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Allianz Group

Interim Report for the First Half-Year of 2016

Allianz

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Disclaimer regarding roundings

The condensed consolidated interim financial statements are presented in millions of Euros (€ MN) unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Guideline on Alternative Performance Measures

For further information on the definition of our Alternative Performance Measures and their components, as well as the basis of calculation adopted, please refer to www.allianz.com/en/investor_relations/results-reports/results.

Further Information

Following the change in the E.U. Transparency Directive, Allianz Group adjusted its reporting. As the First Quarter and Third Quarter Interim Reports have been discontinued as from 2016, this Interim Report for the First Half-Year of 2016 no longer contains quarterly information. Also, we have taken this opportunity to enhance transparency, streamline our disclosures, and remove redundancies wherever possible. In general this Interim Report should be read in conjunction with our Annual Report 2015, which includes a detailed analysis of our operations and activities.

INTERIM GROUP MANAGEMENT REPORT

A

Executive Summary

Key figures

KEY FIGURES ALLIANZ GROUP[1]

€ MN six months ended 30 June	2016	2015	Delta
Total revenues[2]	64,759	67,939	(3,179)
Operating profit[3]	5,109	5,697	(588)
Net income[3]	3,479	4,048	(570)
thereof: attributable to shareholders	3,284	3,839	(555)
Solvency II capitalization ratio[4,5] in %	186	200	(14)%-p
Return on equity[6] in %	12.0	12.5	(0.5)%-p
Earnings per share in €	7.22	8.45	(1.23)
Diluted earnings per share in €	7.04	8.45	(1.40)

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT

Overall, global economic activity continued to trend moderately upwards in the first half of 2016. Most industrialized countries registered fairly solid growth. Following only subdued growth in the first quarter of 2016, the U.S. economy firmed up somewhat in the second quarter. The economic recovery in the Eurozone continued, benefiting from low oil prices and the relatively low valuation of the Euro. By contrast, major emerging markets provided a rather mixed picture. Brazil remained caught in a severe recession, while in Russia the economic situation stabilized somewhat following the sharp contraction in 2015. In China, economic growth continued to decelerate.

Financial markets experienced two major episodes of considerably increased volatility in the first half of 2016. At the beginning of the year, fears that the Chinese economy might slow down faster than expected and that the Yuan could depreciate considerably prompted some turmoil on the equity markets. In late June, the Brexit vote sent shock waves around the global financial markets.

In March, the European Central Bank eased its monetary policy stance further with a bundle of measures, in particular an extension of its bond purchasing program and a further lowering of its key interest rate to 0.0 % and of its deposit rate to (0.4) %. Yields on 10-year German government bonds declined significantly and closed the second quarter at (0.1) %, 70 basis points lower than at the beginning of the year. Spreads on government bonds in most of the Eurozone periphery countries tightened. U.S. bond yields declined as investors shifted their portfolios away from low-yielding non-U.S. sovereign debt. The performance of major stock market indices was mixed, with gains in the United States and emerging markets and losses in Europe and Japan. The Euro moved more or less sideways against the U.S. Dollar in the first half of 2016. The U.S. Dollar to Euro exchange rate was 1.11 at the end of the second quarter (end of 2015: 1.09).

From an insurance industry point of view, the macro environment was challenging: Organic growth remained subdued, financial markets volatile and yields suppressed. Furthermore, earnings were depressed by increased catastrophe losses: Insured losses were a third higher than last year, due to earthquakes in Japan and Ecuador, wildfires in Canada, and heavy storms in the United States and Europe. Then came the Brexit vote. Although operational implications are expected to remain limited, the industry was hit by second-order effects such as plunging yields. As a result, liability matching has become even harder. The industry continues to diversify its investments, for example into infrastructure.

MANAGEMENT'S ASSESSMENT

Our *total revenues* declined by 4.7 % compared to the first half-year of 2015. On an internal basis[7], revenues dropped by 2.5 %. This was largely due to our Life/Health business segment recording a reduction in unit-linked single premiums business in Italy and Taiwan as well as a decrease in our traditional business. Furthermore, our other net fee and commission income in our Asset Management business segment decreased – mainly driven by third-party net outflows. Internal premium growth in particular for Turkey, Germany and AGCS, in our Property-Casualty business segment, had a partly offsetting effect.

Overall, our *operating investment result* decreased by € 1,895 MN to € 12,174 MN. Operating realized gains/losses (net) decreased from a relatively high level, as the previous half-year figure had benefited from higher realizations in order to manage duration and the overall asset allocation. In addition, we recorded higher impairments on equities which resulted from the downturn of some of the major equity markets in the first half of 2016.

We recorded a decrease in *operating profit* this reporting period, primarily due to a lower underwriting result and operating investment income in our Property-Casualty business segment. In addition, the first half-year of 2015 included a € 0.2 BN net gain from the sale of the Fireman's Fund personal insurance business. Another contributing factor was the decline in average third-party assets under management in our Asset Management business segment. Our Life/Health business segment also reported a slightly lower operating profit, which is largely attributable to the traditional variable annuity business in the United States and lower unit-linked performance fees in Italy. Our Corporate and Other business segment's operating result remained stable.

1 — For further information on Allianz Group figures, please refer to note 4 to the condensed consolidated interim financial statements.
2 — 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).
3 — The Allianz Group uses operating profit and net income as key financial indicators to assess the performance of its business segments and of the Group as a whole.
4 — 2015 figures as of 31 December 2015, 2016 figures as of 30 June 2016.
5 — Changed regulatory tax treatment of German life sector reduced year-end Solvency II capitalization ratio from 200 % to 196 % on 1 January 2016.
6 — Represents the annualized ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow DAC, at beginning of the period and at end of the period. Annualized figures are not a forecast for full year numbers. For 2015, the return on equity for the full year is shown.

7 — Internal total revenue growth excludes the effects of foreign-currency translation as well as acquisitions and disposals. Please refer to page 16 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and for the Allianz Group as a whole. Internal revenue growth on business segment level will be explained in the following chapters.

Our *non-operating result* decreased by € 371 MN to a loss of € 295 MN. This was largely caused by an impairment loss[1] on our South Korean Life/Health business upon its classification as held for sale in the second quarter of 2016. Moreover, the negative result of that business for the second quarter of 2016 was considered as non-operating as it is no longer seen as part of the ongoing core operations of the Allianz Group.

Income taxes were down by € 390 MN to € 1,335 MN, mainly driven by higher tax-exempt income compared to the first six months of 2015. The effective tax rate decreased to 27.7 % (6M 2015: 29.9 %).

Our *net income* went down, largely due to our lower operating performance and weaker non-operating result. An improved effective tax rate had a partly offsetting effect.

Our *shareholders' equity* rose by € 4.6 BN to € 67.7 BN, compared to 31 December 2015. Over the same period our *Solvency II capitalization ratio* weakened from 200 %[2] to 186 %.

A more detailed description of the results generated by our business segments – specifically, Property-Casualty insurance operations, Life/Health insurance operations, Asset Management, and Corporate and Other – can be found in the respective chapters on the following pages.

Risk and opportunity management

In our Annual Report 2015, we described our opportunity and risk profile and addressed potential risks that could adversely affect both our business and our risk profile. The statements contained in that report remain materially unchanged. For the reporting period covered in this present report, there are some additional points to be mentioned with respect to potential risks and opportunities from political or financial market developments:

- The United Kingdom referendum on European Union membership ("Brexit" vote): Depending on the timing and results of negotiations, this matter could negatively affect financial markets and lead to discussions on the future stability of the European Union at large.

- The upcoming elections in key European countries may negatively impact European sovereign debt markets.

- The latest developments in Turkey.

Consequently, we continue to monitor developments in order to be able to react in a timely and appropriate manner. For further information, please refer to the Outlook starting on page 12.

Events after the balance sheet date

For information on events after the balance sheet date, please refer to note 34 to the condensed consolidated interim financial statements.

Other information

RECENT ORGANIZATIONAL CHANGES

The organizational structure described in our Annual Report 2015 remains materially unchanged. Some minor reallocations between the reportable segments have been made.

STRATEGY

The Allianz Group's strategy is described in the Strategy and Steering chapter in our Annual Report 2015. 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 of sales channels, please refer to the Business Operations and Markets chapter in our Annual Report 2015. Information on our brand can also be found in the Progress in Sustainable Development chapter in our Annual Report 2015.

ALLIANZ GROUP AND BUSINESS SEGMENTS

The Allianz Group operates and manages its activities through four business segments, which have all been mentioned above. For further information, please refer to note 4 to the condensed consolidated interim financial statements or to the Business Operations and Markets chapter in our Annual Report 2015.

1 — For further information on the impairment loss of our Life/Health business in South Korea, please refer to note 3 to the condensed consolidated interim financial statements.

2 — Changed regulatory tax treatment of German life sector reduced year-end Solvency II capitalization ratio from 200 % to 196 % on 1 January 2016.

Property-Casualty Insurance Operations

Key figures

KEY FIGURES PROPERTY-CASUALTY[1]

€ MN six months ended 30 June	2016	2015	Delta
Gross premiums written	28,856	29,182	(326)
Operating profit	2,539	3,030	(491)
Net income	1,922	2,266	(344)
Loss ratio[2] in %	66.4	66.1	0.4%-p
Expense ratio[3] in %	28.4	28.0	0.5%-p
Combined ratio[4] in %	94.9	94.1	0.8%-p

Gross premiums written[5]

On a nominal basis, we recorded a decrease in *gross premiums written* compared to the first six months of the previous year.

Unfavorable foreign-currency translation effects amounted to € 795 MN, mainly resulting from the depreciation of the Argentine Peso, the British Pound, and the Turkish Lira against the Euro.[6]

Consolidation/deconsolidation effects were negative at € 433 MN, largely due to the sale of the Fireman's Fund personal insurance business to ACE Limited and the transfer of a health insurance portfolio in Russia to our Life/Health segment.

On an internal basis, our growth was strong at 3.1 %, driven by a positive volume effect of 2.2 % and a positive price effect of 0.9 %.

The following operations contributed positively to internal growth:

Turkey: Gross premiums grew to € 849 MN – an increase of 54.2 % on an internal basis. This resulted from positive price and volume effects in our motor third-party liability insurance business.

Germany: Gross premiums amounted to € 6,142 MN. The internal growth of 2.8 % was mainly due to positive price effects in our motor insurance business.

AGCS: Gross premiums stood at € 4,247 MN – up 3.9 % on an internal basis. This was driven by positive volume effects at Allianz Risk Transfer, which were partly offset by negative price effects in our energy and aviation lines of business.

1 — For further information on Allianz Property-Casualty figures, please refer to note 4 to the condensed consolidated interim financial statements.
2 — Represents claims and insurance benefits incurred (net), divided by premiums earned (net).
3 — Represents acquisition and administrative expenses (net), excluding one-off effects from pension revaluation divided by premiums earned (net).
4 — Represents the total of acquisition and administrative expenses (net), excluding one-off effects from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).
5 — We comment on the development of our gross premiums written on an internal basis, which means figures have been adjusted for foreign-currency translation and (de-)consolidation effects in order to provide more comparable information.
6 — Based on the average exchange rates in 2016 compared to 2015.

The following operations contributed negatively to internal growth:

Italy: Gross premiums went down to € 2,268 MN – a decrease of 4.7 % on an internal basis. This was mainly due to negative price and volume effects in our motor business.

United Kingdom: Gross premiums decreased to € 1,410 MN. The internal decrease of 3.7 % largely resulted from negative volume effects in our motor retail business. Positive price developments in our pet insurance business had slightly offsetting effects.

Credit Insurance: Gross premiums amounted to € 1,175 MN. The decline of 2.5 % on an internal basis resulted from unfavorable price and volume effects.

Operating profit

OPERATING PROFIT

€ MN six months ended 30 June	2016	2015	Delta
Underwriting result	1,045	1,249	(204)
Operating investment income (net)	1,473	1,649	(176)
Other result[1]	21	132	(111)
Operating profit	2,539	**3,030**	**(491)**

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

The *operating profit* decrease was driven by all profit sources. After a benign natural catastrophe environment in the first quarter of the current year, the underwriting result suffered from higher claims from natural catastrophe events and higher large losses in the second quarter. Furthermore, the first half-year 2015 included a € 0.2 BN net gain from the sale of the Fireman's Fund personal insurance business to ACE Limited, which was partially offset by the related restructuring charges of € 0.1 BN. Our operating investment income (net) worsened, compared to the same period of the prior year.

UNDERWRITING RESULT

€ MN six months ended 30 June	2016	2015	Delta
Premiums earned (net)	22,823	23,072	(249)
Accident year claims	(16,302)	(16,004)	(298)
Previous year claims (run-off)	1,141	761	380
Claims and insurance benefits incurred (net)	(15,162)	(15,243)	81
Acquisition and administrative expenses (net), excluding one-off effects from pension revaluation	(6,492)	(6,456)	(35)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(124)	(123)	(1)
Underwriting result	**1,045**	**1,249**	**(204)**

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 25 to the condensed consolidated interim financial statements.

Due to higher claims from natural catastrophe events, large losses, and expenses, which were only partially mitigated by a higher contribution from run-off, our *underwriting result* dropped and our *combined ratio* deteriorated.

Our *accident year loss ratio*[1] stood at 71.4 % – a deterioration of 2.1 percentage points, compared to the first half-year 2015. This was driven by an increase in losses from natural catastrophes from € 345 MN to € 522 MN, resulting in a higher impact on our combined ratio of 2.3 percentage points, compared to 1.5 percentage points in the same period of 2015.

Excluding losses from natural catastrophes, our accident year loss ratio worsened to 69.1 %. This was mainly due to a higher impact from both large losses and numerous smaller weather-related events.

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

AGCS: 0.6 percentage points. This was heavily driven by higher losses from natural catastrophes in North America and Europe. In addition, large losses were above last year's level.

France: 0.6 percentage points. This deterioration predominantly resulted from a combination of a higher impact from natural catastrophes including the floods in May, and higher large losses compared to the previous year.

Reinsurance: 0.5 percentage points. This was because of a higher impact from natural catastrophes, smaller and mid-sized weather-related events, and large losses.

Our *run-off ratio* increased by 1.7 percentage points compared to the first half-year of 2015, resulting in a higher run-off ratio amounting to 5.0 %. This was driven by reserve releases across most of the portfolio, while 2015 included a negative impact of 0.6 percentage points from the strengthening of reserves for the former Fireman's Fund portfolio in the second quarter.

Total expenses amounted to € 6,492 MN in the first half-year of 2016 compared to € 6,456 MN in the same period of the previous year. The increase in our *expense ratio* was driven by both a worse administrative and a higher acquisition expense ratio.

OPERATING INVESTMENT INCOME (NET)[1]

€ MN six months ended 30 June	2016	2015	Delta
Interest and similar income (net of interest expenses)	1,688	1,828	(141)
Operating income from financial assets and liabilities carried at fair value through income (net)	(25)	33	(58)
Operating realized gains (net)	157	138	19
Operating impairments of investments (net)	(43)	(7)	(36)
Investment expenses	(175)	(176)	–
Expenses for premium refunds (net)[2]	(129)	(168)	39
Operating investment income (net)	**1,473**	**1,649**	**(176)**

1 — The operating investment income (net) of 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).

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 25 to the condensed consolidated interim financial statements.

The decline in *operating investment income (net)* was mainly due to lower interest and similar income and an unfavorable foreign-currency translation result net of hedging.

Interest and similar income (net of interest expenses) decreased largely driven by debt securities due to reduced interest rates.

OTHER RESULT

€ MN six months ended 30 June	2016	2015	Delta
Fee and commission income	759	715	44
Other income	1	227	(226)
Fee and commission expenses	(706)	(680)	(26)
Other expenses	–	–	–
Restructuring charges	(33)	(130)	97
Other result	**21**	**132**	**(111)**

In the first six months of 2015, we recorded a € 0.2 BN net gain from the sale of the Fireman's Fund personal insurance business, which is reported as other income.

Net income

Net income fell largely due to the decline in operating profit, partly offset by lower income taxes.

1 — Represents claims and insurance benefits incurred (net) less previous year claims (run-off), divided by premiums earned (net).

Life/Health Insurance Operations

Key figures

KEY FIGURES LIFE/HEALTH[1]

€ MN six months ended 30 June	2016	2015	Delta
Statutory premiums	32,968	35,540	(2,572)
Operating profit[2]	1,936	1,957	(20)
Net income	995	1,401	(406)
Return on equity[3] in %	8.0	10.8	(2.8)%-p

Statutory premiums[4,5]

On a nominal basis, *statutory premiums* decreased by 7.2%. This includes unfavorable foreign-currency translation effects of € 324 MN and positive (de-)consolidation effects of € 78 MN.

On an internal basis[5], statutory premiums decreased by € 2,326 MN – or 6.5% – to € 33,286 MN, largely due to lower unit-linked single premiums in Italy and Taiwan, as well as to a decline in our traditional business. The increased fixed-indexed annuity sales in the United States partly compensated for this development. In line with our changed product strategy, premiums continued to shift towards capital-efficient products.

In the *German* life business, we recorded statutory premiums of € 8,923 MN. This increase of 0.8% on an internal basis was due to growth in the business with capital-efficient products. It more than offset the decline in sales of traditional life products, which include long-term interest rate guarantees. Statutory premiums in the German health business went up to € 1,644 MN – a rise of 0.9% on an internal basis, largely resulting from the acquisition of new customers in the supplementary health care coverage.

In the *United States,* statutory premiums climbed to € 6,575 MN, representing a growth of 24.3% on an internal basis. We experienced higher fixed-indexed annuity sales mainly as a result of our marketing activities in the first quarter of 2016.

Statutory premiums in *Italy* amounted to € 5,141 MN, down 27.3% on an internal basis. This development was largely due to lower unit-linked single premium sales – as a result of higher financial market volatility – and a decrease in traditional life business.

In *France,* statutory premiums dropped to € 3,878 MN. This decrease, 5.3% on an internal basis, was mainly due to a decline in our individual life business.

In the *Asia Pacific* region, statutory premiums declined to € 2,349 MN, down 31.1% on an internal basis. This was largely driven by a decrease in sales of single premium unit-linked products, distributed via bancassurance in Taiwan.

1 — For further information on Allianz Life/Health figures, please refer to note 4 to the condensed consolidated interim financial statements.
2 — Following the classification of the South Korean business (assets and liabilities) as held for sale, the negative result of € 247 MN for the second quarter of 2016 was considered as non-operating.
3 — Represents annualized ratio of net income to the average total equity, excluding unrealized gains/losses on bonds net of shadow DAC at the beginning of the period and at the end of period. Annualized figures are not a forecast for full year numbers. For 2015, the return on equity for the full year is shown.
4 — 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.
5 — Our comments in the following section on the development of our statutory gross premiums written refer to figures determined "on an internal basis", i.e. adjusted for foreign-currency translation and (de-) consolidation effects, in order to provide more comparable information.

Premiums earned (net)

Premiums earned (net) went down by € 706 MN to € 11,757 MN. The main reason was a decline in our business with traditional life products in Germany.

Present value of new business premiums (PVNBP)[6,7,8]

PVNBP fell by € 3,633 MN to € 29,713 MN, largely due to declining sales both in our traditional business with high guarantees and in our business with unit-linked insurance products without guarantees in Italy.

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) IN % BY LINES OF BUSINESS[1]

% six months ended 30 June	2016	2015	Delta
Guaranteed savings & annuities	29.3	37.1	(7.9)
Protection & health	16.0	13.4	2.6
Unit-linked without guarantee	19.4	25.7	(6.3)
Capital-efficient products	35.3	23.8	11.5
Total	**100.0**	**100.0**	–

1 — Current and prior year figures are presented excluding effects from the South Korean business.

Operating profit

At the beginning of the second quarter of 2016, all requirements were fulfilled to present our South Korean business as held for sale. Consequently, the negative result of € 247 MN that the South Korean business generated in the second quarter of 2016 was considered as non-operating, as the entity is no longer part of our ongoing core operations. In order to better reflect the true underlying drivers of our operating profit, we report it by profit sources and by lines of business for the first six months of both 2015 and 2016, excluding South Korea, and specify the South Korean operating loss as a separate item.

6 — PVNBP before non-controlling interests.
7 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.
8 — Current and prior year figures are presented excluding effects from the South Korean business.

OPERATING PROFIT BY PROFIT SOURCES[1,2]

OPERATING PROFIT BY PROFIT SOURCES

€ MN six months ended 30 June	2016	2015	Delta
Loadings and fees	2,718	2,758	(40)
Investment margin	1,963	1,948	16
Expenses	(3,299)	(3,173)	(126)
Technical margin	449	538	(89)
Impact of change in DAC	187	(22)	209
Operating loss - South Korea[1]	(82)	(92)	10
Operating profit	**1,936**	**1,957**	**(20)**

1 — The 2016 figure represents the operating loss of the first quarter only, as the negative result for the second quarter of 2016 was considered as non-operating.

Our *operating profit* decreased slightly, mainly due to the traditional variable annuity business in the United States – which was impacted by the unfavorable interest rates movements – and lower unit-linked performance fees in Italy. A higher investment margin in Germany partly compensated for the negative development.

Loadings and fees[3]

LOADINGS AND FEES[1]

€ MN six months ended 30 June	2016	2015	Delta
Loadings from premiums	1,814	1,799	15
Loadings from reserves	550	562	(12)
Unit-linked management fees	354	397	(43)
Loadings and fees	**2,718**	**2,758**	**(40)**
Loadings from premiums as % of statutory premiums	5.6	5.2	0.4
Loadings from reserves as % of average reserves[2,3]	0.1	0.1	–
Unit-linked management fees as % of average unit-linked reserves[3,4]	0.3	0.3	(0.1)

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — Aggregate policy reserves and unit-linked reserves.
3 — Yields are pro rata.
4 — Unit-linked management fees, excluding asset management fees, divided by unit-linked reserves.

The drop in *loadings and fees* was primarily driven by the decreased *unit-linked management fees* in Italy.

Investment margin[4]

INVESTMENT MARGIN[1]

€ MN six months ended 30 June	2016	2015	Delta
Interest and similar income	8,905	9,118	(213)
Operating income from financial assets and liabilities carried at fair value through income (net)	(474)	(687)	213
Operating realized gains/losses (net)	3,112	4,045	(932)
Interest expenses	(56)	(51)	(6)
Operating impairments of investments (net)	(934)	(195)	(739)
Investment expenses	(544)	(519)	(25)
Other[2]	65	172	(107)
Technical interest	(4,358)	(4,363)	6
Policyholder participation	(3,754)	(5,572)	1,818
Investment margin	**1,963**	**1,948**	**16**
Investment margin[3,4] in basis points	48	50	(2)

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — Other comprises the delta of out-of-scope entities, which are added here with their respective operating profit and different line item definitions compared to the financial statements, such as interest paid on deposits for reinsurance, fee and commission income, and expenses excluding unit-linked management fees.
3 — Investment margin divided by the average of current end-of-period and previous end-of-period aggregate policy reserves.
4 — Yields are pro rata.

Our *investment margin* rose slightly. This increase was largely driven by a lower policyholder participation compared to a high base in the first-half year of 2015. Lower realizations on equity investments, predominantly in Germany, France and Italy, and higher impairments on equities – mainly in the German life business – as a result of volatile equity markets, contributed negatively.

Expenses[5]

EXPENSES[1]

€ MN six months ended 30 June	2016	2015	Delta
Acquisition expenses and commissions	(2,434)	(2,354)	(80)
Administrative and other expenses	(865)	(820)	(46)
Expenses	**(3,299)**	**(3,173)**	**(126)**
Acquisition expenses and commissions as % of PVNBP[2]	(8.2)	(7.1)	(1.1)
Administrative and other expenses as % of average reserves[3,4]	(0.2)	(0.2)	–

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — PVNBP before non-controlling interests.
3 — Aggregate policy reserves and unit-linked reserves.
4 — Yields are pro rata.

Our *acquisition expenses and commissions* increased, mainly because a sales growth in the fixed-income annuity business in the United States drove up acquisition expenses.

1 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.
2 — The purpose of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.
3 — Loadings and fees include premium and reserve based fees, unit-linked management fees, and policyholder participation in expenses.
4 — The investment margin is defined as IFRS investment income net of expenses, less interest credited to IFRS reserves and policyholder participation (including policyholder participation beyond contractual and regulatory requirements mainly for the German life business).
5 — Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.

Administrative and other expenses increased predominantly because of the German life and French businesses.

Technical margin[1]

Our *technical margin* declined, driven by changes in the French individual health portfolio which resulted from amendments in local legislation. Additional reserving and an unfavorable disability result in Switzerland also contributed to this development.

Impact of change in Deferred Acquisition Costs (DAC)[2]

IMPACT OF CHANGE IN DAC[1]

€ MN six months ended 30 June	2016	2015	Delta
Capitalization of DAC	995	888	107
Amortization, unlocking and true-up of DAC	(808)	(910)	102
Impact of change in DAC	**187**	**(22)**	**209**

1 — Current and prior year figures are presented excluding effects from the South Korean business.

The *impact of change in DAC* turned positive. This was largely due to lower DAC amortization associated with our variable annuity business, and higher capitalization of DAC resulting from increased sales of fixed-indexed and non-traditional variable annuities in the United States.

OPERATING PROFIT BY LINES OF BUSINESS[3]

OPERATING PROFIT BY LINES OF BUSINESS

€ MN six months ended 30 June	2016	2015	Delta
Guaranteed savings & annuities	1,102	1,055	47
Protection & health	304	422	(118)
Unit-linked without guarantee	172	219	(47)
Capital-efficient products	440	352	87
Operating loss – South Korea[1]	(82)	(92)	10
Operating profit	**1,936**	**1,957**	**(20)**

1 — The 2016 figure represents the operating loss of the first quarter only, as the negative result for the second quarter of 2016 was considered as non-operating.

The operating profit increase in our *guaranteed savings & annuities* line of business was largely driven by a higher investment margin in Germany. Operating profit in the *protection & health* line of business declined, mainly as a result of the French individual and the German health businesses. Operating profit in the *unit-linked without guarantee* line of business dropped, which was primarily due to a reduction of unit-linked performance fees in Italy. The rise in operating profit in the *capital-efficient products* line was mainly due to a higher spread margin in the United States.

Return on equity

From 2016 onwards, margin on reserves was replaced by return on equity to better reflect the internal steering of our Life/Health insurance operations.

The *return on equity* decreased by 2.8 percentage points to 8.0 % in the first six months of 2016 consistent with the net income development.

Net income

Our *net income* decreased, largely due to the negative net impact of € 352 MN from our business in South Korea in the second quarter of 2016.

1 — Technical margin comprises risk result (risk premiums less benefits in excess of reserves less policyholder participation), lapse result (surrender charges and commission clawbacks) and reinsurance result.
2 — Impact of change in DAC includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA). It represents the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates from the IFRS financial statements.

3 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.

Asset Management

Key figures

KEY FIGURES ASSET MANAGEMENT[1]

€ MN six months ended 30 June	2016	2015	Delta
Operating revenues	2,827	3,121	(293)
Operating profit	961	1,060	(99)
Cost-income ratio[2] in %	66.0	66.0	–
Net income	615	658	(43)
Total assets under management as of 30 June in € BN[3]	1,830	1,763	67
thereof: Third-party assets under management as of 30 June in € BN[3]	1,307	1,276	31

Assets under management

COMPOSITION OF TOTAL ASSETS UNDER MANAGEMENT

€ BN Type of asset class	as of 30 June 2016	as of 31 December 2015	Delta
Other[1]	57	51	6
Multi-assets[2]	151	151	–
Equities	156	176	(20)
Fixed income	1,466	1,385	82
Total	**1,830**	**1,763**	**67**

1 — Other is composed of other asset classes than equity, fixed income and multi-assets, e.g. money markets, commodities, real estate investment trusts, infrastructure investments, private equity investments, hedge funds, etc.
2 — Multi-assets is a combination of several asset classes (e.g. bonds, stocks, cash and real property) used as an investment. Multi-assets class investments increase the diversification of an overall portfolio by distributing investments throughout several asset classes.

Net outflows[4] of *total assets under management* (AuM) amounted to € 27 BN in the first half of 2016. Third-party AuM net outflows of € 28 BN were largely attributable to PIMCO in the United States and Europe. However, Allianz Global Investors (AllianzGI) also recorded minor third-party AuM net outflows of € 0.1 BN in a difficult market environment.

Favorable effects from Market and Other[5] amounting to € 79 BN were the main contributor to the increase in total AuM. This was driven by PIMCO where we recorded a plus of € 80 BN mainly in fixed income assets.

An upswing of total AuM of € 31 BN from consolidation, deconsolidation and other adjustments was driven by the acquisition of Rogge Global Partners (Rogge) by AllianzGI.

Mainly as a result of the slight appreciation of the Euro against the U.S. Dollar since the beginning of the year, we recorded unfavorable foreign-currency translation effects of € 15 BN.

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

As of 30 June 2016, the share of third-party AuM by business unit was 76.2 % (31 December 2015: 77.3 %) attributable to PIMCO and 23.8 % (31 December 2015: 22.7 %) attributable to AllianzGI.

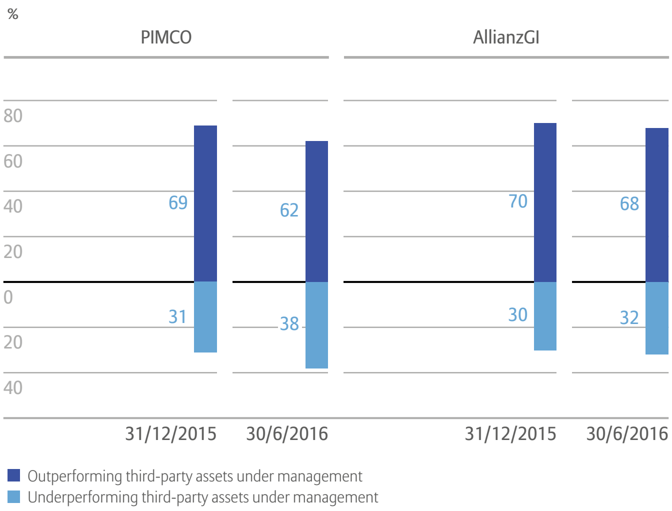
The share of fixed income assets rose from 74.0 % to 75.7 %, compared to the beginning of the year, mainly due to market effects on fixed income assets and consolidation effects from the Rogge acquisition. The share of equities declined from 11.8 % to 10.2 %, primarily driven by third-party AuM net outflows and negative effects from equity markets. The shares of multi-assets and other were roughly stable at 10.2 % and 3.9 %, respectively, as of 30 June 2016.

The share of third-party assets between mutual funds and separate accounts[6] changed in favor of separate accounts, compared to the end of 2015, with mutual funds at 57.4 % (31 December 2015: 58.3 %) and separate accounts at 42.6 % (31 December 2015: 41.7 %).

As for the regional allocation of third-party AuM[7], shares were 55.0 % for America, 33.0 % for Europe and 12.0 % for the Asia-Pacific region (31 December 2015: 56.0 %, 32.7 % and 11.3 %, respectively). They shifted in favor of the Asia-Pacific region, mainly due to positive foreign-currency translation effects at PIMCO in Japan. They also shifted – albeit to a lesser extent – in favor of Europe, especially because of the acquisition of Rogge by AllianzGI and market effects at PIMCO in the United Kingdom. The latter shift was only partially offset by third-party AuM net outflows and negative foreign-currency translation effects at PIMCO in the United Kingdom.

1 — For further information on Allianz Asset Management figures, please refer to note 4 to the condensed consolidated interim financial statements.
2 — Represents operating expenses divided by operating revenues.
3 — 2015 figure as of 31 December 2015.
4 — Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment – withdrawals of assets from, and termination of, client accounts and distributions to investors. Reinvested dividends amounted to € 4 BN.
5 — Market and Other represents current income earned on, and changes in the fair value of, securities held in client accounts. It also includes dividends from net investment income and from net realized capital gains to investors of open ended mutual funds and of closed end funds.
6 — Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).
7 — Based on the location of the asset management company.

THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI[1]



1 — Three-year rolling investment performance reflects the mandate-based and volume-weighted three-year investment success of all third-party assets that are managed by Allianz Asset Management's portfolio-management units. For separate accounts and mutual funds, the investment success (valued on the basis of the closing prices) is compared with the investment success prior to cost deduction of the respective benchmark, based on various metrics. For some mutual funds, the investment success, reduced by fees, is compared with the investment success of the median of the respective Morningstar peer group (a position in the first and second quartile is equivalent to outperformance).

The overall three-year rolling investment performance of our Asset Management business decreased, with 63 % of third-party assets outperforming their respective benchmarks (31 December 2015: 69 %). The decrease was mainly driven by PIMCO's rolling investment performance, which was impacted by strong quarters of 2013 rolling off and more challenging quarters of 2016 rolling in. 62 % of PIMCO third-party assets outperformed their respective benchmarks. AllianzGI slightly decreased, with 68 % of third-party assets outperforming their respective benchmarks.

Operating revenues

The decrease in *operating revenues* of 9.4 % on a nominal basis corresponds to a drop of 9.5 % on an internal basis[1].

The increase in *performance fees* can mostly be attributed to carried interest from a large private fund at PIMCO.

Other net fee and commission income decreased, mainly due to lower average third-party AuM that primarily resulted from outflows at PIMCO. A decreased third-party AuM-driven margin also contributed to this development, which occurred at both, PIMCO and AllianzGI. This was largely driven by outflows from higher-margin assets, primarily at PIMCO.

1 — Operating revenues/operating profit adjusted for foreign-currency translation and (de-)consolidation effects.

Operating profit

The decline of our *operating profit* on a nominal basis is in accordance with a decrease on an internal basis[1] of 9.4 %. This was mainly due to a decrease in other net fee and commission income, which was only partially compensated by lower administrative expenses.

Administrative expenses were considerably reduced, largely due to lower personnel expenses. The main reason was a 17.1 % drop in variable compensation, mainly reflecting reduced expenses associated with the Special Performance Award (SPA). The SPA was introduced in the fourth quarter of 2014 at PIMCO to secure performance and retain talent. Lower non-personnel expenses also contributed to the decrease of administrative expenses.

Our *cost-income ratio* was flat, as administrative expenses decreased in accordance with operating revenues. The SPA effect contributed 0.9 percentage points[2] to our cost-income ratio.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN six months ended 30 June	2016	2015	Delta
Performance fees	127	111	15
Other net fee and commission income[1]	2,702	3,015	(313)
Other operating revenues	(1)	(5)	4
Operating revenues	**2,827**	**3,121**	**(293)**
Administrative expenses (net), excluding acquisition-related expenses	(1,868)	(2,060)	193
Other operating expenses	2	–	2
Operating expenses	**(1,866)**	**(2,060)**	**195**
Operating profit	**961**	**1,060**	**(99)**

1 — Also referred to as AuM-driven revenues.

Net income

Our *net income* decreased by 6.6 %, mainly reflecting the drop in other net fee and commission income.

2 — Net of the impact on variable compensation.

Corporate and Other

Key figures

KEY FIGURES CORPORATE AND OTHER[1]

€ MN six months ended 30 June	2016	2015	Delta
Operating revenues	1,174	967	207
Operating expenses	(1,497)	(1,297)	(199)
Operating result	(323)	(331)	8
Net income (loss)	(188)	(254)	67

KEY FIGURES REPORTABLE SEGMENTS

€ MN six months ended 30 June	2016	2015	Delta
HOLDING & TREASURY			
Operating revenues	544	302	242
Operating expenses	(928)	(709)	(219)
Operating result	(384)	(407)	23
BANKING			
Operating revenues	519	563	(44)
Operating expenses	(483)	(506)	22
Operating result	36	58	(22)
ALTERNATIVE INVESTMENTS			
Operating revenues	111	101	11
Operating expenses	(87)	(82)	(5)
Operating result	24	19	6

Earnings summary

Our *operating result* remained stable, as improvements in Holding & Treasury were offset by the decrease in Banking.

Our *net loss* improved due to a higher non-operating investment result and lower income taxes resulting from higher tax exempted income. To a large extent, these positive effects were offset by the absence of positive one-off effects from a pensions revaluation with our German subsidiaries.

In *Holding & Treasury,* the improvement of our operating result was mainly related to our internal IT service provider which had recorded higher strategic IT investment costs in the comparison period.

The operating profit decrease in *Banking* was predominantly driven by higher expenses for deposit protection funds and bank levies. Lower performance fees in Italy also contributed negatively. Furthermore, the low interest yield environment continued to put pressure on our interest margin in almost all Banking units. Our loan loss provisions remained unchanged.

In *Alternative Investments,* our operating profit increased as a result of higher fee and commission income and favorable currency effects.

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

Outlook

Economic outlook[1]

As we move into the second half of 2016, the global economy remains on a moderate upward trend. As expected, emerging market economies are on track for somewhat higher growth this year. The reason for this is not a general growth acceleration across all emerging markets but rather a gradual stabilization in major emerging market economies, such as Russia, which had experienced a severe recession last year. In particular in Europe, the general uncertainty about future economic and financial market developments has increased considerably following the Brexit vote in late June. In a first reaction to the Brexit vote, we have slightly reduced this year's economic growth forecasts: for the Eurozone from 1.7 % to 1.5 % and for Germany from 2.2 % to 1.8 %. Our forecast for the United Kingdom has been cut significantly from 1.9 % to almost 1.5 %. In the United States, prospects for this year's growth have deteriorated, following only subdued growth in preceding quarters. Overall, we estimate global output to expand by 2.4 % this year (previous forecast: 2.7 %).

For the remainder of this year, financial markets will probably stand under the twin spell of monetary policy and further political developments such as the Brexit process. Uncertainties can also be triggered by the developments in Turkey and by the outcome of a referendum on constitutional amendments in Italy. On the monetary policy front, the Federal Reserve is likely to hike interest rates once before the end of this year. By contrast, the European Central Bank is expected to keep key interest rates at the current very low levels for the foreseeable future. We do not see any changes in the European Central Bank's unconventional measures before spring 2017. The Brexit vote has raised additional pressure on the European Central Bank to expand and/or to prolong its bond purchasing program.

In response to the European Central Bank's monetary policy steps in March as well as the Brexit vote in June, we have lowered our year-end forecast for yields on 10-year German government bonds to 0.3 %. Expected higher inflation rates towards the year end will exert some upward pressure on European government benchmark bond yields. However, with short-term rates at zero, there are limited prospects of markedly higher yields on longer-term bonds. In the coming months we expect the Euro to move more or less sideways against the U.S. Dollar. We see the U.S. Dollar to Euro exchange rate standing at 1.10 by the end of 2016, only marginally below the second quarter's closing level of 1.11.

1 — The Information presented in the sections "Economic outlook", "Insurance industry outlook" and "Asset management industry outlook" is based on our own estimates.

Insurance industry outlook

We confirm our outlook for premium growth in 2016. Despite the Brexit vote, the big picture has not changed materially, although the risks of ultra-low interest rates and volatile financial markets have been accentuated. Thus, we still expect modest premium growth in the property-casualty and the life sector, as the implications of the United Kingdom leaving the European Union are, at most, marginal for global premium growth.

In the *property-casualty sector,* growth in advanced markets should remain roughly stable, with the ongoing recovery supporting demand but pricing becoming a growing concern. The outlook for Emerging Markets will remain rather mixed, with Asia growing robustly but other regions – notably Latin America – showing signs of weakness. Overall, we continue to expect global premium revenue to rise between 4.0 % and 5.0 % in 2016 (in nominal terms, adjusted for foreign currency translation effects).

In the *life sector,* the overall picture is quite similar. Specifically, we expect sustained strong performance in emerging Asia and a more volatile environment in other emerging regions. As far as advanced markets are concerned, we anticipate only modest growth in Europe and North America but a fairly strong recovery in Oceania. All in all, we continue to expect global premium revenue to rise by 4.0 % to 5.0 % in 2016 (in nominal terms, adjusted for foreign currency translation effects).

Industry profitability will remain under pressure. The Brexit vote has made a bad situation worse by causing a further plunge in yields. Falling investment returns are the inevitable consequence. On top, a demanding pricing outlook, increased costs due to natural catastrophes, stricter regulation, and last but not least, the digital transformation are all ingredients in the cocktail of strategic and operational challenges weighing on overall profitability.

Asset management industry outlook

Markets were very volatile in the first half of 2016. Stock markets stumbled especially in the second quarter as a reaction to the Brexit vote, further lowering expectations for European and in particular U.K. equity. As a consequence, U.S. and European investors redeemed assets from equity funds in the course of the period. However, the implications of the Brexit may become even more visible in the second half of 2016.

Given the market environment, we expect that global economic and political divergence will continue to create uncertainty and volatility, which involves both risks and opportunities. In June, the U.S. Federal Reserve decided to keep interest rates unchanged, but signaled intentions to increase interest rates in the second half of the year. Bonds should remain attractive, if longer-term trends towards moderately higher interest rates continue, especially in the United States, and the global demographic trends remain unchanged. Bonds are particularly interesting for the growing number of retirees in developed countries who are looking for a stable stream of income, as well as for liability-driven investors.

After a difficult first half of 2016, we also see a challenging environment for the asset management industry for the rest of the year. In addition to market volatility, profitability in the industry remains under pressure from both continuous flows into passive products and rising distribution costs. Moreover, measures aimed at strengthening regulatory oversight and reporting could also affect profitability in the asset management sector. In order to continue growing, it is vital for asset managers to maintain sufficient business volumes, ensure efficient operations, and keep investment results above benchmark levels.

Outlook for the Allianz Group

We are confident about staying on course during the rest of 2016, and confirm our published Allianz Group operating profit outlook for 2016 of € 10.5 BN, plus or minus € 0.5 BN.

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.

Balance Sheet Review

Shareholders' equity[1]

SHAREHOLDERS' EQUITY

€ MN

	as of 30 June 2016	as of 31 December 2015	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	–
Retained earnings	23,451	24,222	(771)
Foreign-currency translation adjustments	(1,242)	(926)	(315)
Unrealized gains and losses (net)	16,606	10,920	5,686
Total	**67,744**	**63,144**	**4,599**

The increase in *shareholders' equity* was largely driven by higher unrealized gains, mainly on debt securities, which resulted from a further decrease in interest rates. To a lesser extent, our net income attributable to shareholders of € 3,284 MN contributed to the increase. The dividend payout in May 2016 and the increase in actuarial losses on defined benefit plans reduced the shareholders' equity by € 3,320 MN and € 592 MN, respectively.

Regulatory capital adequacy

With the approval of our partial internal model and as Solvency II became the binding regulatory regime on 1 January 2016, risk is measured and steered based on the risk profile underlying our capital requirements under this regulation. By this, we ensure a consistent perspective on both risk steering and capitalization in line with the Solvency II framework. Consequently, we focus our external reporting on the capitalization according to Solvency II rather than the data collected for the purposes of financial conglomerates supervision.

SOLVENCY II REGULATORY CAPITALIZATION

		as of 30 June 2016	as of 31 December 2015	Delta
Eligible own funds	€ BN	70.6	72.7	(2.1)
Capital requirement	€ BN	38.0	36.4	1.6
Capitalization ratio[1]	%	186	200	(14) %-p

1 — Changed regulatory tax treatment of German life sector reduced year-end Solvency II capitalization ratio from 200 % to 196 % on 1 January 2016.

Over the first six months, our *Solvency II capitalization ratio* decreased, with the main effect coming from the first quarter, while the ratio for the second quarter of 2016 remained stable. Overall, our eligible own funds decreased due to the net effect of market impacts, the dividend accrual, regulatory changes and operating Solvency II earnings. The increase in the capital requirement was largely triggered by the further decline in interest rates, which could be only partially compensated for by management actions to improve the interest rate sensitivity. To a lesser extent, higher market volatility also contributed to the rise in the capital requirement.

Total assets and total liabilities

As of 30 June 2016, total assets amounted to € 889.9 BN and total liabilities were € 819.1 BN. Compared to year-end 2015, total assets and total liabilities increased by € 40.9 BN and € 36.2 BN, respectively.

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

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

The following portfolio overview covers the Allianz Group's assets held for investment, which are largely driven by our insurance businesses.

ASSET ALLOCATION AND FIXED-INCOME PORTFOLIO OVERVIEW

Type of investment	as of 30 June 2016 € BN	as of 31 December 2015 € BN	Delta € BN	as of 30 June 2016 %	as of 31 December 2015 %	Delta %-p
Debt instruments; thereof:	**598.1**	**568.1**	**29.9**	**89.8**	**88.8**	**1.0**
Government bonds	230.0	217.5	12.5	38.5	38.3	0.2
Covered bonds	97.0	98.7	(1.7)	16.2	17.4	(1.2)
Corporate bonds (excl. banks)	183.3	164.9	18.5	30.7	29.0	1.6
Banks	32.9	31.3	1.6	5.5	5.5	–
Other	54.8	55.7	(0.9)	9.2	9.8	(0.6)
Equities	**42.9**	**45.7**	**(2.8)**	**6.4**	**7.1**	**(0.7)**
Real estate	**11.7**	**12.0**	**(0.3)**	**1.8**	**1.9**	**(0.1)**
Cash/other	**13.6**	**14.3**	**(0.7)**	**2.0**	**2.2**	**(0.2)**
Total	**666.2**	**640.1**	**26.2**	**100.0**	**100.0**	**–**

1 — This does not include non-controlling interests of € 3,044 MN and € 2,955 MN as of 30 June 2016 and 31 December 2015, respectively. For further information, please refer to note 17 to the condensed consolidated interim financial statements.

Compared to year-end 2015, our overall asset allocation remained rather stable with a modest increase in the share of debt securities and a slight decrease in equities. These developments largely reflect the general market developments in the first half of this year.

The increase in our well-diversified exposure to *debt instruments* was largely driven by fair-value increases, triggered by the further slump of interest rates over the first six months from their already low previous levels. About 94 % of this portfolio was invested in investment-grade bonds and loans.[1] Of the covered bonds portfolio, 41 % (31 December 2015: 42 %) was German Pfandbriefe, backed by either public-sector loans or mortgage loans. Another 16 %, 10 % and 8 % – values consistent with year-end figures – were attributable to France, Spain, and Italy. Our *government bonds* portfolio comprised – amongst others – exposures to Italy, Spain, and Great Britain, equaling 5.0 %, 2.1 % and 0.2 % of our fixed income portfolio with corresponding unrealized gains (gross) of € 6,001 MN, € 1,615 MN and € 58 MN, respectively. Our government bond exposure in Portugal amounted to € 213 MN with unrealized gains (gross) of € 11 MN. We continued to have virtually no exposure to Greek or Ukrainian government bonds. The respective exposure to Russia totaled to € 406 MN (unrealized gains (gross) of € 16 MN) and was relatively small in the context of our overall portfolio. The greatest part of the Russia exposure was denominated in U.S. Dollar.

LIABILITIES

Property-Casualty liabilities

As of 30 June 2016, the business segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 65.0 BN – almost unchanged compared to year-end 2015. On a net basis, our reserves, including discounted loss reserves, decreased from € 57.5 BN to € 56.4 BN.[2]

Life/Health liabilities

Life/Health reserves for insurance and investment contracts increased by € 15.1 BN to € 487.1 BN in the first six months of 2016. The € 0.7 BN decrease in aggregate policy reserves and other reserves was driven by the classification of the South Korean business as held for sale (€ (10.8) BN), which could not quite be balanced despite strong growth in Germany (€ 4.3 BN), the United States (€ 3.9 BN before currency effects), and Switzerland (€ 0.5 BN before currency effects). Reserves for premium refunds increased by € 17.6 BN, due to higher unrealized gains to be shared with policyholders. Currency impacts mainly resulted from the weaker U.S. Dollar (€ (1.8) BN).

Corporate and Other liabilities

In comparison to year-end 2015, other liabilities increased by € 2.6 BN to € 26.8 BN, resulting from higher liabilities from cash pooling and other provisions mainly related to pension and similar obligations. Certificated liabilities increased by € 0.7 BN to € 12.8 BN, while subordinated bonds remained almost unchanged at € 12.3 BN.

1 — Excluding self-originated German private retail mortgage loans. For 2 % no ratings were available.
2 — For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 13 to the condensed consolidated interim financial statements.

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 figures stated in accordance with 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, rather than 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 six months ended 30 June	2016	2015
PROPERTY-CASUALTY		
Gross premiums written	**28,856**	**29,182**
LIFE/HEALTH		
Statutory premiums	**32,968**	**35,540**
ASSET MANAGEMENT		
Operating revenues	**2,827**	**3,121**
consisting of:		
Net fee and commission income	2,828	3,126
Net interest income[1]	(3)	(3)
Income from financial assets and liabilities carried at fair value through income (net)	1	(4)
Other income	1	2
CORPORATE AND OTHER		
thereof: Total revenues (Banking)	**272**	**270**
consisting of:		
Interest and similar income	249	275
Income from financial assets and liabilities carried at fair value through income (net)[2]	6	9
Fee and commission income	264	280
Interest expenses, excluding interest expenses from external debt	(90)	(112)
Fee and commission expenses	(160)	(182)
Consolidation effects within Corporate and Other	3	2
Consolidation	**(165)**	**(175)**
Allianz Group total revenues	**64,759**	**67,939**

1 — Represents interest and similar income less interest expenses.
2 — Includes trading income.

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 IN %

% six months ended 30 June 2016	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
Property-Casualty	3.1	(1.5)	(2.7)	(1.1)
Life/Health	(6.5)	0.2	(0.9)	(7.2)
Asset Management	(9.5)	0.1	–	(9.4)
Corporate and Other	0.7	–	–	0.7
Allianz Group	**(2.5)**	**(0.5)**	**(1.6)**	**(4.7)**

Life/Health Insurance Operations

OPERATING PROFIT

The reconciling item *scope* comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 20 entities comprising 97.4 % of Life/Health total statutory premiums are in scope.

Expenses

Expenses comprise acquisition expenses and commissions as well as administrative and other expenses.

The delta referred to as *definitions* under "Acquisition expenses and commissions" represents commission clawbacks, which are allocated to the technical margin. The delta referred to as *definitions* under "Administrative and other expenses" mainly represents restructuring charges, which are stated in a separate line item in the group income statement.

ACQUISITION, ADMINISTRATIVE, CAPITALIZATION, AND AMORTIZATION OF DAC[1]

€ MN six months ended 30 June	2016	2015
Acquisition expenses and commissions[2]	(2,434)	(2,354)
Definitions	6	8
Scope	(192)	(279)
Acquisition costs incurred	**(2,619)**	**(2,624)**
Capitalization of DAC[2]	995	888
Definition: URR capitalized	242	274
Definition: policyholder participation[4]	475	426
Scope	84	141
Capitalization of DAC	**1,796**	**1,730**
Amortization, unlocking and true-up of DAC[2]	(808)	(910)
Definition: URR amortized	(22)	(160)
Definition: policyholder participation[4]	(270)	(520)
Scope	(329)	(138)
Amortization, unlocking and true-up of DAC	**(1,430)**	**(1,728)**
Commissions and profit received on reinsurance business ceded	28	54
Acquisition costs[3]	**(2,225)**	**(2,568)**
Administrative and other expenses[2]	(865)	(820)
Definitions	89	57
Scope	(123)	(92)
Administrative expenses on reinsurance business ceded	1	3
Administrative expenses[3]	**(899)**	**(851)[5]**

1 — Prior year figures changed in order to reflect the roll out of profit source reporting to China.
2 — As per Interim Group Management Report.
3 — As per notes to the condensed consolidated interim financial statements.
4 — For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
5 — Excluding one-off effects from pension revaluation.

RECONCILIATION TO NOTES[1]

€ MN six months ended 30 June	2016	2015
Acquisition expenses and commissions[2]	(2,434)	(2,354)
Administrative and other expenses[2]	(865)	(820)
Capitalization of DAC[2]	995	888
Amortization, unlocking and true-up of DAC[2]	(808)	(910)
Acquisition and administrative expenses	**(3,112)**	**(3,195)**
Definitions	520	85
Scope	(560)	(367)
Commissions and profit received on reinsurance business ceded	28	54
Administrative expenses on reinsurance business ceded	1	3
Acquisition and administrative expenses (net)[3]	**(3,123)**	**(3,420)[4]**

1 — Prior year figures changed in order to reflect the roll-out of profit source reporting to China.
2 — As per Interim Group Management Report.
3 — As per notes to the condensed consolidated interim financial statements.
4 — Excluding one-off effects from pension revaluation.

Impact of change in Deferred Acquisition Costs (DAC)

Impact of change in DAC includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA) and is the net impact of the deferral and amortization of acquisition costs and front-end loadings on operating profit.

URR capitalized: Capitalization amount of unearned revenue reserves (URR) and deferred profit liabilities (DPL) for FAS 97 LP.

URR amortized: Total amount of URR amortized includes scheduled URR amortization, true-up and unlocking.

Both capitalization and amortization are included in the line item “Premiums earned (net)” in the group income statement.

Policyholder participation is included in “Change in reserves for insurance and investment contracts (net)” in the group income statement.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

B

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

€ MN

	note	as of 30 June 2016	as of 31 December 2015
ASSETS			
Cash and cash equivalents		14,573	14,842
Financial assets carried at fair value through income	5	8,161	7,268
Investments	6	540,091	511,257
Loans and advances to banks and customers	7	115,522	117,630
Financial assets for unit-linked contracts		104,927	105,873
Reinsurance assets	8	15,931	14,843
Deferred acquisition costs	9	22,635	25,234
Deferred tax assets		1,051	1,394
Other assets	10	38,553	37,050
Non-current assets and assets of disposal groups classified as held for sale	3	15,004	109
Intangible assets	11	13,420	13,443
Total assets		**889,868**	**848,942**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[1]		11,334	9,207
Liabilities to banks and customers	12	24,758	25,531
Unearned premiums		24,250	20,660
Reserves for loss and loss adjustment expenses	13	71,559	72,003
Reserves for insurance and investment contracts	14	501,592	486,222
Financial liabilities for unit-linked contracts		104,927	105,873
Deferred tax liabilities		6,069	4,003
Other liabilities	15	39,323	38,686
Liabilities of disposal groups classified as held for sale	3	13,335	18
Certificated liabilities	16	9,603	8,383
Subordinated liabilities	16	12,331	12,258
Total liabilities		**819,080**	**782,843**
Shareholders' equity		67,744	63,144
Non-controlling interests		3,044	2,955
Total equity	**17**	**70,788**	**66,099**
Total liabilities and equity		**889,868**	**848,942**

1 — Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

€ MN six months ended 30 June	note	2016	2015
Gross premiums written		**41,140**	**42,124**
Ceded premiums written		(2,993)	(3,504)
Change in unearned premiums (net)		(3,567)	(3,086)
Premiums earned (net)	**18**	**34,580**	**35,535**
Interest and similar income	19	11,115	11,489
Income from financial assets and liabilities carried at fair value through income (net)	20	(414)	(758)
Realized gains/losses (net)	21	4,144	4,931
Fee and commission income	22	5,107	5,317
Other income	23	11	235
Income from fully consolidated private equity investments		–	355
Total income		**54,543**	**57,103**
Claims and insurance benefits incurred (gross)		(26,797)	(26,475)
Claims and insurance benefits incurred (ceded)		1,511	1,377
Claims and insurance benefits incurred (net)	**24**	**(25,286)**	**(25,098)**
Change in reserves for insurance and investment contracts (net)	25	(7,534)	(9,699)
Interest expenses	26	(606)	(624)
Loan loss provisions		(24)	(24)
Impairments of investments (net)	27	(1,421)	(265)
Investment expenses	28	(601)	(560)
Acquisition and administrative expenses (net)	29	(12,173)	(12,579)
Fee and commission expenses	30	(1,923)	(1,890)
Amortization of intangible assets		(67)	(77)
Restructuring charges		(94)	(151)
Other expenses		(1)	(2)
Expenses from fully consolidated private equity investments		–	(359)
Total expenses		**(49,729)**	**(51,330)**
Income before income taxes		**4,814**	**5,773**
Income taxes	31	(1,335)	(1,725)
Net income		**3,479**	**4,048**
Net income attributable to:			
Non-controlling interests		194	209
Shareholders		3,284	3,839
Basic earnings per share (€)		7.22	8.45
Diluted earnings per share (€)		7.04	8.45

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

€ MN six months ended 30 June	2016	2015
Net income	**3,479**	**4,048**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign-currency translation adjustments		
Reclassifications to net income	(6)	–
Changes arising during the period	(320)	1,146
Subtotal	**(326)**	**1,146**
Available-for-sale investments		
Reclassifications to net income	(748)	(955)
Changes arising during the period	6,229	(1,405)
Subtotal	**5,481**	**(2,360)**
Cash flow hedges		
Reclassifications to net income	(8)	(3)
Changes arising during the period	285	(137)
Subtotal	**277**	**(140)**
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	–	7
Changes arising during the period	(51)	89
Subtotal	**(51)**	**96**
Miscellaneous		
Reclassifications to net income	–	–
Changes arising during the period	(34)	5
Subtotal	**(34)**	**5**
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(604)	277
Total other comprehensive income	**4,743**	**(977)**
Total comprehensive income	**8,221**	**3,071**
Total comprehensive income attributable to:		
Non-controlling interests	296	241
Shareholders	7,925	2,830

For further details concerning income taxes relating to components of the other comprehensive income, please see note 31.

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
Balance as of 1 January 2015	**28,928**	**19,878**	**(1,977)**	**13,917**	**60,747**	**2,955**	**63,702**
Total comprehensive income[1]	–	4,205	1,095	(2,470)	2,830	241	3,071
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	6	–	–	6	–	6
Transactions between equity holders	–	219	(3)	–	216	(190)	26
Dividends paid	–	(3,112)	–	–	(3,112)	(183)	(3,295)
Balance as of 30 June 2015	**28,928**	**21,196**	**(885)**	**11,447**	**60,687**	**2,824**	**63,511**
Balance as of 1 January 2016	28,928	24,222	(926)	10,920	63,144	2,955	66,099
Total comprehensive income[1]	–	2,555	(319)	5,690	7,925	296	8,221
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	7	–	–	7	–	7
Transactions between equity holders	–	(12)[2]	4	(4)	(12)	15	3
Dividends paid	–	(3,320)	–	–	(3,320)	(222)	(3,543)
Balance as of 30 June 2016	**28,928**	**23,451**	**(1,242)**	**16,606**	**67,744**	**3,044**	**70,788**

1 — Total comprehensive income in shareholders' equity for the six months ended 30 June 2016 comprises net income attributable to shareholders of € 3,284 MN (2015: € 3,839 MN).
2 — Includes income taxes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN six months ended 30 June	2016	2015
SUMMARY		
Net cash flow provided by operating activities	15,527	13,908
Net cash flow used in investing activities	(13,891)	(13,006)
Net cash flow used in financing activities	(1,787)	(3,045)
Effect of exchange rate changes on cash and cash equivalents	(117)	541
Change in cash and cash equivalents	**(269)**	**(1,604)**
Cash and cash equivalents at beginning of period	14,842	13,863
Cash and cash equivalents at end of period	**14,573**	**12,259**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**3,479**	**4,048**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(132)	(162)
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, non-current assets and disposal groups classified as held for sale	(2,724)	(4,666)
Other investments, mainly financial assets held for trading and designated at fair value through income	(442)	2,471
Depreciation and amortization	622	684
Loan loss provisions	24	24
Interest credited to policyholder accounts	2,283	3,026
Net change in:		
Financial assets and liabilities held for trading	1,307	(2,813)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(458)	(542)
Repurchase agreements and collateral received from securities lending transactions	(905)	2,016
Reinsurance assets	(1,390)	(1,495)
Deferred acquisition costs	(649)	(264)
Unearned premiums	3,859	4,015
Reserves for loss and loss adjustment expenses	529	1,563
Reserves for insurance and investment contracts	10,434	10,262
Deferred tax assets/liabilities	(56)	380
Other (net)	(253)	(4,640)
Subtotal	**12,048**	**9,859**
Net cash flow provided by operating activities	**15,527**	**13,908**

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN six months ended 30 June	2016	2015
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,028	701
Available-for-sale investments	77,973	85,219
Held-to-maturity investments	163	1,539
Investments in associates and joint ventures	710	868
Non-current assets and disposal groups classified as held for sale	63	128
Real estate held for investment	141	160
Fixed assets of renewable energy investments	–	1
Loans and advances to banks and customers (purchased loans)	3,593	6,195
Property and equipment	43	58
Subtotal	**83,714**	**94,868**
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(1,012)	(1,251)
Available-for-sale investments	(92,294)	(99,556)
Held-to-maturity investments	(120)	(1,378)
Investments in associates and joint ventures	(413)	(839)
Non-current assets and disposal groups classified as held for sale	–	(2)
Real estate held for investment	(324)	(495)
Fixed assets of renewable energy investments	(165)	(300)
Loans and advances to banks and customers (purchased loans)	(1,539)	(2,611)
Property and equipment	(506)	(750)
Subtotal	**(96,373)**	**(107,181)**
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	–	–
Acquisitions of subsidiaries, net of cash acquired	–	–
Change in other loans and advances to banks and customers (originated loans)	**(1,329)**	**(317)**
Other (net)	**97**	**(376)**
Net cash flow used in investing activities	**(13,891)**	**(13,006)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	383	(202)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	3,864	3,181
Repayments of certificated liabilities and subordinated liabilities	(2,477)	(2,652)
Cash inflow from capital increases	–	–
Transactions between equity holders	3	26
Dividends paid to shareholders	(3,543)	(3,295)
Net cash from sale or purchase of treasury shares	8	8
Other (net)	(25)	(111)
Net cash flow used in financing activities	**(1,787)**	**(3,045)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(1,465)	(1,345)
Dividends received	1,026	1,095
Interest received	10,853	10,392
Interest paid	(485)	(559)

Notes to the Condensed Consolidated Interim Financial Statements

GENERAL INFORMATION

1 — Basis of presentation

The condensed consolidated interim financial statements of the Allianz Group are presented in accordance with the requirements of IAS 34, Interim Financial Reporting, and have been prepared in conformity with International Financial Reporting Standards (IFRSs), as adopted under European Union regulations.

For existing and unchanged IFRSs, the condensed consolidated interim financial statements use the same accounting policies for recognition, measurement, consolidation and presentation as applied in the consolidated financial statements for the year ended 31 December 2015. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

In accordance with the provisions of IFRS 4, Insurance Contracts, insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

Amounts are rounded to millions of Euro (€ MN), unless otherwise stated.

These condensed consolidated interim financial statements of the Allianz Group were authorized for issue by the Board of Management on 4 August 2016.

2 — Recently adopted accounting pronouncements

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2016:

- IAS 1, Disclosure initiative,
- IFRS 11, Accounting for Acquisitions of Interests in Joint Operations,
- Annual Improvements to IFRSs 2012 – 2014 Cycle,
- IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation.

No material impact arose on the financial results or the financial position of the Allianz Group.

3 — Classification as held for sale

NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

€ MN

	as of 30 June 2016	as of 31 December 2015
Assets of disposal groups classified as held for sale		
Bürgel Wirschaftsinformationen, Hamburg	–	35
AGF Insurance Limited, Guildford	259	–
Allianz Life Insurance Co. Ltd., Seoul	14,352	–
Allianz Global Investors Korea Limited, Seoul	27	–
Allianz Life & Annuity Company, Minneapolis	13	11
Subtotal	**14,651**	**46**
Non-current assets classified as held for sale		
Real estate held for investment	290	–
Real estate held for own use	64	63
Subtotal	**353**	**63**
Total	**15,004**	**109**
Liabilities of disposal groups classified as held for sale		
Bürgel Wirschaftsinformationen, Hamburg	–	15
AGF Insurance Limited, Guildford	234	–
Allianz Life Insurance Co. Ltd., Seoul	13,096	–
Allianz Global Investors Korea Limited, Seoul	3	–
Allianz Life & Annuity Company, Minneapolis	3	3
Total	**13,335**	**18**

Allianz Life Insurance Co. Ltd., Seoul

At the beginning of the second quarter of 2016, all requirements were fulfilled to present Allianz Life Insurance Co. Ltd., Seoul, as a disposal group. Thus, the assets and liabilities of this consolidated entity, which are allocated to the reportable segment Asia Pacific (Life/Health), were classified as held for sale.

RECLASSIFIED ASSETS AND LIABILITIES

€ MN

Cash and cash equivalents	10
Financial assets carried at fair value through income	4
Investments	10,010
Loans and advances to banks and customers	1,950
Financial assets for unit-linked contracts	1,436
Reinsurance assets	5
Deferred acquisition costs	387
Deferred tax assets	46
Other assets	504
Total assets	**14,352**
Financial liabilities carried at fair value through income	4
Unearned premiums	74
Reserves for loss and loss adjustment expenses	381
Reserves for insurance and investments contracts	10,832
Financial liabilities for unit-linked contracts	1,436
Deferred tax liabilities	200
Other liabilities	168
Total liabilities	**13,096**

As of 30 June 2016, cumulative gains of € 1,298 MN were recorded in other comprehensive income relating to the disposal group classified as held for sale. The sale is expected to occur during the second half-year of 2016. Upon measurement of the disposal group at fair value less costs to sell, an impairment loss of € 209 MN before taxes was recognized for the six months ended 30 June 2016.

4 — Segment reporting

The business activities of the Allianz Group, the business segments as well as the reportable segments and the products and services from which they derive revenue are consistent with the ones that have been described in the consolidated financial statements for the year ended 31 December 2015. The therein contained statements regarding general segment reporting information and the reportable segments measure of profit or loss are still applicable and valid.

RECENT ORGANIZATIONAL CHANGES

Some minor reallocations between the reportable segments have been made.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

€ MN	Property-Casualty		Life/Health	
	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015
ASSETS				
Cash and cash equivalents	3,567	3,635	8,004	8,467
Financial assets carried at fair value through income	474	643	7,267	6,431
Investments	102,376	100,026	415,825	392,171
Loans and advances to banks and customers	12,196	13,781	92,392	95,138
Financial assets for unit-linked contracts	–	–	104,927	105,873
Reinsurance assets	10,721	9,265	5,275	5,632
Deferred acquisition costs	4,939	4,647	17,696	20,587
Deferred tax assets	1,011	1,107	752	310
Other assets	22,862	23,112	19,030	17,406
Non-current assets and assets of disposal groups classified as held for sale	367	37	14,695	72
Intangible assets	2,751	2,781	3,050	2,998
Total assets	**161,264**	**159,034**	**688,913**	**655,086**

€ MN	Property-Casualty		Life/Health	
	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	178	112	11,005	8,834
Liabilities to banks and customers	973	901	5,703	5,807
Unearned premiums	20,528	17,071	3,748	3,605
Reserves for loss and loss adjustment expenses	61,012	61,169	10,574	10,857
Reserves for insurance and investment contracts	14,722	14,407	487,089	472,010
Financial liabilities for unit-linked contracts	–	–	104,927	105,873
Deferred tax liabilities	2,836	2,482	5,319	3,137
Other liabilities	17,313	19,533	13,189	14,856
Liabilities of disposal groups classified as held for sale	247	15	13,102	3
Certificated liabilities	12	12	12	12
Subordinated liabilities	–	–	95	95
Total liabilities	**117,821**	**115,702**	**654,761**	**625,088**

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015
1,002	1,329	2,246	1,952	(246)	(541)	14,573	14,842
59	64	688	625	(328)	(495)	8,161	7,268
126	230	110,852	127,284	(89,088)	(108,454)	540,091	511,257
28	99	16,621	15,591	(5,714)	(6,980)	115,522	117,630
–	–	–	–	–	–	104,927	105,873
–	–	–	–	(66)	(54)	15,931	14,843
–	–	–	–	–	–	22,635	25,234
234	294	1,285	1,395	(2,230)	(1,712)	1,051	1,394
2,765	2,677	6,883	9,626	(12,987)	(15,772)	38,553	37,050
27	–	–	–	(85)	–	15,004	109
7,609	7,653	10	11	–	–	13,420	13,443
11,851	**12,348**	**138,586**	**156,483**	**(110,746)**	**(134,008)**	**889,868**	**848,942**

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015	as of 30 June 2016	as of 31 December 2015
–	–	485	750	(333)	(489)	11,334	9,207
174	174	20,053	21,777	(2,144)	(3,127)	24,758	25,531
–	–	–	–	(27)	(15)	24,250	20,660
–	–	–	–	(26)	(23)	71,559	72,003
–	–	(30)	–	(190)	(195)	501,592	486,222
–	–	–	–	–	–	104,927	105,873
27	16	117	80	(2,230)	(1,712)	6,069	4,003
2,594	2,750	26,814	24,256	(20,588)	(22,710)	39,323	38,686
3	–	–	–	(16)	–	13,335	18
–	–	12,779	12,054	(3,201)	(3,695)	9,603	8,383
–	–	12,286	12,213	(50)	(50)	12,331	12,258
2,797	**2,940**	**72,504**	**71,130**	**(28,804)**	**(32,018)**	**819,080**	**782,843**
				Total equity		**70,788**	**66,099**
				Total liabilities and equity		**889,868**	**848,942**

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	
six months ended 30 June	2016	2015	2016	2015
Total revenues[1]	**28,856**	**29,182**	**32,968**	**35,540**
Premiums earned (net)	22,823	23,072	11,757	12,463
Operating investment result				
Interest and similar income	1,736	1,871	9,128	9,370
Operating income from financial assets and liabilities carried at fair value through income (net)	(25)	33	(473)	(688)
Operating realized gains/losses (net)	157	138	3,114	4,044
Interest expenses, excluding interest expenses from external debt	(48)	(43)	(57)	(52)
Operating impairments of investments (net)	(43)	(7)	(934)	(195)
Investment expenses	(175)	(176)	(551)	(527)
Subtotal	**1,602**	**1,817**	**10,226**	**11,953**
Fee and commission income	759	715	679	679
Other income	1	227	9	8
Claims and insurance benefits incurred (net)	(15,162)	(15,243)	(10,127)	(9,858)
Change in reserves for insurance and investment contracts (net)[2]	(254)	(291)	(7,207)	(9,394)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effects from pension revaluation	(6,492)	(6,456)	(3,123)	(3,420)
Fee and commission expenses	(706)	(680)	(305)	(296)
Operating amortization of intangible assets	–	–	(9)	(9)
Restructuring charges	(33)	(130)	(63)	(20)
Other expenses	–	–	(149)	(148)
Reclassifications[3]	–	–	247	–
Operating profit (loss)	**2,539**	**3,030**	**1,936**	**1,957**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(21)	(38)	11	(11)
Non-operating realized gains/losses (net)	327	434	21	100
Non-operating impairments of investments (net)	(168)	(56)	(218)	(5)
Subtotal	**138**	**340**	**(186)**	**84**
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effects from pension revaluation	–	(181)	–	(13)
Non-operating amortization of intangible assets	(26)	(30)	(21)	(28)
Reclassifications[3]	–	–	(247)	–
Non-operating items	**112**	**130**	**(455)**	**43**
Income (loss) before income taxes	**2,651**	**3,160**	**1,482**	**2,000**
Income taxes	(729)	(894)	(487)	(599)
Net income (loss)	**1,922**	**2,266**	**995**	**1,401**
Net income (loss) attributable to:				
Non-controlling interests	84	89	73	78
Shareholders	1,838	2,177	921	1,323

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 six months ended 30 June 2016, includes expenses for premium refunds (net) in Property-Casualty of € (129) MN (2015: € (168) MN).

3 — The result of the South Korean business for the three months ended 30 June 2016 is considered as non-operating since it has been classified as held for sale. Furthermore minor tax reclassifications are included in this line.

	Asset Management		Corporate and Other		Consolidation		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	2,827	**3,121**	**272**	**270**	**(165)**	**(175)**	**64,759**	**67,939**
	–	–	–	–	–	–	34,580	35,535
	2	3	370	412	(121)	(167)	11,115	11,489
	1	(4)	12	–	–	12	(485)	(647)
	–	–	–	–	38	7	3,310	4,189
	(6)	(6)	(194)	(241)	118	143	(188)	(199)
	–	–	–	–	–	–	(977)	(202)
	–	–	(40)	(37)	166	179	(601)	(560)
	(2)	**(7)**	**148**	**134**	**200**	**174**	**12,174**	**14,070**
	3,496	3,914	643	407	(471)	(398)	5,107	5,317
	1	2	148	148	(149)	(150)	11	235
	–	–	–	–	3	3	(25,286)	(25,098)
	–	–	–	–	(74)	(13)	(7,534)	(9,699)
	–	–	(24)	(24)	–	–	(24)	(24)
	(1,868)	(2,060)	(699)	(652)	8	(1)	(12,173)	(12,590)
	(668)	(788)	(540)	(340)	296	214	(1,923)	(1,890)
	–	–	–	–	–	–	(9)	(9)
	2	–	–	(1)	–	–	(94)	(151)
	–	–	–	(2)	148	148	(1)	(2)
	–	–	–	–	34	5	281	5
	961	**1,060**	**(323)**	**(331)**	**(5)**	**(19)**	**5,109**	**5,697**
	–	–	79	(55)	4	(8)	71	(112)
	–	–	354	207	132	1	835	742
	–	–	(58)	(1)	–	–	(444)	(63)
	–	**–**	**375**	**151**	**136**	**(7)**	**462**	**568**
	–	–	–	(7)	–	3	–	(4)
	–	–	(418)	(425)	–	–	(418)	(425)
	–	9	–	1	–	–	–	10
	–	(31)	–	224	–	–	–	–
	(6)	(5)	(4)	(4)	–	–	(58)	(68)
	–	–	–	–	(34)	(5)	(281)	(5)
	(6)	**(27)**	**(47)**	**(62)**	**101**	**(9)**	**(295)**	**76**
	956	**1,034**	**(371)**	**(393)**	**97**	**(28)**	**4,814**	**5,773**
	(340)	(375)	183	138	39	6	(1,335)	(1,725)
	615	**658**	**(188)**	**(254)**	**135**	**(22)**	**3,479**	**4,048**
	29	32	8	10	–	–	194	209
	586	626	(196)	(264)	135	(22)	3,284	3,839

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

€ MN

	Total revenues		Operating profit (loss)		Income (loss) before income taxes		Net income (loss)	
six months ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015
German Speaking Countries and Central & Eastern Europe	8,925	8,711	728	840	825	803	608	603
Western & Southern Europe, Middle East, Africa, India	6,392	6,281	726	884	713	945	483	627
Iberia & Latin America	2,353	2,440	92	112	65	122	55	94
Global Insurance Lines & Anglo Markets	12,490	12,162	905	1,086	964	1,186	724	864
Asia Pacific	367	426	33	43	33	42	24	31
Allianz Worldwide Partners	2,479	2,453	55	65	55	62	30	47
Consolidation	(4,149)	(3,290)	–	–	(4)	–	(2)	–
Total Property-Casualty	**28,856**	**29,182**	**2,539**	**3,030**	**2,651**	**3,160**	**1,922**	**2,266**
German Speaking Countries and Central & Eastern Europe	12,305	12,486	793	750	791	739	543	478
Western & Southern Europe, Middle East, Africa, India	10,832	13,190	606	606	603	641	413	478
Iberia & Latin America	1,015	1,071	113	112	105	104	79	76
USA	6,575	5,291	384	461	394	484	274	339
Global Insurance Lines & Anglo Markets	321	317	15	34	17	34	13	27
Asia Pacific	2,350	3,635	19[1]	6	(435)	10	(335)	14
Consolidation	(431)	(451)	6	(12)	7	(12)	7	(12)
Total Life/Health	**32,968**	**35,540**	**1,936**	**1,957**	**1,482**	**2,000**	**995**	**1,401**
Asset Management	**2,827**	**3,121**	**961**	**1,060**	**956**	**1,034**	**615**	**658**
Holding & Treasury	–	–	(384)	(407)	(448)	(467)	(244)	(306)
Banking	270	269	36	58	49	69	35	47
Alternative Investments	–	–	24	19	23	6	16	4
Consolidation	2	2	–	–	5	–	5	–
Total Corporate and Other	**272**	**270**	**(323)**	**(331)**	**(371)**	**(393)**	**(188)**	**(254)**
Consolidation	**(165)**	**(175)**	**(5)**	**(19)**	**97**	**(28)**	**135**	**(22)**
Group	**64,759**	**67,939**	**5,109**	**5,697**	**4,814**	**5,773**	**3,479**	**4,048**

1 — The result of the South Korean business for the three months ended 30 June 2016 is considered as non-operating since it has been classified as held for sale.

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 2016	as of 31 December 2015
Financial assets held for trading		
Debt securities	470	489
Equity securities	179	187
Derivative financial instruments	2,650	1,582
Subtotal	**3,299**	**2,258**
Financial assets designated at fair value through income		
Debt securities	2,504	2,645
Equity securities	2,358	2,365
Subtotal	**4,861**	**5,010**
Total	**8,161**	**7,268**

6 — Investments

INVESTMENTS

€ MN

	as of 30 June 2016	as of 31 December 2015
Available-for-sale investments	517,843	488,365
Held-to-maturity investments	2,664	2,745
Funds held by others under reinsurance contracts assumed	1,107	1,349
Investments in associates and joint ventures	4,905	5,056
Real estate held for investment	11,681	11,977
Fixed assets of renewable energy investments	1,891	1,763
Total	**540,091**	**511,257**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS

€ MN

	as of 30 June 2016				as of 31 December 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities								
Corporate bonds	220,246	20,669	(846)	240,069	211,835	12,681	(4,149)	220,367
Government and government agency bonds								
France	30,728	13,846	(33)	44,542	31,039	8,052	(70)	39,021
Italy	23,657	5,978	(9)	29,625	23,459	5,521	(54)	28,926
Germany	14,045	2,838	(2)	16,881	13,081	1,919	(52)	14,948
United States	13,636	1,478	(10)	15,104	14,248	645	(82)	14,810
Spain	11,196	1,613	(1)	12,808	9,119	829	(152)	9,795
Belgium	8,496	2,602	(1)	11,098	7,412	1,589	(59)	8,942
Austria	6,252	2,156	(1)	8,408	5,442	1,246	(10)	6,678
Switzerland	5,299	994	–	6,293	5,015	698	(2)	5,711
Netherlands	3,468	592	(1)	4,059	3,599	374	(10)	3,963
Ireland	2,144	204	–	2,347	1,352	37	(23)	1,365
Hungary	821	103	–	924	821	98	–	918
Korea	476	31	–	507	7,430	1,190	–	8,619
Russia	389	19	(3)	404	380	2	(18)	365
Portugal	202	12	–	213	158	29	–	187
Greece	1	2	–	3	1	2	–	3
Supranationals	17,659	3,991	(1)	21,649	16,899	2,577	(64)	19,412
All other countries	37,836	2,550	(304)	40,082	37,632	1,592	(865)	38,359
Subtotal	**176,304**	**39,007**	**(365)**	**214,947**	**177,087**	**26,398**	**(1,462)**	**202,023**
MBS/ABS	19,917	826	(173)	20,570	21,042	609	(236)	21,414
Other	3,530	764	(10)	4,285	3,357	588	(7)	3,938
Subtotal	**419,997**	**61,267**	**(1,394)**	**479,871**	**413,320**	**40,276**	**(5,854)**	**447,742**
Equity securities	28,356	10,013	(396)	37,972	28,906	12,119	(402)	40,624
Total	**448,353**	**71,280**	**(1,791)**	**517,843**	**442,226**	**52,396**	**(6,256)**	**488,365**

7 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

€ MN	as of 30 June 2016	as of 31 December 2015
Short-term investments and certificates of deposit	2,437	3,106
Loans	111,703	113,573
Other	1,692	1,258
Subtotal	**115,833**	**117,936**
Loan loss allowance	(311)	(307)
Total	**115,522**	**117,630**

8 — Reinsurance assets

REINSURANCE ASSETS

€ MN	as of 30 June 2016	as of 31 December 2015
Unearned premiums	2,067	1,655
Reserves for loss and loss adjustment expenses	8,804	7,712
Aggregate policy reserves	4,955	5,366
Other insurance reserves	105	110
Total	**15,931**	**14,843**

9 — Deferred acquisition costs

DEFERRED ACQUISITION COSTS

€ MN	as of 30 June 2016	as of 31 December 2015
Deferred acquisition costs		
Property-Casualty	4,939	4,647
Life/Health	16,542	18,941
Subtotal	**21,480**	**23,588**
Present value of future profits	593	613
Deferred sales inducements	561	1,033
Total	**22,635**	**25,234**

10 — Other assets

OTHER ASSETS

€ MN	as of 30 June 2016	as of 31 December 2015
Receivables		
Policyholders	6,387	6,013
Agents	5,028	4,379
Reinsurers	3,080	2,264
Other	4,972	4,340
Less allowance for doubtful accounts	(643)	(647)
Subtotal	**18,824**	**16,349**
Tax receivables		
Income taxes	1,473	1,698
Other taxes	1,465	1,512
Subtotal	**2,938**	**3,210**
Accrued dividends, interest and rent	6,631	7,887
Prepaid expenses	446	328
Derivative financial instruments, used for hedging that meet the criteria for hedge accounting, and firm commitments	1,033	565
Property and equipment		
Real estate held for own use	3,116	3,261
Software	2,451	2,361
Equipment	1,438	1,426
Subtotal	**7,004**	**7,048**
Other	1,678	1,664
Total	**38,553**	**37,050**

11 — Intangible assets

INTANGIBLE ASSETS

€ MN	as of 30 June 2016	as of 31 December 2015
Goodwill	12,038	12,101
Distribution agreements[1]	946	899
Acquired business portfolios[2]	177	186
Customer relationships	123	116
Other[3]	136	141
Total	**13,420**	**13,443**

1 — Include primarily the long-term distribution agreements with Commerzbank AG of € 279 MN (2015: € 298 MN), Banco Popular S.A. of € 380 MN (2015: € 389 MN), Yapı ve Kredi Bankası A.S. of € 116 MN (2015: € 122 MN), Philippine National Bank of € 86 MN (2015: € – MN) and HSBC Asia, HSBC Turkey and BTPN Indonesia of € 75 MN (2015: € 79 MN).
2 — Includes primarily the acquired business portfolio of Allianz Yasam ve Emeklilik A.S. of € 116 MN (2015: € 120 MN).
3 — Include primarily heritable building rights, land use rights, lease rights and brand names.

12 — Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS

€ MN	as of 30 June 2016	as of 31 December 2015
Payable on demand and other deposits	10,606	10,305
Repurchase agreements and collateral received from securities lending transactions and derivatives	5,537	6,495
Other	8,616	8,730
Total	**24,758**	**25,531**

13 — Reserves for loss and loss adjustment expenses

The following table reconciles the beginning and ending reserves for the Property-Casualty business segment for the half-years ended 30 June 2016 and 2015.

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

€ MN	2016	2015
As of 1 January	**61,169**	**58,925**
Balance carry forward of discounted loss reserves	3,882	3,597
Subtotal	**65,051**	**62,522**
Loss and loss adjustment expenses incurred		
Current year	17,797	17,371
Prior years	(1,378)	(945)
Subtotal	**16,419**	**16,426**
Loss and loss adjustment expenses paid		
Current year	(6,395)	(6,313)
Prior years	(9,563)	(9,312)
Subtotal	**(15,958)**	**(15,625)**
Foreign-currency translation adjustments and other changes	(532)	2,076
Subtotal	**64,981**	**65,398**
Ending balance of discounted loss reserves	(3,969)	(3,814)
As of 30 June	**61,012**	**61,584**

14 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN	as of 30 June 2016	as of 31 December 2015
Aggregate policy reserves	423,076	425,312
Reserves for premium refunds	77,600	59,732
Other insurance reserves	916	1,178
Total	**501,592**	**486,222**

15 — Other liabilities

OTHER LIABILITIES

€ MN	as of 30 June 2016	as of 31 December 2015
Payables		
Policyholders	4,242	5,006
Reinsurance	2,249	1,413
Agents	1,560	1,625
Subtotal	**8,052**	**8,043**
Payables for social security	420	428
Tax payables		
Income taxes	1,541	1,732
Other taxes	1,442	1,450
Subtotal	**2,983**	**3,181**
Accrued interest and rent	687	579
Unearned income	402	374
Provisions		
Pensions and similar obligations	10,007	9,149
Employee related	2,332	2,599
Share-based compensation plans	301	527
Restructuring plans	113	112
Other	1,695	1,840
Subtotal	**14,448**	**14,227**
Deposits retained for reinsurance ceded	2,309	1,636
Derivative financial instruments, used for hedging that meet the criteria for hedge accounting, and firm commitments	260	472
Financial liabilities for puttable equity instruments	2,489	2,585
Other	7,272	7,159
Total	**39,323**	**38,686**

16 — Certificated and subordinated liabilities

CERTIFICATED LIABILITIES

€ MN	as of 30 June 2016	as of 31 December 2015
Allianz SE[1]		
Senior bonds[2]	8,093	6,711
Money market securities	1,208	1,276
Subtotal	**9,301**	**7,987**
Banking subsidiaries		
Senior bonds	302	395
Subtotal	**302**	**395**
Total	**9,603**	**8,383**

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.
2 — Change due to the issuance of € 1.5 BN bonds in the first half-year of 2016.

SUBORDINATED LIABILITIES

€ MN	as of 30 June 2016	as of 31 December 2015
Allianz SE[1]		
Subordinated bonds	12,036	11,962
Subtotal	**12,036**	**11,962**
Banking subsidiaries		
Subordinated bonds	249	251
Subtotal	**249**	**251**
All other subsidiaries		
Hybrid equity	45	45
Subtotal	**45**	**45**
Total	**12,331**	**12,258**

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

BONDS OUTSTANDING AS OF 30 JUNE 2016

€ MN	ISIN	Year of Issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	XS0275880267	2006	EUR	1,500	4.000	23 November 2016
	DE000A1HG1J8	2013	EUR	500	1.375	13 March 2018
	DE000A1AKHB8	2009	EUR	1,500	4.750	22 July 2019
	DE000A180B72	2016	EUR	750	0.000	21 April 2020
	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022
	DE000A1HG1K6	2013	EUR	750	3.000	13 March 2028
	DE000A180B80	2016	EUR	750	1.375	21 April 2031
	DE000A1HG1L4	2013	GBP	750	4.500	13 March 2043
Subordinated liabilities						
Allianz SE, Munich	DE000A1RE1Q3	2012	EUR	1,500	5.625	17 October 2042
	DE000A14J9N8	2015	EUR	1,500	2.241	7 July 2045
	XS0857872500	2012	USD	1,000	5.500	Perpetual
	DE000A1YCQ29	2013	EUR	1,500	4.750	Perpetual
	CH0234833371	2014	CHF	500	3.250	Perpetual
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750	8 July 2041
	XS0211637839	2005	EUR	1,400	4.375	Perpetual
	DE000A0GNPZ3	2006	EUR	800	5.375	Perpetual

17 — Equity

EQUITY

€ MN	as of 30 June 2016	as of 31 December 2015
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1]	23,451	24,222
Foreign-currency translation adjustments	(1,242)	(926)
Unrealized gains and losses (net)[2]	16,606	10,920
Subtotal	**67,744**	**63,144**
Non-controlling interests	3,044	2,955
Total	**70,788**	**66,099**

1 — As of 30 June 2016, include € (152) MN (2015: € (159) MN) related to treasury shares.
2 — As of 30 June 2016, include € 512 MN (2015: € 239 MN) related to cash flow hedges.

DIVIDENDS

In the second quarter of 2016, a total dividend of € 3,320 MN (2015: € 3,112 MN) or € 7.30 (2015: € 6.85) per qualifiying share was paid to the shareholders.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

18 — Premiums earned (net)

PREMIUMS EARNED (NET)

€ MN six months ended 30 June	Property-Casualty	Life/Health	Consoli-dation	Group
2016				
Premiums written				
Gross	28,856	12,357	(73)	41,140
Ceded	(2,743)	(323)	73	(2,993)
Net	**26,113**	**12,034**	**–**	**38,147**
Change in unearned premiums (net)	(3,290)	(277)	–	(3,567)
Premiums earned (net)	**22,823**	**11,757**	**–**	**34,580**
2015				
Premiums written				
Gross	29,182	12,999	(57)	42,124
Ceded	(3,159)	(401)	57	(3,504)
Net	**26,023**	**12,598**	**–**	**38,621**
Change in unearned premiums (net)	(2,951)	(135)	–	(3,086)
Premiums earned (net)	**23,072**	**12,463**	**–**	**35,535**

19 — Interest and similar income

INTEREST AND SIMILAR INCOME

€ MN six months ended 30 June	2016	2015
Dividends from available-for-sale investments	1,023	1,108
Interest from available-for-sale investments	6,939	7,104
Interest from loans to banks and customers	2,274	2,376
Other	879	901
Total	**11,115**	**11,489**

20 — 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 six months ended 30 June	2016	2015
Income (expenses) from financial assets and liabilities held for trading (net)	(244)	(2,471)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	(109)	166
Income (expenses) from financial liabilities for puttable equity instruments (net)	134	(106)
Foreign-currency gains and losses (net)	(195)	1,653
Total	**(414)**	**(758)**

21 — Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)

€ MN six months ended 30 June	2016	2015
REALIZED GAINS		
Available-for-sale investments		
Equity securities	1,319	2,345
Debt securities	2,972	2,503
Subtotal	**4,291**	**4,847**
Other	581	526
Subtotal	**4,872**	**5,373**
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(257)	(113)
Debt securities	(469)	(323)
Subtotal	**(726)**	**(435)**
Other	(1)	(7)
Subtotal	**(728)**	**(442)**
Total	**4,144**	**4,931**

22 — Fee and commission income

FEE AND COMMISSION INCOME

€ MN six months ended 30 June	2016	2015
PROPERTY-CASUALTY		
Fees from credit and assistance business	516	491
Service agreements	243	225
Subtotal	**759**	**715**
LIFE/HEALTH		
Service agreements	64	46
Investment advisory	615	633
Subtotal	**679**	**679**
ASSET MANAGEMENT		
Management fees	3,122	3,472
Loading and exit fees	231	314
Performance fees	127	111
Other	17	17
Subtotal	**3,496**	**3,914**
CORPORATE AND OTHER		
Service agreements	288	41
Investment advisory and banking activities	355	365
Subtotal	**643**	**407**
CONSOLIDATION	(471)	(398)
Total	**5,107**	**5,317**

23 — Other income

OTHER INCOME

€ MN six months ended 30 June	2016	2015
Income from real estate held for own use	10	11
Other	1	224[1]
Total	**11**	**235**

1 — Includes a net gain of € 0.2 BN on the sale of the personal insurance business of Fireman's Fund Insurance Company to ACE Limited. The sale was an integral part of the reorganization of Allianz Group's Property-Casualty insurance business in the United States.

24 — Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN six months ended 30 June	Property-Casualty	Life/Health	Consoli-dation	Group
2016				
Gross	(16,419)	(10,416)	39	(26,797)
Ceded	1,258	289	(36)	1,511
Net	**(15,162)**	**(10,127)**	**3**	**(25,286)**
2015				
Gross	(16,426)	(10,085)	36	(26,475)
Ceded	1,183	227	(33)	1,377
Net	**(15,243)**	**(9,858)**	**3**	**(25,098)**

25 — Change in reserves for insurance and investment contracts (net)

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN six months ended 30 June	Property-Casualty	Life/Health	Consoli-dation	Group
2016				
Gross	(256)	(7,366)	(74)	(7,696)
Ceded	3	160	–	163
Net	**(254)**	**(7,207)**	**(74)**	**(7,534)**
2015				
Gross	(295)	(9,650)	(13)	(9,958)
Ceded	3	256	–	259
Net	**(291)**	**(9,394)**	**(13)**	**(9,699)**

26 — Interest expenses

INTEREST EXPENSES

€ MN six months ended 30 June	2016	2015
Liabilities to banks and customers	(89)	(110)
Deposits retained for reinsurance ceded	(34)	(28)
Certificated liabilities	(142)	(148)
Subordinated liabilities	(286)	(290)
Other	(55)	(49)
Total	**(606)**	**(624)**

27 — Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)

€ MN six months ended 30 June	2016	2015
Impairments		
Available-for-sale investments		
Equity securities	(1,175)	(151)
Debt securities	(42)	(93)
Subtotal	**(1,217)**	**(244)**
Other	(9)	(24)
Non-current assets and assets of disposal groups classified as held for sale	(226)	–
Subtotal	**(1,451)**	**(268)**
Reversals of impairments	31	3
Total	**(1,421)**	**(265)**

28 — Investment expenses

INVESTMENT EXPENSES

€ MN six months ended 30 June	2016	2015
Investment management expenses	(344)	(308)
Expenses from real estate held for investment	(193)	(195)
Expenses from fixed assets of renewable energy investments	(64)	(58)
Total	**(601)**	**(560)**

29 — Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN six months ended 30 June	2016	2015
PROPERTY-CASUALTY		
Acquisition costs	(5,023)	(5,039)
Administrative expenses	(1,469)	(1,598)[1]
Subtotal	**(6,492)**	**(6,637)**
LIFE/HEALTH		
Acquisition costs	(2,225)	(2,568)
Administrative expenses	(899)	(864)[1]
Subtotal	**(3,123)**	**(3,432)**
ASSET MANAGEMENT		
Personnel expenses	(1,131)	(1,294)[1]
Non-personnel expenses	(736)	(788)
Subtotal	**(1,868)**	**(2,082)**
CORPORATE AND OTHER		
Administrative expenses	(698)	(427)[1]
Subtotal	**(698)**	**(427)**
CONSOLIDATION	8	(1)
Total	**(12,173)**	**(12,579)**

1 — Include one-off effects from pension revaluation.

30 — Fee and commission expenses

FEE AND COMMISSION EXPENSES

€ MN six months ended 30 June	2016	2015
PROPERTY-CASUALTY		
Fees from credit and assistance business	(506)	(507)
Service agreements	(199)	(173)
Subtotal	**(706)**	**(680)**
LIFE/HEALTH		
Service agreements	(28)	(21)
Investment advisory	(277)	(275)
Subtotal	**(305)**	**(296)**
ASSET MANAGEMENT		
Commissions	(637)	(731)
Other	(31)	(58)
Subtotal	**(668)**	**(788)**
CORPORATE AND OTHER		
Service agreements	(384)	(160)
Investment advisory and banking activities	(156)	(180)
Subtotal	**(540)**	**(340)**
CONSOLIDATION	296	214
Total	**(1,923)**	**(1,890)**

31 — Income taxes

INCOME TAXES

€ MN six months ended 30 June	2016	2015
Current income taxes	(1,462)	(1,307)
Deferred income taxes	127	(418)
Total	**(1,335)**	**(1,725)**

For the six months ended 30 June 2016 and 2015, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN six months ended 30 June	2016	2015
Items that may be reclassified to profit or loss in future periods		
Foreign-currency translation adjustments	(37)	113
Available-for-sale investments	(2,835)	1,450
Cash flow hedges	(109)	65
Share of other comprehensive income of associates and joint ventures	7	(3)
Miscellaneous	(12)	(10)
Items that may never be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	293	(142)
Total	**(2,694)**	**1,473**

OTHER INFORMATION

32 — 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 2016		as of 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	14,573	14,573	14,842	14,842
Financial assets held for trading	3,299	3,299	2,258	2,258
Financial assets designated at fair value through income	4,861	4,861	5,010	5,010
Available-for-sale investments	517,843	517,843	488,365	488,365
Held-to-maturity investments	2,664	3,150	2,745	3,165
Investments in associates and joint ventures	4,905	6,497	5,056	6,207
Real estate held for investment	11,681	17,520	11,977	17,810
Loans and advances to banks and customers	115,522	139,921	117,630	136,397
Financial assets for unit-linked contracts	104,927	104,927	105,873	105,873
Derivative financial instruments and firm commitments included in other assets	1,033	1,033	565	565
FINANCIAL LIABILITIES				
Financial liabilities held for trading	11,334	11,334	9,207	9,207
Liabilities to banks and customers	24,758	25,045	25,531	25,563
Financial liabilities for unit-linked contracts	104,927	104,927	105,873	105,873
Derivative financial instruments and firm commitments included in other liabilities	260	260	472	472
Financial liabilities for puttable equity instruments	2,489	2,489	2,585	2,585
Certificated liabilities	9,603	10,715	8,383	9,208
Subordinated liabilities	12,331	13,035	12,258	13,100

As of 30 June 2016, fair values could not be reliably measured for equity investments whose carrying amounts totaled € 113 MN (31 December 2015: € 216 MN). These investments are primarily investments in privately held corporations and partnerships.

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 table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 30 June 2016 and 31 December 2015.

FAIR VALUE HIERARCHY (ITEMS CARRIED AT FAIR VALUE)

€ MN	as of 30 June 2016				as of 31 December 2015			
	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
FINANCIAL ASSETS								
Financial assets carried at fair value through income								
Financial assets held for trading	278	2,953	68	3,299	192	2,018	47	2,258
Financial assets designated at fair value through income	3,742	986	133	4,861	3,836	1,037	137	5,010
Subtotal	**4,020**	**3,939**	**201**	**8,161**	**4,027**	**3,055**	**184**	**7,268**
Available-for-sale investments								
Corporate bonds	29,410	198,020	12,638	240,069	28,428	182,185	9,754	220,367
Government and government agency bonds	41,085	173,741	122	214,947	41,977	159,999	47	202,023
MBS/ABS	308	19,735	527	20,570	210	20,673	532	21,414
Other	806	1,636	1,843	4,285	627	1,762	1,548	3,938
Equity securities	30,032	822	7,117	37,972	32,932	776	6,915	40,624
Subtotal	**101,641**	**393,954**	**22,247**	**517,843**	**104,174**	**365,396**	**18,796**	**488,365**
Financial assets for unit-linked contracts	101,934	2,680	314	104,927	102,954	2,755	164	105,873
Derivative financial instruments and firm commitments included in other assets	–	1,033	–	1,033	–	565	–	565
Total	**207,595**	**401,606**	**22,762**	**631,964**	**211,155**	**371,770**	**19,145**	**602,071**
FINANCIAL LIABILITIES								
Financial liabilities held for trading	24	1,666	9,644	11,334	28	1,046	8,134	9,207
Financial liabilities for unit-linked contracts	101,934	2,680	314	104,927	102,954	2,755	164	105,873
Derivative financial instruments and firm commitments included in other liabilities	–	260	–	260	–	472	–	472
Financial liabilities for puttable equity instruments	2,431	55	3	2,489	2,496	71	19	2,585
Total	**104,388**	**4,662**	**9,961**	**119,011**	**105,478**	**4,343**	**8,317**	**118,137**

1 — Quoted prices in active markets
2 — Market observable inputs
3 — Non-market observable inputs

The valuation methodologies used for financial instruments carried at fair value, the policy for determining the levels within the fair value hierarchy, as well as the significant Level-3 portfolios, including the respective narratives and sensitivities, are described in the Allianz Group's Annual Report 2015. No material changes have occurred since this report was published.

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.

Reconciliation of level 3 financial instruments

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

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

€ MN

	Financial assets carried at fair value through income	Available-for-sale investments – Debt securities[1]	Available-for-sale investments – Equity securities	Financial assets for unit-linked contracts	Total
Carrying value (fair value) as of 1 January 2016	**184**	**11,881**	**6,915**	**164**	**19,145**
Additions through purchases and issues	8	2,862	852	32	3,755
Net transfers into (out of) Level 3	(30)	(42)	99	(1)	26
Disposals through sales and settlements	105	(482)	(533)	(1)	(911)
Net gains (losses) recognized in consolidated income statement	(64)	(65)	22	1	(106)
Net gains (losses) recognized in other comprehensive income	–	954	16	1	971
Impairments	–	(11)	(96)	–	(106)
Foreign-currency translation adjustments	(4)	(127)	(10)	–	(142)
Changes in the consolidated subsidiaries of the Allianz Group	3	159	(148)	117	132
Carrying value (fair value) as of 30 June 2016	**201**	**15,130**	**7,117**	**314**	**22,762**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	55	(43)	2	2	16

1 — Primarily include corporate bonds.

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

€ MN

	Financial liabilities held for trading	Financial liabilities for unit-linked contracts	Financial liabilities for puttable equity instruments	Total
Carrying value (fair value) as of 1 January 2016	**8,134**	**164**	**19**	**8,317**
Additions through purchases and issues	1,576	32	1	1,611
Net transfers into (out of) Level 3	(26)	(1)	–	(28)
Disposals through sales and settlements	(903)	(1)	(18)	(921)
Net gains (losses) recognized in consolidated income statement	1,024	1	–	1,026
Net gains (losses) recognized in other comprehensive income	1	1	–	2
Impairments	–	–	–	–
Foreign-currency translation adjustments	(163)	–	–	(163)
Changes in the consolidated subsidiaries of the Allianz Group	–	117	–	117
Carrying value (fair value) as of 30 June 2016	**9,644**	**314**	**3**	**9,961**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	2,043	2	–	2,045

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 or if fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 27 – Impairments of investments (net).

33 — Other information

NUMBER OF EMPLOYEES

As of 30 June 2016, the Allianz Group employed 142,697 (31 December 2015: 142,459) people.

CONTINGENT LIABILITIES AND COMMITMENTS

As of 30 June 2016, there were no significant changes in contingent liabilities compared to the consolidated financial statements for the year ended 31 December 2015.

As of 30 June 2016, outstanding commitments to invest in private equity funds and similar financial instruments amounted to € 9,856 MN (31 December 2015: € 5,460 MN) and outstanding commitments to invest in real estate and infrastructure amounted to € 2,680 MN (31 December 2015: € 1,958 MN). All other commitments showed no significant changes.

INSURANCE LAWS (AMENDMENT) BILL IN INDIA

The Insurance Laws (Amendment) Bill has become legally effective in the first quarter of 2015 and provides for raising the foreign investment cap in India from 26 % to 49 %. As per the 2001 joint venture agreement between the Allianz Group and Bajaj, the Allianz Group has the right to increase the stakes in Bajaj at pre-determined prices, if allowed under applicable laws, and subject to regulatory approvals. The Allianz Group is currently in the process of evaluating the contractual situation against the prevailing regulatory background.

34 — Subsequent events

The Allianz Group was not subject to any subsequent events that significantly impacted the Group's financial results after the balance sheet date and before the condensed consolidated interim financial statements were authorized for issue.

Munich, 4 August 2016

Allianz SE
The Board of Management

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 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 material opportunities and risks associated with the expected development of the group.

Munich, 4 August 2016

Allianz SE
The Board of Management

Oliver Bäte

Sergio Balbinot

Jacqueline Hunt

Dr. Helga Jung

Dr. Christof Mascher

Dr. Axel Theis

Dr. Dieter Wemmer

Dr. Werner Zedelius

Maximilian Zimmerer

REVIEW REPORT

To Allianz SE, Munich,

We have reviewed the condensed interim consolidated 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 January 1 to June 30, 2016 that are part of the semi annual financial report according to § 37w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, 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 interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, 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, 4 August 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klaus Becker	Dr. Frank Pfaffenzeller
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

FINANCIAL CALENDAR

Important dates for shareholders and analysts[1]

Financial Results 3Q	11 November 2016
Financial Results 2016	17 February 2017
Annual Report 2016	10 March 2017
Annual General Meeting	3 May 2017
Financial Results 1Q	12 May 2017
Financial Results 2Q/Interim Report 6M	4 August 2017
Financial Results 3Q	10 November 2017

1 — 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.

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Interim Report on the internet – www.allianz.com/interim-report – Design / Concept: hw.design GmbH – Date of publication: 5 August 2016
This is a translation of the German Interim Report of Allianz Group. In case of any divergences, the German original is legally binding.