FIRST HALF-YEAR 2017

Allianz Group
Interim Report 2017

Allianz

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

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Disclaimer regarding roundings

The consolidated 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/results.

INTERIM GROUP MANAGEMENT REPORT

A

Executive Summary

Key figures

KEY FIGURES ALLIANZ GROUP[1]

six months ended 30 June		2017	2016	Delta
Total revenues[2]	€ mn	66,218	64,759	1,459
Operating profit[3,4,5]	€ mn	5,860	5,063	797
Net income[3,4]	€ mn	4,013	3,425	587
thereof: attributable to shareholders[4]	€ mn	3,810	3,231	579
Solvency II capitalization ratio[6,7]	%	219	218	2%-p
Return on equity[4,8]	%	13.4	12.3	1.2%-p
Earnings per share[4]	€	8.45	7.10	1.35
Diluted earnings per share[4]	€	8.44	6.92	1.52

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT

The world economy currently finds itself in fairly good shape and has gained some momentum in the course of the first half of 2017. Most industrialized countries have registered solid growth. The U.S. economy experienced only subdued growth in the first quarter of 2017, then firmed up somewhat in the second quarter. In the Eurozone, economic recovery continued. Private consumption benefited from rising employment. In the emerging markets, economic momentum improved as well. Growth in emerging Asian economies was supported by an acceleration in world trade and stable growth in China. Russia, having experienced two years of recession, enjoyed positive albeit weak growth.

The heightened global political uncertainty failed to rattle the financial markets; stock market volatility in the first half-year was – overall – low. On the monetary policy front, in light of slightly better-than-expected Eurozone economic data, the European Central Bank started to tweak its forward guidance. Although the changes in communication were cautious, markets reacted sensitively to the prospect of potential tapering by the European Central Bank. In the United States, the Federal Reserve continued to raise the federal funds rate: In both March and June, it lifted the target policy rate range by 25 basis points, bringing it to 1.0 to 1.25%. Moreover, in June the Federal Reserve announced its intention to begin implementing a balance sheet normalization program this year.

Yields on 10-year German government bonds closed the end of June 2017 at 0.5%, about 30 basis points higher than at year-end 2016. Spreads on Eurozone government bonds moved in different directions. Spreads on French government bonds benefited from the outcome of the presidential and parliamentary elections and ended the first half-year at 35 basis points. Major stock markets around the globe showed positive performance, with a number of indices reaching new all-time highs. The Euro appreciated strongly against the U.S. Dollar in the first half of 2017. The U.S. Dollar-to-Euro exchange rate was 1.14 at the end of June 2017 (end of 2016: 1.05).

For the insurance industry, the first half of 2017 presented a rather mixed environment: While top lines grew in many markets, yields remained suppressed and insured losses form natural catastrophes remained relatively high, albeit below the long-term average. In particular the U.S. market had to cope with numerous tornadoes, hail storms, floods, and mudslides. As a consequence, bottom lines remained under pressure. Added to that the digital transformation, which continues to gather speed, thus increasing competition and forcing insurers to adapt their business models as quickly as possible.

In the asset management industry, fund flows accelerated, particularly in the United States and Germany, both into bonds and into riskier asset types such as multi-assets and equity products. In the last week of June, bonds experienced a global sell-off, especially in the United States, as major central banks signaled they were considering a less accommodative monetary policy for the near future.

MANAGEMENT'S ASSESSMENT

Our ***total revenues*** went up 2.3%, in the first half of 2017 – a 2.6% increase on an internal basis[9] compared to the same period of the previous year. All business segments contributed to this, with the Life/Health business segment registering the strongest increase, mainly due to premium growth in capital-efficient products in Germany as well as in unit-linked products in Asia-Pacific and Italy.

Our ***operating investment result*** decreased by € 14 mn to € 12,083 mn. We recorded higher operating losses from financial assets and liabilities carried at fair value through income (net), largely due to a negative impact from fixed income duration management in our German Life business. In addition, operating realized gains/losses (net) declined as a result of lower debt realizations. We also recorded lower equity impairments, as the first half of 2016 had seen a downturn of some of the major equity markets.

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_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information, please refer to note 2 to the condensed consolidated interim financial statements.
5_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
6_2016 figures as of 31 December 2016, 2017 figures as of 30 June 2017.
7_Risk capital figures are group diversified at 99.5 % confidence level. Allianz Life US included based on third country equivalence with 150 % of "Risk Based Capital Company Action Level" since 30 September 2015.
8_Represents the annualized ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at beginning of the period and at end of the period. Annualized figures are not a forecast for full year numbers. For 2016, the return on equity for the full year is shown.

9_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 the Allianz Group as a whole.

Our ***operating profit***[1] went up, mostly owing to our Life/Health business segment, which recorded higher investment margins mainly in the United States, Spain, and the German life business, as well as higher technical margins in the United States and France. Our Asset Management business segment recorded strong operating profit growth, largely due to increased average third-party assets under management at PIMCO, as the first half of 2017 saw a high level of third-party net inflows. Operating profit also increased in our Property-Casualty business segment, mainly because the underwriting result benefited from lower claims from natural catastrophe events but also as an effect of profitability improvements at our operating entities. An increase in the operating result recorded by our Corporate and Other business segment was driven by both the Holding & Treasury and Banking reportable segments.

Our ***non-operating result*** improved by € 69 mn to a loss of € 263 mn. This development was impacted by lower realized gains and increased restructuring charges while the comparison period was burdened by the negative net impact from our South Korean Life/Health business.

Income taxes increased by € 278 mn to € 1,585 mn and the effective tax rate increased to 28.3% (6M 2016: 27.6%), mainly driven by less tax-free income.

The increase in ***net income*** reflects the higher operating profit, partly offset by the rise in income taxes.

Our ***shareholders' equity***[2] decreased by € 2.9 bn to € 64.2 bn, with € 1.6 bn of this decrease being attributable to the share buy-back program. During the first half-year of 2017, Allianz SE purchased approximately 9.6 million own shares as part of its share-buy-back program announced in February 2017 with a total volume of up to € 3.0 bn.[3] Over the same period, our ***Solvency II capitalization ratio*** grew to 219%.

For 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 – please consult the respective chapter s on the following pages.

Risk and opportunity management

In our Annual Report 2016, we have described our opportunity and risk profile and addressed potential risks that could adversely affect our business as well as our risk profile. The statements contained in that report remain largely unchanged. We continue to monitor developments in order to be able to react in a timely and appropriate manner, should the need arise. For further information, please refer to the chapter Outlook, which starts on page 12.

Events after the balance sheet date

For information on events after the balance sheet date, please refer to note 33 to the condensed consolidated interim financial statements.

1_Prior year figures have been adjusted due to an updated operating profit definition and an accounting policy change. For further information, please refer to note 4 and note 2, respectively, to the condensed consolidated interim financial statements.
2_For further information on shareholders' equity, please refer to page 14 of the Balance Sheet chapter.
3_For further information on the share buy-back program, please refer to note 17 to the condensed consolidated interim financial statements.

Other information

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2017, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. The former reportable segment Asia Pacific has been allocated to the reportable segment Western & Southern Europe, Middle East, Africa, Asia Pacific. Previously reported information has been adjusted to reflect this change in the composition of the Allianz Group's reportable segments.

Additionally, some minor reallocations between the reportable segments have been made.

STRATEGY

The Allianz Group's strategy is described in the Risk and Opportunity Report in our Annual Report 2016. 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 chapter in our Annual Report 2016.

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 chapter in our Annual Report 2016.

ALLIANZ AND LIVERPOOL VICTORIA TO LAUNCH JOINT VENTURE IN THE UNITED KINGDOM PERSONAL INSURANCE MARKET

Liverpool Victoria (LV=) will receive £ 500 mn from Allianz in exchange for a 49 percent stake in Liverpool Victoria General Insurance (LV= GI). The new, long-term joint venture LV= GI, will acquire Allianz's personal home and motor insurer's renewal rights while Allianz will obtain LV= GI's commercial insurer's renewal rights. For further information, please refer to note 33 to the condensed consolidated interim financial statements.

Property-Casualty Insurance Operations

Key figures

KEY FIGURES PROPERTY-CASUALTY[1]

six months ended 30 June		2017	2016	Delta
Gross premiums written	€ mn	29,388	28,856	532
Operating profit[2]	€ mn	2,705	2,572	133
Net income	€ mn	2,070	1,922	148
Loss ratio[3]	%	66.0	66.4	(0.4) %-p
Expense ratio[4]	%	28.6	28.4	0.2 %-p
Combined ratio[5]	%	94.6	94.9	(0.2) %-p

Gross premiums written[6]

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

Foreign currency translation effects amounted to € 1 mn.[7] Consolidation/deconsolidation effects were positive at € 176 mn, largely due to a portfolio purchase in the Netherlands and the acquisition of a new insurance entity in Morocco.

On an internal basis, our premiums went up 1.2%, driven by a positive price effect of 1.1 % and a positive volume effect of 0.2%.

The following operations contributed positively to internal growth:

AWP: Gross premiums grew to € 2,749 mn – an increase of 9.1 % on an internal basis. It was owed to our U.S. travel business and our assistance business in France.

Germany: Gross premiums amounted to € 6,251 mn. This internal growth of 1.8 % was mainly due to positive price effects in our motor insurance business.

Spain: Gross premiums stood at € 1,325 mn – up 6.1 % on an internal basis. This was driven by positive price and volume effects across the portfolio.

The following operations contributed negatively to internal growth:

AGCS: Gross premiums fell to € 3,939 mn – a decrease of 8.6 % on an internal basis. It was largely due to seasonality effects at Allianz Risk Transfer, as well as to the discontinuation of our U.S. crop business and re-underwriting activities in our marine business.

Turkey: Gross premiums decreased to € 644 mn. This decrease – 8.3 % on an internal basis – largely resulted from our strategic withdrawal from the motor third-party liability insurance business following a regulatory change.

1_For further information on Allianz Property-Casualty figures, please refer to note 4 to the condensed consolidated interim financial statements.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
3_Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
4_Represents acquisition and administrative expenses (net) divided by premiums earned (net).
5_Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
6_We comment on the development of our gross premium 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.
7_Based on the average exchange rates in 2017 compared to 2016.

Italy: Gross premiums amounted to € 2,225 mn. The decline of 1.9 % on an internal basis resulted from unfavorable price effects in our motor insurance business.

Operating profit

OPERATING PROFIT
€ MN

six months ended 30 June	2017	2016	Delta
Underwriting result	1,136	1,045	91
Operating investment income (net)	1,490	1,473	17
Other result[1]	79	54	25
Operating profit	**2,705**	**2,572**	**133**

1_Consists of fee and commission income/expenses and other income/expenses.

Our ***operating profit*** increased, compared to the same period of the previous year. This was mainly driven by the fact that our ***underwriting result*** benefited from lower claims from natural catastrophe events, but also from wide-spread profitability improvements across our operating entities.

A strong improvement on the claims side was partially offset by a lower contribution of run-off compared to the previous year and, to a smaller extent, by a slight deterioration on the expenses side. Our ***combined ratio*** improved by 0.2 percentage points to 94.6%.

UNDERWRITING RESULT
€ MN

six months ended 30 June	2017	2016	Delta
Premiums earned (net)	23,557	22,823	735
Accident year claims	(16,326)	(16,302)	(23)
Previous year claims (run-off)	770	1,141	(371)
Claims and insurance benefits incurred (net)	(15,556)	(15,162)	(394)
Acquisition and administrative expenses (net)	(6,739)	(6,492)	(247)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(127)	(124)	(3)
Underwriting result	**1,136**	**1,045**	**91**

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 24 to the condensed consolidated interim financial statements.

Our ***accident year loss ratio***[8] stood at 69.3% – a 2.1 percentage point improvement compared to the first half of the previous year. In the first six months of this year our losses from natural catastrophes were lower than in the same period of 2016, reducing the impact on our combined ratio from 2.3% to 1.1%, representing a decrease of 1.2 percentage points.

Excluding losses from natural catastrophes, our accident year loss ratio improved to 68.2%. This was mainly due to profitability improvements across the Allianz Group.

8_Represents claims and insurance benefits incurred (net) less previous year claims (run-off), divided by premiums earned (net).

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

AGCS: 1.0 percentage points. The accident year loss ratio benefited from the absence of natural catastrophes in 2017, as opposed to the first half-year of 2016.

France: 0.3 percentage points. The improvement resulted from lower losses from natural catastrophe events but also from an improvement in the attritional profitability.

Germany: 0.2 percentage points. This was driven by a benign natural catastrophe environment.

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

Australia: 0.2 percentage points. This was driven by higher losses from natural catastrophes but also by a customer reimbursement for unused insurance.

Our positive run-off result amounted to € 770 mn, compared to € 1,141 mn in the first half-year of 2016. This translates into a ***run-off ratio*** of 3.3%. The reduction in run-off is due to the fact we had seen a more positive loss development in previous years at our reinsurance operation as well as reserve releases from short-tail lines at AGCS in the first six months of 2016. Furthermore, we saw a negative impact in the beginning of 2017 stemming from the Ogden rate change which affected our operations Reinsurance, United Kingdom and Ireland.

Total expenses amounted to € 6,739 mn in the first half of 2017, compared to € 6,492 mn in the same period of 2016. Our ***expense ratio*** increased by 0.2 percentage points. This was mainly due to higher administrative expenses.

OPERATING INVESTMENT INCOME (NET)
€ MN

six months ended 30 June	2017	2016	Delta
Interest and similar income (net of interest expenses)	1,708	1,688	20
Operating income from financial assets and liabilities carried at fair value through income (net)	(51)	(25)	(26)
Operating realized gains (net)	152	157	(5)
Operating impairments of investments (net)	(6)	(43)	37
Investment expenses	(183)	(175)	(8)
Expenses for premiums refunds (net)[1]	(131)	(129)	(2)
Operating investments income (net)[2]	**1,490**	**1,473**	**17**

1_Refers to policyholder participation, mainly from APR business (accident insurance with premium refunds), and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 24 to the condensed consolidated interim financial statements.
2_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).

Our ***operating investment income (net)*** increased slightly, mainly due to lower impairments on equities in our APR business (accident insurance with premium refunds) and higher net interest and similar income, partially offset by an unfavorable foreign currency translation result net of hedging.

The positive development of the net interest and similar income resulted from higher income from equities that overcompensated the lower income on debt securities.

OTHER RESULT
€ MN

six months ended 30 June	2017	2016	Delta
Fee and commission income	911	759	152
Other income	32	1	31
Fee and commission expenses	(864)	(706)	(158)
Other expenses	-	-	-
Other result	**79**	**54**	**25**

Our ***other result*** increased, mainly driven by realized gains from the sale of real estate held for own use by our Italian subsidiary.

Net income

Net income increased, primarily driven by the increase in operating profit and lower income taxes.

Life/Health Insurance Operations

Key figures

KEY FIGURES LIFE/HEALTH[1]

six months ended 30 June		2017	2016	Delta
Statutory premiums[2]	€ mn	33,619	32,968	650
Operating profit[3,4,5]	€ mn	2,282	1,859	423
Net income[3]	€ mn	1,611	941	670
Return on equity[3,6]	%	13.3	10.7	2.6%-p

Our South Korean business was disposed of at the end of 2016. In order to best reflect the actual underlying drivers of our operating profit, we report it for the first six months of 2016 excluding South Korea, and specify the South Korean operating loss as a separate item. Similarly, the figures for present value of new business premiums are shown without effects from the South Korean business. To ensure consistency with the group income statement, however, prior year statutory premiums are presented including premiums collected from our South Korean business.

Statutory premiums[7]

On a nominal basis, ***statutory premiums*** increased by 2.0 % in the first half of 2017. This includes favorable foreign currency translation effects of € 159 mn and negative (de-)consolidation effects of € 627 mn. On an internal basis[7], statutory premiums increased by € 1,119 mn – or 3.5 % – to € 33,446 mn.

In the ***German*** life business, statutory premiums increased to € 10,105 mn, a 13.2% growth on an internal basis. We recorded higher sales in our business with capital-efficient products, which more than offset the decline in sales of traditional life products – including long-term interest rate guarantees. Statutory premiums in the German health business climbed to € 1,674 mn, a 1.8% increase on an internal basis, driven by the acquisition of new customers in the supplementary health care coverage.

Statutory premiums in the ***United States*** amounted to € 5,068 mn, down 25.1% on an internal basis. This was caused by a decrease in sales of fixed-indexed annuities, as there was uncertainty around local legislations and the 2016 marketing activities had been concluded. Sales of traditional variable annuities declined as well.

In ***Italy,*** statutory premiums rose to € 5,577 mn, an increase of 8.5% on an internal basis. This was predominantly due to higher unit-linked single premium sales, partially offset by a decrease in traditional life business.

In ***France,*** statutory premiums stood at € 4,146 mn. The increase – 6.9% on an internal basis – was largely owed to a growth in capital-efficient and unit-linked products with guarantees.

In the ***Asia-Pacific*** region, statutory premiums went up to € 2,487 mn, a 37.7% rise on an internal basis. It was largely attributable to an increase in unit-linked sales in Taiwan and Indonesia. Statutory premiums in South Korea amounted to € 642 mn in the first half of 2016.

Premiums earned (net)

Premiums earned (net) went down by € 172 mn to € 11,585 mn, resulting from a decline in our business with traditional life products in Germany.

Present value of new business premiums (PVNBP)[8,9,10]

Our ***PVNBP*** increased by € 722 mn to € 30,435 mn, largely because our business with unit-linked insurance products without guarantees generated higher sales in the Asia-Pacific region and Italy, as did our capital-efficient products in the German life business. This was partly offset by a sales decline for our fixed-indexed annuities in the United States. In line with our changed product strategy, premiums continued to shift towards capital-efficient products.

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) BY LINES OF BUSINESS
%

six months ended 30 June	2017	2016	Delta
Guaranteed savings & annuities	23.6	29.3	(5.7)
Protection & health	16.7	16.0	0.7
Unit-linked without guarantee	26.1	19.4	6.7
Capital-efficient products	33.6	35.3	(1.7)
Total	**100.0**	**100.0**	-

1_For further information on Allianz Life/Health figures, please refer to note 4 to the condensed consolidated interim financial statements.
2_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.
3_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information please refer to note 2 to the condensed consolidated interim financial statements.
4_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
5_From the classification of our Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating. As such the negative result of € 204 mn for the second quarter of 2016 was considered as non-operating.
6_Represents annualized ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the period and at the end of period. Annualized figures are not a forecast for full year numbers. For 2016, the return on equity for the full year is shown.
7_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.

8_PVNBP before non-controlling interests.
9_Prior year figures changed in order to reflect the roll out of profit source reporting to Turkey.
10_Prior year figures are presented excluding effects from the South Korean business.

Operating profit

OPERATING PROFIT BY PROFIT SOURCES[1,2]

OPERATING PROFIT BY PROFIT SOURCES
€ MN

six months ended 30 June	2017	2016	Delta
Loadings and fees	2,949	2,770	179
Investment margin	2,082	1,861	221
Expenses	(3,349)	(3,359)	10
Technical margin	549	480	69
Impact of changes in DAC	52	190	(138)
Operating loss – South Korea[1]	-	(82)	82
Operating profit	**2,282**	**1,859**	**423**

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*** rose, as we achieved higher investment margins mainly in the United States, Spain, and the German life business, as well as higher technical margins in the United States and France.

LOADINGS AND FEES[3]

LOADINGS AND FEES
€ MN

six months ended 30 June	2017	2016	Delta
Loadings from premiums	1,916	1,845	71
Loadings from reserves	720	649	71
Unit-linked management fees	313	276	37
Loadings and fees[1]	**2,949**	**2,770**	**179**
Loadings from premiums as % of statutory premiums	5.7	5.7	-
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]	0.2	0.2	-

1_Prior year figures are presented excluding the 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.

Loadings from premiums went up in line with the higher sales, mainly in the German life business, and in the Asia-Pacific region. The growth in ***loadings from reserves*** was attributable to higher reserve volume, largely in the United States. ***Unit-linked management fees*** increased driven by Italy.

INVESTMENT MARGIN[4]

INVESTMENT MARGIN
€ MN

six months ended 30 June	2017	2016	Delta
Interest and similar income	9,056	8,905	151
Operating income from financial assets and liabilities carried at fair value through income (net)	(965)	(551)	(414)
Operating realized gains/losses (net)	2,916	3,112	(197)
Interest expenses	(49)	(56)	7
Operating impairments of investments (net)	(255)	(934)	679
Investment expenses	(609)	(544)	(64)
Other[1]	271	55	216
Technical interest	(4,401)	(4,358)	(43)
Policyholder participation	(3,882)	(3,768)	(114)
Investment margin[2]	**2,082**	**1,861**	**221**
Investment margin in basis points[3,4]	49.3	45.8	3.5

1_Other comprises the delta of out-of-scope entities, on the one hand, 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 on the other hand.
2_Prior year figures are presented excluding the effects from the South Korean business.
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*** increased mainly due to lower equity impairments in Germany and favorable market conditions in our variable annuities business in the United States. This was partly offset by the negative impacts from our fixed income derivatives in the German life business.

EXPENSES5

EXPENSES
€ MN

six months ended 30 June	2017	2016	Delta
Acquisition expenses and commissions	(2,451)	(2,487)	36
Administrative and other expenses	(898)	(872)	(26)
Expenses[1]	**(3,349)**	**(3,359)**	**10**
Acquisition expenses and commissions as % of PVNBP[2]	(8.1)	(8.4)	0.3
Administrative and other expenses as % of average reserves[3, 4]	(0.2)	(0.2)	-

1_Prior year figures are presented excluding the 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.

1_Prior year figures changed in order to reflect the roll out of profit source reporting to Turkey.
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.

Our ***acquisition expenses and commissions*** decreased, predominantly due to declined sales in the fixed-indexed annuities business in the United States. It was partly offset by higher expenses due to sales growth in our German life business and in Asia-Pacific.

Administrative and other expenses remained stable in relation to reserves.

TECHNICAL MARGIN[1]

Our ***technical margin*** increased, as the first half of 2016 was burdened by one-off reserve adjustments predominantly in the United States. A reserve release for unclaimed contracts in France also contributed to this development.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)[2]

IMPACT OF CHANGE IN DAC
€ MN

six months ended 30 June	2017	2016	Delta
Capitalization of DAC	866	1,003	(137)
Amortization, unlocking and true-up of DAC	(814)	(813)	(1)
Impact of change in DAC[1]	**52**	**190**	**(138)**

1_Prior year figures are presented excluding the effects from the South Korean business.

The decrease in the ***impact of change in DAC*** was due to lower capitalization of DAC, resulting mainly from decreased sales in fixed-indexed annuities in the United States.

OPERATING PROFIT BY LINES OF BUSINESS[3]

OPERATING PROFIT BY LINES OF BUSINESS
€ MN

six months ended 30 June	2017	2016	Delta
Guaranteed savings & annuities	1,216	986	230
Protection & health	457	339	118
Unit-linked without guarantee	185	176	9
Capital-efficient products	425	440	(15)
Operating loss – South Korea[1]	-	(82)	82
Operating profit	**2,282**	**1,859**	**423**

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 in our ***guaranteed savings & annuities*** line of business went up. Much of the increase was contributed by our traditional variable annuities business in the United States, which benefited from favorable market movements. The higher operating profit in the ***protection & health*** line of business was largely driven by a higher technical margin in the German health business. Our operating profit in the ***unit-linked without guarantee*** line of business went up slightly, too, which was primarily due to higher unit-linked fees in Italy. A decrease in operating profit in the ***capital-efficient products*** line was largely attributable to lower investment margin in the United States.

Return on equity

Our ***return on equity*** increased by 2.6 percentage points to 13.3% because – among other factors – the 2016 number had been negatively impacted by the unfavorable development of our South Korean business.

Net income

The increase in our ***net income*** was largely owed to our operating performance and the fact that the prior year's net income had been negatively affected by our business in South Korea.

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 Turkey.

Asset Management

Key figures

KEY FIGURES ASSET MANAGEMENT[1]

six months ended 30 June		2017	2016	Delta
Operating revenues	€ mn	3,114	2,827	287
Operating profit[2]	€ mn	1,156	960	196
Cost-income ratio[3]	%	62.9	66.1	(3.2) %-p
Net income	€ mn	735	615	120
Total assets under management as of 30 June[4]	€ bn	1,915	1,871	44
thereof: Third-party assets under management as of 30 June[4]	€ bn	1,406	1,361	45

Assets under management

COMPOSITION OF TOTAL ASSETS UNDER MANAGEMENT
€ BN

Type of asset class	as of 30 June 2017	as of 31 December 2016	Delta
Fixed income	1,519	1,489	30
Equities	164	166	(2)
Multi-assets[1]	156	153	3
Other[2]	77	63	13
Total	**1,915**	**1,871**	**44**

1_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.
2_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.

Net inflows[5] of ***total assets under management*** (AuM) amounted to € 73 bn, driven by third-party AuM net inflows of € 74 bn. Most of these third-party inflows occurred in the second quarter: They amounted to € 55 bn net and represented a quarterly record high, which was supported by one large mandate amounting to € 19 bn. Almost all of the first half-year's third-party AuM net inflows are attributable to PIMCO, where we recorded € 73 bn. AllianzGI recorded third-party net inflows of € 2 bn.

Favorable effects from Market and Other[6] contributed € 41 bn to the increase in total AuM. This was mainly driven by fixed income assets at PIMCO and – to a lesser extent – by equities at AllianzGI.

Effects from consolidation, deconsolidation and other adjustments added € 13 bn to total AuM.

Negative foreign currency translation effects amounted to € 83 bn and were primarily driven by the depreciation of the U.S. Dollar and the British Pound against the Euro. Despite these negative effects, total AuM increased overall by 2.4%.

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

As of 30 June 2017, the share of third-party AuM by business unit remained stable at 76.0% (31 December 2016: 76.1%) attributable to PIMCO and 24.0% (31 December 2016: 23.9%) attributable to AllianzGI.

The share of fixed income assets rose from 75.5% to 76.2% over the first half-year, mainly driven by strong third-party AuM net inflows and positive market effects. The shares of equities, multi-assets and other decreased slightly or remained stable, at 9.8%, 10.0% and 4.0%, respectively, while their absolute volumes remained almost unchanged (31 December 2016: 10.3%, 10.0% and 4.2%, respectively).

The shares in third-party assets of both mutual funds and separate accounts[7] were quite steady compared to year-end 2016, with mutual funds at 58.1% (31 December 2016: 57.8%) and separate accounts at 41.9% (31 December 2016: 42.2%).

As for the regional allocation of third-party AuM[8], shares shifted in favor of Europe (33.8%), while the share of America declined (54.3%) and the share of the Asia-Pacific region remained stable (11.8%) (31 December 2016: 32.8%, 55.3% and 11.9%, respectively). The shift was primarily driven by third-party AuM net inflows and positive market effects in the United Kingdom, which outpaced the overall favorable effects in the other regions. The decrease in America was due to the weakening of the U.S. Dollar, which mitigated the region's AuM increase from net inflows and positive market effects.

The overall three-year rolling investment performance[9] of our Asset Management business increased over the first half of 2017, with 87% of third-party assets outperforming their respective benchmarks (31 December 2016: 83%). The increase was driven by both PIMCO's and AllianzGI's three year rolling investment performance, which rose from 88% to 91% and from 63% to 70%, respectively.

1_For further information about our Asset Management business segment, please refer to note 4 to the condensed consolidated financial statements.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.
3_Represents operating expenses divided by operating revenues.
4_2016 figure as of 31 December 2016.
5_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 € 5 bn.
6_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.
7_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).
8_Based on the location of the asset management company.
9_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).

Operating revenues

Our ***operating revenues*** went up by 10.1% – a 7.5% plus on an internal basis[1].

Performance fees increased, mainly in the United States.

Other net fee and commission income rose, mainly driven by increased average third-party AuM, mostly at PIMCO. The positive effect was partially mitigated by a decrease in third-party AuM-driven margins at both, PIMCO and AllianzGI.

Other operating revenues increased, mainly due to favorable foreign currency translation effects on financial assets and liabilities carried at fair value through profit and loss.

Operating profit

Our ***operating profit*** increased by 20.4% on a nominal basis and by 17.5% on an internal basis[1], because of strong revenue growth which was only partly offset by increased administrative expenses.

The main driver for the increase of ***administrative expenses*** was higher personnel expenses, due to a rise in variable compensation, which is related to the overall positive business development. Lower expenses associated with the Special Performance Award (SPA) could only partly offset the total increase in operating expenses. The SPA was introduced in the fourth quarter of 2014 at PIMCO to secure performance and retain talent. Furthermore, increased non-personnel expenses also contributed to the rise in administrative expenses, albeit to a lesser extent.

Our ***cost-income ratio*** improved significantly, as revenue growth outpaced the increase in expenses. The SPA effect added 0.4 percentage points to the cost-income ratio – net of the impact on variable compensation.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION
€ MN

six months ended 30 June	2017	2016	Delta
Performance fees	149	127	23
Other net fee and commission income	2,926	2,702	225
Other operating revenues	38	(1)	39
Operating revenues	3,114	2,827	287
Administrative expenses (net), excluding acquisition-related expenses	(1,958)	(1,868)	(91)
Operating expenses	(1,958)	(1,868)	(91)
Operating profit	**1,156**	**960**	**196**

Net income

The increase in our ***net income*** corresponds to the positive development of our operating profit.

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

Corporate and Other

Key figures

KEY FIGURES CORPORATE AND OTHER[1]

€ MN

six months ended 30 June	2017	2016	Delta
Operating revenues	1,680	1,174	506
Operating expenses	(1,945)	(1,497)	(448)
Operating result[2]	(265)	(323)	58
Net income (loss)	(456)	(188)	(268)

KEY FIGURES REPORTABLE SEGMENTS

€ MN

six months ended 30 June	2017	2016	Delta
HOLDING & TREASURY			
Operating revenues	1,044	544	500
Operating expenses	(1,387)	(928)	(458)
Operating result	(343)	(384)	41
BANKING			
Operating revenues	519	519	-
Operating expenses	(462)	(483)	22
Operating result	57	36	21
ALTERNATIVE INVESTMENTS			
Operating revenues	121	111	9
Operating expenses	(100)	(87)	(13)
Operating result	20	24	(4)

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.
2_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

Earnings summary

Our ***operating result*** improved due to the positive developments in Holding & Treasury and Banking.

Our ***net loss*** worsened due to lower realized gains, as the prior year had benefited from one-off gains from the sale of financial stakes, as well as from lower non-operating trading result.

In ***Holding & Treasury,*** the improvement of our operating result was mainly driven by a higher net interest result. Lower administrative expenses also contributed positively.

Banking's operating result increased. This was mainly driven by both a higher net fee and commission result as well as by lower loan loss provisions. The positive development was partly offset by a lower net interest result.

Outlook

Economic outlook[1]

Prospects for the world economy remain favorable overall in mid-year 2017, despite the heightened level of political uncertainty. In the United States, even several months after taking office, the new U.S. administration's stance across a wide range of policy areas remains highly opaque. Partly due to this backdrop, upward pressure on the U.S. Dollar has subsided, which improves the outlook for U.S. exports. All in all, the U.S. economy is likely to expand by around 2% this year. In the Eurozone, the economic recovery looks set to continue. We expect the real gross domestic product to increase by about 2%. While rising inflation will weigh on private consumption, household spending will be supported by rising employment. At a global level, overall output is likely to expand by 2.9% in 2017, compared with 2.6% in 2016. Industrialized countries are expected to register a 1.9% growth in gross domestic product, while in emerging markets growth could pick up to 4.5% from the 4.0% seen in 2016, in part driven by an economic stabilization in emerging market heavyweights such as Russia.

The uncertain global political and economic environment bears the potential for higher financial market volatility. On the monetary policy front, the Federal Reserve will probably continue to adjust its policy stance; the key rate is likely to be lifted by a further 25 basis points by year-end. In addition, the Federal Reserve has meanwhile reaffirmed its intention to begin reducing its balance sheet this year, provided that the economy performs in line with its expectations. In the Eurozone, the European Central Bank is expected to announce in September a further reduction in bond purchases for January 2018, probably from € 60 bn to € 40 bn. There are no key interest rate hikes on the cards until tapering will have been concluded. Modestly rising yields on 10-year U.S. government bonds, higher inflation rates in the Eurozone and speculation about the timing and manner of the European Central Bank's exit from its bond purchasing program will exert some upward pressure on European benchmark bond yields. For 10-year German government bonds, we see yields climbing modestly – towards 1% – in the remainder of 2017; yields on 10-year U.S. government bonds may end the year around 2.5%. We expect the U.S. Dollar-to-Euro exchange rate to close the year above the year-end closing rate of 2016.

Insurance industry outlook

We confirm our outlook for premium growth in 2017. As expected, the first half of the year saw the global economy shift up a gear, leading to modest top-line growth, while the low-yield environment turned out much harder to escape, which led to unrelenting pressure on investment income. Further strain on the bottom line resulted from the unabated need to build new, digital business models.

In the ***property-casualty sector,*** premiums in advanced markets should grow moderately, supported by the ongoing economic recovery. The emerging markets are expected to grow much faster, with Asia being the frontrunner. Overall, we expect global premium revenue growth. Given the still challenging pricing outlook, weak investment income, and elevated catastrophe losses from severe weather events, the sector's overall profitability will remain stressed.

In the ***life sector,*** we expect advanced markets to recover and grow modestly, as demand benefits from rising employment and new product offers. Emerging markets, on the other hand, will perform more strongly, as rising incomes, urbanization, and social security reforms remain powerful engines for growing insurance demand. All in all, we expect global premium revenue to increase. To safeguard profitability, insurers will continue to review both their product mixes and their investment portfolios. As a result, overall profitability should not deteriorate any further.

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

Asset management industry outlook

As described above, in the second half of 2017 we will continue to see uncertainty at a global level, both in monetary and fiscal policy as well as in trade, geopolitical processes and exchange rates. As illustrated by the bond sell-down at the end of June, 2017, the global capital markets remain volatile in the light of potential changes in central banks' monetary policy.

Overall, the current market development is presenting both risks and opportunities for asset managers. Bonds remain particularly interesting for the growing number of retirees in developed countries looking for a stable stream of income; liability-driven investors may also consider further de-risking into bonds as yields rise. The asset management industry's profitability remains under pressure from continuous flows into passive products as well as rising distribution costs; it may additionally be affected by measures aimed at strengthening regulatory oversight and reporting. As a result of this pressure on profitability, the industry is likely to consolidate further. At the same time, digital channels are expected to continue gaining prominence. To continue growing their businesses, it is vital for asset managers to maintain sufficient business volumes, ensure efficient operations, and keep their investment performance at continued high levels.

Outlook for the Allianz Group

We now expect the 2017 Allianz Group operating profit to arrive near the upper end of the outlook range of € 10.8 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 2017	as of 31 December 2016	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	-
Retained earnings	26,055	27,087	(1,032)
Foreign currency translation adjustment	(1,906)	(762)	(1,144)
Unrealized gains and losses (net)	11,122	11,830	(709)
Total[1]	**64,198**	**67,083**	**(2,885)**

1_Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business. For further information, please refer to note 2 in the condensed consolidated interim financial statements.

A major share of the decrease in ***shareholders' equity*** – € 5,048 mn – was attributable to a dividend payout in May 2017 (€ 3,410 mn) and the share buy-back program[2] which started in February of this year (€ 1,638 mn). In addition, negative impacts from foreign currency translation and a decline in unrealized gains – mainly from debt securities – decreased the shareholders' equity by € 1,144 mn and € 709 mn, respectively. The overall decline could only partly be offset by the net income attributable to shareholders, amounting to € 3,810 mn.

Regulatory capital adequacy

The Allianz Group's own funds and capital requirements are based on the market value balance sheet approach as the major economic principle of Solvency II rules.[3] Our regulatory capitalization is shown in the following table.

SOLVENCY II REGULATORY CAPITAL ADEQUACY

		as of 30 June 2017	as of 31 December 2016	Delta
Eligible own funds	€ bn	76.0	75.3	0.7
Capital requirement	€ bn	34.6	34.6	0.1
Capitalization ratio	%	219	218	2%-p

The ***Solvency II capitalization ratio*** rose from 218% to 219% over the first six months of 2017. Eligible own funds slightly increased. The positive effects of operating Solvency II earnings and of regulatory changes were widely offset by the full recognition of the share buy-back program and other effects, such as taxes and foreign currency translation. The capital requirement remained almost stable, as drivers that increased capital requirements – in particular model changes – were strongly mitigated, in particular by favorable market impacts. However, on a pro forma basis, fully reflecting the € 3 bn share buy-back at year-end 2016, the Solvency II capitalization ratio increased from 209% to 219%.

1_This does not include non-controlling interests of € 2,864 mn and € 3,052 mn as of 30 June 2017 and 31 December 2016, respectively. For further information, please refer to note 17 to the condensed consolidated interim financial statements.

2_For further information, please refer to note 17 to the condensed consolidated interim financial statements.

3_Own funds are calculated under consideration of volatility adjustment and yield curve extension, as described on page 67 in the Allianz Group Annual Report 2016.

Total assets and total liabilities

As of 30 June 2017, total assets amounted to € 887.2 bn and total liabilities were € 820.1 bn. Compared to year-end 2016, total assets and total liabilities rose by € 3.4 bn and € 6.5 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

	as of 30 June 2017	as of 31 December 2016	Delta	as of 30 June 2017	as of 31 December 2016	Delta
Type of investment	€ bn	€ bn	€ bn	%	%	%-p
Debt instruments; thereof:	572.5	577.3	(4.8)	87.8	88.4	(0.6)
Government bonds	213.3	213.6	(0.3)	37.3	37.0	0.3
Covered bonds	85.5	89.9	(4.4)	14.9	15.6	(0.7)
Corporate bonds (excl. banks)	190.3	189.5	0.8	33.2	32.8	0.4
Banks	31.6	32.9	(1.2)	5.5	5.7	(0.2)
Other	51.7	51.4	0.3	9.0	8.9	0.1
Equities	53.2	49.9	3.3	8.2	7.6	0.5
Real estate	11.2	11.7	(0.5)	1.7	1.8	(0.1)
Cash/other	14.9	14.2	0.8	2.3	2.2	0.1
Total	**651.8**	**653.1**	**(1.2)**	**100.0**	**100.0**	**-**

Compared to year-end 2016, our overall asset allocation remained almost unchanged. The decrease in debt instruments, mainly covered bonds, was partially offset by new investments in equities.

Our well-diversified exposure to ***debt instruments*** decreased, primarily due to a slight rise in interest rates from their low level of year-end 2016. About 94% of this portfolio was invested in investment-grade bonds and loans.[1] Our ***government bonds*** portfolio contained, amongst others, bonds from Italy and Spain that represented 4.0%, and 1.9% shares, respectively, of our debt instruments portfolio with unrealized gains (gross) of € 2,584 mn and € 827 mn. Of our ***covered bonds*** portfolio, 41.9% (31 December 2016: 41.3%) were German Pfandbriefe backed by either public-sector loans or mortgage loans. French, Spanish and Italian covered bonds had portfolio shares of 16.0%, 9.4% and 7.4%, respectively (31 December 2016: 16.0%, 9.4% and 7.5%).

Our exposure to ***equities*** increased mainly due to new investments. Our equity gearing[2] remained almost unchanged at 24% (31 December 2016: 23%).

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 30 June 2017, the business segment's gross reserves for loss and loss adjustment expenses as well as discounted loss reserves amounted to € 64.9 bn, compared to € 65.7 bn at year-end 2016. On a net basis, our reserves, including discounted loss reserves, were almost unchanged at € 56.9 bn.[3]

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts slightly decreased by € 0.8 bn to € 489.9 bn over the first six months of 2017. The € 9.9 bn increase in aggregate policy reserves before foreign currency translation effects was mainly driven by our operations in Germany (€ 6.1 bn), the United States (€ 3.6 bn before foreign currency translation effects) and Switzerland (€ 0.5 bn before foreign currency translation effects). Reserves for premium refund decreased by € 3.2 bn, due to lower unrealized gains to be shared with policyholders as interest rates are on the rise. Foreign currency translation effects resulted from the weaker U.S. Dollar (€ (6.9) bn), Swiss Franc, and Asian currencies (€ (0.3) bn each).

1_Excluding self-originated German private retail mortgage loans. For 3 %, no ratings were available.
2_Equity gearing is defined as the ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reserves less goodwill.
3_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	2017	2016
Property-Casualty		
Gross premiums written	**29,388**	**28,856**
Life/Health		
Statutory premiums	**33,619**	**32,968**
Asset Management		
Operating revenues	**3,114**	**2,827**
consisting of:		
Net fee and commission income	3,076	2,828
Net interest income[1]	7	(3)
Income from financial assets and liabilities carried at fair value through income (net)	31	1
Other income	-	1
Corporate and Other		
thereof: Total revenues (Banking)	**275**	**272**
consisting of:		
Interest and similar income	217	249
Income from financial assets and liabilities carried at fair value through income (net)[2]	13	6
Fee and commission income	287	264
Interest expenses, excluding interest expenses from external debt	(72)	(90)
Fee and commission expenses	(172)	(160)
Other income	3	-
Consolidation effects within Corporate and Other	-	3
Consolidation	**(178)**	**(165)**
Allianz Group total revenues	**66,218**	**64,759**

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
%

six months ended 30 June 2017	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
Property-Casualty	1.2	0.6	-	1.8
Life/Health	3.5	(1.9)	0.5	2.0
Asset Management	7.5	0.3	2.3	10.1
Corporate and Other	1.0	-	-	1.0
Allianz Group	**2.6**	**(0.7)**	**0.3**	**2.3**

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, 21 entities comprising 99.5% 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 shown as ***definitions*** in acquisition expenses and commissions represents commission clawbacks, which are allocated to the technical margin. The delta shown as ***definitions*** in administrative and other expenses mainly represents restructuring charges, which are stated in a separate line item in the group income statement.[1]

1_In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

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

€ MN

six months ended 30 June	2017	2016
Acquisition expenses and commissions[2]	(2,451)	(2,487)
Definitions	8	7
Scope	(63)	(139)
Acquisition costs incurred	(2,506)	(2,619)
Capitalization of DAC[2]	866	1,003
Definition: URR capitalized	260	242
Definition: policyholder participation[3]	495	475
Scope	16	76
Capitalization of DAC	1,638	1,796
Amortization, unlocking, and true-up of DAC[2]	(814)	(813)
Definition: URR amortized	(69)	(22)
Definition: policyholder participation[3]	(662)	(270)
Scope	(16)	(324)
Amortization, unlocking, and true-up of DAC	(1,561)	(1,430)
Commissions and profit received on reinsurance business ceded	39	28
Acquisition costs[4]	**(2,391)**	**(2,225)**
Administrative and other expenses[2]	(898)	(872)
Definitions	74	84
Scope	(60)	(111)
Administrative expenses on reinsurance business ceded	8	1
Administrative expenses[4]	**(877)**	**(899)**

1_Prior year figures changed in order to reflect the roll out of profit source reporting to Turkey.
2_As per Interim Group Management Report.
3_For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
4_As per notes to the condensed consolidated interim financial statements.

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 within change in our reserves for insurance and investment contracts (net) in the group income statement.

RECONCILIATION TO NOTES[1]

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six months ended 30 June	2017	2016
Acquisition expenses and commissions[2]	(2,451)	(2,487)
Administrative and other expenses[2]	(898)	(872)
Capitalization of DAC[2]	866	1,003
Amortization, unlocking, and true-up of DAC[2]	(814)	(813)
Acquisition and administrative expenses	**(3,297)**	**(3,169)**
Definitions	106	516
Scope	(122)	(498)
Commissions and profit received on reinsurance business ceded	39	28
Administrative expenses on reinsurance business ceded	8	1
Acquisition and administrative expenses (net)[3]	**(3,267)**	**(3,123)**

1_Prior year figures changed in order to reflect the roll out of profit source reporting to Turkey.
2_As per Interim Group Management Report.
3_As per notes to the condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

B

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

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	note	as of 30 June 2017	as of 31 December 2016
ASSETS			
Cash and cash equivalents		17,154	14,463
Financial assets carried at fair value through income	5	8,454	8,333
Investments	6	535,806	536,869
Loans and advances to banks and customers	7	104,496	105,369
Financial assets for unit-linked contracts		115,268	111,325
Reinsurance assets	8	15,225	15,562
Deferred acquisition costs	9	24,061	24,887
Deferred tax assets		951	1,003
Other assets	10	38,041	38,050
Non-current assets and assets of disposal groups classified as held for sale	3	14,378	14,196
Intangible assets	11	13,353	13,752
Total assets		**887,189**	**883,809**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[1]		11,073	11,271
Liabilities to banks and customers	12	13,666	13,038
Unearned premiums		24,902	21,360
Reserves for loss and loss adjustment expenses	13	71,745	72,373
Reserves for insurance and investment contracts	14	504,404	505,322
Financial liabilities for unit-linked contracts		115,268	111,325
Deferred tax liabilities		4,737	4,683
Other liabilities	15	39,799	39,867
Liabilities of disposal groups classified as held for sale	3	13,401	13,290
Certificated liabilities	16	7,682	7,615
Subordinated liabilities	16	13,448	13,530
Total liabilities		820,127	813,674
Shareholders' equity		64,198	67,083
Non-controlling interests		2,864	3,052
Total equity	17	67,062	70,135
Total liabilities and equity		**887,189**	**883,809**

1_Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS
€ MN

six months ended 30 June	note	2017	2016
Gross premiums written		41,425	41,140
Ceded premiums written		(2,643)	(2,993)
Change in unearned premiums (net)		(3,639)	(3,567)
Premiums earned (net)	18	35,143	34,580
Interest and similar income	19	11,099	11,115
Income from financial assets and liabilities carried at fair value through income (net)	20	(954)	(491)
Realized gains/losses (net)	21	3,529	4,144
Fee and commission income	22	5,591	5,107
Other income		34	11
Total income		54,441	54,466
Claims and insurance benefits incurred (gross)		(26,579)	(26,797)
Claims and insurance benefits incurred (ceded)		1,185	1,511
Claims and insurance benefits incurred (net)	23	(25,394)	(25,286)
Change in reserves for insurance and investment contracts (net)	24	(6,697)	(7,539)
Interest expenses	25	(582)	(606)
Loan loss provisions		(13)	(24)
Impairments of investments (net)	26	(332)	(1,421)
Investment expenses	27	(644)	(601)
Acquisition and administrative expenses (net)	28	(12,678)	(12,173)
Fee and commission expenses	29	(2,172)	(1,923)
Amortization of intangible assets		(79)	(67)
Restructuring charges		(252)	(94)
Other expenses		(1)	(1)
Total expenses		(48,844)	(49,734)
Income before income taxes		**5,597**	**4,731**
Income taxes	30	(1,585)	(1,306)
Net income		**4,013**	**3,425**
Net income attributable to:			
Non-controlling interests		203	194
Shareholders		3,810	3,231
Basic earnings per share (€)		8.45	7.10
Diluted earnings per share (€)		8.44	6.92

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
€ MN

six months ended 30 June	2017	2016
Net income	**4,013**	**3,425**
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	(1,182)	(313)
Subtotal	(1,182)	(319)
Available-for-sale investments		
Reclassifications to net income	(1,635)	(748)
Changes arising during the period	927	6,229
Subtotal	(708)	5,481
Cash flow hedges		
Reclassifications to net income	(14)	(8)
Changes arising during the period	(19)	285
Subtotal	(34)	277
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	-	-
Changes arising during the period	(25)	(51)
Subtotal	(25)	(51)
Miscellaneous		
Reclassifications to net income	-	-
Changes arising during the period	12	(34)
Subtotal	12	(34)
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	255	(604)
Total other comprehensive income	(1,682)	4,750
Total comprehensive income	**2,330**	**8,175**
Total comprehensive income attributable to:		
Non-controlling interests	176	296
Shareholders	2,154	7,879

For further details concerning income taxes on components of the other comprehensive income, please see note 30.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
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	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Share-holders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2016, as previously reported	**28,928**	**24,222**	**(926)**	**10,920**	**63,144**	**2,955**	**66,099**
Adjustments (see note 2)	-	(329)	-	-	(329)	-	(329)
Balance as of 1 January 2016, as reported	**28,928**	**23,894**	**(926)**	**10,920**	**62,815**	**2,955**	**65,771**
Total comprehensive income[1]	-	2,501	(312)	5,690	7,879	296	8,175
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	7	-	-	7	-	7
Transactions between equity holders[2]	-	(12)	4	(4)	(12)	15	3
Dividends paid	-	(3,320)	-	-	(3,320)	(222)	(3,543)
Balance as of 30 June 2016	**28,928**	**23,069**	**(1,234)**	**16,606**	**67,369**	**3,044**	**70,413**
Balance as of 1 January 2017, as previously reported	**28,928**	**27,336**	**(754)**	**11,830**	**67,341**	**3,052**	**70,392**
Adjustments (see note 2)	-	(249)	(8)	-	(258)	-	(258)
Balance as of 1 January 2017, as reported	**28,928**	**27,087**	**(762)**	**11,830**	**67,083**	**3,052**	**70,135**
Total comprehensive income[1]	-	4,015	(1,144)	(717)	2,154	176	2,330
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	(360)	-	-	(360)	-	(360)
Transactions between equity holders[2,3]	-	(1,277)	-	8	(1,269)	(162)	(1,431)
Dividends paid	-	(3,410)	-	-	(3,410)	(202)	(3,612)
Balance as of 30 June 2017	**28,928**	**26,055**	**(1,906)**	**11,122**	**64,198**	**2,864**	**67,062**

1_Total comprehensive income in shareholders' equity for the six months ended 30 June 2017 comprises net income attributable to shareholders of € 3,810 mn (2016: € 3,231 mn).
2_Includes income taxes within retained earnings.
3_During the first half-year of 2017, Allianz SE purchased for an amount of € 1,638 mn approximately 9.6 million own shares as part of its share-buy-back program announced in February 2017 with a total volume of up to € 3.0 bn. Thereof 7,472,978 own shares in the amount of € 1,271 mn were cancelled by the end of June 2017 without changing the registered capital of Allianz SE.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

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six months ended 30 June	2017	2016
SUMMARY		
Net cash flow provided by operating activities	19,615	15,527
Net cash flow used in investing activities	(11,565)	(13,891)
Net cash flow used in financing activities	(4,941)	(1,787)
Effect of exchange rate changes on cash and cash equivalents	(419)	(117)
Change in cash and cash equivalents	2,691	(269)
Cash and cash equivalents at beginning of period	14,463	14,842
Cash and cash equivalents reclassified to assets of disposal groups held for sale	-	-
Cash and cash equivalents at end of period	**17,154**	**14,573**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**4,013**	**3,425**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(220)	(132)
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	(3,229)	(2,724)
Other investments, mainly financial assets held for trading and designated at fair value through income	(1,311)	(442)
Depreciation and amortization	718	622
Loan loss provisions	13	24
Interest credited to policyholder accounts	2,328	2,283
Net change in:		
Financial assets and liabilities held for trading	2,085	1,384
Reverse repurchase agreements and collateral paid for securities borrowing transactions	87	(458)
Repurchase agreements and collateral received from securities lending transactions	631	(905)
Reinsurance assets	(654)	(1,390)
Deferred acquisition costs	(405)	(649)
Unearned premiums	3,921	3,859
Reserves for loss and loss adjustment expenses	649	529
Reserves for insurance and investment contracts	7,316	10,439
Deferred tax assets/liabilities	262	(85)
Other (net)	3,409	(253)
Subtotal	15,602	12,101
Net cash flow provided by operating activities	**19,615**	**15,527**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,051	1,028
Available-for-sale investments	82,146	77,973
Held-to-maturity investments	136	163
Investments in associates and joint ventures	381	710
Non-current assets and disposal groups classified as held for sale	215	63
Real estate held for investment	85	141
Fixed assets of renewable energy investments	2	-
Loans and advances to banks and customers (purchased loans)	3,023	3,593
Property and equipment	128	43
Subtotal	87,167	83,714

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS
€ MN

six months ended 30 June	2017	2016
Payments for the purchase or origination of		
Financial assets designated at fair value through income	(915)	(1,012)
Available-for-sale investments	(92,224)	(92,294)
Held-to-maturity investments	(140)	(120)
Investments in associates and joint ventures	(1,229)	(413)
Non-current assets and disposal groups classified held for sale	(50)	-
Real estate held for investment	(75)	(324)
Fixed assets of renewable energy investments	(150)	(165)
Loans and advances to banks and customers (purchased loans)	(1,407)	(1,539)
Property and equipment	(701)	(506)
Subtotal	(96,890)	(96,373)
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)	**(1,729)**	**(1,329)**
Other (net)	**(112)**	**97**
Net cash flow used in investing activities	**(11,565)**	**(13,891)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	289	383
Proceeds from the issuance of certificated liabilities and subordinated liabilities	3,786	3,864
Repayments of certificated liabilities and subordinated liabilities	(3,468)	(2,477)
Cash inflow from capital increases	-	-
Transactions between equity holders	(1,431)	3
Dividends paid to shareholders	(3,612)	(3,543)
Net cash from sale or purchase of treasury shares	(355)	8
Other (net)	(150)	(25)
Net cash flow used in financing activities	**(4,941)**	**(1,787)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(1,318)	(1,465)
Dividends received	1,266	1,026
Interest received	10,048	10,853
Interest paid	(553)	(485)

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 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 2016, except for the change in accounting policy as described in note 2. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

In accordance with the provisions of IFRS 4, 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 3 August 2017.

2 – Recently adopted and issued accounting pronouncements and change in accounting policies

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (EFFECTIVE 1 JANUARY 2017)

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2017:

- IAS 7, Disclosure initiative,
- IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses,
- Annual Improvements to IFRSs 2014 – 2016 Cycle.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and is the first comprehensive IFRS Standard establishing the accounting for insurance contracts. IFRS 17 replaces the interim Standard IFRS 4 Insurance Contracts and is effective from 1 January 2021. The Allianz Group is currently evaluating the impact of adopting IFRS 17 on its consolidated financial statements.

CHANGE IN ACCOUNTING POLICIES

At the beginning of 2017, the Allianz Group entered into an economic hedging program for its Guaranteed Minimum Income Benefits (GMIBs), which were sold as part of its variable annuity portfolio. In order to mitigate accounting mismatches between the hedging derivatives and the GMIBs, the Allianz Group has started measuring the GMIBs at fair value through profit or loss as of 1 January 2017. This change in measurement is permitted by IFRS 4 and represents an accounting policy change. Accounting policy changes need to be applied retrospectively. The total effect of the new measurement on prior period numbers is as follows:

CHANGE OF CONSOLIDATED BALANCE SHEET RELATING TO THE CHANGE IN ACCOUNTING POLICIES FOR GMIBS
€ MN

as of 31 December 2016	As previously reported	Change in accounting policies GMIBs	As reported
Financial liabilities carried at fair value through income	10,737	534	11,271
Reserves for insurance and investment contracts	505,460	(138)	505,322
Deferred tax liabilities	4,822	(139)	4,683
Total liabilities	813,417	258	813,674
Shareholders' equity	67,341	(258)	67,083
Non-controlling interests	3,052	-	3,052
Total equity	70,392	(258)	70,135
Total liabilities and equity	**883,809**	**-**	**883,809**

In the consolidated income statement for the six months ended 30 June 2016, the GMIB-related change in accounting policies led to a € 78 mn decrease in income from financial assets and liabilities carried at fair value through income (net) and a € 5 mn decrease in changes in reserves for insurance and investment contracts (net). Together with the decrease of income taxes of € 29 mn the net income decreased with an amount of € 54 mn. This led to a 12 cent decrease in earnings per share. For the year ended 31 December 2016, the implementation of the changed accounting policy lead to a € 121 mn increase of income before income taxes and an increase of income taxes of € 42 mn. In total, the net income increased by € 79 mn. This resulted in an increase of 17 cents in earnings per share.

3 – Classification as held for sale

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

	as of 30 June 2017	as of 31 December 2016
Assets of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	13,889	13,915
Other disposal groups	370	42
Subtotal	14,259	13,957
Non-current assets classified as held for sale		
Real estate held for investment	119	160
Real estate held for own use	-	79
Subtotal	119	239
Total	**14,378**	**14,196**
Liabilities of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	13,236	13,282
Other disposal groups	165	8
Total	**13,401**	**13,290**

OLDENBURGISCHE LANDESBANK AG, OLDENBURG

At the end of the second quarter of 2017, all requirements were still fulfilled to present Oldenburgische Landesbank AG, Oldenburg, allocated to the reportable segment Banking (Corporate and Other) as a disposal group classified as held for sale.

RECLASSIFIED ASSETS AND LIABILITIES
€ MN

Cash and cash equivalents	234
Financial assets carried at fair value through income	14
Investments	2,584
Loans and advances to banks and customers	10,889
Deferred tax assets	70
Other assets	97
Total assets	**13,889**
Financial liabilities carried at fair value through income	11
Liabilities to banks and customers	12,434
Other liabilities	414
Certificated liabilities	158
Subordinated liabilities	217
Total liabilities	**13,236**

As of 30 June 2017, cumulative gains of € 59 mn were reported in other comprehensive income relating to the disposal group classified as held for sale. A sales contract for the Allianz shares in Oldenburgische Landesbank AG was signed on 23 June 2017. The necessary approvals and the transfer to the buyer are expected in the fourth quarter of 2017.

4 - Segment reporting

The business activities of the Allianz Group, the business segments as well as the products and services from which the reportable segments derive revenue are consistent with the ones described in the consolidated financial statements for the year ended 31 December 2016. The statement contained therein regarding general segment reporting information is still applicable and valid. The reportable segments measure of profit or loss remained unchanged, except that effective 1 January 2017 restructuring charges are presented generally as non-operating items. Like the other non-operating items, they are shown in operating profit, if they are shared with the policyholders. There is one exception from this general rule with regard to policyholder participation in tax benefits. As IFRS requires that the consolidated income statements present all tax benefits in the line item income taxes, even when they belong to policyholders, the corresponding expenses for premium refunds are shown as non-operating as well.

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2017, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. The former reportable segment Asia Pacific has been allocated to the reportable segment Western & Southern Europe, Middle East, Africa, Asia Pacific. Previously reported information has been adjusted to reflect this change in the composition of the Allianz Group's reportable segments.

Additionally, 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 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016
ASSETS				
Cash and cash equivalents	3,483	3,429	9,006	7,014
Financial assets carried at fair value through income	622	539	7,496	7,427
Investments	102,414	102,430	415,600	415,023
Loans and advances to banks and customers	10,805	11,508	92,368	93,142
Financial assets for unit-linked contracts	-	-	115,268	111,325
Reinsurance assets	9,980	10,016	5,345	5,625
Deferred acquisition costs	5,026	4,782	19,035	20,105
Deferred tax assets	1,001	1,175	550	537
Other assets	22,842	22,392	17,895	19,143
Non-current assets and assets of disposal groups classified as held for sale	55	97	404	146
Intangible assets	2,820	2,870	3,005	3,078
Total assets	**159,048**	**159,237**	**685,973**	**682,564**

	Property-Casualty		Life/Health	
	as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	87	129	10,828	10,928
Liabilities to banks and customers	1,205	864	6,128	5,551
Unearned premiums	20,648	17,276	4,293	4,108
Reserves for loss and loss adjustment expenses	60,832	61,617	10,956	10,790
Reserves for insurance and investment contracts	14,791	14,837	489,901	490,739
Financial liabilities for unit-linked contracts	-	-	115,268	111,325
Deferred tax liabilities	2,412	2,674	3,666	3,697
Other liabilities	17,142	19,261	14,864	14,622
Liabilities of disposal groups classified as held for sale	20	-	139	3
Certificated liabilities	11	11	11	11
Subordinated liabilities	-	-	95	95
Total liabilities	**117,147**	**116,668**	**656,150**	**651,869**

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016
884	1,155	4,046	3,053	(266)	(187)	17,154	14,463
84	63	653	701	(402)	(398)	8,454	8,333
116	133	101,823	103,578	(84,146)	(84,295)	535,806	536,869
57	65	6,089	6,081	(4,823)	(5,427)	104,496	105,369
-	-	-	-	-	-	115,268	111,325
-	-	-	-	(100)	(78)	15,225	15,562
-	-	-	-	-	-	24,061	24,887
210	260	825	936	(1,636)	(1,904)	951	1,003
2,937	2,924	7,681	8,556	(13,313)	(14,965)	38,041	38,050
27	29	13,904	13,925	(12)	(2)	14,378	14,196
7,517	7,794	12	11	-	-	13,353	13,752
11,833	**12,422**	**135,033**	**136,841**	**(104,697)**	**(107,256)**	**887,189**	**883,809**

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016	as of 30 June 2017	as of 31 December 2016
-	-	566	615	(409)	(400)	11,073	11,271
174	174	7,806	8,424	(1,646)	(1,974)	13,666	13,038
-	-	-	-	(38)	(24)	24,902	21,360
-	-	-	-	(43)	(34)	71,745	72,373
-	-	(92)	(57)	(196)	(196)	504,404	505,322
-	-	-	-	-	-	115,268	111,325
87	29	208	188	(1,636)	(1,904)	4,737	4,683
2,644	2,925	25,495	25,283	(20,346)	(22,223)	39,799	39,867
5	5	13,262	13,306	(25)	(25)	13,401	13,290
-	-	10,434	10,586	(2,774)	(2,994)	7,682	7,615
-	-	13,403	13,485	(50)	(50)	13,448	13,530
2,910	**3,133**	**71,081**	**71,830**	**(27,161)**	**(29,826)**	**820,127**	**813,674**
				Total equity		**67,062**	**70,135**
				Total liabilities and equity		**887,189**	**883,809**

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	2017	2016	2017	2016
Total revenues[1]	**29,388**	**28,856**	**33,619**	**32,968**
Premiums earned (net)	23,557	22,823	11,585	11,757
Operating investment result				
Interest and similar income	1,760	1,736	9,056	9,128
Operating income from financial assets and liabilities carried at fair value through income (net)	(51)	(25)	(965)	(551)
Operating realized gains/losses (net)	152	157	2,916	3,114
Interest expenses, excluding interest expenses from external debt	(52)	(48)	(49)	(57)
Operating impairments of investments (net)	(6)	(43)	(255)	(934)
Investment expenses	(183)	(175)	(609)	(551)
Subtotal	1,621	1,602	10,094	10,149
Fee and commission income	911	759	708	679
Other income	32	1	1	9
Claims and insurance benefits incurred (net)	(15,556)	(15,162)	(9,838)	(10,127)
Operating change in reserves for insurance and investment contracts (net)[2]	(258)	(254)	(6,476)	(7,211)
Loan loss provisions	-	-	-	-
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(6,739)	(6,492)	(3,267)	(3,123)
Fee and commission expenses	(864)	(706)	(350)	(305)
Operating amortization of intangible assets	-	-	(9)	(9)
Operating restructuring charges	-	-	(17)	(14)
Other expenses	-	-	(148)	(149)
Reclassifications[3]	-	-	-	203
Operating profit (loss)	**2,705**	**2,572**	**2,282**	**1,859**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(2)	(21)	22	11
Non-operating realized gains/losses (net)	307	327	59	21
Non-operating impairments of investments (net)	(53)	(168)	(27)	(218)
Subtotal	252	138	54	(186)
Non-operating change in reserves for insurance and investment contracts (net)	-	-	2	-
Interest expenses from external debt	-	-	-	-
Acquisition-related expenses	-	-	-	-
Non-operating amortization of intangible assets	(31)	(26)	(27)	(21)
Non-operating restructuring charges	(165)	(33)	(7)	(49)
Reclassifications[3]	-	-	-	(203)
Non-operating items	56	78	22	(460)
Income (loss) before income taxes	2,761	2,651	2,305	1,399
Income taxes	(691)	(729)	(693)	(458)
Net income (loss)	**2,070**	**1,922**	**1,611**	**941**
Net income (loss) attributable to:				
Non-controlling interests	90	84	67	73
Shareholders	1,980	1,838	1,544	868

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 2017, includes expenses for premium refunds (net) in Property-Casualty of € (131) mn (2016: € (129) mn).
3_From the classification of the South Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating. Furthermore tax reclassifications are included in this line.

Asset Management		Corporate and Other		Consolidation		Group	
2017	2016	2017	2016	2017	2016	2017	2016
3,114	**2,827**	**275**	**272**	**(178)**	**(165)**	**66,218**	**64,759**
-	-	-	-	-	-	35,143	34,580
12	2	383	370	(112)	(121)	11,099	11,115
31	1	10	12	(1)	-	(976)	(563)
-	-	-	-	(42)	38	3,026	3,310
(5)	(6)	(163)	(194)	107	118	(161)	(188)
-	-	-	-	-	-	(261)	(977)
-	-	(49)	(40)	197	166	(644)	(601)
38	(2)	181	148	148	200	12,083	12,097
3,845	3,496	1,138	643	(1,012)	(471)	5,591	5,107
-	1	149	148	(148)	(149)	34	11
-	-	-	-	-	3	(25,394)	(25,286)
-	-	-	-	35	(74)	(6,699)	(7,539)
-	-	(13)	(24)	-	-	(13)	(24)
(1,958)	(1,868)	(692)	(699)	(27)	8	(12,684)	(12,173)
(769)	(668)	(1,027)	(540)	838	296	(2,172)	(1,923)
-	-	-	-	-	-	(9)	(9)
-	-	-	-	-	-	(17)	(14)
-	-	-	-	148	148	(1)	(1)
-	-	-	-	-	34	-	238
1,156	**960**	**(265)**	**(323)**	**(18)**	**(5)**	**5,860**	**5,063**
-	-	(29)	79	31	4	22	71
7	-	71	354	59	132	504	835
-	-	9	(58)	-	-	(71)	(444)
7	-	51	375	91	136	454	462
-	-	-	-	-	-	2	-
-	-	(421)	(418)	-	-	(421)	(418)
6	-	-	-	-	-	6	-
(7)	(6)	(5)	(4)	-	-	(69)	(58)
(8)	2	(56)	-	-	-	(235)	(80)
-	-	-	-	-	(34)	-	(238)
(2)	(4)	(430)	(47)	91	101	(263)	(332)
1,154	956	(695)	(371)	73	97	5,597	4,731
(419)	(340)	239	183	(21)	39	(1,585)	(1,306)
735	**615**	**(456)**	**(188)**	**52**	**135**	**4,013**	**3,425**
35	29	11	8	-	-	203	194
700	586	(467)	(196)	52	135	3,810	3,231

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

€ MN

	Total revenues		Premiums earned (net)		Operating profit (loss)		Net income (loss)	
six months ended 30 June	2017	2016	2017	2016	2017	2016	2017	2016
German Speaking Countries and Central & Eastern Europe	9,182	8,925	6,151	5,961	765	756	638	608
Western & Southern Europe, Middle East, Africa, Asia Pacific	6,737	6,758	5,786	5,676	923	761	665	507
Iberia & Latin America	2,615	2,353	1,828	1,677	154	89	54	55
Global Insurance Lines & Anglo Markets	12,069	12,490	7,661	7,672	774	911	656	724
Allianz Worldwide Partners	2,749	2,479	2,132	1,837	87	55	57	30
Consolidation	(3,964)	(4,149)	-	-	-	-	-	(2)
Total Property-Casualty	**29,388**	**28,856**	**23,557**	**22,823**	**2,705**	**2,572**	**2,070**	**1,922**
German Speaking Countries and Central & Eastern Europe	13,534	12,305	7,071	7,214	818	797	549	543
Western & Southern Europe, Middle East, Africa, Asia Pacific[1]	14,295	13,182	3,477	3,531	687	627	503	79
Iberia & Latin America	1,008	1,015	242	253	164	113	128	79
USA	5,068	6,575	609	547	587	302	410	220
Global Insurance Lines & Anglo Markets	297	321	185	211	17	15	13	13
Consolidation	(584)	(430)	1	-	9	6	9	5
Total Life/Health	**33,619**	**32,968**	**11,585**	**11,757**	**2,282**	**1,859**	**1,611**	**941**
Asset Management	**3,114**	**2,827**	**-**	**-**	**1,156**	**960**	**735**	**615**
Holding & Treasury	-	-	-	-	(343)	(384)	(508)	(244)
Banking	275	270	-	-	57	36	38	35
Alternative Investments	-	-	-	-	20	24	14	16
Consolidation	-	2	-	-	-	-	-	5
Total Corporate and Other	**275**	**272**	**-**	**-**	**(265)**	**(323)**	**(456)**	**(188)**
Consolidation	**(178)**	**(165)**	**-**	**-**	**(18)**	**(5)**	**52**	**135**
Group	**66,218**	**64,759**	**35,143**	**34,580**	**5,860**	**5,063**	**4,013**	**3,425**

1_From the classification of the South Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating.

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 2017	as of 31 December 2016
Financial assets held for trading		
Debt securities	431	264
Equity securities	201	210
Derivative financial instruments	2,666	2,433
Subtotal	3,297	2,907
Financial assets designated at fair value through income		
Debt securities	2,691	2,970
Equity securities	2,466	2,457
Subtotal	5,157	5,426
Total	**8,454**	**8,333**

6 – Investments

INVESTMENTS
€ MN

	as of 30 June 2017	as of 31 December 2016
Available-for-sale investments	511,147	512,268
Held-to-maturity investments	2,414	2,399
Funds held by others under reinsurance contracts assumed	908	912
Investments in associates and joint ventures	7,624	7,161
Real estate held for investment	11,226	11,732
Fixed assets of renewable energy investments	2,487	2,397
Total	**535,806**	**536,869**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS
€ MN

	as of 30 June 2017				as of 31 December 2016			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	227,185	15,050	(917)	241,319	230,504	15,944	(1,575)	244,874
Government and government agency bonds[1]	178,163	21,728	(1,509)	198,383	173,456	27,121	(1,663)	198,914
MBS/ABS	20,648	401	(179)	20,869	21,258	441	(303)	21,396
Other	4,351	638	(10)	4,979	3,569	753	(17)	4,305
Subtotal	430,348	37,817	(2,615)	465,550	428,787	44,259	(3,557)	469,489
Equity securities	32,730	13,206	(338)	45,598	30,323	12,649	(192)	42,779
Total	**463,078**	**51,023**	**(2,954)**	**511,147**	**459,109**	**56,908**	**(3,750)**	**512,268**

1_As of 30 June 2017, fair value and amortized costs of bonds from countries with a rating below AA amounted to € 73,359 mn (31 December 2016: € 73,519 mn) and € 68,385 mn (31 December 2016: € 67,571 mn), respectively.

7 – Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS
€ MN

	as of 30 June 2017	as of 31 Decembe r 2016
Short-term investments and certificates of deposit	3,341	3,699
Loans	99,504	99,883
Other	1,747	1,884
Subtotal	104,591	105,466
Loan loss allowance	(95)	(97)
Total	**104,496**	**105,369**

8 – Reinsurance assets

REINSURANCE ASSETS
€ MN

	as of 30 June 2017	as of 31 Decembe r 2016
Unearned premiums	1,912	1,543
Reserves for loss and loss adjustment expenses	8,253	8,685
Aggregate policy reserves	4,938	5,211
Other insurance reserves	122	124
Total	**15,225**	**15,562**

9 – Deferred acquisition costs

DEFERRED ACQUISITION COSTS
€ MN

	as of 30 June 2017	as of 31 Decembe r 2016
Deferred acquisition costs		
Property-Casualty	5,026	4,782
Life/Health	17,962	18,780
Subtotal	22,988	23,562
Deferred sales inducements	579	781
Present value of future profits	494	544
Total	**24,061**	**24,887**

10 – Other assets

OTHER ASSETS
€ MN

	as of 30 June 2017	as of 31 Decembe r 2016
Receivables		
Policyholders	5,991	5,938
Agents	4,638	4,217
Reinsurance	2,898	2,755
Other	5,587	5,126
Less allowances for doubtful accounts	(597)	(632)
Subtotal	18,518	17,404
Tax receivables		
Income taxes	1,886	1,809
Other taxes	1,580	1,615
Subtotal	3,467	3,424
Accrued dividends, interest and rent	6,174	7,257
Prepaid expenses	530	390
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	473	677
Property and equipment		
Real estate held for own use	3,005	3,024
Software	2,711	2,640
Equipment	1,470	1,477
Subtotal	7,186	7,141
Other assets	1,694	1,756
Total	**38,041**	**38,050**

11 – Intangible assets

INTANGIBLE ASSETS
€ MN

	as of 30 June 2017	as of 31 Decembe r 2016
Goodwill	12,060	12,372
Distribution agreements[1]	898	951
Acquired business portfolios[2]	148	172
Customer relationships	107	122
Other[3]	140	136
Total	**13,353**	**13,752**

1_Primarily includes the long-term distribution agreements with Commerzbank AG of € 242 mn (2016: € 261 mn), Banco Popular S.A. of € 361 mn (2016: € 371 mn), Yapi ve Kredi Bankasi A.S. of € 84 mn (2016: € 96 mn), Philippine National Bank of € 73 mn (2016: € 83 mn) and HSBC Asia, HSBC Turkey, BTPN Indonesia and Maybank Indonesia of € 118 mn (2016: € 133 mn).
2_Primarily includes the acquired business portfolio of Allianz Yasam ve Emeklilik A.S. of € 87 mn (2016: € 98 mn).
3_Primarily includes 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 2017	as of 31 December 2016
Payable on demand and other deposits	927	897
Repurchase agreements and collateral received from securities lending transactions and derivatives	4,472	4,040
Other	8,267	8,101
Total	**13,666**	**13,038**

13 – Reserves for loss and loss adjustment expenses

As of 30 June 2017, the reserves for loss and loss adjustment expenses of the Allianz Group amounted in total to € 71,745 mn (31 December 2016: € 72,373 mn). The following table reconciles the beginning and ending reserves of the Property-Casualty business segment for the half-years ended 30 June 2017 and 2016.

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

	2017	2016
As of 1 January	**61,617**	**61,169**
Balance carry forward of discounted loss reserves	4,055	3,882
Subtotal	65,671	65,051
Loss and loss adjustment expenses incurred		
Current year	17,547	17,797
Prior years	(1,016)	(1,378)
Subtotal	16,531	16,419
Loss and loss adjustment expenses paid		
Current year	(6,341)	(6,395)
Prior years	(9,804)	(9,563)
Subtotal	(16,145)	(15,958)
Foreign currency translation adjustments and other changes	(1,184)	(532)
Subtotal	64,873	64,981
Ending balance of discounted loss reserves	(4,041)	(3,969)
As of 30 June	**60,832**	**61,012**

14 – Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS
€ MN

	as of 30 June 2017	as of 31 December 2016
Aggregate policy reserves	436,012	433,610
Reserves for premium refunds	67,391	70,664
Other insurance reserves	1,001	1,048
Total	**504,404**	**505,322**

15 – Other liabilities

OTHER LIABILITIES
€ MN

	as of 30 June 2017	as of 31 December 2016
Payables		
Policyholders	3,976	4,908
Reinsurance	1,990	1,745
Agents	1,491	1,616
Subtotal	7,457	8,269
Payables for social security	408	478
Tax payables		
Income taxes	1,958	1,836
Other taxes	1,847	1,452
Subtotal	3,804	3,287
Accrued interest and rent	588	564
Unearned income	465	440
Provisions		
Pensions and similar obligations	9,047	9,401
Employee related	2,292	2,551
Share-based compensation plans	343	431
Restructuring plans	305	95
Other provisions	1,834	2,121
Subtotal	13,820	14,599
Deposits retained for reinsurance ceded	2,090	2,254
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	145	159
Financial liabilities for puttable equity instruments	2,669	2,894
Other liabilities	8,353	6,922
Total	**39,799**	**39,867**

16 – Certificated and subordinated liabilities

CERTIFICATED AND SUBORDINATED LIABILITIES
€ MN

	as of 30 June 2017	as of 31 December 2016
Senior bonds	6,554	6,574
Money market securities	1,129	1,041
Total certificated liabilities	**7,682**	**7,615**
Subordinated bonds[1]	13,403	13,485
Hybrid equity[2]	45	45
Total subordinated bonds	**13,448**	**13,530**

1_Change due to the issuance of € 1.0 bn and $ 0.6 bn bonds as well as the redemption of a € 1.4 bn bond in the first half-year of 2017.
2_Relates to hybrid equity issued by subsidiaries.

BONDS OUTSTANDING AS OF 30 JUNE 2017

	ISIN	Year of Issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	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
	DE000A2DAHN6	2017	EUR	1,000	3.099%	6 July 2047
	XS1556937891	2017	USD	600	5.100%	30 January 2049
	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
	XS1485742438	2016	USD	1,500	3.875%	Perpetual
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750%	8 July 2041
	DE000A0GNPZ3	2006	EUR	800	5.375%	Perpetual

17 – Equity

EQUITY
€ MN

	as of 30 June 2017	as of 31 December 2016
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1,2]	26,055	27,087
Foreign currency translation adjustments	(1,906)	(762)
Unrealized gains and losses (net)[3]	11,122	11,830
Subtotal	64,198	67,083
Non-controlling interests	2,864	3,052
Total	**67,062**	**70,135**

1_As of 30 June 2017, include € (517) mn (31 December 2016: € (157) mn) related to treasury shares.
2_During the first half year of 2017, Allianz SE purchased for an amount of € 1,638 mn approximately 9.6 million own shares as part of its share-buy-back program announced in February 2017 with a total volume of up to € 3.0 bn. Thereof 7,472,978 own shares in the amount of € 1,271 mn were cancelled by the end of June 2017 without changing the registered capital of Allianz SE.
3_As of 30 June 2017, include € 264 mn (31 December 2016: € 297 mn) related to cash flow hedges.

DIVIDENDS

In the second quarter of 2017, a total dividend of € 3,410 mn (2016: € 3,320 mn) or € 7.60 (2016: € 7.30) per qualifying 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	Consolidation	Group
2017				
Premiums written				
Gross	29,388	12,118	(81)	41,425
Ceded	(2,424)	(300)	81	(2,643)
Net	26,964	11,818	-	38,782
Change in unearned premiums (net)	(3,406)	(232)	-	(3,639)
Premiums earned (net)	**23,557**	**11,585**	**-**	**35,143**
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**

19 – Interest and similar income

INTEREST AND SIMILAR INCOME
€ MN

six months ended 30 June	2017	2016
Dividends from available-for-sale investments	1,227	1,023
Interest from available-for-sale investments	6,731	6,939
Interest from loans to banks and customers	2,131	2,274
Rent from real estate held for investment	459	463
Other	550	416
Total	**11,099**	**11,115**

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	2017	2016
Income from financial assets and liabilities held for trading (net)	1,272	(322)
Income from financial assets and liabilities designated at fair value through income (net)	180	(109)
Income from financial liabilities for puttable equity instruments (net)	(85)	134
Foreign currency gains and losses (net)[1]	(2,322)	(195)
Total	**(954)**	**(491)**

1_These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through income.

21 – Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)
€ MN

six months ended 30 June	2017	2016
REALIZED GAINS		
Available-for-sale investments		
Equity securities	1,379	1,319
Debt securities	2,688	2,972
Subtotal	4,067	4,291
Other	268	581
Subtotal	4,335	4,872
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(271)	(257)
Debt securities	(503)	(469)
Subtotal	(773)	(726)
Other	(33)	(1)
Subtotal	(806)	(728)
Total	**3,529**	**4,144**

22 – Fee and commission income

FEE AND COMMISSION INCOME
€ MN

six months ended 30 June	2017	2016
PROPERTY-CASUALTY		
Fees from credit and assistance business	663	516
Service agreements	249	243
Subtotal	911	759
LIFE/HEALTH		
Service agreements	60	64
Investment advisory	648	615
Subtotal	708	679
ASSET MANAGEMENT		
Management and advisory fees	3,398	3,122
Loading and exit fees	283	231
Performance fees	149	127
Other	15	17
Subtotal	3,845	3,496
CORPORATE AND OTHER		
Service agreements	750	288
Investment advisory and banking activities	388	355
Subtotal	1,138	643
CONSOLIDATION	(1,012)	(471)
Total	**5,591**	**5,107**

23 – 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
2017				
Gross	(16,531)	(10,089)	41	(26,579)
Ceded	975	251	(41)	1,185
Net	**(15,556)**	**(9,838)**	**-**	**(25,394)**
2016				
Gross	(16,419)	(10,416)	39	(26,797)
Ceded	1,258	289	(36)	1,511
Net	**(15,162)**	**(10,127)**	**3**	**(25,286)**

24 – 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
2017				
Gross	(261)	(6,605)	35	(6,832)
Ceded	3	131	-	134
Net	**(258)**	**(6,474)**	**35**	**(6,697)**
2016				
Gross	(256)	(7,371)	(74)	(7,701)
Ceded	3	160	-	163
Net	**(254)**	**(7,211)**	**(74)**	**(7,539)**

25 – Interest expenses

INTEREST EXPENSES
€ MN

six months ended 30 June	2017	2016
Liabilities to banks and customers	(75)	(89)
Deposits retained for reinsurance ceded	(21)	(34)
Certificated liabilities	(119)	(142)
Subordinated liabilities	(315)	(286)
Other	(51)	(55)
Total	**(582)**	**(606)**

26 – Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)
€ MN

six months ended 30 June	2017	2016
Impairments		
Available-for-sale investments		
Equity securities	(333)	(1,175)
Debt securities	(35)	(42)
Subtotal	(368)	(1,217)
Other	(6)	(9)
Non-current assets and assets of disposal groups classified as held for sale	-	(226)
Subtotal	(374)	(1,451)
Reversals of impairments	42	31
Total	**(332)**	**(1,421)**

27 – Investment expenses

INVESTMENT EXPENSES
€ MN

six months ended 30 June	2017	2016
Investment management expenses	(370)	(344)
Expenses from real estate held for investment	(177)	(193)
Expenses from fixed assets of renewable energy investments	(97)	(64)
Total	**(644)**	**(601)**

28 – Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)
€ MN

six months ended 30 June	2017	2016
PROPERTY-CASUALTY		
Acquisition costs	(5,128)	(5,023)
Administrative expenses	(1,611)	(1,469)
Subtotal	(6,739)	(6,492)
LIFE/HEALTH		
Acquisition costs	(2,391)	(2,225)
Administrative expenses	(877)	(899)
Subtotal	(3,267)	(3,123)
ASSET MANAGEMENT		
Personnel expenses	(1,185)	(1,131)
Non-personnel expenses	(767)	(736)
Subtotal	(1,952)	(1,868)
CORPORATE AND OTHER		
Administrative expenses	(692)	(698)
Subtotal	(692)	(698)
CONSOLIDATION	(27)	8
Total	**(12,678)**	**(12,173)**

29 – Fee and commission expenses

FEE AND COMMISSION EXPENSES
€ MN

six months ended 30 June	2017	2016
PROPERTY-CASUALTY		
Fees from credit and assistance business	(663)	(506)
Service agreements	(201)	(199)
Subtotal	(864)	(706)
LIFE/HEALTH		
Service agreements	(34)	(28)
Investment advisory	(315)	(277)
Subtotal	(350)	(305)
ASSET MANAGEMENT		
Commissions	(694)	(637)
Other	(76)	(31)
Subtotal	(769)	(668)
CORPORATE AND OTHER		
Service agreements	(859)	(384)
Investment advisory and banking activities	(168)	(156)
Subtotal	(1,027)	(540)
CONSOLIDATION	838	296
Total	**(2,172)**	**(1,923)**

30 – Income taxes

INCOME TAXES
€ MN

six months ended 30 June	2017	2016
Current income taxes	(1,367)	(1,462)
Deferred income taxes	(217)	156
Total	**(1,585)**	**(1,306)**

For the six months ended 30 June 2017 and 2016, the income taxes on components of other comprehensive income consist of the following:

INCOME TAXES ON COMPONENTS OF OTHER COMPREHENSIVE INCOME
€ MN

six months ended 30 June	2017	2016
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	(50)	(37)
Available-for-sale investments	245	(2,835)
Cash flow hedges	15	(109)
Share of other comprehensive income of associates and joint ventures	1	7
Miscellaneous	146	(12)
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(120)	293
Total	**237**	**(2,694)**

OTHER INFORMATION

31 – 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 2017		as of 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	17,154	17,154	14,463	14,463
Financial assets held for trading	3,297	3,297	2,907	2,907
Financial assets designated at fair value through income	5,157	5,157	5,426	5,426
Available-for-sale investments	511,147	511,147	512,268	512,268
Held-to-maturity investments	2,414	2,778	2,399	2,805
Investments in associates and joint ventures	7,624	9,528	7,161	9,031
Real estate held for investment	11,226	17,981	11,732	18,380
Loans and advances to banks and customers	104,496	120,899	105,369	124,422
Financial assets for unit-linked contracts	115,268	115,268	111,325	111,325
Derivative financial instruments and firm commitments included in other assets	473	473	677	677
FINANCIAL LIABILITIES				
Financial liabilities held for trading	11,073	11,073	11,271	11,271
Liabilities to banks and customers	13,666	13,685	13,038	13,062
Financial liabilities for unit-linked contracts	115,268	115,268	111,325	111,325
Derivative financial instruments and firm commitments included in other liabilities	145	145	159	159
Financial liabilities for puttable equity instruments	2,669	2,669	2,894	2,894
Certificated liabilities	7,682	8,502	7,615	8,530
Subordinated liabilities	13,448	14,668	13,530	14,256

As of 30 June 2017, fair values could not be reliably measured for equity investments whose carrying amounts totaled € 99 mn (31 December 2016: € 100 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 tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 30 June 2017 and 31 December 2016:

FAIR VALUE HIERARCHY (ITEMS CARRIED AT FAIR VALUE)
€ MN

	as of 30 June 2017				as of 31 December 2016			
	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	366	2,918	13	3,297	447	2,451	9	2,907
Financial assets designated at fair value through income	3,966	1,045	145	5,157	4,205	1,043	178	5,426
Subtotal	4,332	3,964	158	8,454	4,652	3,494	187	8,333
Available-for-sale investments								
Corporate bonds	28,800	197,682	14,837	241,319	29,233	201,489	14,152	244,874
Government and government agency bonds	32,937	164,890	555	198,383	33,476	165,099	339	198,914
MBS/ABS	141	20,535	193	20,869	175	20,702	519	21,396
Other	789	1,515	2,675	4,979	783	1,018	2,504	4,305
Equity securities	36,698	781	8,118	45,598	34,169	781	7,829	42,779
Subtotal	99,364	385,404	26,379	511,147	97,836	389,089	25,342	512,268
Financial assets for unit-linked contracts	93,339	21,445	485	115,268	91,071	19,877	377	111,325
Derivative financial instruments and firm commitments included in other assets	-	472	-	473	-	677	-	677
Total	**197,035**	**411,285**	**27,022**	**635,342**	**193,560**	**413,137**	**25,906**	**632,603**
FINANCIAL LIABILITIES								
Financial liabilities held for trading	28	1,302	9,742	11,073	36	1,538	9,697	11,271
Financial liabilities for unit-linked contracts	93,339	21,445	485	115,268	91,071	19,877	377	111,325
Derivative financial instruments and firm commitments included in other liabilities	1	143	-	145	3	156	-	159
Financial liabilities for puttable equity instruments	2,472	53	145	2,669	2,657	92	145	2,894
Total	**95,841**	**22,943**	**10,372**	**129,155**	**93,767**	**21,664**	**10,220**	**125,650**

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 2016. 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. The converse 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 2017	**187**	**17,513**	**7,829**	**377**	**25,906**
Additions through purchases and issues	24	2,604	1,082	149	3,858
Net transfers into (out of) Level 3	(36)	(600)	1	(25)	(660)
Disposals through sales and settlements	105	(692)	(482)	(9)	(1,079)
Net gains (losses) recognized in consolidated income statement	(125)	(8)	13	3	(118)
Net gains (losses) recognized in other comprehensive income	-	219	(74)	-	145
Impairments	-	(18)	(175)	-	(192)
Foreign currency translation adjustments	5	(742)	(70)	(10)	(817)
Changes in the consolidated subsidiaries of the Allianz Group	-	(15)	(6)	-	(21)
Carrying value (fair value) as of 30 June 2017	**158**	**18,260**	**8,118**	**485**	**27,022**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	(9)	(79)	-	3	(85)

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 2017	**9,697**	**377**	**145**	**10,220**
Additions through purchases and issues	505	149	-	654
Net transfers into (out of) Level 3	(1)	(25)	-	(26)
Disposals through sales and settlements	(427)	(9)	-	(437)
Net gains (losses) recognized in consolidated income statement	727	3	-	730
Net gains (losses) recognized in other comprehensive income	-	-	-	-
Impairments	-	-	-	-
Foreign currency translation adjustments	(759)	(10)	-	(769)
Changes in the consolidated subsidiaries of the Allianz Group	-	-	-	-
Carrying value (fair value) as of 30 June 2017	**9,742**	**485**	**145**	**10,372**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date	676	3	-	678

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 26.

32 – Other information

CONTINGENT LIABILITIES AND COMMITMENTS

As of 30 June 2017, there were no significant changes in contingent liabilities, compared to the consolidated financial statements for the year ended 31 December 2016.

As of 30 June 2017, outstanding commitments to invest in private equity funds and similar financial instruments amounted to € 11,175 mn (31 December 2016: € 9,640 mn) and outstanding commitments to invest in real estate and infrastructure amounted to € 5,369 mn (31 December 2016: € 3,979 mn). All other commitments showed no significant changes.

33 – Subsequent events

ALLIANZ AND LIVERPOOL VICTORIA TO LAUNCH JOINT VENTURE IN THE UNITED KINGDOM PERSONAL INSURANCE MARKET

Liverpool Victoria (LV=) will receive £ 500 mn from Allianz in exchange for a 49 percent stake in Liverpool Victoria General Insurance (LV= GI). The new, long-term joint venture LV= GI, will acquire Allianz’s personal home and motor insurer’s renewal rights while Allianz will obtain LV= GI’s commercial insurer’s renewal rights. The first stage of the transaction is expected to close during the second half of 2017. The second stage of the transaction will take place in 2019 and will see Allianz pay £ 213 mn for a further 20.9 percent stake in LV= GI through an agreed, forward purchase, based on a total valuation of £ 1.020 bn for 100 percent of LV= GI. Both stages are subject to regulatory approvals.

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FURTHER INFORMATION

C

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 for the remaining months of the financial year.

Munich, 3 August 2017

Allianz SE
The Board of Management

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 1 January to 30 June 2017, 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, 3 August 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Independent Auditor)

Andreas Dielehner
Wirtschaftsprüfer
(Independent Auditor)

Financial calendar

Important dates for shareholders and analysts[1]

Financial Results 3Q	10 November 2017
Financial Results 2017	16 February 2018
Annual Report 2017	9 March 2018
Annual General Meeting	9 May 2018
Financial Results 1Q	15 May 2018
Financial Results 2Q/Interim Report 6M	3 August 2018
Financial Results 3Q	9 November 2018

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 financial-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 – Front page design: hw.design GmbH – Date of publication: 4 August 2017
This is a translation of the German Interim Report of Allianz Group. In case of any divergences, the German original is legally binding.