net)	2	(35)	16	(27)
Operating realized gains/losses (net)	29	15	55	30
Operating impairments of investments (net)	(1)	(7)	(6)	(8)
Investment expenses	(75)	(77)	(144)	(145)
Expenses for premium refunds (net) <sup>2</sup>	(72)	(37)	(131)	(100)
<b>Operating investment income (net)</b>	<b>806</b>	<b>784</b>	<b>1,553</b>	<b>1,547</b>

1 – The operating investment income (net) for our Property-Casualty business segment consists of the operating investment result – as shown in note 4 to the condensed consolidated interim financial statements – and expenses for premium refunds (net) (policyholder participation) as shown in note 29 to the condensed consolidated interim financial statements.

2 – Refers to policyholder participation, mainly from APR (accident insurance with premium refunds) business, and consists of the investment-related part of “change in reserves for insurance and investment contracts (net)”. For further information, please refer to note 29 to the condensed consolidated interim financial statements.

*Operating investment income (net)* increased by € 22 MN to € 806 MN. This was largely driven by an improved foreign currency result.

*Interest and similar income (net of interest expenses)* remained flat, as the lower income on debt securities was compensated for by increased income on equities. The average asset base<sup>1</sup> decreased by 1.6% from € 105.6 BN in the second quarter of 2013 to € 103.9 BN in the second quarter of 2014.

*Operating income from financial assets and liabilities carried at fair value through income (net)* rose by € 37 MN to a profit of € 2 MN. The increase was mainly because of a positive development in the foreign currency result.

*Operating realized gains and losses (net)* grew by € 14 MN to € 29 MN reflecting the higher realization on equities in the second quarter of 2014 compared to previous year's figure.

*Expenses for premium refunds (net)* increased by € 35 MN to € 72 MN due to a higher policyholder participation, mainly from our APR (accident insurance with premium refunds) business.

#### OTHER RESULT

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Fee and commission income	302	307	608	597
Other income	10	11	39	19
Fee and commission expenses	(279)	(273)	(570)	(548)
Other expenses	(8)	(6)	(14)	(11)
Restructuring charges	(1)	(1)	(2)	(3)
<b>Other result</b>	<b>24</b>	<b>38</b>	<b>61</b>	<b>54</b>

#### 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Operating profit* rose by € 337 MN to € 2,835 MN. This improvement was driven by our strong underwriting result. The operating investment income (net) remained stable at € 1,553 MN.

Our *combined ratio* improved by 1.5 percentage points to 93.6% benefiting from a 2.0 percentage points lower accident year loss ratio. This favorable development was largely due to a lower impact from natural catastrophes and an improvement in our underlying claims development, which more than offset higher large losses. The improvement in the combined ratio was further supported by a lower expense ratio despite a 0.7 percentage point decrease due to an unfavorable movement in our run-off ratio.

## Net income

#### 2014 TO 2013 SECOND QUARTER COMPARISON

*Net income* decreased by € 32 MN to € 969 MN driven mainly by some major realizations from the previous year's quarter that did not reoccur and by the increased effective tax rate. This was because of the higher tax-exempt income in the second quarter of the previous year.

#### 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Net income* fell by € 404 MN to € 1,614 MN largely due to the one-off effect from the inter-segment pension revaluation<sup>2</sup> recorded in the first quarter of 2014.

<sup>1</sup> – Including French health business, excluding fair value option and trading.

<sup>2</sup> – For further information on the one-off effect from pension revaluation, please refer to note 4 to the condensed consolidated interim financial statements.



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## PROPERTY-CASUALTY BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Gross premiums written<sup>1</sup></b>	<b>10,846</b>	<b>10,754</b>	<b>26,063</b>	<b>25,951</b>
Ceded premiums written	(936)	(1,121)	(2,163)	(2,431)
Change in unearned premiums	791	746	(2,789)	(2,829)
<b>Premiums earned (net)</b>	<b>10,701</b>	<b>10,379</b>	<b>21,111</b>	<b>20,691</b>
Interest and similar income	939	932	1,792	1,819
Operating income from financial assets and liabilities carried at fair value through income (net)	2	(35)	16	(27)
Operating realized gains/losses (net)	29	15	55	30
Fee and commission income	302	307	608	597
Other income	10	11	39	19
<b>Operating revenues</b>	<b>11,983</b>	<b>11,609</b>	<b>23,621</b>	<b>23,129</b>
Claims and insurance benefits incurred (net)	(7,086)	(6,984)	(13,813)	(13,797)
Change in reserves for insurance and investment contracts (net)	(135)	(99)	(260)	(212)
Interest expenses	(16)	(7)	(29)	(22)
Operating impairments of investments (net)	(1)	(7)	(6)	(8)
Investment expenses	(75)	(77)	(144)	(145)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(3,036)	(2,976)	(5,948)	(5,885)
Fee and commission expenses	(279)	(273)	(570)	(548)
Restructuring charges	(1)	(1)	(2)	(3)
Other expenses	(8)	(6)	(14)	(11)
<b>Operating expenses</b>	<b>(10,637)</b>	<b>(10,430)</b>	<b>(20,786)</b>	<b>(20,631)</b>
<b>Operating profit</b>	<b>1,346</b>	<b>1,179</b>	<b>2,835</b>	<b>2,498</b>
Non-operating items	84	212	(492)	340
<b>Income before income taxes</b>	<b>1,430</b>	<b>1,391</b>	<b>2,343</b>	<b>2,838</b>
Income taxes	(461)	(390)	(729)	(820)
<b>Net income</b>	<b>969</b>	<b>1,001</b>	<b>1,614</b>	<b>2,018</b>
Loss ratio <sup>2</sup> in %	66.2	67.3	65.4	66.7
Expense ratio <sup>3</sup> in %	28.4	28.7	28.2	28.4
<b>Combined ratio<sup>4</sup> in %</b>	<b>94.6</b>	<b>96.0</b>	<b>93.6</b>	<b>95.1</b>

1 – For the Property-Casualty business segment, total revenues are measured based upon gross premiums written.

2 – Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

3 – Represents acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, divided by premiums earned (net).

4 – Represents the total of acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).

## Property-Casualty insurance operations by reportable segments – second quarter

### PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
	2014	2013	internal <sup>1</sup>		2014	2013	2014	2013
			2014	2013				
three months ended 30 June								
Germany <sup>2</sup>	1,785	1,669	1,785	1,684	1,971	1,860	324	(53)
Switzerland	152	151	151	151	352	348	49	30
Austria	222	216	222	216	209	202	25	10
<b>German Speaking Countries<sup>2</sup></b>	<b>2,159</b>	<b>2,055</b>	<b>2,158</b>	<b>2,051</b>	<b>2,532</b>	<b>2,426</b>	<b>398</b>	<b>(5)</b>
Italy	1,011	1,034	1,011	1,034	969	993	246	322
France	903	894	903	894	975	951	107	120
Benelux <sup>3</sup>	261	262	261	259	267	268	20	31
Turkey <sup>4</sup>	257	225	200	225	227	146	16	13
Greece	27	26	27	26	23	21	3	4
Africa	15	16	15	16	14	13	(1)	3
<b>Western &amp; Southern Europe<sup>5</sup></b>	<b>2,474</b>	<b>2,457</b>	<b>2,417</b>	<b>2,454</b>	<b>2,475</b>	<b>2,392</b>	<b>393</b>	<b>496</b>
Latin America	524	630	622	630	436	444	4	34
Spain	500	486	500	486	454	452	64	63
Portugal	68	66	68	66	69	67	7	6
<b>Iberia &amp; Latin America</b>	<b>1,092</b>	<b>1,182</b>	<b>1,190</b>	<b>1,182</b>	<b>959</b>	<b>963</b>	<b>75</b>	<b>103</b>
United States	496	520	522	520	420	461	(33)	56
<b>USA<sup>6</sup></b>	<b>496</b>	<b>520</b>	<b>522</b>	<b>520</b>	<b>420</b>	<b>461</b>	<b>(33)</b>	<b>56</b>
Allianz Global Corporate & Specialty	1,264	1,237	1,284	1,237	744	708	102	86
Reinsurance PC	684	661	684	661	756	724	130	66
Australia	704	767	785	767	537	560	105	133
United Kingdom	694	576	665	576	586	523	48	46
Credit Insurance	530	539	531	534	366	377	124	116
Ireland	115	112	115	112	94	94	9	14
<b>Global Insurance Lines &amp; Anglo Markets<sup>7</sup></b>	<b>3,991</b>	<b>3,892</b>	<b>4,064</b>	<b>3,887</b>	<b>3,083</b>	<b>2,986</b>	<b>519</b>	<b>461</b>
Russia	148	180	172	180	139	142	(82)	(6)
Poland	102	110	102	110	87	85	5	1
Hungary	62	59	64	59	58	57	6	2
Slovakia	74	72	74	72	67	65	10	13
Czech Republic	74	69	78	69	61	54	5	6
Romania	46	44	47	44	37	37	2	1
Bulgaria	23	22	23	22	14	14	1	4
Croatia	23	24	23	24	19	19	2	3
Ukraine	4	3	6	3	2	1	–	–
<b>Central and Eastern Europe<sup>8</sup></b>	<b>555</b>	<b>582</b>	<b>587</b>	<b>582</b>	<b>484</b>	<b>474</b>	<b>(52)</b>	<b>23</b>
Asia-Pacific	165	174	183	174	107	95	15	19
Middle East and North Africa	19	18	20	18	12	12	2	2
<b>Growth Markets</b>	<b>739</b>	<b>774</b>	<b>790</b>	<b>774</b>	<b>603</b>	<b>581</b>	<b>(35)</b>	<b>44</b>
Allianz Global Assistance	530	483	526	483	494	458	29	22
Allianz Worldwide Care	139	119	139	119	118	102	9	9
<b>Allianz Worldwide Partners<sup>9</sup></b>	<b>689</b>	<b>640</b>	<b>685</b>	<b>640</b>	<b>629</b>	<b>570</b>	<b>28</b>	<b>24</b>
Consolidation <sup>10</sup>	(794)	(766)	(798)	(760)	–	–	1	–
<b>Total</b>	<b>10,846</b>	<b>10,754</b>	<b>11,028</b>	<b>10,748</b>	<b>10,701</b>	<b>10,379</b>	<b>1,346</b>	<b>1,179</b>

1 – This reflects gross premiums written on an internal basis, adjusted for foreign currency translation and (de-)consolidation effects.

2 – Starting from 2014 "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 30 MN, premiums earned (net) of € 14 MN and operating profit of € 10 MN. Prior period figures were not adjusted. Contribution to German Speaking Countries before consolidation in 2Q 2013 was gross written premiums of € 19 MN, premiums earned (net) of € 16 MN and operating profit of € 8 MN.

3 – Belgium and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

4 – On 12 July 2013, Allianz Group acquired Yapı Kredi Bank's shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta.

5 – Contains € 2 MN and € 3 MN operating profit for 2Q 2014 and 2Q 2013, respectively, from a management holding located in Luxembourg.

6 – The reserve strengthening for asbestos risks in 2Q 2014 at Fireman's Fund Insurance company of € 79 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.

%	Combined ratio		Loss ratio		Expense ratio	
	2014	2013	2014	2013	2014	2013
three months ended 30 June						
Germany <sup>2</sup>	92.0	110.6	66.7	82.9	25.3	27.7
Switzerland	91.8	97.2	68.3	74.1	23.5	23.1
Austria	91.8	99.0	66.0	71.9	25.8	27.1
<b>German Speaking Countries<sup>2</sup></b>	<b>91.9</b>	<b>107.3</b>	<b>66.8</b>	<b>80.5</b>	<b>25.1</b>	<b>26.8</b>
Italy	82.8	76.4	55.8	51.6	27.0	24.8
France	97.0	96.3	67.0	67.1	30.0	29.2
Benelux <sup>3</sup>	100.3	96.4	69.8	66.5	30.5	29.9
Turkey <sup>4</sup>	101.2	96.8	78.5	72.0	22.7	24.8
Greece	91.5	81.1	55.5	46.9	36.0	34.2
Africa	112.9	92.8	56.7	41.4	56.2	51.4
<b>Western &amp; Southern Europe<sup>5</sup></b>	<b>92.2</b>	<b>87.9</b>	<b>63.8</b>	<b>60.6</b>	<b>28.4</b>	<b>27.3</b>
Latin America	104.4	98.7	72.7	65.2	31.7	33.5
Spain	90.0	90.0	69.5	68.2	20.5	21.8
Portugal	94.3	94.4	70.9	70.9	23.4	23.5
<b>Iberia &amp; Latin America</b>	<b>96.9</b>	<b>94.3</b>	<b>71.1</b>	<b>67.0</b>	<b>25.8</b>	<b>27.3</b>
United States	121.2	100.2	81.9	64.4	39.3	35.8
<b>USA<sup>6</sup></b>	<b>121.2</b>	<b>100.2</b>	<b>81.9</b>	<b>64.4</b>	<b>39.3</b>	<b>35.8</b>
Allianz Global Corporate & Specialty	97.4	98.1	70.3	69.1	27.1	29.0
Reinsurance PC	86.4	95.1	59.1	68.2	27.3	26.9
Australia	90.7	86.8	65.4	60.6	25.3	26.2
United Kingdom	96.4	96.3	63.9	65.9	32.5	30.4
Credit Insurance	75.0	77.8	44.4	47.8	30.6	30.0
Ireland	98.3	91.5	68.4	61.5	29.9	30.0
<b>Global Insurance Lines &amp; Anglo Markets<sup>7</sup></b>	<b>90.8</b>	<b>92.2</b>	<b>62.4</b>	<b>63.8</b>	<b>28.4</b>	<b>28.4</b>
Russia	165.3	111.7	118.1	69.6	47.2	42.1
Poland	99.0	103.3	64.2	67.9	34.8	35.4
Hungary	100.7	106.7	63.2	67.9	37.5	38.8
Slovakia	87.9	86.7	57.4	56.2	30.5	30.5
Czech Republic	93.2	92.2	64.6	61.2	28.6	31.0
Romania	100.8	104.3	71.6	73.1	29.2	31.2
Bulgaria	96.9	79.7	68.1	48.8	28.8	30.9
Croatia	95.0	91.6	53.8	52.0	41.2	39.6
Ukraine	116.3	127.0	58.4	66.9	57.9	60.1
<b>Central and Eastern Europe<sup>8</sup></b>	<b>116.0</b>	<b>102.1</b>	<b>79.0</b>	<b>65.2</b>	<b>37.0</b>	<b>36.9</b>
Asia-Pacific	93.4	88.4	64.3	57.6	29.1	30.8
Middle East and North Africa	98.4	95.8	67.1	61.5	31.3	34.3
<b>Growth Markets</b>	<b>111.8</b>	<b>99.7</b>	<b>76.1</b>	<b>63.9</b>	<b>35.7</b>	<b>35.8</b>
Allianz Global Assistance	95.5	96.8	62.2	61.5	33.3	35.3
Allianz Worldwide Care	92.4	91.8	72.1	72.5	20.3	19.3
<b>Allianz Worldwide Partners<sup>9</sup></b>	<b>96.5</b>	<b>97.0</b>	<b>64.5</b>	<b>63.8</b>	<b>32.0</b>	<b>33.2</b>
Consolidation <sup>10</sup>	–	–	–	–	–	–
<b>Total</b>	<b>94.6</b>	<b>96.0</b>	<b>66.2</b>	<b>67.3</b>	<b>28.4</b>	<b>28.7</b>

7 – Contains € 1 MN and € 0 MN operating profit for 2Q 2014 and 2Q 2013, respectively, from AGF UK.

8 – Contains income and expense items from a management holding and consolidations between countries in this region.

9 – The reportable segment Allianz Worldwide Partners includes the business of Allianz Global Assistance and Allianz Worldwide Care as well as the reinsurance business of Allianz Global Automotive and income and expenses of a management holding. The set-up of this division will be further enhanced during

the following quarters. The reinsurance business of Allianz Global Automotive contributed with gross premiums written of € 20 MN, premiums earned (net) of € 17 MN and an operating loss of € 0.4 MN for 2Q 2014 and with gross premiums written of € 38 MN, premiums earned (net) of € 10 MN and an operating loss of € 6 MN for 2Q 2013.

10 – Represents elimination of transactions between Allianz Group companies in different geographic regions.

## Property-Casualty insurance operations by reportable segments – first half year

### PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
	2014	2013	internal <sup>1</sup>		2014	2013	2014	2013
			2014	2013				
six months ended 30 June								
Germany <sup>2,3</sup>	5,875	5,669	5,875	5,690	3,842	3,711	654	266
Switzerland	1,096	1,103	1,091	1,103	720	717	110	89
Austria	572	566	572	566	418	401	41	28
<b>German Speaking Countries<sup>3</sup></b>	<b>7,543</b>	<b>7,365</b>	<b>7,538</b>	<b>7,359</b>	<b>4,980</b>	<b>4,849</b>	<b>805</b>	<b>393</b>
Italy	1,972	2,012	1,972	2,012	1,927	1,959	459	528
France	2,346	2,359	2,346	2,359	1,951	1,885	235	223
Benelux <sup>4</sup>	660	676	660	673	534	542	42	50
Turkey <sup>5</sup>	547	436	447	436	441	276	39	30
Greece	58	56	58	56	45	41	10	8
Africa	56	54	56	54	30	27	3	4
<b>Western &amp; Southern Europe<sup>6</sup></b>	<b>5,639</b>	<b>5,593</b>	<b>5,539</b>	<b>5,590</b>	<b>4,928</b>	<b>4,730</b>	<b>792</b>	<b>850</b>
Latin America	923	1,197	1,127	1,197	846	884	45	73
Spain	1,114	1,100	1,114	1,100	894	899	131	114
Portugal	184	183	184	183	135	132	12	10
<b>Iberia &amp; Latin America</b>	<b>2,221</b>	<b>2,480</b>	<b>2,425</b>	<b>2,480</b>	<b>1,875</b>	<b>1,915</b>	<b>188</b>	<b>197</b>
United States	912	972	953	972	825	924	(9)	103
<b>USA<sup>7</sup></b>	<b>912</b>	<b>972</b>	<b>953</b>	<b>972</b>	<b>825</b>	<b>924</b>	<b>(9)</b>	<b>103</b>
Allianz Global Corporate & Specialty	2,853	2,803	2,890	2,803	1,465	1,438	245	178
Reinsurance PC <sup>2</sup>	2,252	2,115	2,252	2,113	1,504	1,458	292	110
Australia	1,278	1,452	1,475	1,452	1,057	1,159	155	198
United Kingdom	1,332	1,171	1,285	1,171	1,147	1,040	78	101
Credit Insurance	1,142	1,138	1,144	1,129	744	721	236	204
Ireland	235	224	235	224	184	187	14	21
<b>Global Insurance Lines &amp; Anglo Markets<sup>8</sup></b>	<b>9,092</b>	<b>8,903</b>	<b>9,281</b>	<b>8,892</b>	<b>6,101</b>	<b>6,003</b>	<b>1,020</b>	<b>812</b>
Russia	379	400	447	400	289	288	(133)	(6)
Poland	215	219	215	219	173	170	9	4
Hungary	149	145	154	145	111	113	11	8
Slovakia	181	177	181	177	131	131	30	26
Czech Republic	148	143	158	143	118	111	20	12
Romania	99	93	101	93	73	73	4	2
Bulgaria	39	37	39	37	30	31	6	9
Croatia	51	52	51	52	38	38	5	6
Ukraine	9	9	12	9	4	3	(1)	1
<b>Central and Eastern Europe<sup>9</sup></b>	<b>1,268</b>	<b>1,274</b>	<b>1,358</b>	<b>1,274</b>	<b>967</b>	<b>958</b>	<b>(52)</b>	<b>59</b>
Asia-Pacific	348	354	387	354	207	184	39	38
Middle East and North Africa	39	38	41	38	24	24	3	4
<b>Growth Markets</b>	<b>1,655</b>	<b>1,666</b>	<b>1,786</b>	<b>1,666</b>	<b>1,198</b>	<b>1,166</b>	<b>(10)</b>	<b>101</b>
Allianz Global Assistance	1,096	1,009	1,091	1,009	948	893	51	36
Allianz Worldwide Care	341	296	341	296	230	199	19	17
<b>Allianz Worldwide Partners<sup>10</sup></b>	<b>1,474</b>	<b>1,360</b>	<b>1,469</b>	<b>1,360</b>	<b>1,204</b>	<b>1,104</b>	<b>49</b>	<b>42</b>
Consolidation <sup>11</sup>	(2,473)	(2,388)	(2,478)	(2,379)	–	–	–	–
<b>Total</b>	<b>26,063</b>	<b>25,951</b>	<b>26,513</b>	<b>25,940</b>	<b>21,111</b>	<b>20,691</b>	<b>2,835</b>	<b>2,498</b>

1 – This reflects gross premiums written on an internal basis, adjusted for foreign currency translation and (de-)consolidation effects.

2 – The combined ratio at Germany and Reinsurance PC was impacted by a one-off effect related to the commutation of internal reinsurance resulting in a 1.8 percentage point improvement in the combined ratio for Germany and an increase of 4.5 percentage points in Reinsurance PC. This had no impact at Group level.

3 – Starting from 2014 "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 32 MN, premiums earned (net) of € 17 MN and operating profit of € 11 MN.

Prior period figures were not adjusted. Contribution to German Speaking Countries before consolidation in 6M 2013 was gross written premiums of € 27 MN, premiums earned (net) of € 20 MN and operating profit of € 10 MN.

4 – Belgium and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

5 – On 12 July 2013, Allianz Group acquired Yapi Kredi Bank's shareholding in the Turkish property-casualty insurance company Yapi Kredi Sigorta.

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%	Combined ratio		Loss ratio		Expense ratio	
	2014	2013	2014	2013	2014	2013
six months ended 30 June						
Germany <sup>2,3</sup>	91.3	101.1	65.7	75.7	25.6	25.4
Switzerland	90.4	93.3	67.6	71.2	22.8	22.1
Austria	93.9	97.7	67.3	70.4	26.6	27.3
<b>German Speaking Countries<sup>3</sup></b>	<b>91.4</b>	<b>99.4</b>	<b>66.1</b>	<b>74.4</b>	<b>25.3</b>	<b>25.0</b>
Italy	83.3	80.9	56.7	56.4	26.6	24.5
France	95.3	96.4	67.0	68.5	28.3	27.9
Benelux <sup>4</sup>	99.2	97.4	69.1	68.2	30.1	29.2
Turkey <sup>5</sup>	98.7	94.5	75.8	69.3	22.9	25.2
Greece	81.1	82.6	47.4	48.1	33.7	34.5
Africa	93.5	94.3	55.2	54.0	38.3	40.3
<b>Western &amp; Southern Europe<sup>6</sup></b>	<b>91.2</b>	<b>89.9</b>	<b>63.8</b>	<b>63.3</b>	<b>27.4</b>	<b>26.6</b>
Latin America	103.0	98.1	71.5	65.2	31.5	32.9
Spain	89.6	91.5	69.1	70.6	20.5	20.9
Portugal	95.3	96.8	72.6	73.3	22.7	23.5
<b>Iberia &amp; Latin America</b>	<b>96.0</b>	<b>94.9</b>	<b>70.4</b>	<b>68.3</b>	<b>25.6</b>	<b>26.6</b>
United States	114.2	100.9	76.4	65.1	37.8	35.8
<b>USA<sup>7</sup></b>	<b>114.2</b>	<b>100.9</b>	<b>76.4</b>	<b>65.1</b>	<b>37.8</b>	<b>35.8</b>
Allianz Global Corporate & Specialty	94.7	97.7	67.4	69.3	27.3	28.4
Reinsurance PC <sup>2</sup>	84.1	95.7	56.1	61.1	28.0	34.6
Australia	95.1	93.4	70.3	67.4	24.8	26.0
United Kingdom	98.0	95.8	66.0	64.7	32.0	31.1
Credit Insurance	76.4	81.1	46.8	52.5	29.6	28.6
Ireland	99.6	95.2	67.8	63.1	31.8	32.1
<b>Global Insurance Lines &amp; Anglo Markets<sup>8</sup></b>	<b>90.8</b>	<b>94.1</b>	<b>62.4</b>	<b>64.0</b>	<b>28.4</b>	<b>30.1</b>
Russia	152.0	108.5	104.3	67.1	47.7	41.4
Poland	99.3	102.1	64.8	67.3	34.5	34.8
Hungary	102.9	105.3	62.6	65.7	40.3	39.6
Slovakia	82.0	87.0	51.4	56.8	30.6	30.2
Czech Republic	84.9	91.2	56.8	62.6	28.1	28.6
Romania	101.5	102.9	71.7	72.4	29.8	30.5
Bulgaria	83.7	75.1	57.6	44.4	26.1	30.7
Croatia	93.0	91.3	54.2	53.3	38.8	38.0
Ukraine	122.2	116.8	60.7	61.1	61.5	55.7
<b>Central and Eastern Europe<sup>9</sup></b>	<b>111.0</b>	<b>100.2</b>	<b>73.4</b>	<b>64.1</b>	<b>37.6</b>	<b>36.1</b>
Asia-Pacific	89.0	88.1	59.6	57.4	29.4	30.7
Middle East and North Africa	98.5	95.6	64.2	62.2	34.3	33.4
<b>Growth Markets</b>	<b>107.0</b>	<b>98.2</b>	<b>70.9</b>	<b>63.0</b>	<b>36.1</b>	<b>35.2</b>
Allianz Global Assistance	95.7	97.7	61.6	62.5	34.1	35.2
Allianz Worldwide Care	92.2	92.0	73.7	73.9	18.5	18.1
<b>Allianz Worldwide Partners<sup>10</sup></b>	<b>96.6</b>	<b>97.6</b>	<b>64.4</b>	<b>64.6</b>	<b>32.2</b>	<b>33.0</b>
Consolidation <sup>11</sup>	–	–	–	–	–	–
<b>Total</b>	<b>93.6</b>	<b>95.1</b>	<b>65.4</b>	<b>66.7</b>	<b>28.2</b>	<b>28.4</b>

6 – Contains € 4 MN and € 7 MN operating profit for 6M 2014 and 6M 2013, respectively, from a management holding located in Luxembourg.

7 – The reserve strengthening for asbestos risks in 6M 2014 at Fireman's Fund Insurance company of € 79 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.

8 – Contains € 0.3 MN and € 0.2 MN operating loss for 6M 2014 and 6M 2013, respectively, from AGF UK.

9 – Contains income and expense items from a management holding and consolidations between countries in this region.

10 – The reportable segment Allianz Worldwide Partners includes the business of Allianz Global Assistance and Allianz Worldwide Care as well as the reinsurance business of Allianz Global Automotive and income and expenses of a management holding. The set-up of this division will be further enhanced during the following quarters. The reinsurance business of Allianz Global Automotive contributed with gross premiums written of € 37 MN, premiums earned (net) of € 26 MN and an operating loss of € 8 MN for 6M 2014 and with gross premiums written of € 55 MN, premiums earned (net) of € 12 MN and an operating loss of € 9 MN for 6M 2013.

11 – Represents elimination of transactions between Allianz Group companies in different geographic regions.

# Life/Health Insurance Operations

SECOND QUARTER 2014

- Statutory premiums grew 20.1 % to € 17.0 BN.
- Operating profit increased 47.1 % to € 984 MN.

## Business segment overview

Allianz offers a broad range of life, health, savings and investment-oriented products, including individual and group life insurance contracts. Via our distribution channels – mainly tied agents, brokers and bank partnerships – we offer life and health products to both private and corporate clients. As one of the worldwide market leaders in life business we serve customers in more than 45 countries.

## Key figures

### KEY FIGURES LIFE/HEALTH

€ MN	2014	2013
three months ended 30 June		
Statutory premiums	16,961	14,125
Operating profit <sup>1</sup>	984	669
Net income <sup>1</sup>	731	474
Margin on reserves (BPs) <sup>1,2</sup>	79	58

## Statutory premiums<sup>3,4</sup>

### 2014 TO 2013 SECOND QUARTER COMPARISON

On a nominal basis, *statutory premiums* amounted to € 16,961 MN, an increase of € 2,836 MN. Excluding unfavorable foreign currency translation effects of € 280 MN and positive consolidation/deconsolidation effects of € 166 MN – largely from our acquisition of Yapı Kredi in Turkey in the third quarter of 2013 – premiums increased by 20.9%, or € 2,950 MN, on an internal basis.

We recorded premium growth across most core markets – largely driven by our single premium business. Premium growth was particularly strong in the United States, Germany and Italy. These favorable developments were mainly due to the successful cooperation with and distribution via our bancassurance channel in many European markets and our broker channel in the United States.

Premiums in the *United States* increased to € 3,352 MN, representing growth of 96.9%. This was driven by stronger fixed-indexed annuity sales as a result of an innovative index strategy and higher penetration into the broker and dealer channel. This growth was partly offset by a decrease in the variable annuity business.

Premiums in *Central and Eastern Europe* increased to € 247 MN, representing growth of 34.0%. This largely relates to stronger sales of single premium investment-oriented products in the Czech Republic, Hungary and Poland.

In our *German* life business, premiums grew 21.0% to € 4,447 MN. This was driven by a strong increase in our single premium business with savings products while regular premiums were relatively flat. In particular the product *Perspektive* – which was launched in the second quarter of 2013 and balances reduced guarantees and higher expected returns for the policyholder with lower capital requirements for the shareholder – contributed a meaningful share to premium growth. Statutory premiums in our German health business decreased 2.3% to € 813 MN due to a lower contribution from full health care coverage business.

<sup>1</sup> – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

<sup>2</sup> – Represents annualized operating profit divided by the average of (a) the current quarter-end and previous quarter-end net reserves and (b) the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

<sup>3</sup> – Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

<sup>4</sup> – In the following section, we comment on the development of our statutory gross premiums written on an internal basis, i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

Premiums in *Italy* increased 17.1% to € 3,069 MN. This growth was mainly driven by our single premium savings business via bancassurance. This was partly offset by a decrease in single premium unit-linked business via the financial advisors channel.

In *Switzerland*, premiums totaled € 275 MN. The increase of 8.3% was primarily driven by our single premium group life business. This was partly offset by a more selective growth focus in our individual life business that resulted in a decrease of single and regular premiums.

In *Asia-Pacific*, premiums amounted to € 1,328 MN, a growth of 5.3%. This was largely driven by South Korea where we recorded higher sales of single premium investment-oriented products via the bancassurance channel. This growth was partly compensated by lower single premium unit-linked business in Taiwan.

Premiums in *France* decreased to € 2,076 MN, down 2.9%. This was mainly due to higher business volumes with Luxembourg as well as some large single premium contracts in our group pension business in the second quarter of 2013. However, the positive trend in terms of business mix continued with an increasing share of unit-linked products in our individual life business.

In *Benelux*<sup>1</sup>, we recorded premiums of € 570 MN, a decrease of 15.8%. This was mainly due to lower sales of investment-oriented products in Luxembourg after a strong second quarter in 2013.

Premiums in *Spain* dropped 26.8% to € 289 MN, mainly as the second quarter of 2013 witnessed exceptionally strong sales of unit-linked and other investment-oriented products.

## 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Statutory premiums* were 17.8% above the first half year of 2013 and amounted to € 34,124 MN. This represents an increase of 18.6% on an internal basis and was largely driven by our strong single premium fixed-indexed annuity business in the United States, and, to a lesser extent, by an increase in the savings product business in Germany and Italy.

## Operating profit

### 2014 TO 2013 SECOND QUARTER COMPARISON

*Operating profit* increased by € 315 MN to € 984 MN. This was mainly driven by an improved operating investment result, which was burdened by higher losses from the net of foreign currency translation effects and financial derivatives in the second quarter of 2013.

*Interest and similar income (net of interest expenses)* increased by € 100 MN and amounted to € 4,448 MN, driven by higher dividend income as well as higher interest income from debt investments as a result of an increased asset base.

*Operating income from financial assets and liabilities carried at fair value through income (net)* improved by € 651 MN to a loss of € 36 MN. This was largely due to significantly higher losses in the second quarter of 2013 from the net of foreign currency translation effects and financial derivatives used to manage duration and other interest rate-related exposures as well as to protect against equity and foreign currency fluctuations.

*Operating realized gains and losses (net)* increased by € 36 MN to € 754 MN. This was mainly the result of higher realizations on equity and real estate investments. Lower realizations on debt securities compared to the second quarter of 2013 partly compensated the increase.

*Operating impairments of investments (net)* improved by € 82 MN to € 50 MN. This was largely due to lower equity impairments – in line with favorable equity market developments.

*Fee and commission income* increased by € 93 MN to € 261 MN, mainly due to income generated by entities transferred from the business segment Asset Management.

*Claims and insurance benefits incurred (net)* increased by € 183 MN to € 5,173 MN, largely because of higher payments for maturities in Germany.

*Change in reserves for insurance and investment contracts (net)* increased by € 529 MN to € 3,457 MN. Largely related to Germany, this increase was driven by a higher change in reserves for premium refunds due to the improved investment result. We also had a lower increase in aggregate policy reserves because of higher maturities and lower net premiums earned.

*Investment expenses* increased by € 39 MN to € 232 MN. This was mainly due to investment management performance fees.

*Acquisition and administrative expenses (net)* amounted to € 1,448 MN, an improvement of € 30 MN. This was primarily a result of lower acquisition costs due to lower amortization of deferred acquisition costs in the United States. These were partly offset by higher administrative costs mainly related to the entities transferred from the business segment Asset Management.

<sup>1</sup> – Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

*Margin on reserves* improved from 58 to 79 basis points. This was primarily driven by the increased operating investment result.

Overall, the increase in operating profit was mainly driven by an increased investment margin in Germany. Additionally, increased interest rates in the second quarter of 2013 led to higher deferred acquisition cost amortization in the United States in the previous year's quarter. Our investment margin (i.e. investment income, net of hedged item movements and policyholder participation) improvement was driven by gains from the duration strategy and a recovery in the foreign currency result after the losses in the second quarter of 2013 on partially hedged emerging markets bonds. Strong fixed-indexed annuity business in the United States resulted in increased acquisition expenses which were largely offset by higher capitalization of deferred acquisition costs.

#### 2014 TO 2013 FIRST HALF YEAR COMPARISON

*Operating profit* increased by € 340 MN to € 1,864 MN. This was mainly driven by the improved operating investment result, which was burdened by higher losses from the net of foreign currency translation effects and financial derivatives in the second quarter of 2013. Additionally, the allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health contributed to this increase.

## Net income

In the second quarter of 2014, *net income* increased by € 257 MN to € 731 MN mainly due to strong operating performance. This strong operating performance is also the driver for the increase of € 258 MN to € 1,360 MN in the first six months of 2014. The effective tax rate amounted to 29.6% (2Q 2013: 30.3%) in the second quarter of 2014 and 29.2% (6M 2013: 30.0%) in the first six months of 2014.



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## LIFE/HEALTH BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Statutory premiums<sup>1</sup></b>	<b>16,961</b>	<b>14,125</b>	<b>34,124</b>	<b>28,962</b>
Ceded premiums written	(224)	(151)	(386)	(308)
Change in unearned premiums	(58)	(50)	(241)	(164)
<b>Statutory premiums (net)</b>	<b>16,679</b>	<b>13,924</b>	<b>33,497</b>	<b>28,490</b>
Deposits from insurance and investment contracts	(10,680)	(8,012)	(21,222)	(16,218)
<b>Premiums earned (net)</b>	<b>5,999</b>	<b>5,912</b>	<b>12,275</b>	<b>12,272</b>
Interest and similar income	4,471	4,369	8,630	8,446
Operating income from financial assets and liabilities carried at fair value through income (net)	(36)	(687)	(305)	(931)
Operating realized gains/losses (net)	754	718	1,581	1,617
Fee and commission income	261	168	490	308
Other income	33	31	82	80
<b>Operating revenues</b>	<b>11,482</b>	<b>10,511</b>	<b>22,753</b>	<b>21,792</b>
Claims and insurance benefits incurred (net)	(5,173)	(4,990)	(10,254)	(9,816)
Change in reserves for insurance and investment contracts (net)	(3,457)	(2,928)	(6,771)	(6,929)
Interest expenses	(23)	(21)	(48)	(40)
Operating impairments of investments (net)	(50)	(132)	(341)	(194)
Investment expenses	(232)	(193)	(427)	(383)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,448)	(1,478)	(2,701)	(2,726)
Fee and commission expenses	(93)	(74)	(180)	(130)
Operating amortization of intangible assets	(4)	–	(9)	–
Restructuring charges	8	(1)	8	(2)
Other expenses	(26)	(25)	(166)	(48)
<b>Operating expenses</b>	<b>(10,498)</b>	<b>(9,842)</b>	<b>(20,889)</b>	<b>(20,268)</b>
<b>Operating profit</b>	<b>984</b>	<b>669</b>	<b>1,864</b>	<b>1,524</b>
Non-operating items	54	11	58	51
<b>Income before income taxes</b>	<b>1,038</b>	<b>680</b>	<b>1,922</b>	<b>1,575</b>
Income taxes	(307)	(206)	(562)	(473)
<b>Net income</b>	<b>731</b>	<b>474</b>	<b>1,360</b>	<b>1,102</b>
Margin on reserves <sup>2</sup> in basis points	79	58	76	66

1 – Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 – Represents annualized operating profit divided by the average of (a) the current quarter-end and previous quarter-end net reserves and (b) the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

## Life/Health insurance operations by reportable segments – second quarter

### LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

	€ MN									
	Statutory premiums <sup>1</sup>				Premiums earned (net)		Operating profit (loss)		Margin on reserves <sup>2</sup> (BPs)	
			internal <sup>3</sup>							
three months ended 30 June	2014	2013	2014	2013	2014	2013	2014 <sup>4</sup>	2013	2014 <sup>4</sup>	2013
Germany Life	4,447	3,674	4,447	3,674	2,657	2,605	320	162	67	36
Germany Health	813	832	813	832	812	831	52	53	78	85
Switzerland	275	252	273	252	120	86	21	21	61	62
Austria	89	87	89	87	65	62	11	11	99	103
<b>German Speaking Countries</b>	<b>5,624</b>	<b>4,845</b>	<b>5,622</b>	<b>4,845</b>	<b>3,654</b>	<b>3,584</b>	<b>404</b>	<b>247</b>	<b>68</b>	<b>45</b>
Italy	3,069	2,620	3,069	2,620	108	109	78	74	59	63
France	2,076	2,139	2,076	2,139	911	849	93	123	46	67
Benelux <sup>5</sup>	570	677	570	677	130	131	35	33	91	92
Greece	22	23	22	23	13	14	(1)	–	(107)	– <sup>8</sup>
Turkey <sup>6</sup>	205	43	51	43	35	10	8	(1)	144	(87)
Africa	14	12	14	12	6	6	2	1	240	179
<b>Western &amp; Southern Europe</b>	<b>5,956</b>	<b>5,514</b>	<b>5,802</b>	<b>5,514</b>	<b>1,203</b>	<b>1,119</b>	<b>215</b>	<b>230</b>	<b>57</b>	<b>67</b>
Latin America	91	113	99	113	49	66	2	2	94	102
Spain	289	392	287	392	125	160	46	34	253	214
Portugal	72	52	72	52	20	21	6	5	411	400
<b>Iberia &amp; Latin America</b>	<b>452</b>	<b>557</b>	<b>458</b>	<b>557</b>	<b>194</b>	<b>247</b>	<b>54</b>	<b>41</b>	<b>247</b>	<b>215</b>
United States	3,352	1,788	3,520	1,788	232	220	203	100	108	56
<b>USA</b>	<b>3,352</b>	<b>1,788</b>	<b>3,520</b>	<b>1,788</b>	<b>232</b>	<b>220</b>	<b>203</b>	<b>100</b>	<b>108</b>	<b>56</b>
Reinsurance LH	141	134	141	134	102	110	18	(15)	380	(320)
<b>Global Insurance Lines &amp; Anglo Markets</b>	<b>141</b>	<b>134</b>	<b>141</b>	<b>134</b>	<b>102</b>	<b>110</b>	<b>18</b>	<b>(15)</b>	<b>380</b>	<b>(320)</b>
South Korea	409	318	395	318	134	124	10	2	40	7
Taiwan	435	520	462	520	42	40	–	(3)	– <sup>8</sup>	(17)
Indonesia	170	190	212	190	86	86	16	16	525	467
Malaysia	107	91	118	91	48	53	2	6	95	194
Japan	–	–	–	–	2	2	1	1	6	21
Other	207	227	230	227	134	159	18	17	214	203
<b>Asia-Pacific</b>	<b>1,328</b>	<b>1,346</b>	<b>1,417</b>	<b>1,346</b>	<b>446</b>	<b>464</b>	<b>47</b>	<b>39</b>	<b>82</b>	<b>70</b>
Poland	37	21	37	21	17	6	15	4	1,060	380
Slovakia	62	59	62	59	50	48	8	9	247	295
Hungary	43	31	45	31	12	12	3	3	348	281
Czech Republic	56	30	60	30	18	20	3	5	243	301
Russia	13	20	16	20	14	20	–	–	– <sup>8</sup>	– <sup>8</sup>
Croatia	19	15	19	15	18	16	4	1	569	189
Bulgaria	10	8	10	8	8	7	2	1	732	274
Romania	7	7	7	7	4	4	1	1	685	182
<b>Central and Eastern Europe<sup>7</sup></b>	<b>247</b>	<b>191</b>	<b>256</b>	<b>191</b>	<b>140</b>	<b>133</b>	<b>37</b>	<b>23</b>	<b>422</b>	<b>272</b>
Middle East and North Africa	39	40	41	40	28	34	6	4	357	283
Global Life	1	1	1	1	–	1	–	–	– <sup>8</sup>	– <sup>8</sup>
<b>Growth Markets</b>	<b>1,615</b>	<b>1,578</b>	<b>1,715</b>	<b>1,578</b>	<b>614</b>	<b>632</b>	<b>90</b>	<b>66</b>	<b>132</b>	<b>99</b>
Consolidation <sup>9</sup>	(179)	(291)	(183)	(291)	–	–	–	–	– <sup>8</sup>	– <sup>8</sup>
<b>Total</b>	<b>16,961</b>	<b>14,125</b>	<b>17,075</b>	<b>14,125</b>	<b>5,999</b>	<b>5,912</b>	<b>984</b>	<b>669</b>	<b>79</b>	<b>58</b>

1 – Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 – Represents annualized operating profit (loss) divided by the average of (a) the current quarter-end and previous quarter-end net reserves and (b) the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 – Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.

4 – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

5 – Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

6 – On 12 July 2013, the Allianz Group acquired Yapı Kredi Bank's 93.94% shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta, including its life and pension insurance subsidiary Yapı Kredi Emeklilik.

7 – Contains income and expense items from a management holding and consolidations between countries in this region.

8 – Presentation not meaningful.

9 – Represents elimination of transactions between Allianz Group companies in different geographic regions.

## Life/Health insurance operations by reportable segments – first half year

### LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

	Statutory premiums <sup>1</sup>				Premiums earned (net)		Operating profit (loss)		Margin on reserves <sup>2</sup> (BPS)	
			internal <sup>3</sup>							
	2014	2013	2014	2013	2014	2013	2014 <sup>4</sup>	2013	2014 <sup>4</sup>	2013
six months ended 30 June										
Germany Life	9,427	8,140	9,427	8,140	5,588	5,658	596	506	63	57
Germany Health	1,621	1,663	1,621	1,663	1,621	1,663	76	84	58	68
Switzerland	1,226	1,169	1,220	1,169	354	318	42	41	63	62
Austria	206	201	206	201	154	149	23	20	105	95
<b>German Speaking Countries</b>	<b>12,480</b>	<b>11,173</b>	<b>12,474</b>	<b>11,173</b>	<b>7,717</b>	<b>7,788</b>	<b>737</b>	<b>651</b>	<b>63</b>	<b>60</b>
Italy	5,439	4,715	5,439	4,715	239	240	125	155	48	67
France	4,548	4,407	4,548	4,407	1,750	1,673	238	238	60	64
Benelux <sup>5</sup>	1,654	1,366	1,654	1,366	260	263	67	59	87	83
Greece	46	48	46	48	27	28	(1)	(1)	(70)	(58)
Turkey <sup>6</sup>	366	76	96	76	66	19	12	(1)	112	(48)
Africa	30	30	30	30	14	14	3	2	228	192
<b>Western &amp; Southern Europe</b>	<b>12,083</b>	<b>10,642</b>	<b>11,813</b>	<b>10,642</b>	<b>2,356</b>	<b>2,237</b>	<b>444</b>	<b>452</b>	<b>60</b>	<b>67</b>
Latin America	162	189	177	189	77	92	3	3	63	95
Spain	642	705	636	705	225	245	94	67	265	207
Portugal	124	100	124	100	41	41	9	10	317	410
<b>Iberia &amp; Latin America</b>	<b>928</b>	<b>994</b>	<b>937</b>	<b>994</b>	<b>343</b>	<b>378</b>	<b>106</b>	<b>80</b>	<b>247</b>	<b>209</b>
United States	5,908	3,350	6,170	3,350	459	428	372	201	100	58
<b>USA</b>	<b>5,908</b>	<b>3,350</b>	<b>6,170</b>	<b>3,350</b>	<b>459</b>	<b>428</b>	<b>372</b>	<b>201</b>	<b>100</b>	<b>58</b>
Reinsurance LH	267	266	267	266	184	231	29	(8)	302	(81)
<b>Global Insurance Lines &amp; Anglo Markets</b>	<b>267</b>	<b>266</b>	<b>267</b>	<b>266</b>	<b>184</b>	<b>231</b>	<b>29</b>	<b>(8)</b>	<b>302</b>	<b>(81)</b>
South Korea	802	679	797	679	254	254	15	7	30	14
Taiwan	937	1,006	997	1,006	82	67	3	–	11	– <sup>8</sup>
Indonesia	304	347	382	347	139	120	33	38	568	575
Malaysia	202	176	224	176	98	108	9	10	161	174
Japan	–	–	–	–	3	3	–	5	– <sup>8</sup>	47
Other	422	438	466	438	296	324	38	42	229	245
<b>Asia-Pacific</b>	<b>2,667</b>	<b>2,646</b>	<b>2,866</b>	<b>2,646</b>	<b>872</b>	<b>876</b>	<b>98</b>	<b>102</b>	<b>86</b>	<b>90</b>
Poland	85	48	85	48	35	18	18	8	658	304
Slovakia	128	120	128	120	99	98	16	17	258	289
Hungary	81	109	84	109	23	25	7	4	365	219
Czech Republic	89	74	95	74	37	39	7	10	256	345
Russia	28	36	33	36	28	36	–	(1)	– <sup>8</sup>	(85)
Croatia	41	32	41	32	40	32	8	2	527	156
Bulgaria	19	16	19	16	16	14	6	2	830	263
Romania	12	13	12	13	7	7	3	1	776	216
<b>Central and Eastern Europe<sup>7</sup></b>	<b>483</b>	<b>448</b>	<b>497</b>	<b>448</b>	<b>285</b>	<b>269</b>	<b>64</b>	<b>42</b>	<b>365</b>	<b>252</b>
Middle East and North Africa	79	80	84	80	58	64	11	8	345	282
Global Life	2	2	2	2	1	1	–	–	– <sup>8</sup>	– <sup>8</sup>
<b>Growth Markets</b>	<b>3,231</b>	<b>3,176</b>	<b>3,449</b>	<b>3,176</b>	<b>1,216</b>	<b>1,210</b>	<b>173</b>	<b>152</b>	<b>128</b>	<b>114</b>
Consolidation <sup>9</sup>	(773)	(639)	(773)	(639)	–	–	3	(4)	– <sup>8</sup>	– <sup>8</sup>
<b>Total</b>	<b>34,124</b>	<b>28,962</b>	<b>34,337</b>	<b>28,962</b>	<b>12,275</b>	<b>12,272</b>	<b>1,864</b>	<b>1,524</b>	<b>76</b>	<b>66</b>

1 – Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 – Represents annualized operating profit (loss) divided by the average of (a) the current quarter-end and previous quarter-end net reserves and (b) the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 – Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.

4 – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

5 – Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

6 – On 12 July 2013, the Allianz Group acquired Yapı Kredi Bank's 93.94% shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta, including its life and pension insurance subsidiary Yapı Kredi Emeklilik.

7 – Contains income and expense items from a management holding and consolidations between countries in this region.

8 – Presentation not meaningful.

9 – Represents elimination of transactions between Allianz Group companies in different geographic regions.

# Asset Management

SECOND QUARTER 2014

- Operating profit of € 675 MN.
- Cost-income ratio at 58.0%.
- Third-party net outflows of € 37 BN in the first six months of 2014, with reduced net outflows of € 17 BN in the second quarter.
- Total assets under management at € 1,814 BN.

## Business segment overview

Allianz offers Asset Management products and services for third-party investors and the Allianz Group's insurance operations. We serve a wide range of retail and institutional clients worldwide with investment and distribution capacities in all major markets. Based on total assets under management, we are one of the largest asset managers in the world that manages third-party assets with active investment strategies.

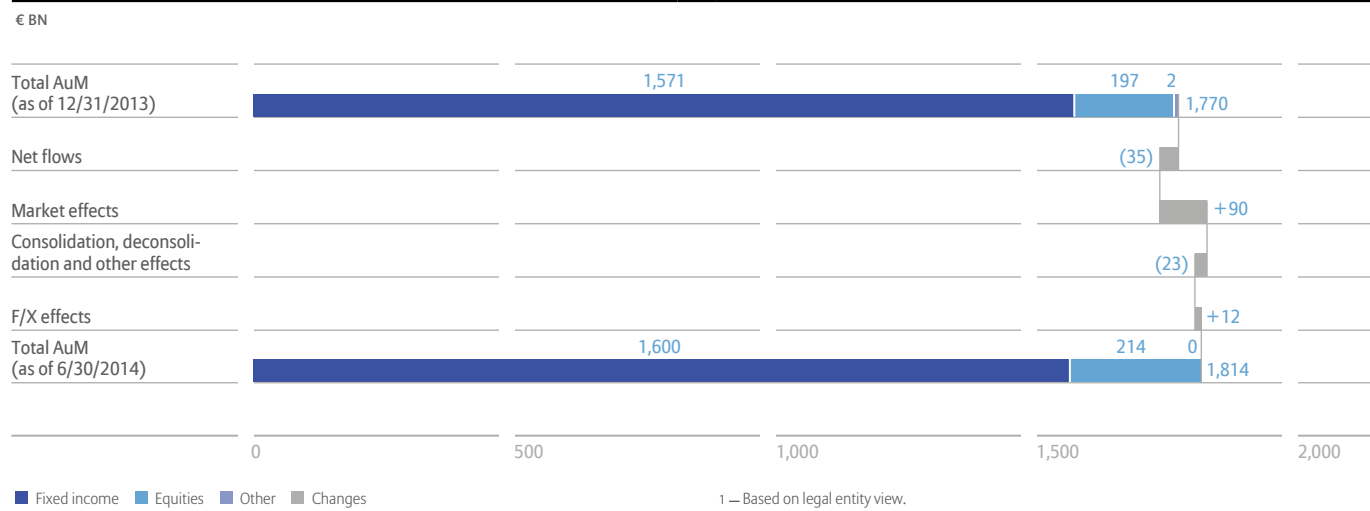
## Key figures

### KEY FIGURES ASSET MANAGEMENT

€ MN	2014	2013
three months ended 30 June		
Operating revenues <sup>1</sup>	1,606	1,815
Operating profit <sup>1</sup>	675	804
Cost-income ratio <sup>1</sup> in %	58.0	55.7
Net income <sup>1</sup>	419	488
Total assets under management <sup>1</sup> as of 30 June in € BN	1,814	1,863
thereof: Third-party assets under management <sup>1</sup> as of 30 June in € BN	1,373	1,456

## Assets under management

### DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT<sup>1</sup>



<sup>1</sup> – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

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As of 30 June 2014, total assets under management amounted to € 1,814 BN. Of this, € 1,373 BN related to our third-party assets under management and € 441 BN to Allianz group assets.

In the first six months of 2014, we recorded net outflows of total assets under management of € 35 BN, of which € 37 BN related to third-party assets under management. PIMCO experienced third-party net outflows strongly driven by the United States, while AllianzGI recorded notable third-party net inflows.

Market effects contributed € 90 BN to total assets under management, with € 72 BN at PIMCO and € 18 BN at AllianzGI.

These positive effects were partly offset by negative effects of € 23 BN. This was due to the allocation of certain entities to other business segments which resulted in a decrease of € 33 BN in assets under management. This was partially offset by a change in reporting to include third-party fund of fund assets under management.

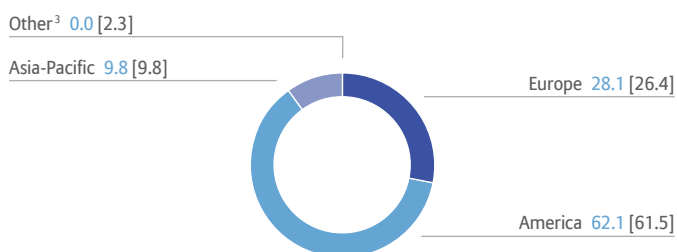
We recorded favorable foreign currency translation effects of € 12 BN, in particular on our fixed income assets, mainly resulting from the appreciation of the U.S. Dollar against the Euro.<sup>1</sup>

In the following section, we focus on the development of third-party assets under management.

As of 30 June 2014, the share of third-party assets under management by business unit was 82.7% attributable to PIMCO and 17.3% to AllianzGI.

**THIRD-PARTY ASSETS UNDER MANAGEMENT BY REGION/COUNTRY<sup>1,2,3</sup>**

as of 30 June 2014 [31 December 2013] in %



1 – Based on the location of the asset management company.

2 – “America” consists of the United States, Canada and Brazil (approximately € 838 BN, € 14 BN and € 1 BN third-party assets under management as of 30 June 2014, respectively).

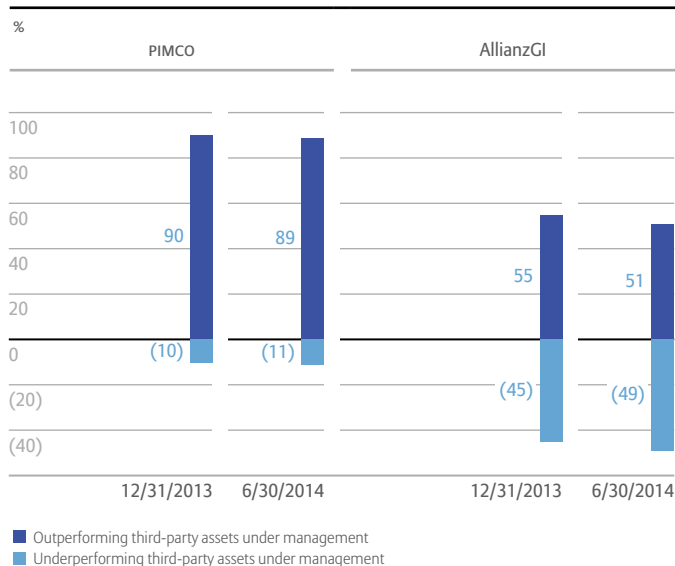
3 – “Other” consists of third-party assets managed by other Allianz Group companies which were allocated to other business segments as of 1 January 2014.

The regional allocation of third-party assets under management also shifted slightly due to the allocation of certain entities to other business segments. Europe’s share rose by 1.7 percentage points, driven by positive market effects and also because of the change in reporting of fund of fund assets.

Mainly due to the impact of market return and by the change in reporting to include third-party fund of fund assets under management, the share of our third-party assets under management increased by one percentage point in favor of equities. This resulted in 86% attributable to fixed income and 14% to equities.

The share of third-party assets under management between our retail and institutional clients<sup>2</sup> changed slightly – down one percentage point for retail clients (36%) and up one percentage point for institutional clients (64%).

**THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI<sup>1</sup>**



1 – The investment performance is based on Allianz Asset Management account-based, asset-weighted three-year investment performance of third-party assets versus the primary target including all accounts managed by portfolio managers of Allianz Asset Management. For some retail funds, the net of fee performance is compared to the median performance of the corresponding Morningstar peer group (first and second quartile mean outperformance). For all other retail funds and for all institutional accounts, the gross of fee performance (revaluated based on closing prices) is compared to the respective benchmark based on different metrics.

The overall three-year rolling investment performance of our Asset Management business remained on a high level, with 84% of our assets outperforming their respective benchmarks (31 December 2013: 85%). 89% of PIMCO assets outperformed their respective benchmarks while 51% of AllianzGI assets outperformed their respective benchmarks.

1 – Based on the closing rate on the respective balance sheet date.

2 – Client group classification is driven by investment vehicle types.

## Operating revenues

### 2014 TO 2013 SECOND QUARTER COMPARISON

*Operating revenues* declined by € 209 MN, or 11.5% to € 1,606 MN. This was mainly driven by lower average third-party assets under management, but also reflects the allocation of certain entities to other business segments. On an internal basis<sup>1</sup>, operating revenues went down by 5.8%.

*Net fee and commission income* fell by € 208 MN, or 11.5% to € 1,601 MN. This was largely a result of a decrease in management fees, mainly resulting from lower average third-party assets under management and – to a smaller extent – lower margins. Our *performance fees* went down by € 11 MN to € 67 MN.

Our *income from financial assets and liabilities carried at fair value through income (net)* was up € 4 MN due to mark-to-market valuation of investments in funds, favorable foreign currency effects and positive effects from seed money.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

Our *operating revenues* declined by € 603 MN, or 16.2% to € 3,123 MN. On an internal basis<sup>1</sup>, operating revenues fell by 11.2%. This was because of a € 268 MN decrease in performance fees – which were exceptionally high in the first quarter of 2013 – and lower average assets under management.

## Operating profit

### 2014 TO 2013 SECOND QUARTER COMPARISON

Our *operating profit* declined by € 129 MN to € 675 MN. On an internal basis<sup>1</sup>, operating profit fell by 9.7% due to lower management fees.

*Administrative expenses* decreased by € 77 MN to € 932 MN, reflecting the decline in operating revenues and lower assets under management related expenses.

Our *cost-income ratio* increased by 2.3 percentage points mainly as a result of a reduction in management fees.

### 2014 TO 2013 FIRST HALF YEAR COMPARISON

Due to lower operating revenues, our *operating profit* decreased by € 383 MN, or 22.5% to € 1,321 MN (internal growth: (17.2%)).

Our *cost-income ratio* increased by 3.4 percentage points mainly due to the decrease in performance fees.

## Net income

In the second quarter of 2014, our *net income* decreased by € 69 MN, or 14.1% to € 419 MN. This is largely consistent with our operating profit development, and also applies to the first six months of 2014 where our net income went down by € 231 MN to € 825 MN.

<sup>1</sup> – Operating revenues/operating profit adjusted for foreign currency translation and (de-) consolidation effects.

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## ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Management and loading fees	1,891	2,089	3,716	4,072
Performance fees	67	78	86	354
Other	14	12	31	39
<b>Fee and commission income</b>	<b>1,972</b>	<b>2,179</b>	<b>3,833</b>	<b>4,465</b>
Commissions	(313)	(349)	(620)	(725)
Other	(58)	(21)	(96)	(34)
<b>Fee and commission expenses</b>	<b>(371)</b>	<b>(370)</b>	<b>(716)</b>	<b>(759)</b>
<b>Net fee and commission income</b>	<b>1,601</b>	<b>1,809</b>	<b>3,117</b>	<b>3,706</b>
Net interest income <sup>1</sup>	(1)	4	(1)	8
Income from financial assets and liabilities carried at fair value through income (net)	4	–	3	7
Other income	2	2	4	5
<b>Operating revenues</b>	<b>1,606</b>	<b>1,815</b>	<b>3,123</b>	<b>3,726</b>
Administrative expenses (net), excluding acquisition-related expenses	(932)	(1,009)	(1,805)	(2,017)
Restructuring charges	1	(2)	3	(5)
<b>Operating expenses</b>	<b>(931)</b>	<b>(1,011)</b>	<b>(1,802)</b>	<b>(2,022)</b>
<b>Operating profit</b>	<b>675</b>	<b>804</b>	<b>1,321</b>	<b>1,704</b>
Non-operating items	(3)	(23)	(17)	(54)
<b>Income before income taxes</b>	<b>672</b>	<b>781</b>	<b>1,304</b>	<b>1,650</b>
Income taxes	(253)	(293)	(479)	(594)
<b>Net income</b>	<b>419</b>	<b>488</b>	<b>825</b>	<b>1,056</b>
Cost-income ratio <sup>2</sup> in %	58.0	55.7	57.7	54.3

1 – Represents interest and similar income less interest expenses.

2 – Represents operating expenses divided by operating revenues.

# Corporate and Other

SECOND QUARTER 2014

Operating loss decreased by € 55 MN to € 219 MN, with improvements across all three reportable segments.

## Business segment overview

Corporate and Other encompasses the reportable segments Holding & Treasury, Banking and Alternative Investments. Holding & Treasury includes the management of and support for Allianz Group businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. Our banking products offered in Germany, Italy, France, the Netherlands and Bulgaria complement our insurance product portfolio. We also provide global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group.

## Key figures

### KEY FIGURES CORPORATE AND OTHER<sup>1</sup>

€ MN	2014	2013
three months ended 30 June		
Operating revenues	417	391
Operating expenses	(636)	(665)
Operating result	(219)	(274)
Net income (loss)	(248)	(277)

### KEY FIGURES REPORTABLE SEGMENTS

€ MN	2014	2013
three months ended 30 June		
<b>HOLDING &amp; TREASURY</b>		
Operating revenues	96	70
Operating expenses	(340)	(347)
Operating result	(244)	(277)
<b>BANKING</b>		
Operating revenues	278	280
Operating expenses	(261)	(281)
Operating result	17	(1)
<b>ALTERNATIVE INVESTMENTS</b>		
Operating revenues	45	42
Operating expenses	(37)	(38)
Operating result	8	4

<sup>1</sup> – Consolidation included. For further information about our Corporate and Other business segment, please refer to note 4 to the condensed consolidated interim financial statements.



## Earnings summaries

### 2014 to 2013 second quarter comparison

Our **operating result** improved by € 55 MN to a loss of € 219 MN. This positive development was driven by all three of its reportable segments. Holding & Treasury contributed € 33 MN, Banking € 18 MN and Alternative Investments € 4 MN to this increase.

Our **net result** also improved from a loss of € 277 MN to a loss of € 248 MN over the same period. Significantly lower non-operating realized gains were more than offset by the favorable development of our operating result and positive tax effects.

### 2014 to 2013 first half year comparison

Our **operating result** increased by € 72 MN to a loss of € 441 MN. A higher loss in Holding & Treasury was more than offset by the recovery of our Banking result, which benefited from the closure of the Allianz Bank's business operations in mid-2013.

Our **net result** improved by € 557 MN to a loss of € 117 MN. This was primarily driven by a one-off benefit from pension revaluation with our German subsidiaries<sup>1</sup> and was partly offset by lower non-operating realized gains.

## Operating earnings summaries by reportable segment

### HOLDING & TREASURY

#### 2014 to 2013 second quarter comparison

Our **operating loss** decreased from € 277 MN to € 244 MN. A higher net interest result and reduced administrative expenses more than offset a decline in the net fee and commission result.

Our **net interest result** increased by € 23 MN to a loss of € 10 MN as interest and similar income rose while interest expenses, excluding interest expenses from external debt, remained stable. **Interest and similar income** went up from € 53 MN to € 74 MN. This was mainly due to higher income from an increased volume of debt instruments but also from associates and equities. **Interest expenses, excluding interest expenses from external debt**, remained almost unchanged at € 84 MN (2Q 2013: € 86 MN) as the effects of lower interest expenses on internal debt and higher expenses related to a higher cash pool balanced each other out.

**Administrative expenses (net), excluding acquisition-related expenses**, decreased from € 184 MN to € 161 MN. This was driven by a number of various minor effects.

Our **net fee and commission result** worsened by € 16 MN to a loss of € 63 MN as a result of higher IT project startup costs – in particular related to our global data center consolidation project.

**Investment expenses** remained almost stable at € 17 MN (2Q 2013: € 20 MN).

#### 2014 to 2013 first half year comparison

Our **operating loss** increased by € 48 MN to € 492 MN due to a worsening of both net interest result and net fee and commission result. This was only partly compensated for by lower administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation,<sup>1</sup> and decreased investment expenses. The decrease in the net interest result was mainly driven by lower interest and similar income, as the previous year's figures had benefited from interest payments on our silent participation in Commerzbank, which was redeemed in 2013. The net fee and commission result was down because of higher IT project startup costs.

### BANKING<sup>2</sup>

#### 2014 to 2013 second quarter comparison

Our **operating result** turned from a loss of € 1 MN into a profit of € 17 MN. This recovery was mainly attributable to the closure of the Allianz Bank's business operations in mid-2013.

In the following sections, we focus on the development of our ongoing Banking business. To make the figures comparable, we have excluded the closed business operations of Allianz Bank.

Excluding these operations, the **operating profit** in Banking improved by € 2 MN to € 15 MN.

Our **net interest, fee and commission result** increased by € 9 MN to € 125 MN. The **net interest result** slightly increased from € 79 MN to € 82 MN due to lower interest expenses triggered by lower interest rates offsetting increased deposit volume. Our **net fee and commission result** improved by € 6 MN to € 43 MN. This was driven by increased management fee income in line with the growth in assets under management.

**Administrative expenses** increased by € 6 MN to € 97 MN. This was primarily a result of higher provisions paid to financial agents in Italy and, to a lesser extent, slightly increased costs in Germany. The allocation of a former Asset Management entity to the reportable segment Banking in Italy also contributed to this development.

Our **loan loss provisions** remained almost stable at € 17 MN (2Q 2013: € 14 MN).

Our **operating income from financial assets and liabilities carried at fair value through income (net)** stood almost unchanged at € 3 MN.

<sup>1</sup> – For further information on the one-off effect from pension revaluation, please refer to note 4 to the condensed consolidated interim financial statements.

<sup>2</sup> – Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

### 2014 to 2013 first half year comparison

Our *operating result* increased by € 119 MN to a profit of € 35 MN. Excluding the closed business operations of Allianz Bank, our *operating result* improved from € 30 MN to € 33 MN. Similar to the second quarter comparison, the € 11 MN increase in our net interest, fee and commission result was largely offset by higher administrative expenses while the loan loss provisions remained stable at € 26 MN (6M 2013: € 27 MN).

## ALTERNATIVE INVESTMENTS

### 2014 to 2013 second quarter comparison

Our *operating result* doubled from € 4 MN to € 8 MN. This was mainly due to a € 7 MN increase in the net interest result which was only partly offset by a € 2 MN lower net fee and commission income.

### 2014 to 2013 first half year comparison

Our *operating result* remained almost flat at € 16 MN (6M 2013: € 15 MN) as an upturn in the net interest result was almost offset by a decrease in the net fee and commission income and by higher investment expenses.

# Outlook

- Higher global economic growth in 2014, thanks to industrialized countries.
- Operating profit outlook unchanged – we expect the upper end of target range to be in reach.

## Economic outlook<sup>1</sup>

In the first six months of 2014, global economic momentum was somewhat less pronounced than originally expected. The slowdown in the first quarter was partly due to disappointing developments in the United States, where curbs on production and demand because of the severe winter contributed to a decline in overall output. Weaker growth in emerging market heavyweights like Brazil and Russia also contributed to lower-than-expected economic momentum in the first half of the year. However, there is a good chance that the global economy will reaccelerate in the second half of 2014. This view is supported by the favorable readings of the purchasing managers' indices for the manufacturing industry, in particular in industrialized countries. Given higher expected growth in the industrialized world than in 2013, global output is likely to expand by 2.7% in 2014. Fears that economic development in emerging markets would deteriorate substantially look unfounded. Nevertheless, they have lost steam since 2012 and will not return to their pre-crisis growth rates, not least due to structural problems in some major emerging market economies. However, with an expected real GDP increase of 4.4% in 2014, growth in these countries will still be considerably higher than in the industrialized world, where we expect an increase of 1.7%. In the Eurozone, the economy is also starting to get back on its feet in crisis-ridden member states, narrowing the "north-south divide". Current economic indicators suggest the economic recovery is set to continue, albeit at a moderate pace. For 2014 as a whole, we expect real GDP growth of 1.2%. Supported by brighter economic conditions in the Eurozone, the German economy could expand by about 2% this year. Inflation is likely to remain subdued on a global level, not least due to the dire unemployment situation in many industrialized countries, which keeps the lid on wages. Despite the overall favorable growth picture, risks for the global economy have recently increased. In this respect, a further escalation of the conflict between Russia and Ukraine, combined with a spiral of far-reaching economic sanctions and corresponding counter-sanctions, ranks first on the list.

For the remainder of this year, financial markets will probably remain under the twin spell of monetary policy and geopolitical tensions. Regarding the former, we expect to see a gradual exit from crisis mode, led by the U.S. central bank reining in its asset purchases. Given its concerns about low inflation, banking liquidity and lending growth, the European Central Bank will most likely stick to its very expansionary policy stance before eventually starting to exit from crisis mode in 2015. Even though monetary policy would still remain highly accommodative, cautious steps towards an exit could well be accompanied by sharp swings in the equity, bond and currency markets. Although the effects of the sovereign debt crisis in the Eurozone are still being felt, we expect further normalization.

With short-term rates close to zero, there are limited prospects of markedly higher yields on longer-term bonds. We expect yields on 10-year German and U.S. government bonds to climb only modestly until the end of this year. With growth in the United States set to outpace that in the Eurozone, the U.S. Dollar is likely to appreciate moderately against the Euro.

## Insurance industry outlook

Global economic expansion is set to continue in 2014. Therefore, the macroeconomic environment will be in general supportive of world premium growth. However, differences in growth levels between markets will become wider, reflecting specific political, regulatory and economic conditions. The outlook for profitability remains challenging, as investment returns are expected to stay low and the regulatory environment continues to become more demanding in terms of capital and reserve requirements.

In the *property-casualty* sector, we anticipate stable premium growth in 2014 as the increase in economic activity bolsters demand for insurance coverage. In particular, the recovery in Europe should pave the way for a return to positive premium growth in almost all parts of the region. Emerging markets should display robust growth rates, which in part are also the result of increasing insurance penetration. However, in some markets tighter regulation and political instability might lead to a more moderate expansion. The increase in

<sup>1</sup> – The information presented in the sections Economic outlook, Insurance industry outlook and Asset management industry outlook is based on our own estimates.

premium rates on the other hand may slow down somewhat in 2014. Overall, we expect global premium revenue to rise by around 4% in 2014 (adjusted for foreign currency translation effects).

After gradual improvements over the last years, property-casualty profitability is expected to remain stable in 2014. Low yields are working their way through to earnings as price increases slow down and reserve releases dwindle.

In the *life* sector, we expect premium growth to recover. In mature markets, better economic prospects and a new product mix will help to support top-line growth. In emerging markets, strong growth will be mainly driven by rising incomes and social security reforms. All in all, we expect that global premium revenue will rise in the 3.5% – 4.5% range in 2014 (adjusted for foreign currency translation effects).

With interest rates remaining at low levels, companies will continue to adapt their business models to the challenging environment. Besides a stronger focus on the protection business – including health – new and more flexible guarantee concepts are set to come to the forefront in the savings business. At the same time, insurers will continue to look for new, long-term investment opportunities, paying special attention to infrastructure investments. But despite progress on these fronts, profitability will remain under pressure, not least because of more stringent capital and reserve requirements.

## Asset management industry outlook

Increasing asset valuations for equities and decreasing bond-yields in developed markets have provided a tailwind for the *asset management* industry so far in 2014. Nevertheless, considerable downside risks remain and could materialize if global growth fails to meet expectations or political uncertainties come to the fore. A reduction of the currently highly supportive monetary policy may also put the positive trends in financial markets at risk. The further development of regulatory activities – particularly in the consumer protection and transparency fields – is an additional source of uncertainty for the asset management industry.

Although equities may remain vulnerable to setbacks in the near future due to increased valuations, higher interest rates and global demographic trends on the other hand, will increase the attractiveness of bonds. This holds true in particular for liability-driven investors and for the growing number of retirees in the developed world looking for a stable stream of income.

Improving economic conditions in certain developed markets as well as trends in client demand represent a positive environment for further asset management industry growth. At the same time, industry profitability is expected to remain challenged as asset flows into passive products and growing expenses from higher distribution or marketing costs put pressure on operating margins, and the effects of increased regulatory oversight and reporting take their toll.

In such an environment a money manager's ability to grow is dependent on providing innovative client-focused investment solutions, delivering above-benchmark investment results, offering comprehensive investment products and services, its ability to prudently and holistically respond to client needs and upping the scale and efficiency of operations.

## Outlook for the Allianz Group

We are confident about staying on course towards profitable growth during the rest of 2014. Currently, we see no need to adjust our published Allianz Group operating profit outlook for 2014 of € 10.0 BN, plus or minus € 0.5 BN but we expect the upper end of the target range to be in reach. However, as we witnessed in 2013, unfavorable developments in the business environment can have adverse impacts on aspects of our performance. It would therefore be inappropriate to simply annualize the current half year's operating profit and net income to arrive at an expected result for the full year.

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 results of our operations.

### Cautionary note regarding forward-looking statements

The statements contained herein may include prospects, 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. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events) (iii) frequency and severity of insured loss events, including 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 including the Euro/u.s. Dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) 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.

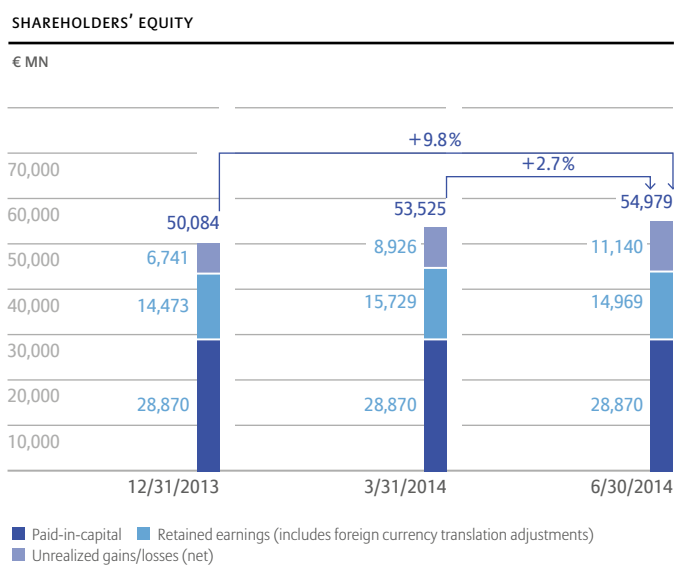
### No duty to update

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

# Balance Sheet Review

- Shareholders' equity increased by € 4.9 BN to € 55.0 BN.
- Solvency ratio strong at 185%.<sup>1</sup>

## Shareholders' equity<sup>2</sup>



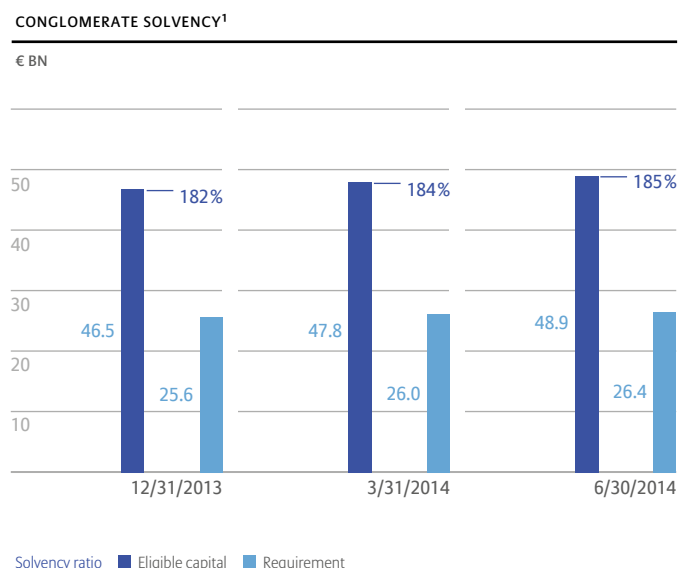
Compared to year-end 2013, *shareholders' equity* grew by € 4,895 MN – or 9.8% – and amounted to € 54,979 MN as of 30 June 2014. Net income attributable to shareholders contributed € 3,395 MN to this growth. In addition, unrealized gains increased by € 4,399 MN, mainly due to higher fair values of debt securities triggered by the declines in all major government bond yields – in particular within the Eurozone. A € 235 MN increase in foreign currency translation adjustments, mainly driven by the depreciation of the Euro against several currencies – in particular the U.S. Dollar and British Pound but also the Australian Dollar – further contributed to the growth. These effects were only partly offset by the € 2,405 MN dividend payout in May 2014.

1 – Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 30 June 2014 would be 177% (31 March 2014: 175%; 31 December 2013: 173%).

2 – This does not include non-controlling interests of € 2,833 MN, € 2,835 MN and € 2,765 MN as of 30 June 2014, 31 March 2014 and 31 December 2013, respectively. For further information, please refer to note 20 to the condensed consolidated interim financial statements. Retained earnings include foreign currency translation adjustments of € (3,077) MN, € (3,297) MN and € (3,312) MN as of 30 June 2014, 31 March 2014 and 31 December 2013, respectively.

## Regulatory capital adequacy

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and the related German law in force since 2005. The law requires that financial conglomerates calculate the capital available to meet their solvency requirements on a consolidated basis, which we refer to as “eligible capital”.



1 – Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 30 June 2014 would be 177% (31 March 2014: 175%; 31 December 2013: 173%).

Compared to 31 December 2013, our *conglomerate solvency ratio* increased three percentage points to 185%. The Group's eligible capital for solvency purposes went up by € 2.4 BN to € 48.9 BN, including off-balance sheet reserves of € 2.2 BN (31 December 2013: € 2.3 BN). This increase was mainly driven by our net income (net of accrued dividends) of € 2.0 BN. To a lesser extent, it was due to the issuance of a subordinated bond in the first quarter and higher unrealized gains on equities. These positive effects were only partly offset by higher actuarial losses on the valuation of our pension benefit obligation following a decrease in discount rates. The required funds increased by € 0.8 BN to € 26.4 BN, mainly due to higher aggregate policy reserves in Life/Health. As a result, our eligible capital surpassed the minimum legally stipulated level by € 22.5 BN.

## Total assets and total liabilities

As of 30 June 2014, total assets amounted to € 754.3 BN and total liabilities were € 696.5 BN. Compared to year-end 2013, total assets and total liabilities increased by € 43.2 BN and € 38.3 BN, respectively.

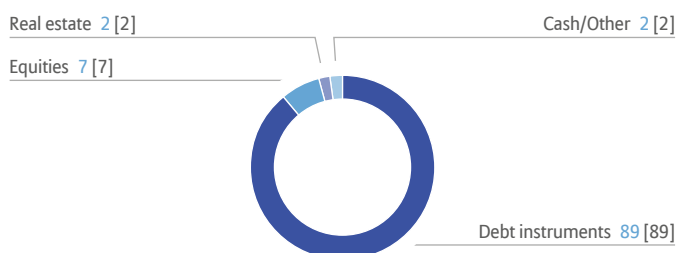
The following section mainly focuses on our financial investments in debt instruments, equities, real estate and cash since these reflect the major developments in our asset base.

### STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

The following portfolio overview covers the Allianz Group assets held for investment, which are mainly driven by our insurance business.<sup>1</sup>

#### ASSET ALLOCATION

Investment portfolio as of 30 June 2014: € 572.9 BN  
[as of 31 December 2013: € 536.8 BN] in %



Compared to year-end 2013, our investment portfolio grew by € 36.1 BN to € 572.9 BN as of 30 June 2014. This was mainly due to debt securities.

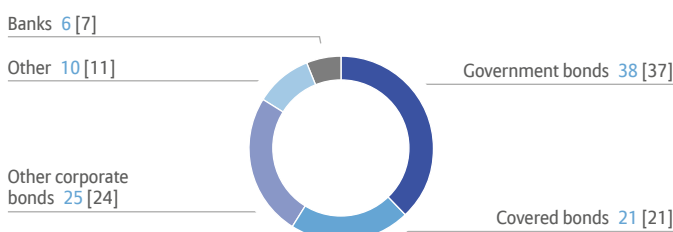
Our gross exposure to *equities* increased by € 2.7 BN to € 38.3 BN due to new investments and positive equity market developments. This exposure still accounted for 7% of our investment portfolio. Given the upswing in shareholders' equity, our equity gearing<sup>2</sup> decreased one percentage point to 24%.

Our exposure to *real estate* stood almost unchanged at € 10.9 BN (31 December 2013: € 10.8 BN) and still accounted for 2% of our investment portfolio.

Our *cash and other investments* increased by € 1.4 BN to € 11.2 BN. Our diversified exposure to *debt instruments* increased by € 31.9 BN to € 512.5 BN, but still represented 89% of our investment portfolio. The increase in absolute terms was driven by higher fair values as a result of lower interest rates and, to a lesser extent, new investments.

#### FIXED INCOME PORTFOLIO

Total fixed income portfolio as of 30 June 2014: € 512.5 BN  
[as of 31 December 2013: € 480.6 BN] in %



The allocation of our well-diversified fixed income portfolio remained stable, with marginal increases in the share of corporate and government bonds and minor reductions in the portion of banks and other. About 95% of this portfolio of debt instruments was invested in investment-grade bonds and loans.<sup>3</sup>

Compared to year-end, our *government bond exposure* increased by € 14.3 BN to € 193.9 BN and accounted for 38% (31 December 2013: 37%) of our fixed income portfolio. The allocation of our government and government-related bond exposure remained almost unchanged. The overall increase of the government bond exposure was primarily driven by positive market effects. Our sovereign debt exposure in Italy and Spain equaled 6.1% and 1.0% of our fixed income portfolio, respectively. The corresponding unrealized gains (gross) amounted to € 4,094 MN in Italy and € 554 MN in Spain. Our government bond exposure in Portugal remained limited with small unrealized gains.

Our *covered bonds* increased by € 3.6 BN to € 106.1 BN and still accounted for 21% of our fixed income portfolio. 45% of this portfolio, down by two percentage points, was German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 16% and 10% of the covered bonds were attributable to France and Spain, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and over-collateralization.

<sup>1</sup> — Effective from the Annual Report 2013, we changed the presentation of our investment portfolio in our Group Management Report. This also applies to our Interim Group Management Reports. Now, we also include investments of banking and asset management, which were excluded in the former presentation. We believe this will simplify a comparison with the figures presented in the notes to the condensed consolidated interim financial statements.

<sup>2</sup> — Equity gearing is defined as the ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reserves less goodwill.

<sup>3</sup> — Excluding self-originated German private retail mortgage loans. For 2%, no ratings were available.

Our *corporate bond* portfolio increased by € 13.8 BN to € 130.1 BN and accounted for 25% of our fixed income portfolio. The increase was driven by both new investments and lower yields leading to fair value increases.

Our exposure to *bank securities* decreased by € 1.5 BN to € 31.6 BN, mainly due to matured investments. This exposure represented 6% of our fixed income portfolio, down one percentage point. Thereof, the exposure to subordinated securities in banks slightly increased from € 4.8 BN as of 31 December 2013 to € 5.3 BN.

Our exposure to asset-backed securities (ABS) increased by € 1.6 BN to € 20.0 BN and still accounted for 4% of our fixed income portfolio. The increase was mainly related to new investments. About 73% of our ABS portfolio was related to mortgage backed securities (MBS). MBS issued by U.S. agencies, which are backed by the U.S. government, increased by two percentage points and accounted for 15% of the ABS portfolio. Overall, 98% of the ABS portfolio received an investment grade rating, with 87% rated “AA” or better.

## INVESTMENT RESULT

### INVESTMENT INCOME (NET)

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
	Interest and similar income (net) <sup>1</sup>	5,437	5,311	10,478
Income from financial assets and liabilities carried at fair value through income (net)	(53)	(701)	(372)	(926)
Realized gains/losses (net)	1,026	1,191	1,932	2,337
Impairments of investments (net)	(74)	(182)	(436)	(316)
Investment expenses	(232)	(217)	(431)	(425)
<b>Investment income (net)</b>	<b>6,104</b>	<b>5,402</b>	<b>11,171</b>	<b>11,038</b>

1 – Net of interest expenses (excluding interest expenses from external debt).

### 2014 to 2013 second quarter comparison

Our *investment income (net)* increased by € 702 MN – or 13.0% – to € 6,104 MN. A recovery of our income from financial assets and liabilities carried at fair value through income (net) was the main driver of this increase.

*Income from financial assets and liabilities carried at fair value through income (net)* recovered from a loss of € 701 MN to a loss of € 53 MN. In the previous year's quarter, the result was considerably impacted by losses from the net of foreign currency translation

effects and financial derivatives, mainly within our German Life/Health business. Derivatives are used to protect against equity and foreign currency fluctuations as well as to manage duration and other interest rate-related exposures. The recovery in this quarter was mainly due to the absence of foreign currency losses, which were primarily related to depreciations of selected emerging markets currencies in the second quarter of 2013.

Our *interest and similar income (net)*<sup>1</sup> increased by € 126 MN to € 5,437 MN. Higher income from equities contributed € 106 MN to this increase. Income from debt instruments remained rather stable as the higher asset base compensated for slightly lower interest yields.

*Realized gains and losses (net)* contracted by € 165 MN to € 1,026 MN. This was driven by both lower realized gains on equities and debt instruments as some major realizations from the previous year's quarter did not reoccur, which were only partly offset by higher realized gains on real estate.

*Impairments (net)* more than halved from € 182 MN to a comparatively low level of € 74 MN thanks to favorable market developments.

*Investment expenses* increased from € 217 MN to € 232 MN mainly due to higher management expenses as well as higher expenses related to real estate investments.

### 2014 to 2013 first half year comparison

Our *investment income (net)* improved only slightly from € 11,038 MN to € 11,171 MN due to the positive development of the second quarter of 2014 compared to previous year's quarter. The improvement in income from financial assets and liabilities carried at fair value through income (net) and the slight increase in interest and similar income (net)<sup>1</sup> were partly counterbalanced by lower realized gains and moderately increased impairments.

*Income from financial assets and liabilities carried at fair value through income (net)* improved by € 554 MN to a loss of € 372 MN and our *interest and similar income (net)*<sup>1</sup> increased by € 110 MN to € 10,478 MN. Both increases were primarily driven by the second quarter developments mentioned above.

*Realized gains and losses (net)* decreased by € 405 MN to € 1,932 MN – primarily as a result of lower realizations on equities but also lower realizations on debt instruments compared to the first six months of 2013.

Driven by higher impairments in the first quarter, mainly related to emerging market debt funds triggered by unfavorable currency movements, *impairments (net)* increased from € 316 MN to € 436 MN.

*Investment expenses* remained almost unchanged at € 431 MN (6M 2013: € 425 MN).

1 – Net of interest expenses (excluding interest expenses from external debt).

## ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY BUSINESS SEGMENT

### Property-Casualty assets

Compared to year-end, the Property-Casualty asset base increased by € 3.1 BN to € 104.2 BN. This was primarily driven by higher debt securities and equities.

#### COMPOSITION OF ASSET BASE – FAIR VALUES<sup>1</sup>

€ BN	as of 30 June 2014	as of 31 December 2013
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	0.4	0.5
Debt securities	0.1	0.1
Other <sup>2</sup>	–	–
<b>Subtotal</b>	<b>0.5</b>	<b>0.6</b>
<b>Investments<sup>3</sup></b>		
Equities	6.0	5.0
Debt securities	69.5	67.0
Cash and cash pool assets <sup>4</sup>	5.0	4.9
Other	7.9	7.5
<b>Subtotal</b>	<b>88.4</b>	<b>84.4</b>
<b>Loans and advances to banks and customers</b>	<b>15.3</b>	<b>16.1</b>
<b>Property-Casualty asset base</b>	<b>104.2</b>	<b>101.1</b>

1 – Loans and advances to banks and customers, held-to-maturity investments and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending on – among other factors – our ownership percentage.

2 – This comprises assets of € 0.1 BN and € 0.1 BN and liabilities of € (0.1) BN and € (0.1) BN as of 30 June 2014 and 31 December 2013, respectively.

3 – These do not include affiliates of € 8.9 BN and € 8.9 BN as of 30 June 2014 and 31 December 2013, respectively.

4 – Including cash and cash equivalents, as stated in our business segment balance sheet of € 3.6 BN and € 2.8 BN and receivables from cash pooling amounting to € 3.8 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (0.2) BN and € (0.3) BN, as well as liabilities from cash pooling of € (2.2) BN and € (1.0) BN as of 30 June 2014 and 31 December 2013, respectively.

As of 30 June 2014, ABS within the Property-Casualty asset base amounted to € 3.8 BN (31 December 2013: € 3.7 BN), representing 3.6% (31 December 2013: 3.7%) of this asset base.

### Property-Casualty liabilities

#### DEVELOPMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES<sup>1</sup>

€ BN	Gross	Ceded	Net
<b>As of 1 January 2014</b>	<b>56.6</b>	<b>(6.1)</b>	<b>50.5</b>
Balance carry forward of discounted loss reserves <sup>2</sup>	3.2	(0.3)	2.9
<b>Subtotal</b>	<b>59.8</b>	<b>(6.4)</b>	<b>53.4</b>
Loss and loss adjustment expenses paid in current year relating to previous years	(8.7)	0.7	(8.0)
Loss and loss adjustment expenses incurred in previous years	(0.7)	0.1	(0.6)
Foreign currency translation adjustments and other changes	0.7	(0.1)	0.6
Changes in reserves for loss and loss adjustment expenses in current year	9.7	(0.9)	8.8
<b>Subtotal</b>	<b>60.8</b>	<b>(6.6)</b>	<b>54.2</b>
Ending balance of discounted loss reserves <sup>2</sup>	(3.5)	0.3	(3.2)
<b>As of 30 June 2014</b>	<b>57.3</b>	<b>(6.3)</b>	<b>51.0</b>

1 – For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 15 to the condensed consolidated interim financial statements.

2 – Although discounted loss reserves have been reclassified to 'Reserves for insurance and investment contracts' in the balance sheet in 2013, the underlying business development of these Property-Casualty reserves is still considered in the loss and loss adjustment expenses and in the loss ratio and is therefore included in the development of the reserves above.

As of 30 June 2014, the business segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 60.8 BN – an increase of € 1.0 BN compared to year-end. On a net basis, our reserves – including discounted loss reserves – increased from € 53.4 BN to € 54.2 BN. Foreign currency translation effects and other changes amounted to a plus of € 0.6 BN on a net basis.



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## ASSETS AND LIABILITIES OF THE LIFE/HEALTH BUSINESS SEGMENT

### Life/Health assets

The Life/Health asset base grew by € 38.8 BN – or 8.0% – to € 525.3 BN. This was mainly due to the increased exposure to debt securities but also to higher equities and cash and cash pool assets for the same reasons as those for the developments within our overall investment portfolio.

#### COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 30 June 2014	as of 31 December 2013
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	1.9	1.4
Debt securities	2.3	2.5
Other <sup>1</sup>	(4.9)	(4.2)
<b>Subtotal</b>	<b>(0.7)</b>	<b>(0.3)</b>
<b>Investments<sup>2</sup></b>		
Equities	30.4	28.9
Debt securities	300.6	269.4
Cash and cash pool assets <sup>3</sup>	8.7	7.5
Other	10.1	10.0
<b>Subtotal</b>	<b>349.8</b>	<b>315.8</b>
<b>Loans and advances to banks and customers</b>	<b>89.3</b>	<b>89.9</b>
<b>Financial assets for unit-linked contracts<sup>4</sup></b>	<b>86.9</b>	<b>81.1</b>
<b>Life/Health asset base</b>	<b>525.3</b>	<b>486.5</b>

1 – This comprises assets of € 1.3 BN and € 1.7 BN and liabilities (including the market value liability option) of € (6.2) BN and € (5.9) BN as of 30 June 2014 and 31 December 2013, respectively.

2 – These do not include affiliates of € 0.1 BN and € 0.8 BN as of 30 June 2014 and 31 December 2013, respectively.

3 – Including cash and cash equivalents, as stated in our business segment balance sheet, of € 7.5 BN and € 5.8 BN and receivables from cash pooling amounting to € 3.6 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (2.3) BN and € (1.7) BN, as well as liabilities from cash pooling of € (0.1) BN and € (0.0) BN as of 30 June 2014 and 31 December 2013, respectively.

4 – Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

ABS within the Life/Health business segment increased by € 1.1 BN to € 14.9 BN, mainly due to new investments. This exposure still represented 2.8% of the business segment's asset base.

#### FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS<sup>1</sup>

€ BN	Unit-linked insurance contracts	Unit-linked investment contracts	Total
<b>As of 1 January 2014</b>	<b>55.4</b>	<b>25.7</b>	<b>81.1</b>
Net premium inflows (outflows)	1.3	1.7	3.0
Changes in fund value	2.7	1.0	3.7
Foreign currency translation adjustments	0.3	–	0.3
Other changes	(1.3)	0.1	(1.2)
<b>As of 30 June 2014</b>	<b>58.4</b>	<b>28.5</b>	<b>86.9</b>

1 – Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

Financial assets for unit-linked contracts increased by € 5.8 BN – or 7.2% – to € 86.9 BN. Unit-linked insurance contracts increased by € 3.0 BN to € 58.4 BN due to good fund performance (€ 2.7 BN) and premium inflows exceeding outflows by € 1.3 BN, partly offset by transfers to the general account in France (€ (0.6) BN). Unit-linked investment contracts increased by € 2.8 BN to € 28.5 BN, with premium inflows significantly exceeding outflows (net € 1.7 BN). Currency effects reflected the stronger U.S. Dollar (€ 0.1 BN) and Asian currencies (€ 0.2 BN).<sup>1</sup>

### Life/Health liabilities

Life/Health reserves for insurance and investment contracts increased by € 26.6 BN – or 6.8% – to € 417.5 BN in the first six months of 2014. The € 13.2 BN increase in aggregate policy reserves was mainly driven by our operations in Germany (€ 5.4 BN), the United States (€ 4.1 BN before currency effects), Italy (€ 1.0 BN), Luxembourg (€ 0.6 BN) and Switzerland (€ 0.6 BN before currency effects). Reserves for premium refund increased by € 12.4 BN due to higher unrealized gains to be shared with policyholders. Currency effects resulted from the stronger U.S. Dollar (€ 0.4 BN), Asian currencies (€ 0.5 BN) and the Swiss Franc (€ 0.1 BN).<sup>1</sup>

1 – Based on the closing rate on the respective balance sheet dates.

## ASSETS AND LIABILITIES OF THE ASSET MANAGEMENT BUSINESS SEGMENT

### Asset Management assets

The Asset Management business segment's results are derived primarily from third-party asset management. In this section, we refer only to the business segment's own assets.<sup>1</sup>

The business segment's asset base decreased from € 4.4 BN to € 2.4 BN – mainly from debt securities as a result of the allocation of certain entities to other reportable segments. Cash and cash pool assets are now the remaining main component of the business segment's asset base.

### Asset Management liabilities

Liabilities in our Asset Management business segment almost halved from € 4.0 BN to € 2.1 BN, primarily due to the above-mentioned allocation.

## ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER BUSINESS SEGMENT

### Corporate and Other assets

The Corporate and Other asset base increased by € 1.1 BN to € 42.4 BN. A slight decrease in loans and advances to banks and customers was more than compensated for by an increased volume of debt securities and, to a lesser extent, equities.

## COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 30 June 2014	as of 31 December 2013
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	0.1	–
Debt securities	0.3	–
Other <sup>1</sup>	(0.4)	(0.2)
<b>Subtotal</b>	<b>–</b>	<b>(0.2)</b>
<b>Investments<sup>2</sup></b>		
Equities	1.9	1.7
Debt securities	27.9	26.3
Cash and cash pool assets <sup>3</sup>	(4.7)	(5.0)
Other	0.3	0.3
<b>Subtotal</b>	<b>25.4</b>	<b>23.3</b>
<b>Loans and advances to banks and customers</b>	<b>17.0</b>	<b>18.2</b>
<b>Corporate and Other asset base</b>	<b>42.4</b>	<b>41.3</b>

1 – This comprises assets of € 0.1 BN and € 0.3 BN and liabilities of € (0.5) BN and € (0.5) BN as of 30 June 2014 and 31 December 2013, respectively.

2 – These do not include affiliates of € 77.0 BN and € 75.4 BN as of 30 June 2014 and 31 December 2013, respectively.

3 – Including cash and cash equivalents, as stated in our business segment balance sheet, of € 1.3 BN and € 1.5 BN and receivables from cash pooling amounting to € 1.8 BN and € 0.7 BN, net of liabilities from securities lending and derivatives of € 0.0 BN and € (0.2) BN, as well as liabilities from cash pooling of € (7.8) BN and € (7.0) BN as of 30 June 2014 and 31 December 2013, respectively.

ABS amounted to € 1.3 BN as of 30 June 2014, up by € 0.4 BN compared to year-end. This represented 3.1% (31 December 2013: 2.2%) of the Corporate and Other's asset base.

### Corporate and Other liabilities

Compared to year-end, subordinated liabilities decreased by € 1.1 BN to € 10.4 BN as of 30 June 2014 as the redemption of a € 1.5 BN perpetual bond was only partly offset by the issuance of an undated subordinated bond with a volume of CHF 500 MN in the first quarter of 2014. Other liabilities increased by € 1.5 BN to € 25.1 BN. This was driven by higher liabilities from cash pooling and other provisions mainly related to pension obligations. Certificated liabilities were down by € 0.4 BN to € 12.8 BN.<sup>2</sup>

<sup>1</sup> – For further information on the development of these third-party assets, please refer to the Asset Management chapter. Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

<sup>2</sup> – For further information on Allianz SE debt as of 30 June 2014, please refer to notes 18 and 19 to the condensed consolidated interim financial statements.

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ALLIANZ SE BONDS<sup>1</sup> OUTSTANDING AS OF 30 JUNE 2014 AND INTEREST EXPENSES FOR THE FIRST SIX MONTHS OF 2014**1. SENIOR BONDS<sup>2</sup>**

4.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expenses		€ 30.8 MN
1.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.5 BN	
Year of issue	2013	
Maturity date	3/13/2018	
ISIN	DE 000 A1H G1J 8	
Interest expenses		€ 3.5 MN
4.75% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2009	
Maturity date	7/22/2019	
ISIN	DE 000 A1A KHB 8	
Interest expenses		€ 36.5 MN
3.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2012	
Maturity date	2/14/2022	
ISIN	DE 000 A1G 0RU 9	
Interest expenses		€ 26.8 MN
3.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.75 BN	
Year of issue	2013	
Maturity date	3/13/2028	
ISIN	DE 000 A1H G1K 6	
Interest expenses		€ 11.8 MN
4.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	GBP 0.75 BN	
Year of issue	2013	
Maturity date	3/13/2043	
ISIN	DE 000 A1H G1L 4	
Interest expenses		€ 20.7 MN
<b>Total interest expenses for senior bonds</b>		<b>€ 130.1 MN</b>
<b>2. SUBORDINATED BONDS<sup>3</sup></b>		
6.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.0 BN	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expenses		€ 32.9 MN
5.75% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 2.0 BN	
Year of issue	2011	
Maturity date	7/8/2041	
ISIN	DE 000 A1G NAH 1	
Interest expenses		€ 57.7 MN

## 5.625% bond issued by Allianz SE

Volume	€ 1.5 BN	
Year of issue	2012	
Maturity date	10/17/2042	
ISIN	DE 000 A1R E1Q 3	
Interest expenses		€ 42.7 MN
4.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.4 BN	
Year of issue	2005	
Maturity date	PERPETUAL BOND	
ISIN	XS 021 163 783 9	
Interest expenses		€ 31.5 MN
5.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.8 BN	
Year of issue	2006	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A0G NPZ 3	
Interest expenses		€ 21.3 MN
5.5% bond issued by Allianz SE		
Volume	USD 1.0 BN	
Year of issue	2012	
Maturity date	PERPETUAL BOND	
ISIN	XS 085 787 250 0	
Interest expenses		€ 20.7 MN
4.75% bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2013	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A1Y CQ2 9	
Interest expenses		€ 35.7 MN
3.25% bond issued by Allianz SE		
Volume	CHF 0.5 BN	
Year of issue	2014	
Maturity date	PERPETUAL BOND	
ISIN	CH 023 483 337 1	
Interest expenses		€ 5.7 MN
<b>Total interest expenses for subordinated bonds</b>		<b>€ 248.2 MN</b>
<b>3. ISSUES REDEEMED IN 2014</b>		
5.5% bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2004	
Maturity date	PERPETUAL BOND	
ISIN	XS 018 716 232 5	
Interest expenses		€ 3.2 MN
<b>Sum of interest expenses<sup>1</sup></b>		<b>€ 381.5 MN</b>
Interest expenses from external debt not presented in the table		€ 29.4 MN
<b>Total interest expenses from external debt</b>		<b>€ 410.9 MN</b>

3 – The terms of the subordinated bonds do not explicitly provide for early termination rights in favor of the bondholder. Interest payments are subject to certain conditions which are linked, inter alia, to our net income, and may have to be deferred. Nevertheless, the terms of the relevant bonds provide for alternative settlement mechanisms which allow us to avoid an interest deferral using cash raised from the issuance of specific newly issued instruments.

1 – For further information on Allianz SE debt (issued or guaranteed) as of 30 June 2014, please refer to notes 18 and 19 to the condensed consolidated interim financial statements.

2 – Senior bonds provide for early termination rights in case of non-payment of amounts due under the bond (interest and principal) as well as in case of insolvency.

# Reconciliations

The previous analysis is based on our condensed consolidated interim financial statements and should be read in conjunction with them. In addition to our stated figures according to the International Financial Reporting Standards (IFRS), the Allianz Group uses operating profit and internal growth to enhance the understanding of our results. These additional measures should be viewed as complementary to, and not as a substitute for, our figures determined according to IFRS.

For further information, please refer to note 4 to the condensed consolidated interim financial statements.

## Composition of total revenues

Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).

### COMPOSITION OF TOTAL REVENUES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Property-Casualty</b>				
Gross premiums written	10,846	10,754	26,063	25,951
<b>Life/Health</b>				
Statutory premiums	16,961	14,125	34,124	28,962
<b>Asset Management</b>				
Operating revenues	1,606	1,815	3,123	3,726
consisting of:				
Net fee and commission income	1,601	1,809	3,117	3,706
Net interest income	(1)	4	(1)	8
Income from financial assets and liabilities carried at fair value through income (net)	4	–	3	7
Other income	2	2	4	5
<b>Corporate and Other</b>				
<b>Total revenues (Banking)</b>	<b>132</b>	<b>132</b>	<b>271</b>	<b>280</b>
consisting of:				
Interest and similar income	149	154	299	311
Income from financial assets and liabilities carried at fair value through income (net)	4	3	6	5
Fee and commission income	125	125	241	245
Interest expenses, excluding interest expenses from external debt	(65)	(72)	(131)	(145)
Fee and commission expenses	(81)	(74)	(146)	(134)
Consolidation effects (Banking within Corporate and Other)	–	(4)	2	(2)
<b>Consolidation</b>	<b>(89)</b>	<b>(50)</b>	<b>(161)</b>	<b>(95)</b>
<b>Allianz Group total revenues</b>	<b>29,456</b>	<b>26,776</b>	<b>63,420</b>	<b>58,824</b>

## Composition of total revenue growth

We believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions, disposals and transfers (or “changes in scope of consolidation”) are analyzed separately. Accordingly, in addition to presenting nominal total revenue growth, we also present internal growth, which excludes these effects.

### RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH

	three months ended 30 June				six months ended 30 June			
	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
Property-Casualty	2.6	0.9	(2.6)	0.9	2.2	0.8	(2.6)	0.4
Life/Health	20.9	1.2	(2.0)	20.1	18.6	1.0	(1.8)	17.8
Asset Management	(5.8)	(2.2)	(3.5)	(11.5)	(11.2)	(2.3)	(2.7)	(16.2)
Corporate and Other	(2.3)	2.3	–	–	(6.1)	2.9	–	(3.2)
<b>Allianz Group</b>	<b>11.5</b>	<b>0.8</b>	<b>(2.3)</b>	<b>10.0</b>	<b>9.3</b>	<b>0.7</b>	<b>(2.2)</b>	<b>7.8</b>



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## CONSOLIDATED BALANCE SHEETS

### CONSOLIDATED BALANCE SHEETS

€ MN	note	as of 30 June 2014	as of 31 December 2013
<b>ASSETS</b>			
Cash and cash equivalents		12,704	11,207
Financial assets carried at fair value through income	5	6,242	6,661
Investments	6	448,429	411,148
Loans and advances to banks and customers	7	114,370	116,800
Financial assets for unit-linked contracts		86,895	81,064
Reinsurance assets	8	13,311	12,609
Deferred acquisition costs	9	21,772	22,203
Deferred tax assets		1,606	1,508
Other assets	10	35,634	34,632
Non-current assets classified as held for sale	11	285	147
Intangible assets	12	13,082	13,100
<b>Total assets</b>		<b>754,330</b>	<b>711,079</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities carried at fair value through income	13	6,351	6,013
Liabilities to banks and customers	14	22,650	23,109
Unearned premiums		21,715	18,212
Reserves for loss and loss adjustment expenses	15	67,692	66,566
Reserves for insurance and investment contracts	16	431,134	404,072
Financial liabilities for unit-linked contracts		86,895	81,064
Deferred tax liabilities		4,842	3,178
Other liabilities	17	36,674	36,432
Certificated liabilities	18	8,090	8,030
Subordinated liabilities	19	10,475	11,554
<b>Total liabilities</b>		<b>696,518</b>	<b>658,230</b>
Shareholders' equity		54,979	50,084
Non-controlling interests		2,833	2,765
<b>Total equity</b>	20	<b>57,812</b>	<b>52,849</b>
<b>Total liabilities and equity</b>		<b>754,330</b>	<b>711,079</b>

# CONSOLIDATED INCOME STATEMENTS

## CONSOLIDATED INCOME STATEMENTS

	note	three months ended 30 June		six months ended 30 June	
		2014	2013	2014	2013
<b>Gross premiums written</b>		<b>17,097</b>	<b>16,848</b>	<b>38,908</b>	<b>38,653</b>
Ceded premiums written		(1,130)	(1,252)	(2,492)	(2,697)
Change in unearned premiums		733	695	(3,030)	(2,993)
<b>Premiums earned (net)</b>	<b>21</b>	<b>16,700</b>	<b>16,291</b>	<b>33,386</b>	<b>32,963</b>
Interest and similar income	22	5,538	5,413	10,677	10,580
Income from financial assets and liabilities carried at fair value through income (net)	23	(53)	(701)	(372)	(926)
Realized gains/losses (net)	24	1,026	1,191	1,932	2,337
Fee and commission income	25	2,538	2,679	4,946	5,433
Other income	26	45	42	123	102
Income from fully consolidated private equity investments	27	174	184	343	362
<b>Total income</b>		<b>25,968</b>	<b>25,099</b>	<b>51,035</b>	<b>50,851</b>
Claims and insurance benefits incurred (gross)		(12,962)	(12,877)	(25,294)	(25,059)
Claims and insurance benefits incurred (ceded)		705	905	1,228	1,449
<b>Claims and insurance benefits incurred (net)</b>	<b>28</b>	<b>(12,257)</b>	<b>(11,972)</b>	<b>(24,066)</b>	<b>(23,610)</b>
Change in reserves for insurance and investment contracts (net)	29	(3,598)	(3,071)	(7,038)	(7,170)
Interest expenses	30	(308)	(335)	(610)	(686)
Loan loss provisions	31	(15)	(15)	(24)	(29)
Impairments of investments (net)	32	(74)	(182)	(436)	(316)
Investment expenses	33	(232)	(217)	(431)	(425)
Acquisition and administrative expenses (net)	34	(5,704)	(5,802)	(11,034)	(11,291)
Fee and commission expenses	35	(831)	(788)	(1,613)	(1,566)
Amortization of intangible assets		(25)	(16)	(49)	(57)
Restructuring charges		8	(6)	9	(100)
Other expenses	36	(26)	(8)	(56)	(54)
Expenses from fully consolidated private equity investments	27	(174)	(188)	(348)	(370)
<b>Total expenses</b>		<b>(23,236)</b>	<b>(22,600)</b>	<b>(45,696)</b>	<b>(45,674)</b>
<b>Income before income taxes</b>		<b>2,732</b>	<b>2,499</b>	<b>5,339</b>	<b>5,177</b>
Income taxes	37	(874)	(824)	(1,741)	(1,701)
<b>Net income</b>		<b>1,858</b>	<b>1,675</b>	<b>3,598</b>	<b>3,476</b>
<b>Net income attributable to:</b>					
Non-controlling interests		103	87	203	181
Shareholders		1,755	1,588	3,395	3,295
Basic earnings per share (€)	39	3.87	3.50	7.48	7.27
Diluted earnings per share (€)	39	3.84	3.47	7.41	7.18

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Net income</b>	<b>1,858</b>	<b>1,675</b>	<b>3,598</b>	<b>3,476</b>
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss in future periods				
Foreign currency translation adjustments				
Reclassifications to net income	–	–	–	–
Changes arising during the period	232	(525)	248	(236)
<b>Subtotal</b>	<b>232</b>	<b>(525)</b>	<b>248</b>	<b>(236)</b>
Available-for-sale investments				
Reclassifications to net income	(177)	(380)	(271)	(557)
Changes arising during the period	2,374	(2,701)	4,688	(2,977)
<b>Subtotal</b>	<b>2,197</b>	<b>(3,081)</b>	<b>4,417</b>	<b>(3,534)</b>
Cash flow hedges				
Reclassifications to net income	15	–	13	(1)
Changes arising during the period	30	(69)	35	(62)
<b>Subtotal</b>	<b>45</b>	<b>(69)</b>	<b>48</b>	<b>(63)</b>
Share of other comprehensive income of associates				
Reclassifications to net income	–	–	–	–
Changes arising during the period	(8)	(36)	1	(15)
<b>Subtotal</b>	<b>(8)</b>	<b>(36)</b>	<b>1</b>	<b>(15)</b>
Miscellaneous				
Reclassifications to net income	–	–	–	–
Changes arising during the period	12	4	(17)	88
<b>Subtotal</b>	<b>12</b>	<b>4</b>	<b>(17)</b>	<b>88</b>
Items that may never be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	(334)	17	(690)	(24)
<b>Total other comprehensive income</b>	<b>2,144</b>	<b>(3,690)</b>	<b>4,007</b>	<b>(3,784)</b>
<b>Total comprehensive income</b>	<b>4,002</b>	<b>(2,015)</b>	<b>7,605</b>	<b>(308)</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	136	32	278	168
Shareholders	3,866	(2,047)	7,327	(476)

For further details concerning income taxes relating to components of the other comprehensive income, please see note 37 – Income Taxes.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ MN							
	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
<b>Balance as of 1 January 2013</b>	<b>28,815</b>	<b>13,524</b>	<b>(2,073)</b>	<b>10,122</b>	<b>50,388</b>	<b>2,575</b>	<b>52,963</b>
Total comprehensive income <sup>1</sup>	–	3,319	(231)	(3,564)	(476)	168	(308)
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	3	–	–	3	–	3
Transactions between equity holders	–	(11)	–	1	(10)	21	11
Dividends paid	–	(2,039)	–	–	(2,039)	(206)	(2,245)
<b>Balance as of 30 June 2013</b>	<b>28,815</b>	<b>14,796</b>	<b>(2,304)</b>	<b>6,559</b>	<b>47,866</b>	<b>2,558</b>	<b>50,424</b>
<b>Balance as of 1 January 2014</b>	<b>28,870</b>	<b>17,785</b>	<b>(3,312)</b>	<b>6,741</b>	<b>50,084</b>	<b>2,765</b>	<b>52,849</b>
Total comprehensive income <sup>1</sup>	–	2,694	234	4,399	7,327	278	7,605
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	4	–	–	4	–	4
Transactions between equity holders	–	(32)	1	–	(31)	(5)	(36)
Dividends paid	–	(2,405)	–	–	(2,405)	(205)	(2,610)
<b>Balance as of 30 June 2014</b>	<b>28,870</b>	<b>18,046</b>	<b>(3,077)</b>	<b>11,140</b>	<b>54,979</b>	<b>2,833</b>	<b>57,812</b>

<sup>1</sup> – Total comprehensive income in shareholders' equity for the six months ended 30 June 2014 comprises net income attributable to shareholders of € 3,395 MN (2013: € 3,295 MN).

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2014	2013
six months ended 30 June		
<b>SUMMARY</b>		
Net cash flow provided by operating activities	19,212	13,119
Net cash flow used in investing activities	(13,339)	(8,437)
Net cash flow used in financing activities	(4,420)	(4,136)
Effect of exchange rate changes on cash and cash equivalents	44	(14)
<b>Change in cash and cash equivalents</b>	<b>1,497</b>	<b>532</b>
Cash and cash equivalents at beginning of period	11,207	12,437
<b>Cash and cash equivalents at end of period</b>	<b>12,704</b>	<b>12,969</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net income</b>	<b>3,598</b>	<b>3,476</b>
<b>Adjustments to reconcile net income to net cash flow provided by operating activities</b>		
Share of earnings from investments in associates and joint ventures	(94)	(46)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers	(1,496)	(2,021)
Other investments, mainly financial assets held for trading and designated at fair value through income	185	1,262
Depreciation and amortization	579	528
Loan loss provisions	24	29
Interest credited to policyholder accounts	2,061	1,798
Net change in:		
Financial assets and liabilities held for trading	984	9
Reverse repurchase agreements and collateral paid for securities borrowing transactions	475	16
Repurchase agreements and collateral received from securities lending transactions	284	640
Reinsurance assets	(601)	(910)
Deferred acquisition costs	(980)	(618)
Unearned premiums	3,351	3,441
Reserves for loss and loss adjustment expenses	721	(280)
Reserves for insurance and investment contracts	11,986	5,841
Deferred tax assets/liabilities	56	257
Other (net)	(1,921)	(303)
<b>Subtotal</b>	<b>15,614</b>	<b>9,643</b>
<b>Net cash flow provided by operating activities</b>	<b>19,212</b>	<b>13,119</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

### CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2014	2013
six months ended 30 June		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Proceeds from the sale, maturity or repayment of:</b>		
Financial assets designated at fair value through income	415	872
Available-for-sale investments	65,247	59,948
Held-to-maturity investments	379	385
Investments in associates and joint ventures	257	196
Non-current assets classified as held for sale	16	24
Real estate held for investment	210	170
Loans and advances to banks and customers (purchased loans)	5,602	3,768
Property and equipment	76	87
<b>Subtotal</b>	<b>72,202</b>	<b>65,450</b>
<b>Payments for the purchase or origination of:</b>		
Financial assets designated at fair value through income	(587)	(467)
Available-for-sale investments	(80,041)	(68,879)
Held-to-maturity investments	(218)	(162)
Investments in associates and joint ventures	(333)	(388)
Non-current assets classified as held for sale	(21)	–
Real estate held for investment	(365)	(362)
Loans and advances to banks and customers (purchased loans)	(2,297)	(3,358)
Property and equipment	(628)	(574)
<b>Subtotal</b>	<b>(84,490)</b>	<b>(74,190)</b>
<b>Business combinations:</b>		
Proceeds from sale of subsidiaries, net of cash disposed	–	–
Acquisitions of subsidiaries, net of cash acquired	–	–
<b>Change in other loans and advances to banks and customers (originated loans)</b>	<b>(952)</b>	<b>269</b>
<b>Other (net)</b>	<b>(99)</b>	<b>34</b>
<b>Net cash flow used in investing activities</b>	<b>(13,339)</b>	<b>(8,437)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net change in liabilities to banks and customers	(696)	(716)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	1,387	3,607
Repayments of certificated liabilities and subordinated liabilities	(2,463)	(4,806)
Cash inflow from capital increases	–	–
Transactions between equity holders	(36)	11
Dividends paid to shareholders	(2,610)	(2,245)
Net cash from sale or purchase of treasury shares	5	6
Other (net)	(7)	7
<b>Net cash flow used in financing activities</b>	<b>(4,420)</b>	<b>(4,136)</b>
<b>SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
Income taxes paid	(1,312)	(1,895)
Dividends received	891	822
Interest received	10,068	10,120
Interest paid	(622)	(728)

# Notes to the Condensed Consolidated Interim Financial Statements

## GENERAL INFORMATION

### 1 – Basis of presentation

The condensed consolidated interim financial statements of the Allianz Group – comprising the consolidated balance sheets, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and selected explanatory notes – are presented in accordance with the requirements of IAS 34, Interim Financial Reporting, and have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315a of the German Commercial Code (HGB). IFRS comprise the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations developed by the IFRS Interpretations Committee (formerly called the IFRIC) or the former Standing Interpretations Committee (SIC).

Within these condensed consolidated interim financial statements, the Allianz Group has applied all IFRS issued by the IASB that are endorsed by the E.U. and are compulsory as of 1 January 2014. For further information please see note 2.

For existing and unchanged IFRS, the accounting policies for recognition, measurement, consolidation and presentation applied in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies that have been applied in the preparation of the consolidated financial statements for the year ended 31 December 2013. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Allianz Group Annual Report 2013.

IFRS do not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts, the provisions embodied under accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005, have been applied.

The condensed consolidated interim financial statements are presented in millions of Euros (€ MN), unless otherwise stated.

These condensed consolidated interim financial statements of the Allianz Group were authorized for issue by the Board of Management on 7 August 2014.

### 2 – Recently adopted accounting pronouncements

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

effective 1 January 2014

#### IFRS 10, 11, 12, Amendments to IAS 27 and 28 – Consolidation

As of 1 January 2014 the Allianz Group implemented IFRS 10 and 11 as well as amendments to IAS 27 and IAS 28.

IFRS 10, Consolidated Financial Statements, superseded the requirements of IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control concept as the basis for determining which entities are to be included in the consolidated financial statements because they are controlled by the reporting entity. The existence of control is based on the following three elements:

- power over the investee,
- exposure, or rights, to variable returns from the involvement with the investee, and
- the ability to use power over the investee to affect the amount of the investor's returns.

The following table presents the impacts of the implementation of IFRS 10 on the consolidated balance sheet as of 31 December 2013.

#### CHANGE OF CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013 RELATING TO THE IMPLEMENTATION OF IFRS 10

€ MN	As previously reported	Adoption of IFRS 10	As reported
as of 31 December 2013			
Financial assets carried at fair value through income	7,245	(584)	6,661
Investments	411,015	133	411,148
<b>Total assets</b>	<b>711,530</b>	<b>(451)</b>	<b>711,079</b>
Other liabilities	36,883	(451)	36,432
<b>Total liabilities</b>	<b>658,681</b>	<b>(451)</b>	<b>658,230</b>
<b>Total liabilities and equity</b>	<b>711,530</b>	<b>(451)</b>	<b>711,079</b>

The adoption of IFRS 10 required the additional consolidation of certain investment funds, where the Allianz Group has the ability to direct the relevant asset management activities, without having a majority investment. In contrast, numerous third-party managed investment funds in which the Allianz Group has invested were deconsolidated to the extent that the Allianz Group cannot exercise power. Furthermore, IFRS 10 led to the deconsolidation of certain investment funds which mainly hold assets related to unit-linked contracts because investment decisions over these assets are not in the discretion of the Allianz Group. In total, these changes in the scope of consolidation led to a reduction of the balance sheet total of € 451 MN as of the date IFRS 10 was adopted.

The impact of the adoption of IFRS 10 on the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows is immaterial.

IFRS 11, Joint Arrangements, superseded IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The IFRS classifies joint arrangements into two types: joint operations and joint ventures. For joint operations the reporting entity has to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. In contrast, for joint ventures the reporting entity has to recognize an investment and to account for that investment using the equity method in accordance with IAS 28. The application of IFRS 11 had no material impact on the financial position and the financial results of the Allianz Group.

The revised version of IAS 28, Investments in Associates and Joint Ventures, superseded the former IAS 28, Investments in Associates. It defines 'significant influence', provides guidance on the application of the equity method of accounting and describes how impairment is assessed in associates and joint ventures. The adoption of the revised version of IAS 28 had no material impact on the financial position and financial results of the Allianz Group.

IFRS 12, Disclosure of Interests in Other Entities, contains disclosure requirements previously set out in IAS 27, 28 and 31. Furthermore, the new standard includes disclosure requirements regarding interests in unconsolidated structured entities. The disclosure requirements defined by IFRS 12 are initially to be presented in the Annual Report 2014.

## OTHER RECLASSIFICATIONS

Certain prior-period amounts have been reclassified to conform to the current period presentation.

## 3 – Consolidation

### SIGNIFICANT ACQUISITION AFTER THE BALANCE SHEET DATE

#### Distribution activities of the Property-Casualty insurance branch of UnipolSai Assicurazioni S.p.A.

Effective 1 July 2014, the Allianz Group acquired in a first step the distribution activities of the Property-Casualty insurance branch of UnipolSai Assicurazioni S.p.A., Bologna, which includes, inter alia, a network of 725 agencies and 470 employees dedicated to the management of such activities. In a second step as part of the transaction, the Property-Casualty insurance portfolio managed by the transferred agencies, with premiums equal to approximately € 1.1 BN will be acquired. This second step shall become effective on 31 December 2014, subject to the approval by the Italian insurance regulator Istituto per la Vigilanza sulle Assicurazioni (IVASS).

The acquired distribution activities including the insurance portfolio allow the Allianz Group to take a unique opportunity to further increase market share in a key profitable market.

The aggregate consideration to be paid amounts to a maximum of € 440 MN. It includes a one-off payment of € 200 MN plus a contingent consideration arrangement which requires the Allianz Group to pay the seller a certain multiple of the premiums attributable to policies renewed and transferred during a specified period after the acquisition date up to a maximum of € 240 MN. The potential amount of the future payment that the Allianz Group could be required to make under the contingent consideration arrangement is between € 0 MN and € 240 MN and is expected to be paid in January 2015.

Acquisition-related costs in the amount of € 15 MN (including € 6 MN registration taxes and € 3 MN legal and consulting fees) are included in administrative expenses.

Any resulting goodwill of the acquired business is expected to be deductible for income tax purposes.

At the time the condensed consolidated interim financial statements were authorized for issue, the initial accounting for the business combination was incomplete due to the pending valuations for intangible assets, receivables from agents, other assets, agent liabilities, current and deferred tax liabilities, other liabilities and goodwill.

In addition, the Allianz Group has not yet received access to the figures relating to the purchased business for the six months ended 30 June 2014. Accordingly, at this stage, it is not possible to provide pro forma consolidated figures for gross premiums written, total revenues and net income of the combined entity (Allianz Group including the distribution activities of the Property-Casualty insurance branch of UnipolSai Assicurazioni S.p.A.) for the six months ended 30 June 2014, as though the acquisition date had occurred on 1 January 2014.



## 4 – Segment reporting

### IDENTIFICATION OF REPORTABLE SEGMENTS

The business activities of the Allianz Group are first organized by product and type of service: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into the business segments Property-Casualty and Life/Health. In accordance with the responsibilities of the Board of Management, each of the insurance business segments is grouped into the following reportable segments:

- German Speaking Countries,
- Western & Southern Europe,
- Iberia & Latin America,
- USA,
- Global Insurance Lines & Anglo Markets,
- Growth Markets,
- Allianz Worldwide Partners (Property-Casualty only).

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking and Alternative Investments. In total, the Allianz Group has identified 17 reportable segments in accordance with IFRS 8, Operating Segments.

The types of products and services from which the reportable segments derive revenue are described below.

#### Property-Casualty

In the business segment Property-Casualty, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance.

#### Life/Health

In the business segment Life/Health, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health and supplemental health and long-term care insurance.

#### Asset Management

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed-income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

#### Corporate and Other

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. The reportable segment Banking consists of the banking activities in Germany, France, Italy, the Netherlands and Bulgaria. The banks offer a wide range of products for corporate and retail clients, with a primary focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group's insurance operations. The reportable segment Alternative Investments also includes a fully consolidated private equity investment. The income and expenses of this investment are included in the non-operating result.

### GENERAL SEGMENT REPORTING INFORMATION

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the Consolidation. For the reportable segment Asset Management, interest revenues are reported net of interest expenses. Financial information is recorded based on reportable segments. Cross-segmental country-specific information is not determined.

### REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments and the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations,
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group,
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business,
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance,
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can and do vary, sometimes materially, through time.
- one-off effect from pension revaluation. Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries. Service costs incurred in this context are reimbursed by the German subsidiaries of Allianz SE, resulting in corresponding service revenues at Allianz SE. Effective 1 January 2014, the German subsidiaries of Allianz SE changed the application of the option provided by article 67 (1) sentence 1 of the Introductory Act to German Commercial Code (EGHGB) to distribute the conversion expenses due to the first-time application of the German Accounting Law Modernization Act (BilMoG) in 2010 over a period of up to 15 years in the way that the conversion expenses were fully recognized in the first quarter of 2014. The resulting one-off expenses at the German subsidiaries and one-off income at Allianz SE are shown as non-operating items. In case of policyholder participation within the Life/Health insurance business, this one-off effect is presented within operating profit. On the Allianz Group level, the one-off expenses and income offset each other. The only impact on the Allianz Group level is the related policyholder participation, which had a positive impact of € 116 MN on income before income taxes for the six months ended 30 June 2014.

The following exceptions apply to this general rule:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For Life/Health insurance business and Property-Casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

### RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2014, the Allianz Group prospectively allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

**B— Condensed Consolidated Interim Financial Statements**

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## BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

### BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

€ MN	Property-Casualty		Life/Health	
	as of	as of	as of	as of
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>ASSETS</b>				
Cash and cash equivalents	3,621	2,773	7,463	5,828
Financial assets carried at fair value through income	629	639	5,524	5,548
Investments	92,316	88,432	341,310	309,037
Loans and advances to banks and customers	15,251	16,131	89,248	89,922
Financial assets for unit-linked contracts	–	–	86,895	81,064
Reinsurance assets	8,542	7,922	4,818	4,717
Deferred acquisition costs	4,692	4,354	17,080	17,690
Deferred tax assets	1,195	1,083	234	261
Other assets	22,467	21,664	17,595	17,850
Non-current assets classified as held for sale	155	131	126	–
Intangible assets	2,464	2,478	3,011	2,640
<b>Total assets</b>	<b>151,332</b>	<b>145,607</b>	<b>573,304</b>	<b>534,557</b>

€ MN	Property-Casualty		Life/Health	
	as of	as of	as of	as of
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>LIABILITIES AND EQUITY</b>				
Financial liabilities carried at fair value through income	85	78	6,208	5,869
Liabilities to banks and customers	973	1,189	4,072	2,260
Unearned premiums	18,739	15,367	2,994	2,855
Reserves for loss and loss adjustment expenses	57,339	56,614	10,370	9,961
Reserves for insurance and investment contracts	13,853	13,389	417,475	390,873
Financial liabilities for unit-linked contracts	–	–	86,895	81,064
Deferred tax liabilities	2,420	2,154	3,653	2,420
Other liabilities	16,545	17,128	13,466	14,008
Certificated liabilities	37	37	13	12
Subordinated liabilities	–	–	109	95
<b>Total liabilities</b>	<b>109,991</b>	<b>105,956</b>	<b>545,255</b>	<b>509,417</b>

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013
1,382	1,861	1,318	1,497	(1,080)	(752)	12,704	11,207
72	635	464	307	(447)	(468)	6,242	6,661
115	1,141	107,048	103,727	(92,360)	(91,189)	448,429	411,148
133	449	17,014	18,166	(7,276)	(7,868)	114,370	116,800
-	-	-	-	-	-	86,895	81,064
-	-	-	-	(49)	(30)	13,311	12,609
-	159	-	-	-	-	21,772	22,203
158	167	1,445	1,681	(1,426)	(1,684)	1,606	1,508
2,562	2,188	6,690	7,457	(13,680)	(14,527)	35,634	34,632
-	16	4	-	-	-	285	147
6,905	7,268	702	714	-	-	13,082	13,100
<b>11,327</b>	<b>13,884</b>	<b>134,685</b>	<b>133,549</b>	<b>(116,318)</b>	<b>(116,518)</b>	<b>754,330</b>	<b>711,079</b>

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013	as of 30 June 2014	as of 31 December 2013
-	1	505	534	(447)	(469)	6,351	6,013
187	1,314	20,420	21,337	(3,002)	(2,991)	22,650	23,109
-	-	-	-	(18)	(10)	21,715	18,212
-	-	-	-	(17)	(9)	67,692	66,566
-	-	-	-	(194)	(190)	431,134	404,072
-	-	-	-	-	-	86,895	81,064
2	124	193	164	(1,426)	(1,684)	4,842	3,178
1,928	2,591	25,112	23,605	(20,377)	(20,900)	36,674	36,432
-	-	12,846	13,186	(4,806)	(5,205)	8,090	8,030
-	14	10,430	11,509	(64)	(64)	10,475	11,554
<b>2,117</b>	<b>4,044</b>	<b>69,506</b>	<b>70,335</b>	<b>(30,351)</b>	<b>(31,522)</b>	<b>696,518</b>	<b>658,230</b>
<b>Total equity</b>						<b>57,812</b>	<b>52,849</b>
<b>Total liabilities and equity</b>						<b>754,330</b>	<b>711,079</b>

## BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

### BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

€ MN	Property-Casualty		Life/Health	
	2014	2013	2014	2013
three months ended 30 June				
<b>Total revenues<sup>1</sup></b>	<b>10,846</b>	<b>10,754</b>	<b>16,961</b>	<b>14,125</b>
Premiums earned (net)	10,701	10,379	5,999	5,912
<b>Operating investment result</b>				
Interest and similar income	939	932	4,471	4,369
Operating income from financial assets and liabilities carried at fair value through income (net)	2	(35)	(36)	(687)
Operating realized gains/losses (net)	29	15	754	718
Interest expenses, excluding interest expenses from external debt	(16)	(7)	(23)	(21)
Operating impairments of investments (net)	(1)	(7)	(50)	(132)
Investment expenses	(75)	(77)	(232)	(193)
<b>Subtotal</b>	<b>878</b>	<b>821</b>	<b>4,884</b>	<b>4,054</b>
Fee and commission income	302	307	261	168
Other income	10	11	33	31
Claims and insurance benefits incurred (net)	(7,086)	(6,984)	(5,173)	(4,990)
Change in reserves for insurance and investment contracts (net) <sup>2</sup>	(135)	(99)	(3,457)	(2,928)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(3,036)	(2,976)	(1,448)	(1,478)
Fee and commission expenses	(279)	(273)	(93)	(74)
Operating amortization of intangible assets	–	–	(4)	–
Restructuring charges	(1)	(1)	8	(1)
Other expenses	(8)	(6)	(26)	(25)
<b>Operating profit (loss)</b>	<b>1,346</b>	<b>1,179</b>	<b>984</b>	<b>669</b>
<b>Non-operating investment result</b>				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(3)	23	(25)	(5)
Non-operating realized gains/losses (net)	114	229	90	24
Non-operating impairments of investments (net)	(20)	(35)	(2)	(6)
<b>Subtotal</b>	<b>91</b>	<b>217</b>	<b>63</b>	<b>13</b>
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
Non-operating amortization of intangible assets	(7)	(5)	(9)	(2)
<b>Non-operating items</b>	<b>84</b>	<b>212</b>	<b>54</b>	<b>11</b>
<b>Income (loss) before income taxes</b>	<b>1,430</b>	<b>1,391</b>	<b>1,038</b>	<b>680</b>
Income taxes	(461)	(390)	(307)	(206)
<b>Net income (loss)</b>	<b>969</b>	<b>1,001</b>	<b>731</b>	<b>474</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	41	45	32	20
Shareholders	928	956	699	454

1 – Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

2 – For the three months ended 30 June 2014, includes expenses for premium refunds (net) in Property-Casualty of € (72) MN (2013: € (37) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
1,606	1,815	132	132	(89)	(50)	29,456	26,776
-	-	-	-	-	-	16,700	16,291
2	10	230	207	(104)	(105)	5,538	5,413
4	-	9	10	1	4	(20)	(708)
-	-	-	-	-	-	783	733
(3)	(6)	(149)	(158)	90	90	(101)	(102)
-	-	-	-	-	21	(51)	(118)
-	-	(18)	(20)	93	73	(232)	(217)
3	4	72	39	80	83	5,917	5,001
1,972	2,179	178	175	(175)	(150)	2,538	2,679
2	2	-	(1)	-	(1)	45	42
-	-	-	-	2	2	(12,257)	(11,972)
-	-	-	-	(6)	(44)	(3,598)	(3,071)
-	-	(15)	(15)	-	-	(15)	(15)
(932)	(1,009)	(295)	(338)	5	15	(5,706)	(5,786)
(371)	(370)	(159)	(131)	71	60	(831)	(788)
-	-	-	-	-	-	(4)	-
1	(2)	-	(2)	-	-	8	(6)
-	-	-	(1)	8	24	(26)	(8)
675	804	(219)	(274)	(15)	(11)	2,771	2,367
-	-	-	-	-	-	-	-
-	-	(2)	(9)	(3)	(2)	(33)	7
(1)	-	39	206	1	(1)	243	458
-	-	(1)	(23)	-	-	(23)	(64)
(1)	-	36	174	(2)	(3)	187	401
-	-	(5)	(7)	5	3	-	(4)
-	-	(207)	(233)	-	-	(207)	(233)
-	(16)	2	-	-	-	2	(16)
(2)	(7)	(3)	(3)	-	1	(21)	(16)
(3)	(23)	(177)	(69)	3	1	(39)	132
672	781	(396)	(343)	(12)	(10)	2,732	2,499
(253)	(293)	148	66	(1)	(1)	(874)	(824)
419	488	(248)	(277)	(13)	(11)	1,858	1,675
-	-	-	-	-	-	-	-
24	22	6	-	-	-	103	87
395	466	(254)	(277)	(13)	(11)	1,755	1,588

## BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS) (CONTINUED)

### BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS) (CONTINUED)

€ MN	Property-Casualty		Life/Health	
	2014	2013	2014	2013
six months ended 30 June				
<b>Total revenues<sup>1</sup></b>	<b>26,063</b>	<b>25,951</b>	<b>34,124</b>	<b>28,962</b>
Premiums earned (net)	21,111	20,691	12,275	12,272
<b>Operating investment result</b>				
Interest and similar income	1,792	1,819	8,630	8,446
Operating income from financial assets and liabilities carried at fair value through income (net)	16	(27)	(305)	(931)
Operating realized gains/losses (net)	55	30	1,581	1,617
Interest expenses, excluding interest expenses from external debt	(29)	(22)	(48)	(40)
Operating impairments of investments (net)	(6)	(8)	(341)	(194)
Investment expenses	(144)	(145)	(427)	(383)
<b>Subtotal</b>	<b>1,684</b>	<b>1,647</b>	<b>9,090</b>	<b>8,515</b>
Fee and commission income	608	597	490	308
Other income	39	19	82	80
Claims and insurance benefits incurred (net)	(13,813)	(13,797)	(10,254)	(9,816)
Change in reserves for insurance and investment contracts (net) <sup>2</sup>	(260)	(212)	(6,771)	(6,929)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(5,948)	(5,885)	(2,701)	(2,726)
Fee and commission expenses	(570)	(548)	(180)	(130)
Operating amortization of intangible assets	–	–	(9)	–
Restructuring charges	(2)	(3)	8	(2)
Other expenses	(14)	(11)	(166)	(48)
<b>Operating profit (loss)</b>	<b>2,835</b>	<b>2,498</b>	<b>1,864</b>	<b>1,524</b>
<b>Non-operating investment result</b>				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(62)	14	(25)	8
Non-operating realized gains/losses (net)	197	385	116	58
Non-operating impairments of investments (net)	(77)	(51)	(8)	(10)
<b>Subtotal</b>	<b>58</b>	<b>348</b>	<b>83</b>	<b>56</b>
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effect from pension revaluation	(537)	–	(8)	–
Non-operating amortization of intangible assets	(13)	(8)	(17)	(5)
<b>Non-operating items</b>	<b>(492)</b>	<b>340</b>	<b>58</b>	<b>51</b>
<b>Income (loss) before income taxes</b>	<b>2,343</b>	<b>2,838</b>	<b>1,922</b>	<b>1,575</b>
Income taxes	(729)	(820)	(562)	(473)
<b>Net income (loss)</b>	<b>1,614</b>	<b>2,018</b>	<b>1,360</b>	<b>1,102</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	85	88	63	43
Shareholders	1,529	1,930	1,297	1,059

<sup>1</sup> – Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

<sup>2</sup> – For the six months ended 30 June 2014, includes expenses for premium refunds (net) in Property-Casualty of € (131) MN (2013: € (100) MN).



Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
3,123	3,726	271	280	(161)	(95)	63,420	58,824
-	-	-	-	-	-	33,386	32,963
4	21	438	489	(187)	(195)	10,677	10,580
3	7	11	19	4	3	(271)	(929)
-	-	-	-	(73)	(35)	1,563	1,612
(5)	(13)	(293)	(321)	176	184	(199)	(212)
-	-	-	-	-	21	(347)	(181)
-	-	(34)	(39)	174	142	(431)	(425)
2	15	122	148	94	120	10,992	10,445
3,833	4,465	345	343	(330)	(280)	4,946	5,433
4	5	-	1	(2)	(3)	123	102
-	-	-	-	1	3	(24,066)	(23,610)
-	-	-	-	(7)	(29)	(7,038)	(7,170)
-	-	(24)	(29)	-	-	(24)	(29)
(1,805)	(2,017)	(591)	(641)	(111)	19	(11,156)	(11,250)
(716)	(759)	(293)	(243)	146	114	(1,613)	(1,566)
-	-	-	-	-	-	(9)	-
3	(5)	-	(90)	-	-	9	(100)
-	-	-	(2)	124	7	(56)	(54)
1,321	1,704	(441)	(513)	(85)	(49)	5,494	5,164
-	-	-	-	-	-	-	-
-	-	(8)	(17)	(6)	(2)	(101)	3
(1)	-	56	288	1	(6)	369	725
-	-	(4)	(74)	-	-	(89)	(135)
(1)	-	44	197	(5)	(8)	179	593
-	-	(12)	(14)	7	6	(5)	(8)
-	-	(411)	(474)	-	-	(411)	(474)
3	(41)	3	-	-	-	6	(41)
(14)	-	675	-	-	-	116	-
(5)	(13)	(5)	(53)	-	22	(40)	(57)
(17)	(54)	294	(344)	2	20	(155)	13
1,304	1,650	(147)	(857)	(83)	(29)	5,339	5,177
(479)	(594)	30	183	(1)	3	(1,741)	(1,701)
825	1,056	(117)	(674)	(84)	(26)	3,598	3,476
-	-	-	-	-	-	-	-
45	48	10	2	-	-	203	181
780	1,008	(127)	(676)	(84)	(26)	3,395	3,295

## REPORTABLE SEGMENTS – PROPERTY-CASUALTY

### REPORTABLE SEGMENTS – PROPERTY-CASUALTY

	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
	2014	2013	2014	2013	2014	2013
three months ended 30 June						
<b>Gross premiums written</b>	<b>2,159</b>	<b>2,055</b>	<b>2,474</b>	<b>2,457</b>	<b>1,092</b>	<b>1,182</b>
Ceded premiums written	(334)	(350)	(165)	(139)	(157)	(207)
Change in unearned premiums	707	721	166	74	24	(12)
<b>Premiums earned (net)</b>	<b>2,532</b>	<b>2,426</b>	<b>2,475</b>	<b>2,392</b>	<b>959</b>	<b>963</b>
Interest and similar income	299	289	238	245	49	52
Operating income from financial assets and liabilities carried at fair value through income (net)	4	(23)	–	3	–	1
Operating realized gains/losses (net)	29	15	–	–	–	–
Fee and commission income	31	26	9	6	–	–
Other income	7	7	2	2	–	–
<b>Operating revenues</b>	<b>2,902</b>	<b>2,740</b>	<b>2,724</b>	<b>2,648</b>	<b>1,008</b>	<b>1,016</b>
Claims and insurance benefits incurred (net)	(1,692)	(1,953)	(1,580)	(1,449)	(682)	(645)
Change in reserves for insurance and investment contracts (net)	(119)	(81)	(9)	(10)	–	(1)
Interest expenses	(2)	(4)	(5)	(2)	–	–
Operating impairments of investments (net)	(1)	(7)	–	–	–	–
Investment expenses	(22)	(22)	(25)	(25)	(4)	(4)
Acquisition and administrative expenses (net)	(636)	(651)	(703)	(654)	(247)	(263)
Fee and commission expenses	(27)	(22)	(8)	(11)	–	–
Restructuring charges	–	(1)	–	–	–	–
Other expenses	(5)	(4)	(1)	(1)	–	–
<b>Operating expenses</b>	<b>(2,504)</b>	<b>(2,745)</b>	<b>(2,331)</b>	<b>(2,152)</b>	<b>(933)</b>	<b>(913)</b>
<b>Operating profit (loss)</b>	<b>398</b>	<b>(5)</b>	<b>393</b>	<b>496</b>	<b>75</b>	<b>103</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(8)	18	5	(1)	1	2
Non-operating realized gains/losses (net)	16	22	42	132	2	6
Non-operating impairments of investments (net)	(6)	(6)	(10)	(11)	–	(11)
Amortization of intangible assets	(1)	–	(3)	(1)	(1)	(1)
<b>Non-operating items</b>	<b>1</b>	<b>34</b>	<b>34</b>	<b>119</b>	<b>2</b>	<b>(4)</b>
<b>Income (loss) before income taxes</b>	<b>399</b>	<b>29</b>	<b>427</b>	<b>615</b>	<b>77</b>	<b>99</b>
Income taxes	(107)	(9)	(166)	(176)	(21)	(29)
<b>Net income (loss)</b>	<b>292</b>	<b>20</b>	<b>261</b>	<b>439</b>	<b>56</b>	<b>70</b>
<b>Net income (loss) attributable to:</b>						
Non-controlling interests	(1)	–	2	4	2	2
Shareholders	293	20	259	435	54	68
Loss ratio <sup>2</sup> in %	66.8	80.5	63.8	60.6	71.1	67.0
Expense ratio <sup>3</sup> in %	25.1	26.8	28.4	27.3	25.8	27.3
<b>Combined ratio<sup>4</sup> in %</b>	<b>91.9</b>	<b>107.3</b>	<b>92.2</b>	<b>87.9</b>	<b>96.9</b>	<b>94.3</b>

1 – The reserve strengthening for asbestos risks in 2014 at Fireman's Fund Insurance Company of € 79 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.

2 – Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

3 – Represents acquisition and administrative expenses (net) divided by premiums earned (net).

4 – Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

5 – Presentation not meaningful.

USA <sup>1</sup>		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
496	520	3,991	3,892	739	774	689	640	(794)	(766)	10,846	10,754
(29)	(34)	(885)	(946)	(141)	(182)	(19)	(26)	794	763	(936)	(1,121)
(47)	(25)	(23)	40	5	(11)	(41)	(44)	–	3	791	746
420	461	3,083	2,986	603	581	629	570	–	–	10,701	10,379
58	61	246	240	40	40	9	8	–	(3)	939	932
1	–	(2)	(14)	–	(2)	(1)	–	–	–	2	(35)
–	–	–	–	–	–	–	–	–	–	29	15
–	–	149	149	11	21	127	122	(25)	(17)	302	307
–	–	–	–	2	2	(1)	–	–	–	10	11
479	522	3,476	3,361	656	642	763	700	(25)	(20)	11,983	11,609
(344)	(297)	(1,923)	(1,905)	(459)	(371)	(406)	(364)	–	–	(7,086)	(6,984)
(2)	(3)	(3)	(3)	(2)	–	–	(1)	–	–	(135)	(99)
–	–	(9)	(2)	(1)	–	–	(1)	1	2	(16)	(7)
–	–	–	–	–	–	–	–	–	–	(1)	(7)
(1)	(1)	(21)	(23)	(2)	(2)	–	–	–	–	(75)	(77)
(165)	(165)	(876)	(849)	(215)	(208)	(201)	(189)	7	3	(3,036)	(2,976)
–	–	(124)	(118)	(10)	(16)	(128)	(121)	18	15	(279)	(273)
–	–	(1)	–	–	–	–	–	–	–	(1)	(1)
–	–	–	–	(2)	(1)	–	–	–	–	(8)	(6)
(512)	(466)	(2,957)	(2,900)	(691)	(598)	(735)	(676)	26	20	(10,637)	(10,430)
(33)	56	519	461	(35)	44	28	24	1	–	1,346	1,179
–	–	(2)	4	–	–	1	–	–	–	(3)	23
3	2	49	58	2	5	–	4	–	–	114	229
–	–	(4)	(7)	–	–	–	–	–	–	(20)	(35)
–	–	(1)	(2)	(2)	(2)	–	–	1	1	(7)	(5)
3	2	42	53	–	3	1	4	1	1	84	212
(30)	58	561	514	(35)	47	29	28	2	1	1,430	1,391
12	(7)	(171)	(146)	–	(13)	(8)	(10)	–	–	(461)	(390)
(18)	51	390	368	(35)	34	21	18	2	1	969	1,001
–	–	30	32	6	7	2	–	–	–	41	45
(18)	51	360	336	(41)	27	19	18	2	1	928	956
81.9	64.4	62.4	63.8	76.1	63.9	64.5	63.8	– <sup>5</sup>	– <sup>5</sup>	66.2	67.3
39.3	35.8	28.4	28.4	35.7	35.8	32.0	33.2	– <sup>5</sup>	– <sup>5</sup>	28.4	28.7
121.2	100.2	90.8	92.2	111.8	99.7	96.5	97.0	– <sup>5</sup>	– <sup>5</sup>	94.6	96.0

## REPORTABLE SEGMENTS – PROPERTY-CASUALTY (CONTINUED)

### REPORTABLE SEGMENTS – PROPERTY-CASUALTY (CONTINUED)

€ MN	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
	2014	2013	2014	2013	2014	2013
six months ended 30 June						
<b>Gross premiums written</b>	<b>7,543</b>	<b>7,365</b>	<b>5,639</b>	<b>5,593</b>	<b>2,221</b>	<b>2,480</b>
Ceded premiums written	(1,151)	(1,152)	(410)	(378)	(326)	(385)
Change in unearned premiums	(1,412)	(1,364)	(301)	(485)	(20)	(180)
<b>Premiums earned (net)</b>	<b>4,980</b>	<b>4,849</b>	<b>4,928</b>	<b>4,730</b>	<b>1,875</b>	<b>1,915</b>
Interest and similar income	581	579	432	441	99	106
Operating income from financial assets and liabilities carried at fair value through income (net)	8	(19)	1	10	8	3
Operating realized gains/losses (net)	55	30	–	–	–	–
Fee and commission income	60	59	19	12	–	–
Other income	16	13	4	3	17	–
<b>Operating revenues</b>	<b>5,700</b>	<b>5,511</b>	<b>5,384</b>	<b>5,196</b>	<b>1,999</b>	<b>2,024</b>
Claims and insurance benefits incurred (net)	(3,291)	(3,610)	(3,142)	(2,993)	(1,320)	(1,307)
Change in reserves for insurance and investment contracts (net)	(225)	(171)	(22)	(21)	(2)	(2)
Interest expenses	(4)	(13)	(9)	(5)	(1)	(1)
Operating impairments of investments (net)	(6)	(8)	–	–	–	–
Investment expenses	(45)	(41)	(47)	(48)	(7)	(7)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,261)	(1,211)	(1,352)	(1,258)	(480)	(510)
Fee and commission expenses	(54)	(55)	(18)	(19)	–	–
Restructuring charges	–	(1)	–	–	–	–
Other expenses	(9)	(8)	(2)	(2)	(1)	–
<b>Operating expenses</b>	<b>(4,895)</b>	<b>(5,118)</b>	<b>(4,592)</b>	<b>(4,346)</b>	<b>(1,811)</b>	<b>(1,827)</b>
<b>Operating profit (loss)</b>	<b>805</b>	<b>393</b>	<b>792</b>	<b>850</b>	<b>188</b>	<b>197</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(33)	9	(18)	(1)	2	2
Non-operating realized gains/losses (net)	51	52	60	172	5	16
Non-operating impairments of investments (net)	(14)	(11)	(54)	(20)	(1)	(12)
One-off effect from pension revaluation	(530)	–	–	–	–	–
Amortization of intangible assets	(1)	(1)	(6)	(4)	(1)	(1)
<b>Non-operating items</b>	<b>(527)</b>	<b>49</b>	<b>(18)</b>	<b>147</b>	<b>5</b>	<b>5</b>
<b>Income (loss) before income taxes</b>	<b>278</b>	<b>442</b>	<b>774</b>	<b>997</b>	<b>193</b>	<b>202</b>
Income taxes	(62)	(128)	(290)	(313)	(55)	(63)
<b>Net income (loss)</b>	<b>216</b>	<b>314</b>	<b>484</b>	<b>684</b>	<b>138</b>	<b>139</b>
<b>Net income (loss) attributable to:</b>						
Non-controlling interests	(1)	1	8	8	3	3
Shareholders	217	313	476	676	135	136
Loss ratio <sup>2</sup> in %	66.1	74.4	63.8	63.3	70.4	68.3
Expense ratio <sup>3</sup> in %	25.3	25.0	27.4	26.6	25.6	26.6
<b>Combined ratio<sup>4</sup> in %</b>	<b>91.4</b>	<b>99.4</b>	<b>91.2</b>	<b>89.9</b>	<b>96.0</b>	<b>94.9</b>

1 – The reserve strengthening for asbestos risks in 2014 at Fireman's Fund Insurance Company of € 79 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.

2 – Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

3 – Represents acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, divided by premiums earned (net).

4 – Represents the total of acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).

5 – Presentation not meaningful.

USA <sup>1</sup>		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
912	972	9,092	8,903	1,655	1,666	1,474	1,360	(2,473)	(2,388)	26,063	25,951
(60)	(63)	(2,287)	(2,406)	(353)	(380)	(49)	(52)	2,473	2,385	(2,163)	(2,431)
(27)	15	(704)	(494)	(104)	(120)	(221)	(204)	–	3	(2,789)	(2,829)
825	924	6,101	6,003	1,198	1,166	1,204	1,104	–	–	21,111	20,691
114	119	472	487	79	81	15	15	–	(9)	1,792	1,819
–	(1)	–	(19)	–	(1)	(1)	–	–	–	16	(27)
–	–	–	–	–	–	–	–	–	–	55	30
–	–	294	295	29	38	242	233	(36)	(40)	608	597
–	–	–	–	3	2	(1)	1	–	–	39	19
939	1,042	6,867	6,766	1,309	1,286	1,459	1,353	(36)	(49)	23,621	23,129
(630)	(601)	(3,806)	(3,837)	(849)	(735)	(775)	(714)	–	–	(13,813)	(13,797)
(4)	(5)	(4)	(12)	(3)	(1)	–	–	–	–	(260)	(212)
–	–	(14)	(9)	(2)	(1)	–	(1)	1	8	(29)	(22)
–	–	–	–	–	–	–	–	–	–	(6)	(8)
(2)	(2)	(39)	(43)	(4)	(4)	–	–	–	–	(144)	(145)
(312)	(331)	(1,733)	(1,809)	(433)	(410)	(388)	(364)	11	8	(5,948)	(5,885)
–	–	(249)	(242)	(26)	(33)	(247)	(232)	24	33	(570)	(548)
–	–	(2)	(2)	–	–	–	–	–	–	(2)	(3)
–	–	–	–	(2)	(1)	–	–	–	–	(14)	(11)
(948)	(939)	(5,847)	(5,954)	(1,319)	(1,185)	(1,410)	(1,311)	36	49	(20,786)	(20,631)
(9)	103	1,020	812	(10)	101	49	42	–	–	2,835	2,498
(1)	–	(11)	4	(1)	–	–	–	–	–	(62)	14
4	6	74	128	3	7	–	4	–	–	197	385
–	–	(8)	(7)	–	(1)	–	–	–	–	(77)	(51)
–	–	(7)	–	–	–	–	–	–	–	(537)	–
–	–	(3)	–	(4)	(4)	–	–	2	2	(13)	(8)
3	6	45	125	(2)	2	–	4	2	2	(492)	340
(6)	109	1,065	937	(12)	103	49	46	2	2	2,343	2,838
7	(21)	(310)	(251)	(5)	(30)	(14)	(14)	–	–	(729)	(820)
1	88	755	686	(17)	73	35	32	2	2	1,614	2,018
–	–	–	–	–	–	–	–	–	–	–	–
–	–	58	61	15	14	2	1	–	–	85	88
1	88	697	625	(32)	59	33	31	2	2	1,529	1,930
76.4	65.1	62.4	64.0	70.9	63.0	64.4	64.6	– <sup>5</sup>	– <sup>5</sup>	65.4	66.7
37.8	35.8	28.4	30.1	36.1	35.2	32.2	33.0	– <sup>5</sup>	– <sup>5</sup>	28.2	28.4
114.2	100.9	90.8	94.1	107.0	98.2	96.6	97.6	– <sup>5</sup>	– <sup>5</sup>	93.6	95.1

## REPORTABLE SEGMENTS – LIFE/HEALTH

### REPORTABLE SEGMENTS – LIFE/HEALTH

	German Speaking Countries		Western & Southern Europe	
	2014	2013	2014	2013
three months ended 30 June				
<b>Statutory premiums<sup>1</sup></b>	<b>5,624</b>	<b>4,845</b>	<b>5,956</b>	<b>5,514</b>
Ceded premiums written	(35)	(43)	(183)	(273)
Change in unearned premiums	(47)	(41)	4	12
<b>Statutory premiums (net)</b>	<b>5,542</b>	<b>4,761</b>	<b>5,777</b>	<b>5,253</b>
Deposits from insurance and investment contracts	(1,888)	(1,177)	(4,574)	(4,134)
<b>Premiums earned (net)</b>	<b>3,654</b>	<b>3,584</b>	<b>1,203</b>	<b>1,119</b>
Interest and similar income	2,397	2,323	1,047	1,053
Operating income from financial assets and liabilities carried at fair value through income (net)	157	(508)	(23)	59
Operating realized gains/losses (net)	602	519	144	122
Fee and commission income	21	14	129	111
Other income	27	27	5	4
<b>Operating revenues</b>	<b>6,858</b>	<b>5,959</b>	<b>2,505</b>	<b>2,468</b>
Claims and insurance benefits incurred (net)	(3,498)	(2,996)	(1,052)	(1,073)
Change in reserves for insurance and investment contracts (net)	(2,329)	(2,020)	(594)	(579)
Interest expenses	(20)	(28)	(3)	(8)
Operating impairments of investments (net)	(36)	(101)	(12)	(29)
Investment expenses	(152)	(127)	(64)	(49)
Acquisition and administrative expenses (net)	(384)	(412)	(504)	(439)
Fee and commission expenses	(10)	(5)	(58)	(58)
Operating amortization of intangible assets	(4)	–	–	–
Restructuring charges	–	–	–	(1)
Other expenses	(21)	(23)	(3)	(2)
<b>Operating expenses</b>	<b>(6,454)</b>	<b>(5,712)</b>	<b>(2,290)</b>	<b>(2,238)</b>
<b>Operating profit (loss)</b>	<b>404</b>	<b>247</b>	<b>215</b>	<b>230</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	–	(5)
Non-operating realized gains/losses (net)	–	–	88	18
Non-operating impairments of investments (net)	–	–	(2)	(4)
Non-operating amortization of intangible assets	–	(1)	(3)	–
<b>Non-operating items</b>	<b>–</b>	<b>(1)</b>	<b>83</b>	<b>9</b>
<b>Income (loss) before income taxes</b>	<b>404</b>	<b>246</b>	<b>298</b>	<b>239</b>
Income taxes	(140)	(96)	(74)	(58)
<b>Net income (loss)</b>	<b>264</b>	<b>150</b>	<b>224</b>	<b>181</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	–	–	12	7
Shareholders	264	150	212	174
<b>Margin on reserves<sup>2</sup> in basis points</b>	<b>68</b>	<b>45</b>	<b>57</b>	<b>67</b>

<sup>1</sup> – Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

<sup>2</sup> – Represents annualized operating profit divided by the average of the current quarter-end and previous quarter-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

<sup>3</sup> – Presentation not meaningful.

Iberia & Latin America		USA		Global Insurance Lines & Anglo Markets		Growth Markets		Consolidation		Life/Health	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
452	557	3,352	1,788	141	134	1,615	1,578	(179)	(291)	16,961	14,125
(4)	(3)	(27)	(29)	(46)	(20)	(108)	(74)	179	291	(224)	(151)
3	5	(4)	(3)	7	(4)	(21)	(19)	-	-	(58)	(50)
451	559	3,321	1,756	102	110	1,486	1,485	-	-	16,679	13,924
(257)	(312)	(3,089)	(1,536)	-	-	(872)	(853)	-	-	(10,680)	(8,012)
194	247	232	220	102	110	614	632	(10)	-	5,999	5,912
91	91	709	691	14	22	223	207	(10)	(18)	4,471	4,369
15	(4)	(183)	(177)	-	(36)	(1)	(19)	(1)	(2)	(36)	(687)
1	4	2	62	-	-	4	11	1	-	754	718
35	1	29	21	-	-	48	22	(1)	(1)	261	168
-	-	-	-	-	-	1	-	-	-	33	31
336	339	789	817	116	96	889	853	(11)	(21)	11,482	10,511
(157)	(198)	(21)	(22)	(78)	(84)	(367)	(617)	-	-	(5,173)	(4,990)
(51)	(45)	(304)	(346)	(1)	-	(178)	62	-	-	(3,457)	(2,928)
-	-	(2)	(1)	-	(1)	(8)	(2)	10	19	(23)	(21)
(1)	(1)	-	-	-	-	(1)	(1)	-	-	(50)	(132)
(2)	(2)	(8)	(9)	-	-	(6)	(6)	-	-	(232)	(193)
(54)	(52)	(246)	(329)	(19)	(26)	(242)	(222)	1	2	(1,448)	(1,478)
(17)	-	(5)	(10)	-	-	(3)	(1)	-	-	(93)	(74)
-	-	-	-	-	-	-	-	-	-	(4)	-
-	-	-	-	-	-	8	-	-	-	8	(1)
-	-	-	-	-	-	(2)	-	-	-	(26)	(25)
(282)	(298)	(586)	(717)	(98)	(111)	(799)	(787)	11	21	(10,498)	(9,842)
54	41	203	100	18	(15)	90	66	-	-	984	669
-	-	(25)	-	-	-	-	-	-	-	(25)	(5)
-	-	-	1	-	-	2	5	-	-	90	24
-	-	-	-	-	-	-	(2)	-	-	(2)	(6)
(4)	-	-	-	-	-	(2)	(1)	-	-	(9)	(2)
(4)	-	(25)	1	-	-	-	2	-	-	54	11
50	41	178	101	18	(15)	90	68	-	-	1,038	680
(15)	(13)	(54)	(23)	(4)	1	(20)	(17)	-	-	(307)	(206)
35	28	124	78	14	(14)	70	51	-	-	731	474
9	5	-	-	-	-	11	8	-	-	32	20
26	23	124	78	14	(14)	59	43	-	-	699	454
247	215	108	56	380	(320)	132	99	- <sup>3</sup>	- <sup>3</sup>	79	58

## REPORTABLE SEGMENTS – LIFE/HEALTH (CONTINUED)

### REPORTABLE SEGMENTS – LIFE/HEALTH (CONTINUED)

six months ended 30 June	German Speaking Countries		Western & Southern Europe	
	2014	2013	2014	2013
<b>Statutory premiums<sup>1</sup></b>	<b>12,480</b>	<b>11,173</b>	<b>12,083</b>	<b>10,642</b>
Ceded premiums written	(74)	(88)	(780)	(617)
Change in unearned premiums	(109)	(71)	(10)	(1)
<b>Statutory premiums (net)</b>	<b>12,297</b>	<b>11,014</b>	<b>11,293</b>	<b>10,024</b>
Deposits from insurance and investment contracts	(4,580)	(3,226)	(8,937)	(7,787)
<b>Premiums earned (net)</b>	<b>7,717</b>	<b>7,788</b>	<b>2,356</b>	<b>2,237</b>
Interest and similar income	4,661	4,526	1,938	1,944
Operating income from financial assets and liabilities carried at fair value through income (net)	188	(532)	(73)	101
Operating realized gains/losses (net)	1,100	1,233	450	264
Fee and commission income	40	26	247	203
Other income	69	60	10	20
<b>Operating revenues</b>	<b>13,775</b>	<b>13,101</b>	<b>4,928</b>	<b>4,769</b>
Claims and insurance benefits incurred (net)	(7,017)	(6,193)	(2,050)	(2,047)
Change in reserves for insurance and investment contracts (net)	(4,595)	(4,994)	(1,083)	(1,146)
Interest expenses	(45)	(51)	(8)	(14)
Operating impairments of investments (net)	(149)	(140)	(189)	(52)
Investment expenses	(280)	(250)	(113)	(99)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(769)	(766)	(924)	(848)
Fee and commission expenses	(19)	(12)	(111)	(105)
Operating amortization of intangible assets	(9)	–	–	–
Restructuring charges	–	(1)	–	(1)
Other expenses	(155)	(43)	(6)	(5)
<b>Operating expenses</b>	<b>(13,038)</b>	<b>(12,450)</b>	<b>(4,484)</b>	<b>(4,317)</b>
<b>Operating profit (loss)</b>	<b>737</b>	<b>651</b>	<b>444</b>	<b>452</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	(4)	(1)
Non-operating realized gains/losses (net)	–	–	113	39
Non-operating impairments of investments (net)	–	–	(7)	(7)
One-off effect from pension revaluation	(8)	–	–	–
Non-operating amortization of intangible assets	–	(1)	(6)	–
<b>Non-operating items</b>	<b>(8)</b>	<b>(1)</b>	<b>96</b>	<b>31</b>
<b>Income (loss) before income taxes</b>	<b>729</b>	<b>650</b>	<b>540</b>	<b>483</b>
Income taxes	(249)	(244)	(132)	(116)
<b>Net income (loss)</b>	<b>480</b>	<b>406</b>	<b>408</b>	<b>367</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	–	–	21	13
Shareholders	480	406	387	354
<b>Margin on reserves<sup>2</sup> in basis points</b>	<b>63</b>	<b>60</b>	<b>60</b>	<b>67</b>

1 – Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 – Represents annualized operating profit divided by the average of the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 – Presentation not meaningful.



Iberia & Latin America		USA		Global Insurance Lines & Anglo Markets		Growth Markets		Consolidation		Life/Health	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
928	994	5,908	3,350	267	266	3,231	3,176	(773)	(639)	34,124	28,962
(8)	(13)	(56)	(59)	(59)	(31)	(182)	(139)	773	639	(386)	(308)
(31)	(25)	(7)	(4)	(24)	(4)	(60)	(59)	–	–	(241)	(164)
889	956	5,845	3,287	184	231	2,989	2,978	–	–	33,497	28,490
(546)	(578)	(5,386)	(2,859)	–	–	(1,773)	(1,768)	–	–	(21,222)	(16,218)
343	378	459	428	184	231	1,216	1,210	–	–	12,275	12,272
185	183	1,401	1,369	33	41	438	417	(26)	(34)	8,630	8,446
16	2	(428)	(428)	(5)	(54)	(5)	(14)	2	(6)	(305)	(931)
5	6	11	81	–	–	14	33	1	–	1,581	1,617
69	2	52	37	–	–	83	42	(1)	(2)	490	308
–	–	–	–	–	–	3	–	–	–	82	80
618	571	1,495	1,487	212	218	1,749	1,688	(24)	(42)	22,753	21,792
(296)	(337)	(46)	(44)	(153)	(182)	(692)	(1,013)	–	–	(10,254)	(9,816)
(73)	(49)	(642)	(663)	14	5	(392)	(82)	–	–	(6,771)	(6,929)
(1)	(1)	(4)	(3)	(1)	(1)	(15)	(4)	26	34	(48)	(40)
(1)	(1)	–	–	–	–	(2)	(1)	–	–	(341)	(194)
(3)	(3)	(18)	(17)	–	–	(13)	(14)	–	–	(427)	(383)
(104)	(100)	(404)	(546)	(43)	(48)	(458)	(421)	1	3	(2,701)	(2,726)
(34)	–	(9)	(13)	–	–	(7)	(1)	–	1	(180)	(130)
–	–	–	–	–	–	–	–	–	–	(9)	–
–	–	–	–	–	–	8	–	–	–	8	(2)
–	–	–	–	–	–	(5)	–	–	–	(166)	(48)
(512)	(491)	(1,123)	(1,286)	(183)	(226)	(1,576)	(1,536)	27	38	(20,889)	(20,268)
106	80	372	201	29	(8)	173	152	3	(4)	1,864	1,524
–	–	(21)	9	–	–	–	–	–	–	(25)	8
–	–	–	1	–	–	3	18	–	–	116	58
–	–	–	–	–	–	(1)	(3)	–	–	(8)	(10)
–	–	–	–	–	–	–	–	–	–	(8)	–
(8)	–	–	–	–	–	(3)	(4)	–	–	(17)	(5)
(8)	–	(21)	10	–	–	(1)	11	–	–	58	51
98	80	351	211	29	(8)	172	163	3	(4)	1,922	1,575
(29)	(24)	(108)	(53)	(7)	(1)	(37)	(35)	–	–	(562)	(473)
69	56	243	158	22	(9)	135	128	3	(4)	1,360	1,102
–	–	–	–	–	–	–	–	–	–	–	–
18	11	–	–	–	–	24	19	–	–	63	43
51	45	243	158	22	(9)	111	109	3	(4)	1,297	1,059
247	209	100	58	302	(81)	128	114	– <sup>3</sup>	– <sup>3</sup>	76	66

## REPORTABLE SEGMENTS – ASSET MANAGEMENT

### REPORTABLE SEGMENTS – ASSET MANAGEMENT

€ MN	2014	2013
three months ended 30 June		
Net fee and commission income <sup>1</sup>	1,601	1,809
Net interest income <sup>2</sup>	(1)	4
Income from financial assets and liabilities carried at fair value through income (net)	4	–
Other income	2	2
<b>Operating revenues</b>	<b>1,606</b>	<b>1,815</b>
Administrative expenses (net), excluding acquisition-related expenses	(932)	(1,009)
Restructuring charges	1	(2)
<b>Operating expenses</b>	<b>(931)</b>	<b>(1,011)</b>
<b>Operating profit</b>	<b>675</b>	<b>804</b>
Realized gains/losses (net)	(1)	–
Acquisition-related expenses	–	(16)
Amortization of intangible assets	(2)	(7)
<b>Non-operating items</b>	<b>(3)</b>	<b>(23)</b>
<b>Income before income taxes</b>	<b>672</b>	<b>781</b>
Income taxes	(253)	(293)
<b>Net income</b>	<b>419</b>	<b>488</b>
<b>Net income attributable to:</b>		
Non-controlling interests	24	22
Shareholders	395	466
<b>Cost-income ratio<sup>3</sup> in %</b>	<b>58.0</b>	<b>55.7</b>

1 – Represents fee and commission income less fee and commission expenses.

2 – Represents interest and similar income less interest expenses.

3 – Represents operating expenses divided by operating revenues.

## REPORTABLE SEGMENTS – ASSET MANAGEMENT (CONTINUED)

## REPORTABLE SEGMENTS – ASSET MANAGEMENT (CONTINUED)

€ MN	2014	2013
six months ended 30 June		
Net fee and commission income <sup>1</sup>	3,117	3,706
Net interest income <sup>2</sup>	(1)	8
Income from financial assets and liabilities carried at fair value through income (net)	3	7
Other income	4	5
<b>Operating revenues</b>	<b>3,123</b>	<b>3,726</b>
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(1,805)	(2,017)
Restructuring charges	3	(5)
<b>Operating expenses</b>	<b>(1,802)</b>	<b>(2,022)</b>
<b>Operating profit</b>	<b>1,321</b>	<b>1,704</b>
Realized gains/losses (net)	(1)	–
Acquisition-related expenses	3	(41)
One-off effect from pension revaluation	(14)	–
Amortization of intangible assets	(5)	(13)
<b>Non-operating items</b>	<b>(17)</b>	<b>(54)</b>
<b>Income before income taxes</b>	<b>1,304</b>	<b>1,650</b>
Income taxes	(479)	(594)
<b>Net income</b>	<b>825</b>	<b>1,056</b>
<b>Net income attributable to:</b>		
Non-controlling interests	45	48
Shareholders	780	1,008
<b>Cost-income ratio<sup>3</sup> in %</b>	<b>57.7</b>	<b>54.3</b>

1 – Represents fee and commission income less fee and commission expenses.

2 – Represents interest and similar income less interest expenses.

3 – Represents operating expenses divided by operating revenues.

## REPORTABLE SEGMENTS – CORPORATE AND OTHER

### REPORTABLE SEGMENTS – CORPORATE AND OTHER

€ MN	Holding & Treasury	
	2014	2013
three months ended 30 June		
Interest and similar income	74	53
Operating income from financial assets and liabilities carried at fair value through income (net)	7	7
Fee and commission income	15	10
Other income	–	–
<b>Operating revenues</b>	<b>96</b>	<b>70</b>
Interest expenses, excluding interest expenses from external debt	(84)	(86)
Loan loss provisions	–	–
Investment expenses	(17)	(20)
Administrative expenses (net), excluding acquisition-related expenses	(161)	(184)
Fee and commission expenses	(78)	(57)
Restructuring charges	–	–
Other expenses	–	–
<b>Operating expenses</b>	<b>(340)</b>	<b>(347)</b>
<b>Operating profit (loss)</b>	<b>(244)</b>	<b>(277)</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(2)	(10)
Realized gains/losses (net)	34	201
Impairments of investments (net)	(1)	(22)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(207)	(233)
Acquisition-related expenses	2	–
Amortization of intangible assets	(3)	(3)
<b>Non-operating items</b>	<b>(177)</b>	<b>(67)</b>
<b>Income (loss) before income taxes</b>	<b>(421)</b>	<b>(344)</b>
Income taxes	163	64
<b>Net income (loss)</b>	<b>(258)</b>	<b>(280)</b>
<b>Net income (loss) attributable to:</b>		
Non-controlling interests	–	–
Shareholders	(258)	(280)
<b>Cost-income ratio<sup>1</sup> for the reportable segment Banking in %</b>		

<sup>1</sup> – Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses, restructuring charges and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income,

other income, interest expenses, excluding interest expenses from external debt, and fee and commission expenses.

Banking		Alternative Investments		Consolidation		Corporate and Other	
2014	2013	2014	2013	2014	2013	2014	2013
149	154	8	–	(1)	–	230	207
4	3	(2)	–	–	–	9	10
125	125	39	41	(1)	(1)	178	175
–	(2)	–	1	–	–	–	(1)
278	280	45	42	(2)	(1)	417	391
(65)	(72)	(1)	–	1	–	(149)	(158)
(15)	(15)	–	–	–	–	(15)	(15)
–	–	(2)	(1)	1	1	(18)	(20)
(100)	(117)	(34)	(37)	–	–	(295)	(338)
(81)	(74)	–	–	–	–	(159)	(131)
–	(2)	–	–	–	–	–	(2)
–	(1)	–	–	–	–	–	(1)
(261)	(281)	(37)	(38)	2	1	(636)	(665)
17	(1)	8	4	–	–	(219)	(274)
–	–	–	1	–	–	(2)	(9)
5	5	–	–	–	–	39	206
–	(1)	–	–	–	–	(1)	(23)
–	–	(5)	(7)	–	–	(5)	(7)
–	–	–	–	–	–	(207)	(233)
–	–	–	–	–	–	2	–
–	–	–	–	–	–	(3)	(3)
5	4	(5)	(6)	–	–	(177)	(69)
22	3	3	(2)	–	–	(396)	(343)
(8)	–	(7)	2	–	–	148	66
14	3	(4)	–	–	–	(248)	(277)
2	1	4	(1)	–	–	6	–
12	2	(8)	1	–	–	(254)	(277)
75.8	89.6						

## REPORTABLE SEGMENTS – CORPORATE AND OTHER (CONTINUED)

### REPORTABLE SEGMENTS – CORPORATE AND OTHER (CONTINUED)

€ MN	Holding & Treasury	
	2014	2013
six months ended 30 June		
Interest and similar income	128	174
Operating income from financial assets and liabilities carried at fair value through income (net)	7	14
Fee and commission income	29	20
Other income	–	–
<b>Operating revenues</b>	<b>164</b>	<b>208</b>
Interest expenses, excluding interest expenses from external debt	(162)	(175)
Loan loss provisions	–	–
Investment expenses	(31)	(38)
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(316)	(330)
Fee and commission expenses	(147)	(109)
Restructuring charges	–	–
Other expenses	–	–
<b>Operating expenses</b>	<b>(656)</b>	<b>(652)</b>
<b>Operating profit (loss)</b>	<b>(492)</b>	<b>(444)</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(7)	(17)
Realized gains/losses (net)	52	253
Impairments of investments (net)	(4)	(73)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(411)	(474)
Acquisition-related expenses	3	–
One-off effect from pension revaluation	679	–
Amortization of intangible assets	(5)	(7)
<b>Non-operating items</b>	<b>307</b>	<b>(318)</b>
<b>Income (loss) before income taxes</b>	<b>(185)</b>	<b>(762)</b>
Income taxes	49	167
<b>Net income (loss)</b>	<b>(136)</b>	<b>(595)</b>
<b>Net income (loss) attributable to:</b>		
Non-controlling interests	–	–
Shareholders	(136)	(595)
<b>Cost-income ratio<sup>1</sup> for the reportable segment Banking in %</b>		

<sup>1</sup> — Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation, restructuring charges and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through

income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt, and fee and commission expenses.

Banking		Alternative Investments		Consolidation		Corporate and Other	
2014	2013	2014	2013	2014	2013	2014	2013
299	311	12	4	(1)	–	438	489
6	5	(2)	–	–	–	11	19
241	245	76	80	(1)	(2)	345	343
–	–	–	2	–	(1)	–	1
<b>546</b>	<b>561</b>	<b>86</b>	<b>86</b>	<b>(2)</b>	<b>(3)</b>	<b>794</b>	<b>852</b>
(131)	(145)	(1)	(1)	1	–	(293)	(321)
(24)	(29)	–	–	–	–	(24)	(29)
–	–	(4)	(2)	1	1	(34)	(39)
(210)	(245)	(65)	(68)	–	2	(591)	(641)
(146)	(134)	–	–	–	–	(293)	(243)
–	(90)	–	–	–	–	–	(90)
–	(2)	–	–	–	–	–	(2)
<b>(511)</b>	<b>(645)</b>	<b>(70)</b>	<b>(71)</b>	<b>2</b>	<b>3</b>	<b>(1,235)</b>	<b>(1,365)</b>
<b>35</b>	<b>(84)</b>	<b>16</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>(441)</b>	<b>(513)</b>
–	–	(1)	–	–	–	(8)	(17)
4	8	–	–	–	27	56	288
–	(1)	–	–	–	–	(4)	(74)
–	–	(12)	(14)	–	–	(12)	(14)
–	–	–	–	–	–	(411)	(474)
–	–	–	–	–	–	3	–
(1)	–	(3)	–	–	–	675	–
–	–	–	(46)	–	–	(5)	(53)
<b>3</b>	<b>7</b>	<b>(16)</b>	<b>(60)</b>	<b>–</b>	<b>27</b>	<b>294</b>	<b>(344)</b>
<b>38</b>	<b>(77)</b>	<b>–</b>	<b>(45)</b>	<b>–</b>	<b>27</b>	<b>(147)</b>	<b>(857)</b>
(13)	24	(6)	(3)	–	(5)	30	183
<b>25</b>	<b>(53)</b>	<b>(6)</b>	<b>(48)</b>	<b>–</b>	<b>22</b>	<b>(117)</b>	<b>(674)</b>
4	3	6	(1)	–	–	10	2
21	(56)	(12)	(47)	–	22	(127)	(676)
<b>78.1</b>	<b>119.5</b>						

## NOTES TO THE CONSOLIDATED BALANCE SHEETS

### 5 – Financial assets carried at fair value through income

#### FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 30 June 2014	as of 31 December 2013
Financial assets held for trading		
Debt securities	395	360
Equity securities	158	139
Derivative financial instruments	1,415	2,013
<b>Subtotal</b>	<b>1,968</b>	<b>2,512</b>
Financial assets designated at fair value through income		
Debt securities	2,353	2,279
Equity securities	1,921	1,870
<b>Subtotal</b>	<b>4,274</b>	<b>4,149</b>
<b>Total</b>	<b>6,242</b>	<b>6,661</b>

### 6 – Investments

#### INVESTMENTS

€ MN	as of 30 June 2014	as of 31 December 2013
Available-for-sale investments	429,237	392,233
Held-to-maturity investments	4,020	4,140
Funds held by others under reinsurance contracts assumed	1,052	894
Investments in associates and joint ventures	3,177	3,098
Real estate held for investment	10,943	10,783
<b>Total</b>	<b>448,429</b>	<b>411,148</b>



## AVAILABLE-FOR-SALE INVESTMENTS

## AVAILABLE-FOR-SALE INVESTMENTS

€ MN	as of 30 June 2014				as of 31 December 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Debt securities</b>								
Government and agency mortgage-backed securities (residential and commercial)	3,021	152	(4)	3,169	2,515	103	(16)	2,602
Corporate mortgage-backed securities (residential and commercial)	11,893	647	(52)	12,488	11,226	693	(86)	11,833
Other asset-backed securities	3,674	248	(36)	3,886	3,460	210	(40)	3,630
<b>Government and government agency bonds</b>								
France	30,905	5,438	(20)	36,323	31,410	2,471	(177)	33,704
Italy	26,502	4,063	(3)	30,562	26,304	2,001	(91)	28,214
Germany	12,607	1,423	(4)	14,026	14,852	918	(46)	15,724
United States	9,017	599	(41)	9,575	8,411	239	(171)	8,479
Belgium	5,880	1,158	(1)	7,037	5,968	613	(3)	6,578
Korea	6,014	602	(6)	6,610	5,798	427	(26)	6,199
Austria	5,493	929	(1)	6,421	4,941	468	(23)	5,386
Spain	4,752	553	(1)	5,304	2,813	178	(35)	2,956
Switzerland	4,642	447	(22)	5,067	4,376	330	(80)	4,626
Netherlands	3,743	287	(1)	4,029	3,627	159	(26)	3,760
Hungary	819	94	–	913	773	60	–	833
Portugal	197	23	–	220	196	2	(2)	196
Ireland	50	–	–	50	38	1	–	39
Greece	1	2	–	3	1	2	–	3
Supranationals	14,566	1,780	(3)	16,343	14,571	663	(56)	15,178
All other countries	32,970	1,684	(221)	34,433	30,854	944	(723)	31,075
<b>Subtotal</b>	<b>158,158</b>	<b>19,082</b>	<b>(324)</b>	<b>176,916</b>	<b>154,933</b>	<b>9,476</b>	<b>(1,459)</b>	<b>162,950</b>
Corporate bonds <sup>1</sup>	180,446	15,020	(306)	195,160	168,353	9,212	(1,397)	176,168
Other	2,088	399	(4)	2,483	2,230	324	(4)	2,550
<b>Subtotal</b>	<b>359,280</b>	<b>35,548</b>	<b>(726)</b>	<b>394,102</b>	<b>342,717</b>	<b>20,018</b>	<b>(3,002)</b>	<b>359,733</b>
Equity securities <sup>2</sup>	24,684	10,605	(154)	35,135	23,022	9,624	(146)	32,500
<b>Total</b>	<b>383,964</b>	<b>46,153</b>	<b>(880)</b>	<b>429,237</b>	<b>365,739</b>	<b>29,642</b>	<b>(3,148)</b>	<b>392,233</b>

1 – Includes bonds issued by Spanish banks with a fair value of € 504 MN (2013: € 418 MN), thereof subordinated bonds with a fair value of € 137 MN (2013: € 115 MN).

2 – Includes shares invested in Spanish banks with a fair value of € 470 MN (2013: € 402 MN).

## 7 – Loans and advances to banks and customers

### LOANS AND ADVANCES TO BANKS AND CUSTOMERS

€ MN	as of 30 June 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
	Short-term investments and certificates of deposit	3,202	–	3,202	3,275	–
Reverse repurchase agreements	89	–	89	613	–	613
Collateral paid for securities borrowing transactions and derivatives	364	–	364	315	–	315
Loans	57,421 <sup>1</sup>	52,860	110,281	60,511 <sup>1</sup>	51,595	112,106
Other	571	13	584	670	15	685
<b>Subtotal</b>	<b>61,647</b>	<b>52,873</b>	<b>114,520</b>	<b>65,384</b>	<b>51,610</b>	<b>116,994</b>
Loan loss allowance	–	(150)	(150)	–	(194)	(194)
<b>Total</b>	<b>61,647</b>	<b>52,723</b>	<b>114,370</b>	<b>65,384</b>	<b>51,416</b>	<b>116,800</b>

<sup>1</sup> – Primarily include covered bonds.

## 8 – Reinsurance assets

### REINSURANCE ASSETS

€ MN	as of 30 June 2014	as of 31 December 2013
Unearned premiums	1,932	1,537
Reserves for loss and loss adjustment expenses	6,755	6,494
Aggregate policy reserves	4,507	4,463
Other insurance reserves	117	115
<b>Total</b>	<b>13,311</b>	<b>12,609</b>

## 9 – Deferred acquisition costs

### DEFERRED ACQUISITION COSTS

€ MN	as of 30 June 2014	as of 31 December 2013
Deferred acquisition costs		
Property-Casualty	4,692	4,354
Life/Health	15,486	15,837
Asset Management <sup>1</sup>	–	159
<b>Subtotal</b>	<b>20,178</b>	<b>20,350</b>
Present value of future profits	948	1,046
Deferred sales inducements	646	807
<b>Total</b>	<b>21,772</b>	<b>22,203</b>

<sup>1</sup> – The respective entities have been prospectively reclassified, effective 1 January 2014, from the business segment Asset Management to the business segment Life/Health. For further information, please see note 4.

## 10 – Other assets

### OTHER ASSETS

€ MN	as of 30 June 2014	as of 31 December 2013
Receivables		
Policyholders	5,627	5,489
Agents	4,987	4,424
Reinsurers	2,102	1,844
Other	5,094	4,160
Less allowance for doubtful accounts	(653)	(720)
<b>Subtotal</b>	<b>17,157</b>	<b>15,197</b>
Tax receivables		
Income taxes	1,316	2,159
Other taxes	1,240	1,215
<b>Subtotal</b>	<b>2,556</b>	<b>3,374</b>
Accrued dividends, interest and rent	6,968	7,706
Prepaid expenses		
Interest and rent	18	13
Other prepaid expenses	304	255
<b>Subtotal</b>	<b>322</b>	<b>268</b>
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	239	75
Property and equipment		
Real estate held for own use	2,374	2,423
Software	1,963	1,832
Equipment	1,218	1,173
Fixed assets of alternative investments	1,325	1,304
<b>Subtotal</b>	<b>6,880</b>	<b>6,732</b>
Other assets	1,512	1,280
<b>Total</b>	<b>35,634</b>	<b>34,632</b>

## 11 – Non-current assets classified as held for sale

### NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

€ MN	as of 30 June 2014	as of 31 December 2013
Investments in associates and joint ventures	281	131
Real estate held for investment	4	–
Real estate held for own use	–	16
<b>Total</b>	<b>285</b>	<b>147</b>

Investments in associates and joint ventures comprised an investment of € 151 MN in an associated Italian real estate company allocated to the reportable segment Western and Southern Europe (Property-Casualty). Furthermore, two investments of € 112 MN in total in U.S. real estate companies allocated to the reportable segment German Speaking Countries (Life/Health) were classified as held for sale. Additionally, the investments in associates and joint ventures comprised an investment of € 18 MN in an associated French media group allocated to the reportable segment German Speaking Countries (Property-Casualty and Life/Health). Upon measurement of the investments in associates and joint ventures classified as held for sale at fair value less costs to sell, an impairment of € 1 MN in total was recognized for the three and six months ended 30 June 2014. The sales of the investments in these associates and joint ventures will be completed during the year ended 31 December 2014.

As of 30 June 2014, real estate held for investment classified as held for sale comprised of an office building allocated to the reportable segment Holding & Treasury. The sale of this building is expected to be completed during the third quarter of 2014. Upon measurement of the non-current asset at fair value less costs to sell, no impairment loss was recognized for the three and the six months ended 30 June 2014.

Real estate held for own use comprised as of 31 December 2013 an office building allocated to the reportable segment Asset Management which was sold as expected during the first quarter of 2014.

## 12 – Intangible assets

### INTANGIBLE ASSETS

€ MN	as of 30 June 2014	as of 31 December 2013
Intangible assets with indefinite useful lives		
Goodwill	11,574	11,544
Brand names <sup>1</sup>	293	296
<b>Subtotal</b>	<b>11,867</b>	<b>11,840</b>
Intangible assets with finite useful lives		
Distribution agreements <sup>2</sup>	964	995
Customer relationships <sup>3</sup>	129	149
Other <sup>4</sup>	122	116
<b>Subtotal</b>	<b>1,215</b>	<b>1,260</b>
<b>Total</b>	<b>13,082</b>	<b>13,100</b>

1 – Includes primarily the brand name of Selecta AG, Muntelier.

2 – Includes primarily the long-term distribution agreements with Commerzbank AG of € 354 MN (2013: € 373 MN), Banco Popular S.A. of € 361 MN (2013: € 369 MN), Yapı Kredi Bank of € 149 MN (2013: € 151 MN) and HSBC in Asia and Turkey of € 76 MN (2013: € 78 MN).

3 – Includes primarily customer relationships from the acquisition of Selecta of € 101 MN (2013: € 118 MN) and Yapı Kredi of € 10 MN (2013: € 10 MN) and renewal rights acquired in the context of a business combination of € 15 MN (2013: € 19 MN).

4 – Includes primarily acquired business portfolios of € 64 MN (2013: € 76 MN) and heritable building rights of € 17 MN (2013: € 17 MN).

### INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

#### Goodwill

### GOODWILL

€ MN	2014	2013
Cost as of 1 January	12,534	12,573
Accumulated impairments as of 1 January	(990)	(894)
<b>Carrying amount as of 1 January</b>	<b>11,544</b>	<b>11,679</b>
Additions	6	2
Disposals	–	–
Foreign currency translation adjustments	24	4
Impairments	–	(46)
<b>Carrying amount as of 30 June</b>	<b>11,574</b>	<b>11,639</b>
Accumulated impairments as of 30 June	990	940
Cost as of 30 June	12,564	12,579

## 13 – Financial liabilities carried at fair value through income

### FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 30 June 2014	as of 31 December 2013
Financial liabilities held for trading		
Derivative financial instruments	6,348	6,010
Other trading liabilities	3	3
<b>Subtotal</b>	<b>6,351</b>	<b>6,013</b>
Financial liabilities designated at fair value through income	–	–
<b>Total</b>	<b>6,351</b>	<b>6,013</b>

## 14 – Liabilities to banks and customers

### LIABILITIES TO BANKS AND CUSTOMERS

€ MN	as of 30 June 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	241	4,630	4,871	696	4,473	5,169
Savings deposits	–	2,842	2,842	–	2,873	2,873
Term deposits and certificates of deposit	958	1,957	2,915	979	2,157	3,136
Repurchase agreements	1,041	1	1,042	1,028	3	1,031
Collateral received from securities lending transactions and derivatives	2,499	–	2,499	2,216	–	2,216
Other	4,617	3,864	8,481	5,050	3,634	8,684
<b>Total</b>	<b>9,356</b>	<b>13,294</b>	<b>22,650</b>	<b>9,969</b>	<b>13,140</b>	<b>23,109</b>

## 15 – Reserves for loss and loss adjustment expenses

### RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	as of 30 June 2014	as of 31 December 2013
Property-Casualty	57,339	56,614
Life/Health	10,370	9,961
Consolidation	(17)	(9)
<b>Total</b>	<b>67,692</b>	<b>66,566</b>

### CHANGE IN THE RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, in the Property-Casualty business segment for the six months ended 30 June 2014 and 2013. Although discounted loss reserves have been reclassified to “Reserves for insurance and investment contracts” in the balance sheet in 2013, the underlying business development of these Property-Casualty reserves is still considered in the loss and loss adjustment expenses as well as in the loss ratio and is, therefore, included in the development of the reserves below.

### CHANGE IN THE RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

€ MN	2014			2013		
	Gross	Ceded	Net	Gross	Ceded	Net
<b>As of 1 January</b>	<b>56,614</b>	<b>(6,071)</b>	<b>50,543</b>	<b>62,711</b>	<b>(6,905)</b>	<b>55,806</b>
Balance carry forward of discounted loss reserves	3,207	(306)	2,901	–	–	–
<b>Subtotal</b>	<b>59,821</b>	<b>(6,377)</b>	<b>53,444</b>	<b>62,711</b>	<b>(6,905)</b>	<b>55,806</b>
Loss and loss adjustment expenses incurred						
Current year	15,515	(1,083)	14,432	15,939	(1,396)	14,543
Prior years	(703)	84	(619)	(918)	172	(746)
<b>Subtotal</b>	<b>14,812</b>	<b>(999)</b>	<b>13,813</b>	<b>15,021</b>	<b>(1,224)</b>	<b>13,797</b>
Loss and loss adjustment expenses paid						
Current year	(5,853)	222	(5,631)	(5,831)	197	(5,634)
Prior years	(8,709)	672	(8,037)	(9,793)	938	(8,855)
<b>Subtotal</b>	<b>(14,562)</b>	<b>894</b>	<b>(13,668)</b>	<b>(15,624)</b>	<b>1,135</b>	<b>(14,489)</b>
Foreign currency translation adjustments and other changes	717	(127)	590	(491)	67	(424)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	(20)	–	(20)
<b>Subtotal</b>	<b>60,788</b>	<b>(6,609)</b>	<b>54,179</b>	<b>61,597</b>	<b>(6,927)</b>	<b>54,670</b>
Ending balance of discounted loss reserves	(3,449)	300	(3,149)	(3,207)	280	(2,927)
<b>As of 30 June</b>	<b>57,339</b>	<b>(6,309)</b>	<b>51,030</b>	<b>58,390</b>	<b>(6,647)</b>	<b>51,743</b>

## 16 – Reserves for insurance and investment contracts

### RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN	as of 30 June 2014	as of 31 December 2013
Aggregate policy reserves <sup>1</sup>	379,902	365,519
Reserves for premium refunds	50,431	37,772
Other insurance reserves	801	781
<b>Total</b>	<b>431,134</b>	<b>404,072</b>

<sup>1</sup> – Includes discounted loss reserves of € 3,449 MN (2013: € 3,207 MN) in the Property-Casualty business segment.

## 17 – Other liabilities

### OTHER LIABILITIES

€ MN	as of 30 June 2014	as of 31 December 2013
<b>Payables</b>		
Policyholders	4,072	4,911
Reinsurance	1,412	1,170
Agents	1,540	1,604
<b>Subtotal</b>	<b>7,024</b>	<b>7,685</b>
Payables for social security	406	395
<b>Tax payables</b>		
Income taxes	2,239	2,580
Other taxes	1,354	1,269
<b>Subtotal</b>	<b>3,593</b>	<b>3,849</b>
Accrued interest and rent	663	681
<b>Unearned income</b>		
Interest and rent	24	16
Other	289	261
<b>Subtotal</b>	<b>313</b>	<b>277</b>
<b>Provisions</b>		
Pensions and similar obligations	8,470	7,594
Employee related	2,097	2,104
Share-based compensation plans	481	685
Restructuring plans	123	214
Loan commitments	26	42
Contingent losses from non-insurance business	121	130
Other provisions	1,414	1,617
<b>Subtotal</b>	<b>12,732</b>	<b>12,386</b>
Deposits retained for reinsurance ceded	1,995	1,874
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	197	158
Financial liabilities for puttable equity instruments	2,578	2,613
Other liabilities	7,173	6,514
<b>Total</b>	<b>36,674</b>	<b>36,432</b>

## 18 – Certificated liabilities

### CERTIFICATED LIABILITIES

€ MN	as of 30 June 2014	as of 31 December 2013
Allianz SE <sup>1</sup>		
Senior bonds	6,620	6,581
Money market securities	939	869
<b>Subtotal</b>	<b>7,559</b>	<b>7,450</b>
Banking subsidiaries		
Senior bonds	531	580
<b>Subtotal</b>	<b>531</b>	<b>580</b>
<b>Total</b>	<b>8,090</b>	<b>8,030</b>

1 – Includes senior bonds issued by Allianz Finance II B.V., guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

## 19 – Subordinated liabilities

### SUBORDINATED LIABILITIES

€ MN	as of 30 June 2014	as of 31 December 2013
Allianz SE <sup>1</sup>		
Subordinated bonds <sup>2</sup>	9,776	10,856
<b>Subtotal</b>	<b>9,776</b>	<b>10,856</b>
Banking subsidiaries		
Subordinated bonds	254	254
<b>Subtotal</b>	<b>254</b>	<b>254</b>
All other subsidiaries		
Subordinated bonds	400	399
Hybrid equity	45	45
<b>Subtotal</b>	<b>445</b>	<b>444</b>
<b>Total</b>	<b>10,475</b>	<b>11,554</b>

1 – Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.

2 – Change due to redemption of a € 1.5 BN bond and the issuance of a CHF 0.5 BN bond in the first quarter of 2014.

## 20 – Equity

### EQUITY

€ MN	as of 30 June 2014	as of 31 December 2013
Shareholders' equity		
Issued capital	1,169	1,169
Capital reserves	27,701	27,701
Retained earnings <sup>1</sup>	18,046	17,785
Foreign currency translation adjustments	(3,077)	(3,312)
Unrealized gains and losses (net) <sup>2</sup>	11,140	6,741
<b>Subtotal</b>	<b>54,979</b>	<b>50,084</b>
Non-controlling interests	2,833	2,765
<b>Total</b>	<b>57,812</b>	<b>52,849</b>

1 – As of 30 June 2014, includes € (216) MN (2013: € (220) MN) related to treasury shares.

2 – As of 30 June 2014, includes € 251 MN (2013: € 203 MN) related to cash flow hedges.

### DIVIDENDS

In the second quarter of 2014, a total dividend of € 2,405 MN (2013: € 2,039 MN) or € 5.30 (2013: € 4.50) per qualifying share was paid to the shareholders.

# NOTES TO THE CONSOLIDATED INCOME STATEMENTS

## 21 – Premiums earned (net)

### PREMIUMS EARNED (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
three months ended 30 June				
2014				
<b>Premiums written</b>				
Direct	10,102	6,054	–	16,156
Assumed	744	220	(23)	941
<b>Subtotal</b>	<b>10,846</b>	<b>6,274</b>	<b>(23)</b>	<b>17,097</b>
Ceded	(936)	(217)	23	(1,130)
<b>Net</b>	<b>9,910</b>	<b>6,057</b>	<b>–</b>	<b>15,967</b>
<b>Change in unearned premiums</b>				
Direct	953	(71)	–	882
Assumed	(222)	6	4	(212)
<b>Subtotal</b>	<b>731</b>	<b>(65)</b>	<b>4</b>	<b>670</b>
Ceded	60	7	(4)	63
<b>Net</b>	<b>791</b>	<b>(58)</b>	<b>–</b>	<b>733</b>
<b>Premiums earned</b>				
Direct	11,055	5,983	–	17,038
Assumed	522	226	(19)	729
<b>Subtotal</b>	<b>11,577</b>	<b>6,209</b>	<b>(19)</b>	<b>17,767</b>
Ceded	(876)	(210)	19	(1,067)
<b>Net</b>	<b>10,701</b>	<b>5,999</b>	<b>–</b>	<b>16,700</b>
2013				
<b>Premiums written</b>				
Direct	10,049	5,961	–	16,010
Assumed	705	144	(11)	838
<b>Subtotal</b>	<b>10,754</b>	<b>6,105</b>	<b>(11)</b>	<b>16,848</b>
Ceded	(1,121)	(142)	11	(1,252)
<b>Net</b>	<b>9,633</b>	<b>5,963</b>	<b>–</b>	<b>15,596</b>
<b>Change in unearned premiums</b>				
Direct	837	(46)	–	791
Assumed	(132)	(4)	–	(136)
<b>Subtotal</b>	<b>705</b>	<b>(50)</b>	<b>–</b>	<b>655</b>
Ceded	41	(1)	–	40
<b>Net</b>	<b>746</b>	<b>(51)</b>	<b>–</b>	<b>695</b>
<b>Premiums earned</b>				
Direct	10,886	5,915	–	16,801
Assumed	573	140	(11)	702
<b>Subtotal</b>	<b>11,459</b>	<b>6,055</b>	<b>(11)</b>	<b>17,503</b>
Ceded	(1,080)	(143)	11	(1,212)
<b>Net</b>	<b>10,379</b>	<b>5,912</b>	<b>–</b>	<b>16,291</b>

### PREMIUMS EARNED (NET) (CONTINUED)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
six months ended 30 June				
2014				
<b>Premiums written</b>				
Direct	24,556	12,507	–	37,063
Assumed	1,507	382	(44)	1,845
<b>Subtotal</b>	<b>26,063</b>	<b>12,889</b>	<b>(44)</b>	<b>38,908</b>
Ceded	(2,163)	(373)	44	(2,492)
<b>Net</b>	<b>23,900</b>	<b>12,516</b>	<b>–</b>	<b>36,416</b>
<b>Change in unearned premiums</b>				
Direct	(2,866)	(228)	–	(3,094)
Assumed	(316)	(19)	7	(328)
<b>Subtotal</b>	<b>(3,182)</b>	<b>(247)</b>	<b>7</b>	<b>(3,422)</b>
Ceded	393	6	(7)	392
<b>Net</b>	<b>(2,789)</b>	<b>(241)</b>	<b>–</b>	<b>(3,030)</b>
<b>Premiums earned</b>				
Direct	21,690	12,279	–	33,969
Assumed	1,191	363	(37)	1,517
<b>Subtotal</b>	<b>22,881</b>	<b>12,642</b>	<b>(37)</b>	<b>35,486</b>
Ceded	(1,770)	(367)	37	(2,100)
<b>Net</b>	<b>21,111</b>	<b>12,275</b>	<b>–</b>	<b>33,386</b>
2013				
<b>Premiums written</b>				
Direct	24,565	12,421	–	36,986
Assumed	1,386	306	(25)	1,667
<b>Subtotal</b>	<b>25,951</b>	<b>12,727</b>	<b>(25)</b>	<b>38,653</b>
Ceded	(2,431)	(291)	25	(2,697)
<b>Net</b>	<b>23,520</b>	<b>12,436</b>	<b>–</b>	<b>35,956</b>
<b>Change in unearned premiums</b>				
Direct	(3,006)	(165)	–	(3,171)
Assumed	(243)	1	(1)	(243)
<b>Subtotal</b>	<b>(3,249)</b>	<b>(164)</b>	<b>(1)</b>	<b>(3,414)</b>
Ceded	420	–	1	421
<b>Net</b>	<b>(2,829)</b>	<b>(164)</b>	<b>–</b>	<b>(2,993)</b>
<b>Premiums earned</b>				
Direct	21,559	12,256	–	33,815
Assumed	1,143	307	(26)	1,424
<b>Subtotal</b>	<b>22,702</b>	<b>12,563</b>	<b>(26)</b>	<b>35,239</b>
Ceded	(2,011)	(291)	26	(2,276)
<b>Net</b>	<b>20,691</b>	<b>12,272</b>	<b>–</b>	<b>32,963</b>



## 22 – Interest and similar income

### INTEREST AND SIMILAR INCOME

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
	Interest from held-to-maturity investments	40	46	83
Dividends from available-for-sale investments	594	524	892	823
Interest from available-for-sale investments	3,363	3,334	6,659	6,615
Share of earnings from investments in associates and joint ventures	57	19	94	46
Rent from real estate held for investment	214	202	421	393
Interest from loans to banks and customers	1,219	1,261	2,435	2,544
Other interest	51	27	93	66
<b>Total</b>	<b>5,538</b>	<b>5,413</b>	<b>10,677</b>	<b>10,580</b>

## 23 – Income from financial assets and liabilities carried at fair value through income (net)

### INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

€ MN	three months ended 30 June					
	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
<b>2014</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	(19)	(292)	–	8	(1)	(304)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	–	91	3	2	(1)	95
Income (expenses) from financial liabilities for puttable equity instruments (net)	1	(51)	–	–	–	(50)
Foreign currency gains and losses (net)	17	191	1	(3)	–	206
<b>Total</b>	<b>(1)</b>	<b>(61)</b>	<b>4</b>	<b>7</b>	<b>(2)</b>	<b>(53)</b>
<b>2013</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	31	(156)	–	(95)	3	(217)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	26	(3)	(1)	(1)	(1)	20
Income (expenses) from financial liabilities for puttable equity instruments (net)	(25)	(3)	1	–	–	(27)
Foreign currency gains and losses (net)	(44)	(530)	–	97	–	(477)
<b>Total</b>	<b>(12)</b>	<b>(692)</b>	<b>–</b>	<b>1</b>	<b>2</b>	<b>(701)</b>

**INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET) (CONTINUED)**

€ MN						
six months ended 30 June	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
<b>2014</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	(77)	(664)	(1)	9	(1)	(734)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	–	143	3	2	(1)	147
Income (expenses) from financial liabilities for puttable equity instruments (net)	1	(78)	–	–	–	(77)
Foreign currency gains and losses (net)	30	269	1	(8)	–	292
<b>Total</b>	<b>(46)</b>	<b>(330)</b>	<b>3</b>	<b>3</b>	<b>(2)</b>	<b>(372)</b>
<b>2013</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	(14)	(812)	–	(55)	2	(879)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	24	84	18	–	(1)	125
Income (expenses) from financial liabilities for puttable equity instruments (net)	(19)	(41)	(12)	–	–	(72)
Foreign currency gains and losses (net)	(4)	(154)	1	57	–	(100)
<b>Total</b>	<b>(13)</b>	<b>(923)</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>(926)</b>

**INCOME (EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET)**
**Business segment Life/Health**

For the three months ended 30 June 2014, income and expenses from financial assets and liabilities held for trading (net) in the business segment Life/Health includes expenses of € 302 MN (2013: € 153 MN) from derivative financial instruments. Included in this are expenses of € 59 MN (2013: income of € 36 MN) from financial derivative positions of German entities, of which income of € 148 MN (2013: expenses of € 199 MN) relates to duration management, expenses of € 27 MN (2013: € 22 MN) relate to protection against equity fluctuations and expenses of € 188 MN (2013: income of € 247 MN) relate to protection against foreign exchange rate fluctuations. Also included are expenses related to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts of € 218 MN (2013: € 179 MN) from U.S. entities.

**INCOME (EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH INCOME (NET)**

For the three months ended 30 June 2014, income and expenses from financial assets and liabilities designated at fair value through income (net) in the business segment Life/Health includes income from equity investments of € 57 MN (2013: expenses of € 6 MN) and income of € 34 MN (2013: € 3 MN) from debt investments.

**FOREIGN CURRENCY GAINS AND LOSSES (NET)**

Foreign currency gains and losses are reported within income from financial assets and liabilities carried at fair value through income (net). These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through profit or loss. The Allianz Group uses freestanding derivatives, included in the line item income (expenses) from financial assets and liabilities held for trading (net), to hedge against foreign currency fluctuations. For these derivatives, expenses in the amount of € 204 MN (2013: income of € 167 MN) were recognized for the three months ended 30 June 2014.

## 24 – Realized gains/losses (net)

### REALIZED GAINS/LOSSES (NET)

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>REALIZED GAINS</b>				
Available-for-sale investments				
Equity securities	415	547	837	1,144
Debt securities	499	596	974	1,133
<b>Subtotal</b>	<b>914</b>	<b>1,143</b>	<b>1,811</b>	<b>2,277</b>
Investments in associates and joint ventures <sup>1</sup>	10	2	20	39
Real estate held for investment	66	29	83	78
Loans and advances to banks and customers	114	140	183	186
Non-current assets classified as held for sale	1	–	1	12
<b>Subtotal</b>	<b>1,105</b>	<b>1,314</b>	<b>2,098</b>	<b>2,592</b>
<b>REALIZED LOSSES</b>				
Available-for-sale investments				
Equity securities	(26)	(34)	(51)	(90)
Debt securities	(49)	(86)	(104)	(154)
<b>Subtotal</b>	<b>(75)</b>	<b>(120)</b>	<b>(155)</b>	<b>(244)</b>
Investments in associates and joint ventures <sup>2</sup>	(1)	–	(5)	(3)
Real estate held for investment	(2)	(1)	(5)	(3)
Loans and advances to banks and customers	(1)	(2)	(1)	(2)
Non-current assets classified as held for sale	–	–	–	(3)
<b>Subtotal</b>	<b>(79)</b>	<b>(123)</b>	<b>(166)</b>	<b>(255)</b>
<b>Total</b>	<b>1,026</b>	<b>1,191</b>	<b>1,932</b>	<b>2,337</b>

1 – For the three and the six months ended 30 June 2014, includes realized gains from the disposal of subsidiaries and businesses of € – MN (2013: € 2 MN) and € – MN (2013: € 39 MN), respectively.

2 – For the three and the six months ended 30 June 2014, includes realized losses from the disposal of subsidiaries of € – MN (2013: € – MN) and € – MN (2013: € 3 MN), respectively.

## 25 – Fee and commission income

### FEE AND COMMISSION INCOME

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>PROPERTY-CASUALTY</b>				
Fees from credit and assistance business	193	196	389	379
Service agreements	109	111	219	218
<b>Subtotal</b>	<b>302</b>	<b>307</b>	<b>608</b>	<b>597</b>
<b>LIFE/HEALTH</b>				
Service agreements	28	21	51	39
Investment advisory	232	147	438	269
Other	1	–	1	–
<b>Subtotal</b>	<b>261</b>	<b>168</b>	<b>490</b>	<b>308</b>
<b>ASSET MANAGEMENT</b>				
Management fees	1,701	1,895	3,356	3,698
Loading and exit fees	190	194	360	374
Performance fees	67	78	86	354
Other	14	12	31	39
<b>Subtotal</b>	<b>1,972</b>	<b>2,179</b>	<b>3,833</b>	<b>4,465</b>
<b>CORPORATE AND OTHER</b>				
Service agreements	16	12	33	25
Investment advisory and banking activities	162	163	312	318
<b>Subtotal</b>	<b>178</b>	<b>175</b>	<b>345</b>	<b>343</b>
<b>CONSOLIDATION</b>	<b>(175)</b>	<b>(150)</b>	<b>(330)</b>	<b>(280)</b>
<b>Total</b>	<b>2,538</b>	<b>2,679</b>	<b>4,946</b>	<b>5,433</b>

## 26 – Other income

### OTHER INCOME

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Realized gains from disposals of real estate held for own use	3	2	23	17
Income from alternative investments	41	39	98	81
Other	1	1	2	4
<b>Total</b>	<b>45</b>	<b>42</b>	<b>123</b>	<b>102</b>

## 27 – Income and expenses from fully consolidated private equity investments

### INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>Income</b>				
Sales and service revenues	174	184	343	362
<b>Subtotal</b>	<b>174</b>	<b>184</b>	<b>343</b>	<b>362</b>
<b>Expenses</b>				
Cost of goods sold	(53)	(54)	(107)	(109)
General and administrative expenses	(119)	(128)	(233)	(250)
Interest expenses	(7)	(9)	(15)	(17)
<b>Subtotal</b>	<b>(179)</b>	<b>(191)</b>	<b>(355)</b>	<b>(376)</b>
Consolidation <sup>1</sup>	5	3	7	6
<b>Total</b>	<b>-</b>	<b>(4)</b>	<b>(5)</b>	<b>(8)</b>

1 – This consolidation effect results from the deferred policyholder participation, recognized on the result from fully consolidated private equity investments within operating profit in the Life/Health business segment, that was reclassified into expenses from fully consolidated private equity investments in non-operating profit to ensure a consistent presentation of the Allianz Group's operating profit.

## 28 – Claims and insurance benefits incurred (net)

### CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
<b>2014</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(7,251)	(5,071)	12	(12,310)
Change in reserves for loss and loss adjustment expenses	(428)	(223)	(1)	(652)
<b>Subtotal</b>	<b>(7,679)</b>	<b>(5,294)</b>	<b>11</b>	<b>(12,962)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	492	114	(10)	596
Change in reserves for loss and loss adjustment expenses	101	7	1	109
<b>Subtotal</b>	<b>593</b>	<b>121</b>	<b>(9)</b>	<b>705</b>
<b>Net</b>				
Claims and insurance benefits paid	(6,759)	(4,957)	2	(11,714)
Change in reserves for loss and loss adjustment expenses	(327)	(216)	-	(543)
<b>Total</b>	<b>(7,086)</b>	<b>(5,173)</b>	<b>2</b>	<b>(12,257)</b>
<b>2013</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(7,474)	(4,948)	5	(12,417)
Change in reserves for loss and loss adjustment expenses	(329)	(132)	1	(460)
<b>Subtotal</b>	<b>(7,803)</b>	<b>(5,080)</b>	<b>6</b>	<b>(12,877)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	474	93	(3)	564
Change in reserves for loss and loss adjustment expenses	345	(3)	(1)	341
<b>Subtotal</b>	<b>819</b>	<b>90</b>	<b>(4)</b>	<b>905</b>
<b>Net</b>				
Claims and insurance benefits paid	(7,000)	(4,855)	2	(11,853)
Change in reserves for loss and loss adjustment expenses	16	(135)	-	(119)
<b>Total</b>	<b>(6,984)</b>	<b>(4,990)</b>	<b>2</b>	<b>(11,972)</b>

## CLAIMS AND INSURANCE BENEFITS INCURRED (NET) (CONTINUED)

€ MN				
six months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
<b>2014</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(14,562)	(10,255)	21	(24,796)
Change in reserves for loss and loss adjustment expenses	(250)	(249)	1	(498)
<b>Subtotal</b>	<b>(14,812)</b>	<b>(10,504)</b>	<b>22</b>	<b>(25,294)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	894	228	(18)	1,104
Change in reserves for loss and loss adjustment expenses	105	22	(3)	124
<b>Subtotal</b>	<b>999</b>	<b>250</b>	<b>(21)</b>	<b>1,228</b>
<b>Net</b>				
Claims and insurance benefits paid	(13,668)	(10,027)	3	(23,692)
Change in reserves for loss and loss adjustment expenses	(145)	(227)	(2)	(374)
<b>Total</b>	<b>(13,813)</b>	<b>(10,254)</b>	<b>1</b>	<b>(24,066)</b>
<b>2013</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(15,624)	(9,998)	14	(25,608)
Change in reserves for loss and loss adjustment expenses	603	(54)	–	549
<b>Subtotal</b>	<b>(15,021)</b>	<b>(10,052)</b>	<b>14</b>	<b>(25,059)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	1,135	252	(11)	1,376
Change in reserves for loss and loss adjustment expenses	89	(16)	–	73
<b>Subtotal</b>	<b>1,224</b>	<b>236</b>	<b>(11)</b>	<b>1,449</b>
<b>Net</b>				
Claims and insurance benefits paid	(14,489)	(9,746)	3	(24,232)
Change in reserves for loss and loss adjustment expenses	692	(70)	–	622
<b>Total</b>	<b>(13,797)</b>	<b>(9,816)</b>	<b>3</b>	<b>(23,610)</b>

## 29 – Change in reserves for insurance and investment contracts (net)

## CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN				
three months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
<b>2014</b>				
<b>Gross</b>				
Aggregate policy reserves	(64)	(1,709)	(2)	(1,775)
Other insurance reserves	–	(36)	–	(36)
Expenses for premium refunds	(72)	(1,801)	(5)	(1,878)
<b>Subtotal</b>	<b>(136)</b>	<b>(3,546)</b>	<b>(7)</b>	<b>(3,689)</b>
<b>Ceded</b>				
Aggregate policy reserves	1	82	1	84
Other insurance reserves	–	3	–	3
Expenses for premium refunds	–	4	–	4
<b>Subtotal</b>	<b>1</b>	<b>89</b>	<b>1</b>	<b>91</b>
<b>Net</b>				
Aggregate policy reserves	(63)	(1,627)	(1)	(1,691)
Other insurance reserves	–	(33)	–	(33)
Expenses for premium refunds	(72)	(1,797)	(5)	(1,874)
<b>Total</b>	<b>(135)</b>	<b>(3,457)</b>	<b>(6)</b>	<b>(3,598)</b>
<b>2013</b>				
<b>Gross</b>				
Aggregate policy reserves	(62)	(1,805)	(1)	(1,868)
Other insurance reserves	(1)	(7)	–	(8)
Expenses for premium refunds	(37)	(1,178)	(42)	(1,257)
<b>Subtotal</b>	<b>(100)</b>	<b>(2,990)</b>	<b>(43)</b>	<b>(3,133)</b>
<b>Ceded</b>				
Aggregate policy reserves	1	59	(1)	59
Other insurance reserves	–	1	–	1
Expenses for premium refunds	–	2	–	2
<b>Subtotal</b>	<b>1</b>	<b>62</b>	<b>(1)</b>	<b>62</b>
<b>Net</b>				
Aggregate policy reserves	(61)	(1,746)	(2)	(1,809)
Other insurance reserves	(1)	(6)	–	(7)
Expenses for premium refunds	(37)	(1,176)	(42)	(1,255)
<b>Total</b>	<b>(99)</b>	<b>(2,928)</b>	<b>(44)</b>	<b>(3,071)</b>

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)  
(CONTINUED)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
six months ended 30 June				
<b>2014</b>				
<b>Gross</b>				
Aggregate policy reserves	(129)	(3,702)	(1)	(3,832)
Other insurance reserves	(3)	(90)	–	(93)
Expenses for premium refunds	(131)	(3,124)	(7)	(3,262)
<b>Subtotal</b>	<b>(263)</b>	<b>(6,916)</b>	<b>(8)</b>	<b>(7,187)</b>
<b>Ceded</b>				
Aggregate policy reserves	3	133	1	137
Other insurance reserves	–	6	–	6
Expenses for premium refunds	–	6	–	6
<b>Subtotal</b>	<b>3</b>	<b>145</b>	<b>1</b>	<b>149</b>
<b>Net</b>				
Aggregate policy reserves	(126)	(3,569)	–	(3,695)
Other insurance reserves	(3)	(84)	–	(87)
Expenses for premium refunds	(131)	(3,118)	(7)	(3,256)
<b>Total</b>	<b>(260)</b>	<b>(6,771)</b>	<b>(7)</b>	<b>(7,038)</b>
<b>2013</b>				
<b>Gross</b>				
Aggregate policy reserves	(111)	(3,831)	(1)	(3,943)
Other insurance reserves	(2)	(51)	–	(53)
Expenses for premium refunds	(100)	(3,096)	(27)	(3,223)
<b>Subtotal</b>	<b>(213)</b>	<b>(6,978)</b>	<b>(28)</b>	<b>(7,219)</b>
<b>Ceded</b>				
Aggregate policy reserves	2	41	(1)	42
Other insurance reserves	(1)	4	–	3
Expenses for premium refunds	–	4	–	4
<b>Subtotal</b>	<b>1</b>	<b>49</b>	<b>(1)</b>	<b>49</b>
<b>Net</b>				
Aggregate policy reserves	(109)	(3,790)	(2)	(3,901)
Other insurance reserves	(3)	(47)	–	(50)
Expenses for premium refunds	(100)	(3,092)	(27)	(3,219)
<b>Total</b>	<b>(212)</b>	<b>(6,929)</b>	<b>(29)</b>	<b>(7,170)</b>

## 30 – Interest expenses

INTEREST EXPENSES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Liabilities to banks and customers	(62)	(66)	(123)	(134)
Deposits retained on reinsurance ceded	(10)	(11)	(22)	(23)
Certificated liabilities	(71)	(68)	(138)	(136)
Subordinated liabilities	(141)	(169)	(282)	(344)
Other	(24)	(21)	(45)	(49)
<b>Total</b>	<b>(308)</b>	<b>(335)</b>	<b>(610)</b>	<b>(686)</b>

## 31 – Loan loss provisions

LOAN LOSS PROVISIONS

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Additions to allowances including direct impairments	(45)	(32)	(73)	(80)
Amounts released	23	11	35	39
Recoveries on loans previously impaired	7	6	14	12
<b>Total</b>	<b>(15)</b>	<b>(15)</b>	<b>(24)</b>	<b>(29)</b>

## 32 – Impairments of investments (net)

## IMPAIRMENTS OF INVESTMENTS (NET)

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>IMPAIRMENTS</b>				
Available-for-sale investments				
Equity securities	(54)	(145)	(188)	(259)
Debt securities	(18)	(21)	(244)	(25)
<b>Subtotal</b>	<b>(72)</b>	<b>(166)</b>	<b>(432)</b>	<b>(284)</b>
Real estate held for investment	(1)	(10)	(1)	(22)
Loans and advances to banks and customers	–	(8)	(1)	(12)
Non-current assets classified as held for sale	(1)	–	(2)	–
<b>Subtotal</b>	<b>(74)</b>	<b>(184)</b>	<b>(436)</b>	<b>(318)</b>
<b>REVERSALS OF IMPAIRMENTS</b>				
Available-for-sale investments				
Debt securities	–	2	–	2
<b>Subtotal</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>2</b>
<b>Total</b>	<b>(74)</b>	<b>(182)</b>	<b>(436)</b>	<b>(316)</b>

## 33 – Investment expenses

## INVESTMENT EXPENSES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Investment management expenses	(138)	(129)	(251)	(257)
Depreciation of real estate held for investment	(56)	(51)	(112)	(101)
Other expenses from real estate held for investment	(38)	(37)	(68)	(67)
<b>Total</b>	<b>(232)</b>	<b>(217)</b>	<b>(431)</b>	<b>(425)</b>

34 – Acquisition  
and administrative expenses (net)

## ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>PROPERTY-CASUALTY</b>				
Acquisition costs				
Incurred	(2,330)	(2,361)	(5,095)	(5,073)
Commissions and profit received on reinsurance business ceded	76	112	193	220
Deferrals of acquisition costs	1,433	1,392	3,261	3,143
Gross amortization of deferred acquisition costs	(1,512)	(1,434)	(2,934)	(2,770)
<b>Subtotal</b>	<b>(2,333)</b>	<b>(2,291)</b>	<b>(4,575)</b>	<b>(4,480)</b>
Administrative expenses	(703)	(685)	(1,910) <sup>1</sup>	(1,405)
<b>Subtotal</b>	<b>(3,036)</b>	<b>(2,976)</b>	<b>(6,485)</b>	<b>(5,885)</b>
<b>LIFE/HEALTH</b>				
Acquisition costs				
Incurred	(1,332)	(1,135)	(2,547)	(2,256)
Commissions and profit received on reinsurance business ceded	22	4	46	29
Deferrals of acquisition costs	914	732	1,748	1,468
Gross amortization of deferred acquisition costs	(628)	(719)	(1,157)	(1,276)
<b>Subtotal</b>	<b>(1,024)</b>	<b>(1,118)</b>	<b>(1,910)</b>	<b>(2,035)</b>
Administrative expenses	(424)	(360)	(799)	(691)
<b>Subtotal</b>	<b>(1,448)</b>	<b>(1,478)</b>	<b>(2,709)</b>	<b>(2,726)</b>
<b>ASSET MANAGEMENT</b>				
Personnel expenses	(592)	(651)	(1,167) <sup>1</sup>	(1,360)
Non-personnel expenses	(340)	(374)	(649)	(698)
<b>Subtotal</b>	<b>(932)</b>	<b>(1,025)</b>	<b>(1,816)</b>	<b>(2,058)</b>
<b>CORPORATE AND OTHER</b>				
Administrative expenses	(293)	(338)	87 <sup>1</sup>	(641)
<b>Subtotal</b>	<b>(293)</b>	<b>(338)</b>	<b>87</b>	<b>(641)</b>
<b>CONSOLIDATION</b>	<b>5</b>	<b>15</b>	<b>(111)<sup>1</sup></b>	<b>19</b>
<b>Total</b>	<b>(5,704)</b>	<b>(5,802)</b>	<b>(11,034)</b>	<b>(11,291)</b>

<sup>1</sup> – Including one-off effect from pension revaluation. Please refer to note 4 for further details.

## 35 – Fee and commission expenses

### FEE AND COMMISSION EXPENSES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
<b>PROPERTY-CASUALTY</b>				
Fees from credit and assistance business	(198)	(193)	(401)	(372)
Service agreements	(81)	(79)	(169)	(175)
Investment advisory	–	(1)	–	(1)
<b>Subtotal</b>	<b>(279)</b>	<b>(273)</b>	<b>(570)</b>	<b>(548)</b>
<b>LIFE/HEALTH</b>				
Service agreements	(11)	(15)	(22)	(27)
Investment advisory	(82)	(59)	(158)	(103)
<b>Subtotal</b>	<b>(93)</b>	<b>(74)</b>	<b>(180)</b>	<b>(130)</b>
<b>ASSET MANAGEMENT</b>				
Commissions	(313)	(349)	(620)	(725)
Other	(58)	(21)	(96)	(34)
<b>Subtotal</b>	<b>(371)</b>	<b>(370)</b>	<b>(716)</b>	<b>(759)</b>
<b>CORPORATE AND OTHER</b>				
Service agreements	(79)	(57)	(149)	(109)
Investment advisory and banking activities	(80)	(74)	(144)	(134)
<b>Subtotal</b>	<b>(159)</b>	<b>(131)</b>	<b>(293)</b>	<b>(243)</b>
<b>CONSOLIDATION</b>	<b>71</b>	<b>60</b>	<b>146</b>	<b>114</b>
<b>Total</b>	<b>(831)</b>	<b>(788)</b>	<b>(1,613)</b>	<b>(1,566)</b>

## 36 – Other expenses

### OTHER EXPENSES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Realized losses from disposals of real estate held for own use	(3)	(1)	(7)	(1)
Expenses from alternative investments	(23)	(23)	(48)	(44)
Other	–	16	(1)	(9)
<b>Total</b>	<b>(26)</b>	<b>(8)</b>	<b>(56)</b>	<b>(54)</b>

## 37 – Income taxes

### INCOME TAXES

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Current income taxes	(803)	(678)	(1,791)	(1,468)
Deferred income taxes	(71)	(146)	50	(233)
<b>Total</b>	<b>(874)</b>	<b>(824)</b>	<b>(1,741)</b>	<b>(1,701)</b>

For the three and the six months ended 30 June 2014 and 2013, the income taxes relating to components of other comprehensive income consist of the following:

### INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Items that may be reclassified to profit or loss in future periods				
Foreign currency translation adjustments	12	12	13	23
Available-for-sale investments	(896)	1,187	(1,816)	1,432
Cash flow hedges	(17)	8	(19)	7
Share of other comprehensive income of associates	(1)	4	(2)	4
Miscellaneous	3	29	(27)	132
Items that may never be reclassified to profit or loss				
Actuarial gains (losses) on defined benefit plans	137	(13)	296	1
<b>Total</b>	<b>(762)</b>	<b>1,227</b>	<b>(1,555)</b>	<b>1,599</b>



## OTHER INFORMATION

### 38 – Financial instruments and fair value measurement

#### FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The following table compares the carrying amount with the fair value of the Allianz Group's financial assets and financial liabilities:

#### FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

€ MN	as of 30 June 2014		as of 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	12,704	12,704	11,207	11,207
Financial assets held for trading	1,968	1,968	2,512	2,512
Financial assets designated at fair value through income	4,274	4,274	4,149	4,149
Available-for-sale investments	429,237	429,237	392,233	392,233
Held-to-maturity investments	4,020	4,619	4,140	4,647
Investments in associates and joint ventures	3,177	3,746	3,098	3,597
Real estate held for investment	10,943	15,792	10,783	15,625
Loans and advances to banks and customers	114,370	132,038	116,800	129,528
Financial assets for unit-linked contracts	86,895	86,895	81,064	81,064
Derivative financial instruments and firm commitments included in other assets	239	239	75	75
Real estate held for own use	2,374	3,563	2,423	3,626
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities held for trading	6,351	6,351	6,013	6,013
Liabilities to banks and customers	22,650	22,973	23,109	23,282
Financial liabilities for unit-linked contracts	86,895	86,895	81,064	81,064
Derivative financial instruments and firm commitments included in other liabilities	197	197	158	158
Financial liabilities for puttable equity instruments	2,578	2,578	2,613	2,613
Certificated liabilities	8,090	8,869	8,030	8,576
Subordinated liabilities	10,475	11,552	11,554	12,323

The Allianz Group carries certain financial instruments at fair value and discloses the fair value of most other assets and liabilities. The fair value of an asset or liability is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by their carrying amount except for available-for-sale financial assets, for which it is represented by the amortized cost amount.

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group maximizes the use of observable

inputs and minimizes the use of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity as well as general market conditions.

If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values. As of 30 June 2014, fair values could not be reliably measured for equity investments with carrying amounts totaling € 213 MN (31 December 2013: € 214 MN). These investments are primarily investments in privately held corporations and partnerships.

## FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS 13, which categorizes the inputs to valuation techniques used to measure fair value into three levels.

In general, the subsidiaries assume responsibility for assessing fair values and hierarchies of assets and liabilities. This is consistent with the decentralized organizational structure of the Allianz Group and reflects market insights of local managers. Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. If no sufficient market information is available, management's best estimate of a particular input is used to determine the value.

### Quoted prices in active markets – Fair value level 1:

The level 1 inputs of financial instruments that are traded in active markets are based on unadjusted quoted market prices or dealer price quotations on the last exchange trading day prior to or at the balance sheet date, if the latter is a trading day.

### Valuation techniques – Market observable inputs

#### – Fair value level 2:

At the end of 2013, the Institute of Public Auditors in Germany (IDW) published an interpretation of IFRS 13 (IDW RS HFA 47). For prices provided by third parties, HFA 47 states that composite prices generally have to be classified in level 2 of the fair value hierarchy and only single (unadjusted) quotes could qualify for level 1. As the Allianz Group uses prices provided by service agencies on a consensus level, beginning 4Q 2013 the Allianz Group shifted most fixed-income securities from level 1 to level 2 due to this new interpretation. However, the interpretation is still subject to discussion and, depending on the final outcome, re-transfers are possible in subsequent reporting periods.

Furthermore, level 2 applies if the market for a financial instrument is not active or when the fair value is determined by using valuation techniques based on observable input parameters. Such market inputs are observable substantially over the full term of the asset or liability and include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, volatilities and foreign currency exchange rates.

### Valuation techniques – Non-market observable inputs

#### – Fair value level 3:

Where observable market inputs are not available, the fair value is based on valuation techniques using non-market observable inputs. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Appropriate adjustments are made for credit risks. In particular, when observable market inputs are not available, the use of estimates and assumptions may have a high impact on the valuation outcome.

## FAIR VALUE MEASUREMENT ON A RECURRING BASIS

The following financial assets and liabilities are carried at fair value on a recurring basis:

- Financial assets and liabilities held for trading,
- Financial assets and liabilities designated at fair value through income,
- Available-for-sale investments,
- Financial assets and liabilities for unit-linked contracts,
- Derivative financial instruments and firm commitments included in other assets and other liabilities and
- Financial liabilities for puttable equity instruments.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 30 June 2014 and 31 December 2013.

## FAIR VALUE HIERARCHY AS OF 30 JUNE 2014 (ITEMS CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
<b>FINANCIAL ASSETS</b>				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	102	293	–	395
Equity securities	34	109	15	158
Derivative financial instruments	214	1,172	29	1,415
<b>Subtotal</b>	<b>350</b>	<b>1,574</b>	<b>44</b>	<b>1,968</b>
Financial assets designated at fair value through income				
Debt securities	1,004	1,348	1	2,353
Equity securities	1,811	–	110	1,921
<b>Subtotal</b>	<b>2,815</b>	<b>1,348</b>	<b>111</b>	<b>4,274</b>
<b>Subtotal</b>	<b>3,165</b>	<b>2,922</b>	<b>155</b>	<b>6,242</b>
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	39	3,130	–	3,169
Corporate mortgage-backed securities (residential and commercial)	–	12,456	32	12,488
Other asset-backed securities	197	3,483	206	3,886
Government and government agency bonds	27,446	149,403	67	176,916
Corporate bonds	15,765	175,657	3,738	195,160
Other debt securities	243	1,592	648	2,483
Equity securities	28,260	772	6,103	35,135
<b>Subtotal</b>	<b>71,950</b>	<b>346,493</b>	<b>10,794</b>	<b>429,237</b>
Financial assets for unit-linked contracts	84,268	2,450	177	86,895
Derivative financial instruments and firm commitments included in other assets	63	176	–	239
<b>Total</b>	<b>159,446</b>	<b>352,041</b>	<b>11,126</b>	<b>522,613</b>
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities held for trading				
Derivative financial instruments	48	1,198	5,102	6,348
Other trading liabilities	–	3	–	3
<b>Subtotal</b>	<b>48</b>	<b>1,201</b>	<b>5,102</b>	<b>6,351</b>
Financial liabilities for unit-linked contracts	84,268	2,450	177	86,895
Derivative financial instruments and firm commitments included in other liabilities	–	197	–	197
Financial liabilities for puttable equity instruments	2,386	192	–	2,578
<b>Total</b>	<b>86,702</b>	<b>4,040</b>	<b>5,279</b>	<b>96,021</b>

**FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2013 (ITEMS CARRIED AT FAIR VALUE)**

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
<b>FINANCIAL ASSETS</b>				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	360	–	360
Equity securities	22	103	14	139
Derivative financial instruments	284	1,691	38	2,013
<b>Subtotal</b>	<b>306</b>	<b>2,154</b>	<b>52</b>	<b>2,512</b>
Financial assets designated at fair value through income				
Debt securities	–	2,278	1	2,279
Equity securities	1,867	–	3	1,870
<b>Subtotal</b>	<b>1,867</b>	<b>2,278</b>	<b>4</b>	<b>4,149</b>
<b>Subtotal</b>	<b>2,173</b>	<b>4,432</b>	<b>56</b>	<b>6,661</b>
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	–	2,602	–	2,602
Corporate mortgage-backed securities (residential and commercial)	–	11,800	33	11,833
Other asset-backed securities	–	3,418	212	3,630
Government and government agency bonds	35,570	127,324	56	162,950
Corporate bonds	18,939	154,080	3,149	176,168
Other debt securities	–	1,777	773	2,550
Equity securities	26,013	765	5,722	32,500
<b>Subtotal</b>	<b>80,522</b>	<b>301,766</b>	<b>9,945</b>	<b>392,233</b>
Financial assets for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other assets	–	75	–	75
<b>Total</b>	<b>160,925</b>	<b>308,928</b>	<b>10,180</b>	<b>480,033</b>
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities held for trading				
Derivative financial instruments	136	1,447	4,427	6,010
Other trading liabilities	–	3	–	3
<b>Subtotal</b>	<b>136</b>	<b>1,450</b>	<b>4,427</b>	<b>6,013</b>
Financial liabilities for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other liabilities	–	158	–	158
Financial liabilities for puttable equity instruments	2,595	18	–	2,613
<b>Total</b>	<b>80,961</b>	<b>4,281</b>	<b>4,606</b>	<b>89,848</b>

## Valuation methodologies of financial instruments carried at fair value

The Allianz Group follows the interpretation of IFRS 13 (IDW RS HFA 47) by the Institute of Public Auditors in Germany (IDW) and classifies composite prices in level 2 of the fair value hierarchy. As the Allianz Group uses prices provided by pricing agencies on a consensus level, beginning 4Q 2013 the Allianz Group shifted most fixed-income securities from level 1 to level 2 due to this new interpretation.

Furthermore, the Allianz Group uses valuation techniques consistent with the three widely used classes of valuation techniques listed in IFRS 13:

- **Market approach:** Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- **Cost approach:** Amount that would be currently required to replace the service capacity of an asset (replacement cost).
- **Income approach:** Conversion of future amounts such as cash flows or income to a single current amount (present value technique).

There is no one-to-one connection between valuation technique and hierarchy level. Depending on whether the valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

## Financial assets carried at fair value through income

### Financial assets held for trading – Debt and equity securities

The fair value is mainly determined using the market approach. In some cases, the fair value is determined based on the income approach using interest rates and yield curves observable at commonly quoted intervals.

### Financial assets held for trading – Derivative financial instruments

For level 2, the fair value is mainly determined based on the income approach using present value techniques and the Black-Scholes-Merton model. Primary inputs to the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals.

For level 3, derivatives are mainly priced by third-party vendors. Controls are in place to monitor the valuations of these derivatives. Valuations are mainly derived based on the income approach.

### Financial assets designated at fair value through income – Debt securities

The fair value is determined using the market approach.

### Financial assets designated at fair value through income – Equity securities

For level 2, the fair value is determined using the market approach. For level 3, equity securities mainly represent newly acquired unlisted equity securities measured at cost.

## Available-for-sale investments

### Available-for-sale investments – Debt securities

Debt securities include:

- Government and agency mortgage-backed securities (residential and commercial),
- Corporate mortgage-backed securities (residential and commercial),
- Other asset-backed securities,
- Government and government agency bonds,
- Corporate bonds and
- Other debt securities.

The valuation techniques for these debt securities are similar. For level 2 and level 3, the fair value is determined using the market and the income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a present value technique where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk. Depending on the observability of these risk parameters in the market, the security is classified in level 2 or level 3.

### Available-for-sale investments – Equity securities

For level 2, the fair value is mainly determined using the market approach or net asset value techniques for funds. For certain private equity investments, the funds are priced based on transaction prices using the cost approach. As there are only few holders of these funds, the market is not liquid and transactions are only known to participants. For level 3, the fair value is mainly determined using net asset values. The net asset values are based on the fair value measurement of the underlying investments and are mainly provided by fund managers. For certain level 3 equity securities, the invested capital is considered to be a reasonable proxy for the fair value.

### Financial assets for unit-linked contracts

For level 2, the fair value is determined using the market or the income approach. For the income approach, primary observable inputs include yield curves observable at commonly quoted intervals. For level 3, the fair value is mainly determined based on the net asset value.

Financial liabilities for unit-linked contracts are valued based on their corresponding assets.

### Derivative financial instruments and firm commitments included in other assets

The fair value of the derivatives is mainly determined based on the income approach using present value techniques. Primary inputs include yield curves observable at commonly quoted intervals. The derivatives are mainly used for hedging purposes. Certain derivatives are priced by Bloomberg functions, such as Black-Scholes Option Pricing or the swap manager tool.

### Financial liabilities held for trading – Derivative financial instruments

For level 2, the fair value is mainly determined using the income approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Main observable input parameters include volatilities, yield curves observable at commonly quoted intervals and credit spreads observable in the market. For level 3, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. A significant proportion of derivative liabilities represent derivatives embedded in certain life insurance and annuity contracts. Significant non-market observable input parameters include mortality rates and surrender rates.

### Financial liabilities held for trading – Other trading liabilities

The fair value is mainly determined based on the income approach using present value techniques. Primary inputs comprise swap curves, share prices and dividend estimates.

### Derivative financial instruments and firm commitments included in other liabilities

For level 2, the fair value is mainly determined using the income approach. Primary inputs include interest rates and yield curves observable at commonly quoted intervals.

### Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments are generally required to be recorded at the redemption amount with changes recognized in income. For level 2, the fair value is mainly determined based on the market approach and the income approach. For level 3, equity securities mainly represent private equity funds. The fair value is in most cases derived from the net asset value based on the valuation of the underlying private equity companies as provided by third-party vendors.

### Significant transfers of financial instruments carried at fair value

In general, financial assets and liabilities are transferred from level 1 to level 2 when liquidity, trade frequency and activity are no longer indicative of an active market. Conversely, the same policy applies for transfers from level 2 to level 1.

At the end of 2013, the Allianz Group followed an interpretation of IFRS 13 (IDW RS HFA 47) by the Institute of Public Auditors in Germany (IDW) and transferred most fixed-income securities from level 1 to level 2. Re-transfers in subsequent reporting periods are possible given that the interpretation is still under discussion.

### Significant level 3 portfolios – Narrative description and sensitivity analysis

#### Available-for-sale investments – Equity securities

Equity securities within available-for-sale investments classified as level 3 mainly comprise private equity fund investments as well as alternative investments of the Allianz Group and are in most cases delivered as net asset values by the fund managers (€ 5.2 BN). The net asset values are calculated using material, non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers and hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the invested capital is considered to be a reasonable proxy for the fair value. In these cases, sensitivity analyses are also not applicable.

**Available-for-sale investments – Corporate bonds**

Corporate bonds within available-for-sale investments classified as level 3 are mainly priced based on the income approach (€ 3.3 BN). The primary non-market observable input used in the discounted cash flow method is an option adjusted spread taken from a benchmark security. A significant yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10% stress of the main non-market observable inputs only has an immaterial impact on fair value.

**Financial liabilities held for trading**

Financial liabilities held for trading mainly include embedded derivative financial instruments relating to annuity products that are priced internally using discounted cash flow models (€ 5.0 BN). A significant decrease (increase) in surrender rates, mortality rates or the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10% stress of the main non-market observable inputs only has an immaterial impact on fair value.

**Quantification of significant non-market observable inputs**

The following table shows the quantitative description of valuation technique(s) and input(s) used for the level 3 portfolios described above.

**QUANTITATIVE DESCRIPTION OF VALUATION TECHNIQUE(S) AND NON-MARKET OBSERVABLE INPUT(S) USED**

€ MN				
Description	Fair value as of 30 June 2014	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	5,002	Net asset value	n/a	n/a
Corporate bonds	3,267	Discounted cash flow method	Option adjusted spread	36 bps–604 bps
Financial liabilities held for trading				
Derivative financial instruments	4,998			
Fixed-indexed annuities	4,447	Present value of insurance cash flow	Annuitizations	0%–25%
			Surrenders	0%–25%
			Mortality	0%–100%
			Withdrawal benefit election	0%–50%
			Volatility	n/a
Variable annuities	551	Deterministic discounted cash flow	Surrenders	0.5%–35%
			Mortality	0%–100%

## Reconciliation of level 3 financial instruments

The following tables show a reconciliation of the financial instruments carried at fair value and classified as level 3.

### RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
<b>FINANCIAL ASSETS</b>				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	–	–	–
Equity securities	14	–	–	–
Derivative financial instruments	38	5	–	(55)
<b>Subtotal</b>	<b>52</b>	<b>5</b>	<b>–</b>	<b>(55)</b>
Financial assets designated at fair value through income				
Debt securities	1	–	–	–
Equity securities	3	110	–	–
<b>Subtotal</b>	<b>4</b>	<b>110</b>	<b>–</b>	<b>–</b>
Available-for-sale investments				
Corporate mortgage-backed securities (residential and commercial)	33	–	–	(2)
Other asset-backed securities	212	–	–	(25)
Government and government agency bonds	56	22	–	(13)
Corporate bonds	3,149	436	31	(65)
Other debt securities	773	59	–	(62)
Equity securities	5,722	469	–	(399)
<b>Subtotal</b>	<b>9,945</b>	<b>986</b>	<b>31</b>	<b>(566)</b>
Financial assets for unit-linked contracts	179	27	–	(29)
<b>Total financial assets at fair value</b>	<b>10,180</b>	<b>1,128</b>	<b>31</b>	<b>(650)</b>

### RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities held for trading				
Derivative financial instruments	4,427	617	–	(254)
Financial liabilities for unit-linked contracts	179	27	–	(29)
Financial liabilities for puttable equity instruments	–	–	–	–
<b>Total financial liabilities at fair value</b>	<b>4,606</b>	<b>644</b>	<b>–</b>	<b>(283)</b>



Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 30 June 2014	Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date
–	–	–	–	–	–	–
1	–	–	–	–	15	–
41	–	–	–	–	29	–
42	–	–	–	–	44	–
–	–	–	–	–	1	–
–	–	–	–	(3)	110	–
–	–	–	–	(3)	111	–
1	–	–	–	–	32	–
3	15	–	1	–	206	–
–	2	–	–	–	67	–
2	166	–	19	–	3,738	–
–	(44)	(7)	1	(72)	648	–
–	282	(56)	2	83	6,103	–
6	421	(63)	23	11	10,794	–
–	–	–	–	–	177	–
48	421	(63)	23	8	11,126	–

Net losses (gains) recognized in consolidated income statement	Net losses (gains) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 30 June 2014	Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date
283	–	–	29	–	5,102	790
–	–	–	–	–	177	–
–	–	–	–	–	–	–
283	–	–	29	–	5,279	790

## FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable.

If financial assets are measured at fair value on a non-recurring basis at the time of impairment, corresponding disclosures can be found in note 32 – Impairments of investments (net). If fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 11 – Non-current assets classified as held for sale.

## RECLASSIFICATION OF FINANCIAL ASSETS

On 31 January 2009, certain USD-denominated CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39.

As of 31 December 2013, the carrying amount and fair value of the CDOs was € 166 MN and € 156 MN, respectively. As of 30 June 2014, the carrying amount and fair value of the CDOs was € 165 MN and € 158 MN, respectively. For the three months ended 30 June 2014, the net profit related to the CDOs was not significant.

## 39 – Earnings per share

### BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period.

#### BASIC EARNINGS PER SHARE

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Net income attributable to shareholders used to calculate basic earnings per share	1,755	1,588	3,395	3,295
Weighted average number of common shares outstanding	453,761,276	453,196,657	453,750,731	453,186,268
<b>Basic earnings per share (€)</b>	<b>3.87</b>	<b>3.50</b>	<b>7.48</b>	<b>7.27</b>

### DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. Potentially dilutive common shares arise from various share-based compensation plans of the Allianz Group.

**DILUTED EARNINGS PER SHARE**

€ MN	three months ended 30 June		six months ended 30 June	
	2014	2013	2014	2013
Net income attributable to shareholders	1,755	1,588	3,395	3,295
Effect of potentially dilutive common shares	(10)	(17)	(11)	(36)
<b>Net income used to calculate diluted earnings per share</b>	<b>1,745</b>	<b>1,571</b>	<b>3,384</b>	<b>3,259</b>
Weighted average number of common shares outstanding	453,761,276	453,196,657	453,750,731	453,186,268
Potentially dilutive common shares resulting from assumed conversion of:				
Share-based compensation plans	715,550	57,240	3,006,849	479,639
<b>Weighted average number of common shares outstanding after assumed conversion</b>	<b>454,476,826</b>	<b>453,253,897</b>	<b>456,757,580</b>	<b>453,665,907</b>
<b>Diluted earnings per share (€)</b>	<b>3.84</b>	<b>3.47</b>	<b>7.41</b>	<b>7.18</b>

For the six months ended 30 June 2014, the weighted average number of common shares excludes 2,749,269 (2013: 2,763,732) treasury shares.

**40 – Other information**

**NUMBER OF EMPLOYEES**

**NUMBER OF EMPLOYEES**

	as of 30 June 2014	as of 31 December 2013
Germany	40,066	40,537
Other countries	107,371	107,090
<b>Total</b>	<b>147,437</b>	<b>147,627</b>

**CONTINGENT LIABILITIES AND COMMITMENTS**

As of 30 June 2014, there were no significant changes in contingent liabilities compared to the consolidated financial statements for the year ended 31 December 2013.

As of 30 June 2014, commitments outstanding to invest in private equity funds and similar financial instruments amounted to € 3,223 MN (31 December 2013: € 2,978 MN) and commitments outstanding to invest in real estate and infrastructure amounted to € 1,093 MN (31 December 2013: € 860 MN). Other commitments – mainly referring to a purchase obligation and sponsoring – increased from € 477 MN as of 31 December 2013 to € 706 MN as of 30 June 2014. All other commitments showed no significant changes.

**41 – Subsequent events**

**ALLIANZ ACQUIRES DISTRIBUTION ACTIVITIES OF THE PROPERTY-CASUALTY INSURANCE BRANCH OF UNIPOLSAI ASSICURAZIONI S.P.A.**

For further information please refer to note 3 – Consolidation.

Munich, 7 August 2014

Allianz SE  
The Board of Management

The image shows ten handwritten signatures in blue ink, arranged in two columns. The signatures are:
 

- Top row: *Dieter* and *Oliver Bick*
- Second row: *M. Janner* and *[Signature]*
- Third row: *[Signature]* and *[Signature]*
- Fourth row: *[Signature]* and *[Signature]*
- Fifth row: *[Signature]* and *[Signature]*
- Sixth row: *[Signature]*

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements, which are prepared in accordance with generally accepted accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 7 August 2014

Allianz SE  
The Board of Management

*Dieter*      *Oliver Birk*  
*M. Janner*      *GPB*  
*Stefan*      *H. Fung*  
*Woscher*      *J. Rely*  
*Dieter Weber*      *Zorn*  
*M. Zimmerer*

## REVIEW REPORT

To Allianz SE, Munich

We have reviewed the condensed consolidated interim financial statements of Allianz SE, Munich – comprising the consolidated balance sheets, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and selected explanatory notes – together with the interim group management report of Allianz SE, Munich, for the period from 1 January to 30 June 2014 that are part of the semi annual financial report according to § 37w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed consolidated interim financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the E.U., and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We performed our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U., and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U., or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 7 August 2014

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Klaus Becker  
Wirtschaftsprüfer  
(Independent Auditor)

Dr. Frank Pfaffenzeller  
Wirtschaftsprüfer  
(Independent Auditor)

## Financial calendar

Important dates for shareholders and analysts<sup>1</sup>

Interim Report/Financial Results 3Q _____	7 November 2014
Financial Results 2014 _____	26 February 2015
Annual Report 2014 _____	13 March 2015
Annual General Meeting _____	6 May 2015
Interim Report/Financial Results 1Q _____	12 May 2015
Interim Report/Financial Results 2Q _____	7 August 2015

<sup>1</sup> – The German Securities Trading Act (“Wertpapierhandelsgesetz”) obliges issuers to announce immediately any information which may have a substantial price impact. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at [www.allianz.com/financialcalendar](http://www.allianz.com/financialcalendar).