FIRST HALF-YEAR 2018

ALLIANZ GROUP
INTERIM REPORT 2018

Allianz

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

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

CONTENT

Disclaimer regarding roundings

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

Guideline on Alternative Performance Measures

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

INTERIM GROUP MANAGEMENT REPORT

A

EXECUTIVE SUMMARY

KEY FIGURES

Key figures Allianz Group[1]

Six months ended 30 June		2018	2017	Delta
Total revenues[2]	€ mn	67,350	66,218	1,132
Operating profit[3]	€ mn	5,753	5,860	(107)
Net income[3]	€ mn	4,025	4,013	13
thereof: attributable to shareholders	€ mn	3,830	3,810	20
Solvency II capitalization ratio[4]	%	230	229	1 %-p
Return on equity[5]	%	13.8	11.8	2.0 %-p
Earnings per share	€	8.86	8.45	0.41
Diluted earnings per share	€	8.78	8.44	0.34

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT

Overall, the world economy remains in fairly good shape. However, growth momentum in some major economies showed signs of cooling down at least temporarily in the first months of this year. In the Eurozone, while the economic upswing continued in the first half of 2018, the growth momentum could no longer match last year's very pronounced growth dynamic. Meanwhile in the United States, following a subdued start to the year 2018, the economy picked up speed again in the second quarter, mostly driven by private consumption. In the emerging market world, economic performance in Latin America was somewhat disappointing, while emerging Asia continued to benefit from stable growth in China.

The first half of 2018 was characterized by continued political uncertainty. The trade conflict with the United States intensified, contributing to a deterioration in economic sentiment in some regions. In Italy, political risk increased with regard to the new anti-establishment government. Following a prolonged period of very low market volatility, stock markets experienced a spike in volatility in February when the wage growth and inflation figures released in the United States turned out higher than expected. On the monetary policy front, the European Central Bank announced in June that it would phase out its bond purchasing program at the end of 2018 – provided that the economy performs in line with its expectations. As of October, the monthly purchase volume will be reduced from € 30 bn to € 15 bn. In the United States, the Federal Reserve continued to normalize its monetary policy stance. It increased the federal funds rate range twice by 25 basis points, bringing it to a range of 1.75 % to 2 %, while continuing its balance sheet normalization program.

Yields on 10-year German government bonds closed the month of June at 0.31 %, 12 basis points below the level reached at the end of 2017. Spreads on Eurozone government bonds moved more or less sideways in the first half of 2018, with Italy as one major exception. Spreads on Italian government bonds widened substantially by 73 basis points on the back of heightened political uncertainty. Major stock markets around the globe registered losses, with downward corrections being most pronounced in emerging market economies. The U.S. Dollar-to-Euro exchange rate was subject to significant fluctuations in the first half of this year. Following an appreciation in early 2018, the Euro started to weaken against the U.S. Dollar in mid-April. This depreciation more than compensated for the appreciation at the beginning of the year; at the end of June 2018 the U.S. Dollar-to-Euro exchange rate was 1.17 (end of 2017: 1.20).

Despite the higher market volatility and continued suppression of yields, there was also some unexpected relief for the insurance industry: Insured losses due to natural catastrophes were significantly lower than usual, at least at the global level. In Europe and the United States, however, winter storms caused relatively high losses.

The high volatility of global capital market indices also muted the long-term flows in the asset management industry at a global level. After a strong start, long-term net inflows significantly diminished in the United States and Europe, dipping into negative territory in some months. In the United States, taxable bond flows, both passive and active, remained strong throughout the first half of 2018 while there was a trend towards de-risking with outflows in high-yield and emerging-market bonds and trending into very short-duration fixed-income and core intermediary bonds. Overall, long-term flows into passive products in the United States continue to strongly outpace flows into active. In Europe, passive have shown much higher organic growth rates than active; however, in absolute terms, flows into actively managed funds continue to dominate.

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_2017 figures as of 31 December 2017, 2018 figures as of 30 June 2018. Risk capital figures are group diversified at 99.5 % confidence level.
5_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 the end of the period. Annualized figures are not a forecast for full year numbers. For 2017, the return on equity for the full year is shown.

MANAGEMENT'S ASSESSMENT

Our total revenues grew 1.7 %, in the first half of 2018 – an increase of 5.6 % on an internal basis[1], compared to the same period of the previous year, with all business segments registering strong growth.

Our operating investment result declined by € 1,114 mn to € 10,969 mn compared to the more favorable first half-year of 2017. We recorded higher impairments, mostly on equities, particularly in the first quarter of 2018 when there was a downturn of major equity markets. In addition, low reinvestment yields led to a decline in income from debt securities; also, operating realized gains/losses (net) decreased as a result of lower debt realizations.

Our operating profit decreased due to a lower investment margin in our U.S. Life/Health business – a result of normalized market conditions and unfavorable foreign currency translation effects – as well as a lower operating result in our Corporate and Other business segment. The segment had benefited from a positive impact in the prior year related to the adapted cost allocation scheme for the pension provisions. Both our Asset Management business segment and our Property-Casualty business segment saw an increase in operating profit: Asset Management enjoyed higher assets under management (AuM)-driven revenues, mainly due to growth in average third-party AuM. For Property-Casualty, the key driver was a higher underwriting result.

Our non-operating result worsened by € 125 mn, resulting in a loss of € 388 mn. A negative impact from the sale of our traditional life insurance portfolio in Taiwan was partially offset by lower restructuring charges.

Income taxes decreased by € 244 mn to € 1,340 mn, driven by the U.S. tax reform and the reduction in pretax income. The effective tax rate dropped to 25.0 % (28.3 %).

The decrease in income taxes offset the lower operating profit and non-operating result, leading to an overall stable net income.

Our shareholders' equity[2] decreased by € 5.3 bn to € 60.3 bn. Of this decrease, € 3.4 bn was attributable to the dividend payout and € 2.0 bn to the second share buy-back program announced in November 2017: In the course of the first half-year of 2018, Allianz SE purchased 10.4 million own shares.[3] Over the same period, our Solvency II capitalization ratio rose to 230 %.

For a more detailed description of the results generated by our business segments – Property-Casualty insurance operations, Life/Health insurance operations, Asset Management, and Corporate and Other – please consult the respective chapters on the following pages.

Risk and opportunity management

In our Annual Report 2017, we have described our risk and opportunity 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.

Other information

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2018 and 1 April 2018, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. Middle East and Africa were reallocated to the reportable segment Global Insurance Lines & Anglo Markets, Middle East and Africa. The reportable segment Iberia & Latin America was combined with the reportable segment Allianz Partners to form the reportable segment Iberia & Latin America and Allianz Partners. 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 that forms part of our Annual Report 2017. 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 2017.

ALLIANZ GROUP AND BUSINESS SEGMENTS

The Allianz Group operates and manages its activities through the four business segments 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 2017.

1_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.
2_For further information on shareholders' equity, please refer to page 14 of the Balance Sheet Review chapter.
3_For further information on the share buy-back program, please refer to note 17 to the condensed consolidated interim financial statements.

PROPERTY-CASUALTY INSURANCE OPERATIONS

KEY FIGURES

Key figures Property-Casualty[1]

Six months ended 30 June		2018	2017	Delta
Gross premiums written	€ mn	29,984	29,388	595
Operating profit	€ mn	2,729	2,705	24
Net income	€ mn	2,244	2,070	174
Loss ratio[2]	%	66.4	66.0	0.3 %-p
Expense ratio[3]	%	28.0	28.6	(0.6) %-p
Combined ratio[4]	%	94.4	94.6	(0.2) %-p

Gross premiums written[5]

On a nominal basis, we recorded an increase of 2.0% in **gross premiums written** compared to the first six months of the previous year. This includes unfavorable foreign currency translation effects of € 1,157 mn[6] and positive (de)consolidation effects of € 22 mn. Further, our premiums went up 5.9% on an internal basis, driven by a positive volume effect of 4.3% and a positive price effect of 1.6%.

The following operations contributed positively to internal growth:

AGCS: Gross premiums increased to € 4,371 mn – up 16.9% on an internal basis. Much of this was a result of positive volume effects at Allianz Risk Transfer.

Germany: Gross premiums amounted to € 6,521 mn, an internal growth of 4.3%. It was mainly due to positive volume effects in our motor and commercial property insurance business and in our APR business (accident insurance with premium refunds).

Allianz Partners: Gross premiums grew to € 2,768 mn – an increase of 5.5% on an internal basis. It was owed to positive volume effects at Worldwide Care and our U.S. travel business.

In the first six months of 2018, there were no operations with a significant negative contribution to internal growth.

1_For further information on Property-Casualty figures, please refer to note 4 to the condensed consolidated interim financial statements.
2_Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3_Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4_Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
5_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.
6_Based on the average exchange rates in 2018 compared to 2017.

Operating profit

Operating profit
€ mn

Six months ended 30 June	2018	2017	Delta
Underwriting result	1,185	1,136	49
Operating investment income (net)	1,482	1,490	(8)
Other result[1]	62	79	(17)
Operating profit	**2,729**	**2,705**	**24**

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

Our **operating profit** increased slightly, compared to the same period of the previous year. Although we registered higher claims from natural catastrophes than we had in the benign prior year, our **underwriting result** increased, driven by profitability and efficiency improvements across our operating entities. Our investment result remained relatively stable compared to the previous year.

A strong improvement on the expense side was offset by higher claims when compared to the previous year. In addition, we saw a small improvement in our run-off result. Overall, our **combined ratio** improved by 0.2 percentage points to 94.4%.

Underwriting result
€ mn

Six months ended 30 June	2018	2017	Delta
Premiums earned (net)	23,742	23,557	185
Accident year claims	(16,572)	(16,326)	(246)
Previous year claims (run-off)	813	770	43
Claims and insurance benefits incurred (net)	(15,759)	(15,556)	(203)
Acquisition and administrative expenses (net)	(6,657)	(6,739)	82
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(142)	(127)	(15)
Underwriting result	**1,185**	**1,136**	**49**

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**[7] stood at 69.8% – a 0.5 percentage point deterioration compared to the first half of last year. In the first six months of this year, losses from natural catastrophes were higher than in the same period of 2017, increasing the impact on our combined ratio by 0.9 percentage points, from 1.1% to 2.0%.

Excluding losses from natural catastrophes, our accident year loss ratio improved to 67.8%. This was mainly due to profitability improvements across the Allianz Group.

7_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: 0.4 percentage points. This was driven by an improvement in small and medium claims.

Australia: 0.3 percentage points. The improvement resulted from positive price effects and better loss experience in our short-tail business.

Italy: 0.1 percentage points. The accident year loss ratio benefited from a decrease in severity of losses in our motor insurance business as well as from lower claims from weather-related events.

The following operations weighed on the development of our accident year loss ratio:

Germany: 0.8 percentage points due to storms, mainly Friederike in 2018, with losses from natural catastrophes of more than double the amount recorded in the same period of 2017.

France: 0.3 percentage points. The deterioration resulted from higher losses from storms and floods in the first half of 2018.

Reinsurance: 0.2 percentage points. This was driven by the higher natural catastrophe environment than in the first half of 2017.

Our positive run-off result amounted to € 813 mn, compared to € 770 mn in the first half-year of 2017. This translates into a run-off ratio of 3.4 %, which is slightly higher than the 3.3 % we saw in the prior year. The previous year had been impacted by the Ogden rate change, which adversely affected our Reinsurance, United Kingdom, and Ireland operations.

Total expenses amounted to € 6,657 mn in the first half of 2018, compared to € 6,739 mn in the same period of 2017. Our expense ratio decreased by 0.6 percentage points, benefiting from lower acquisition as well as lower administrative expenses.

Operating investment income (net)
€ mn

Six months ended 30 June	2018	2017	Delta
Interest and similar income (net of interest expenses)	1,671	1,708	(37)
Operating income from financial assets and liabilities carried at fair value through income (net)	(19)	(51)	32
Operating realized gains (net)	92	152	(61)
Operating impairments of investments (net)	(28)	(6)	(22)
Investment expenses	(183)	(183)	1
Expenses for premiums refunds (net)[1]	(51)	(131)	80
Operating investments income (net)[2]	**1,482**	**1,490**	**(8)**

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) remained relatively stable in the first six months of 2018. We recorded lower interest and similar income; much of this deterioration was attributable to debt securities as a result of lower volumes and the low-yield environment. The decline was partially offset by higher income from equities.

Other result
€ mn

Six months ended 30 June	2018	2017	Delta
Fee and commission income	868	911	(44)
Other income	1	32	(31)
Fee and commission expenses	(806)	(864)	58
Other expenses	(1)	-	-
Other result	**62**	**79**	**(17)**

Our other result decreased, as the prior year had included higher realized gains from the sale of real estate held for own use by our Italian subsidiary. This could only partially be offset by a higher net fee and commission result generated by Allianz Partners.

Net income

Net income increased, mainly because lower restructuring charges and higher realized gains resulted in a higher non-operating result.

LIFE/HEALTH INSURANCE OPERATIONS

KEY FIGURES

Key figures Life/Health[1]

Six months ended 30 June		2018	2017	Delta
Statutory premiums[2]	€ mn	34,229	33,619	610
Operating profit	€ mn	2,144	2,282	(138)
Net income	€ mn	1,322	1,611	(289)
Return on equity[3]	%	10.9	12.1	(1.2) %-p

Statutory premiums[4]

On a nominal basis, statutory premiums increased by 1.8 % in the first half of 2018. This includes unfavorable foreign currency translation effects of € 996 mn and negative (de-)consolidation effects of € 39 mn. On an internal basis[4], statutory premiums increased by € 1,645 mn – or 4.9 % – to € 35,225 mn.

In the German life business, statutory premiums rose to € 10,876 mn, an increase of 7.6 % 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. In the German health business, statutory premiums went up to € 1,729 mn, a 3.3 % growth on an internal basis, driven by the acquisition of new customers in supplementary health care coverage.

Statutory premiums in the United States amounted to € 4,627 mn, up 1.8 % on an internal basis. This was caused by an increase in sales of non-traditional variable annuities which was partly offset by declined fixed-indexed annuity sales.

In Italy, statutory premiums rose to € 5,682 mn, an increase of 1.9 % on an internal basis. This was predominantly due to a higher volume of recurring premiums from our in-force business, partially offset by a decrease in traditional life business.

In France, statutory premiums stood at € 4,081 mn. The decrease – 1.6 % on an internal basis – was largely due to a drop in guaranteed savings & annuities, partly compensated by sales of unit-linked-without-guarantee products.

In the Asia-Pacific region, statutory premiums went up to € 2,961 mn, a 27.5 % rise on an internal basis. It was largely attributable to a sales increase for unit-linked products in Taiwan and traditional products in China.

Present value of new business premiums (PVNBP)[5]

Our PVNBP increased by € 989 mn to € 31,423 mn, which mainly resulted from the higher sales of capital-efficient products in the German life business and our unit-linked insurance products without guarantees in Taiwan. This was partly offset by a sales decline of unit-linked products in Italy. 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	2018	2017	Delta
Guaranteed savings & annuities	17.8	23.6	(5.7)
Protection & health	17.3	16.7	0.6
Unit-linked without guarantee	27.2	26.1	1.1
Capital-efficient products	37.7	33.6	4.1
Total	**100.0**	**100.0**	**-**

Operating profit

OPERATING PROFIT BY PROFIT SOURCES[6]

Operating profit by profit sources
€ mn

Six months ended 30 June	2018	2017	Delta
Loadings and fees	3,002	2,949	53
Investment margin	1,922	2,082	(161)
Expenses	(3,395)	(3,349)	(45)
Technical margin	627	549	78
Impact of changes in DAC	(11)	52	(63)
Operating profit	**2,144**	**2,282**	**(138)**

Our operating profit decreased as a result of normalized market conditions and unfavorable foreign currency translation effects mainly in the United States. This was partly offset by a higher investment margin in Germany and higher income from unit-linked business in Italy and Taiwan.

1_For further information on 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_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 2017, the return on equity for the full year is shown.
4_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.
5_PVNBP before non-controlling interests.
6_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.

LOADINGS AND FEES[1]

Loadings and fees

€ mn

Six months ended 30 June	2018	2017	Delta
Loadings from premiums	1,933	1,916	17
Loadings from reserves	726	720	6
Unit-linked management fees	343	313	30
Loadings and fees	**3,002**	**2,949**	**53**
Loadings from premiums as % of statutory premiums	5.6	5.7	(0.1)
Loadings from reserves as % of average reserves [1,2]	0.1	0.1	-
Unit-linked management fees as % of average unit-linked reserves[2,3]	0.2	0.2	-

1_Aggregate policy reserves and unit-linked reserves.
2_Yields are pro rata.
3_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 Italy. **Unit-linked management fees** also rose, predominantly in Italy and Taiwan, as a result of increased assets under management.

INVESTMENT MARGIN[2]

Investment margin

€ mn

Six months ended 30 June	2018	2017	Delta
Interest and similar income	8,927	9,056	(129)
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,127)	(965)	(161)
Operating realized gains/losses (net)	2,652	2,916	(263)
Interest expenses	(50)	(49)	(1)
Operating impairments of investments (net)	(743)	(255)	(488)
Investment expenses	(650)	(609)	(42)
Other[1]	90	271	(181)
Technical interest	(4,365)	(4,401)	35
Policyholder participation	(2,813)	(3,882)	1,069
Investment margin	**1,922**	**2,082**	**(161)**
Investment margin in basis points[2,3]	44.1	49.3	(5.2)

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_Investment margin divided by the average of current end-of-period and previous end-of-period aggregate policy reserves.
3_Yields are pro rata.

Our **investment margin** decreased, largely due to negative foreign currency impacts in the United States. In addition, the prior period results benefited from favorable market conditions for the variable annuities business in the United States. Higher equity impairments and lower realizations on debt securities mainly in the German life business, after the sale of Italian government bonds has resulted in an elevated level in 2017, further contributed to the decrease in the investment margin. This was largely offset by the lower policyholder participation.

1_Loadings and fees include premium and reserve based fees, unit-linked management fees, and policyholder participation in expenses.

2_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).

EXPENSES[1]

Expenses
€ mn

Six months ended 30 June	2018	2017	Delta
Acquisition expenses and commissions	(2,494)	(2,451)	(43)
Administrative and other expenses	(901)	(898)	(2)
Expenses	**(3,395)**	**(3,349)**	**(45)**
Acquisition expenses and commissions as % of PVNBP[1]	(7.9)	(8.1)	0.1
Administrative and other expenses as % of average reserves[2, 3]	(0.2)	(0.2)	-

1_PVNBP before non-controlling interests.
2_Aggregate policy reserves and unit-linked reserves.
3_Yields are pro rata.

Our acquisition expenses and commissions increased in line with the sales growth mainly recorded in our German life business and in Taiwan. In addition, we recorded higher production in the more expensive bancassurance channel in Italy.

Administrative and other expenses remained stable, also in relation to reserves.

TECHNICAL MARGIN[2]

Our technical margin went up, as the first half of 2017 was negatively impacted by one-off reserve adjustments predominantly in Spain.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)[3]

Impact of change in DAC
€ mn

Six months ended 30 June	2018	2017	Delta
Capitalization of DAC	858	866	(8)
Amortization, unlocking and true-up of DAC	(869)	(814)	(55)
Impact of change in DAC	**(11)**	**52**	**(63)**

The impact of change in DAC turned slightly negative. A one-off DAC adjustment in the United States had a positive effect on the 2017 result.

OPERATING PROFIT BY LINES OF BUSINESS

Operating profit by lines of business
€ mn

Six months ended 30 June	2018	2017	Delta
Guaranteed savings & annuities	1,091	1,216	(125)
Protection & health	465	457	8
Unit-linked without guarantee	208	185	23
Capital-efficient products	381	425	(44)
Operating profit	**2,144**	**2,282**	**(138)**

The operating profit in our guaranteed savings & annuities line of business dropped, which was mainly due to a normalization of results in our traditional variable annuity business in the United States after the favorable market conditions in the first six months of 2017. The slightly higher operating profit in the protection & health line of business was most due to a higher investment margin in Spain. Our operating profit in the unit-linked without guarantee line of business went up, which was largely driven by higher unit-linked fees in Italy and Taiwan. A decrease in operating profit in the capital-efficient products line was mainly attributable to lower investment margin in the United States as a result of unfavorable foreign currency effects.

Net income

The decrease in our net income was largely attributable to the sale of our traditional life insurance portfolio in Taiwan, which had a negative net impact of € 218 mn.

Return on equity

Our return on equity decreased by 1.2 percentage points to 10.9%, predominantly due to the drop in our net income.

1_Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.
2_The 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.
3_"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.

ASSET MANAGEMENT

KEY FIGURES

Key figures Asset Management[1]

Six months ended 30 June		2018	2017	Delta
Operating revenues	€ mn	3,257	3,114	143
Operating profit	€ mn	1,247	1,156	91
Cost-income ratio[2]	%	61.7	62.9	(1.2) %-p
Net income	€ mn	934	735	199
Total assets under management as of 30 June[3]	€ bn	1,993	1,960	32
thereof: Third-party assets under management as of 30 June[3]	€ bn	1,464	1,448	17

Assets under management

Composition of total assets under management
€ bn

Type of asset class	As of 30 June 2018	As of 31 December 2017	Delta
Fixed income	1,560	1,553	7
Equities	164	164	-
Multi-assets[1]	165	163	2
Other[2]	104	81	23
Total	**1,993**	**1,960**	**32**

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[4] of **total assets under management** (AuM) amounted to € 2 bn for the first half of the year. Third-party AuM net inflows were at € 12 bn, due to a strong first quarter of 2018. Almost all of the first half-year's third-party AuM net inflows are attributable to PIMCO, where we recorded € 11 bn, and came from the American and Asia-Pacific regions. AllianzGI also recorded third-party AuM net inflows (€ 0.4 bn) in a difficult business environment.

In the first half-year of 2018, total AuM were negatively impacted by effects from Market and Dividends[5] amounting to € 27 bn – due to PIMCO and mainly related to fixed-income assets.

Positive effects from consolidation, deconsolidation, and other adjustments added € 24 bn to total AuM. This is mainly related to the onboarding of Allianz Capital Partners (ACP), which was transferred from the Corporate and Other business segment to the Asset Management business segment (AllianzGI) as of 1 January 2018, adding Allianz Group assets of € 23 bn.

Favorable foreign currency translation effects amounted to € 33 bn. As these more than offset the negative effects from Market and Dividends, total AuM increased by 1.7 % compared to the year-end 2017 reaching the highest quarter-end level ever.

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

As of 30 June 2018, the share of third-party AuM by business unit remained stable: 76.9 % were attributable to PIMCO (31 December 2017: 76.8 %), 23.1 % to AllianzGI (31 December 2017: 23.2 %).

The shares in asset classes also remained stable overall: Fixed-income assets rose slightly from 76.4 % to 76.6 % over the first half-year, equities were at 9.3 %, multi-assets at 10.3 %, and other at 3.8 %. (31 December 2017: 9.4 %, 10.2 % and 4.0 %, respectively).

The shares in third-party assets of both mutual funds and separate accounts[6] were quite steady compared to year-end 2017, with mutual funds at 60.1 % (31 December 2017: 59.4 %) and separate accounts at 39.9 % (31 December 2017: 40.6 %).

As for the regional allocation of third-party AuM[7], shares shifted slightly towards America (54.6 %), while Europe's share declined (33.8 %) and that of the Asia-Pacific region remained roughly stable (11.7 %) (31 December 2017: 53.4 %, 35.1 % and 11.5 %, respectively). The shift was primarily driven by positive foreign exchange effects and third-party AuM net inflows in the American region.

The overall three-year rolling investment performance[8] of our Asset Management business declined slightly over the first half of 2018, with 89 % of third-party assets outperforming their respective benchmarks (31 December 2017: 91 %). The decline was driven by both PIMCO's and AllianzGI's three-year rolling investment performance, which went down from 95 % to 93 % and from 75 % to 67 %, respectively.

1_For further information on Asset Management figures, please refer to note 4 to the condensed consolidated interim financial statements.
2_Represents operating expenses divided by operating revenues.
3_2017 figure as of 31 December 2017.
4_Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment – withdrawals of assets from, and termination of, client accounts and distributions to investors.
5_Market and Dividends represents current income earned on, and changes in the fair value of, securities held in client accounts. It also includes dividends from net investment income and from net realized capital gains to investors of open ended mutual funds and of closed end funds.
6_Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).
7_Based on the location of the asset management company.
8_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 4.6 % – a 10.9 % plus on an internal basis[1]. The inclusion of ACP added € 78 mn net revenues in the first half of 2018.

We recorded higher **performance fees,** due to an increase in AllianzGI's fees, due to operating-profit-neutral carried interest from ACP.

Other net fee and commission income rose, driven by increased average third-party AuM at PIMCO and an increase in third-party AuM-driven margins mainly due to a more favorable asset mix.

Other operating revenues decreased, which was largely due to favorable foreign currency translation effects in the first half of 2017.

Operating profit

Our **operating profit** increased by 7.9 % on a nominal basis and 17.3 % on an internal basis[1], driven by growth in revenues due to higher margins and higher average third party AuM.

The increase in **administrative expenses** resulted mainly from higher personnel expenses at AllianzGI, particularly due to a mostly operating-profit-neutral rise associated with the ACP transfer.

Our **cost-income ratio** improved by 1.2 percentage points, despite the inclusion of ACP, as revenue growth outpaced the increase in expenses.

Asset Management business segment information
€ mn

Six months ended 30 June	2018	2017	Delta
Performance fees	166	149	17
Other net fee and commission income	3,083	2,926	157
Other operating revenues	7	38	(31)
Operating revenues	3,257	3,114	143
Administrative expenses (net), excluding acquisition-related expenses	(2,010)	(1,958)	(52)
Operating expenses	(2,010)	(1,958)	(52)
Operating profit	**1,247**	**1,156**	**91**

Net income

The increase in our **net income** was driven by the higher operating profit as well as a lower effective tax rate due to the U.S. tax reform.

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	2018	2017	Delta
Operating revenues	1,320	1,680	(359)
Operating expenses	(1,698)	(1,945)	246
Operating result	(378)	(265)	(113)
Net income (loss)	(481)	(456)	(25)

Key figures reportable segments

€ mn

Six months ended 30 June	2018	2017	Delta
HOLDING & TREASURY			
Operating revenues	905	1,044	(139)
Operating expenses	(1,347)	(1,387)	40
Operating result	(442)	(343)	(99)
BANKING			
Operating revenues	333	519	(186)
Operating expenses	(304)	(462)	158
Operating result	29	57	(28)
ALTERNATIVE INVESTMENTS			
Operating revenues	87	121	(33)
Operating expenses	(53)	(100)	47
Operating result	35	20	14

1_Consolidation included. For further information on Corporate and Other figures, please refer to note 4 to the condensed consolidated interim financial statements.

Earnings summary

In the Corporate and Other business segment, our **operating result** deteriorated over the first half-year, as improvements in Alternative Investments were more than offset by a decline in Holding & Treasury and Banking.

Our **net loss** increased slightly: While we did record a higher non-operating investment result, it could not fully offset the deterioration in our operating result and the higher restructuring charges we faced.

In **Holding & Treasury,** the deterioration of our operating result was mainly driven by the absence of a positive impact of € 148 mn recorded in the previous year's period, related to the adapted cost allocation scheme for the pension provisions.

The reportable segment **Banking** also registered a lower operating result, largely due to the disposal of Oldenburgische Landesbank AG in the first quarter of 2018.

Alternative Investments generated a higher operating result compared to last year's period, much of which resulted from an increase in interest and similar income.

OUTLOOK

Economic outlook[1]

Prospects for the world economy remain favorable overall in mid-year 2018. Nevertheless, political and economic risks have increased, in particular with regard to rising trade tensions. However, we do not expect any noticeable intensification of protectionist measures at the global level. Helped by the expansionary fiscal policy, we expect the U.S. economy to grow by 2.9 % in real terms in 2018. In the Eurozone, GDP growth is likely to exceed 2% again in 2018. Apart from the favorable global backdrop, ongoing support from the European Central Bank's loose monetary policy coupled with a somewhat looser fiscal policy should underpin the economic recovery. As in 2017, emerging-market economies are expected to grow by close to 5%. Asian emerging markets continue to benefit from stable growth in China. The Eastern European countries meanwhile continue to capitalize on the ongoing upturn in the Eurozone. Latin America is lagging behind a bit, mainly because of growth disappointments in Argentina and Brazil. All in all, global output is expected to increase by 3.3 % in 2018.

The uncertain global political environment bears the potential for higher financial market volatility. One example of this is the widening of spreads on Italian government bonds in the context of the formation of the new government in the second quarter of 2018. Turning to monetary policy, we expect the Federal Reserve to proceed with the normalization of its monetary policy stance. Two further rate hikes over the course of 2018 look realistic. In addition, the Federal Reserve will continue to rein in its balance sheet moderately. In the Eurozone, the European Central Bank is expected to terminate its monthly bond purchasing program by the end of 2018, after a further reduction of the monthly volume to € 15 bn as of October 2018. No key interest rate hikes are expected before summer 2019. Modestly rising yields on 10-year U.S. government bonds, the good economic situation in the Eurozone, and gradually rising inflation rates are likely to influence investors' interest rate expectations and exert upward pressure on European benchmark bond yields. For 10-year German government bonds, we see yields modestly climbing to slightly below 1% until the end of 2018; yields on 10-year U.S. government bonds may end the year at about 3.3 %. While the ongoing Federal Reserve rate-hiking cycle will weigh on the Euro, the solid recovery in the Eurozone will act as a support factor. We expect the Dollar-to-Euro exchange rate to close the year at about 1.10 (2017: 1.20).

Insurance industry outlook

Our outlook for 2018 remains largely unchanged, although we are now a little more cautious than at the start of the year. While higher global economic activity supports top-line growth, increased market volatility and suppressed yields continue to put pressure on investment income. Further strain on the bottom line is exerted by the unabated need to build new digital business models.

In the **property-casualty sector,** the specter of a trade conflict puts premium growth at risk. However, as long as trade disputes remain contained, the impact on overall economic activity is manageable. In that case, against the backdrop of an ongoing recovery and increasing inflation, global premium should continue to grow.

In the **life sector,** global premium growth is mainly driven by Asian emerging markets and in particular by China. With no signs that economic growth falters in the latter, demand for life products will continue to expand strongly in these markets. By contrast, premium growth in mature markets will remain rather moderate, although the ongoing transformation of the business towards more customer-oriented products should help to revive demand. All in all, we expect global premium revenues to increase.

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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

Our global economic outlook remains positive overall. In addition, we expect central banks to gradually move further away from accommodative monetary policies, especially in the United States. We therefore expect a more modest capital market contribution to AuM growth. This may weigh on net inflows in certain asset classes while creating opportunities in other areas. For example, investors may look to further de-risk into bonds as yields become more attractive. Furthermore, bonds continue to be particularly interesting for the growing number of retirees in developed countries, as well as for liability-driven investors looking for a stable stream of income.

The industry's profitability remains under pressure from both continuous flows into passive products and rising distribution costs. At the same time, advanced analytics and digital channels are expected to continue gaining prominence, as is the trend from traditional towards alternative and solution-oriented products.

Further consolidation across the industry is expected to continue, as in order to pursue growth it is vital for asset managers to keep sufficient business volumes, ensure efficient operations, and maintain strong investment performance.

Outlook for the Allianz Group

We are on track to meet the 2018 Allianz Group operating profit outlook of € 11.1 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.

Cautionary note regarding forward-looking statements

The statements contained herein may include prospects, statements of future expectations, and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance, or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates, including the Euro/U.S. Dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national, and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

No duty to update

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

BALANCE SHEET REVIEW

Shareholders' equity[1]

Shareholders' equity
€ mn

	As of 30 June 2018	As of 31 December 2017	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	-
Retained earnings	25,090	27,199	(2,109)
Foreign currency translation adjustment	(2,694)	(2,749)	55
Unrealized gains and losses (net)	8,958	12,175	(3,217)
Total	**60,282**	**65,553**	**(5,271)**

A major share of the decrease in shareholders' equity – € 5,271 mn – was attributable to a dividend payout in May 2018 (€ 3,428 mn) as well as to the second share buy-back program[2], which we carried out between January and May of this year (€ 2,000 mn). In addition, a decline in unrealized gains – mainly from debt securities – decreased the shareholders' equity by € 3,217 mn. The overall decline could only partly be offset by the net income attributable to shareholders, amounting to € 3,830 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 2018	As of 31 December 2017	Delta
Eligible own funds	€ bn	75.4	76.4	(1.0)
Capital requirement	€ bn	32.7	33.3	(0.6)
Capitalization ratio	%	230	229	1 %-p

The Solvency II capitalization ratio increased from 229% to 230% over the first six months of 2018. This slight increase was driven by a positive effect of operating Solvency II earnings, mostly offset by regulatory changes, capital management and management actions.

1_This does not include non-controlling interests of € 2,360 mn and € 3,049 mn as of 30 June 2018 and 31 December 2017, 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 69 in the Allianz Group Annual Report 2017.

Total assets and total liabilities

As of 30 June 2018, total assets amounted to € 896.7 bn (€ 4.6 bn less than at year-end 2017). Total liabilities were € 834.1 bn, representing a rise of € 1.4 bn compared to year-end 2017.

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 2018	As of 31 December 2017	Delta	As of 30 June 2018	As of 31 December 2017	Delta
Type of investment	€ bn	€ bn	€ bn	%	%	%-p
Debt instruments; thereof:	**575.6**	**576.1**	**(0.5)**	**86.1**	**86.7**	**(0.6)**
Government bonds	213.3	213.6	(0.2)	37.1	37.1	-
Covered bonds	78.2	83.0	(4.7)	13.6	14.4	(0.8)
Corporate bonds (excl. banks)	198.0	195.6	2.4	34.4	34.0	0.4
Banks	30.1	30.6	(0.4)	5.2	5.3	(0.1)
Other	55.9	53.4	2.5	9.7	9.3	0.4
Equities	**64.4**	**60.2**	**4.2**	**9.6**	**9.1**	**0.6**
Real estate	**11.6**	**11.4**	**0.1**	**1.7**	**1.7**	**-**
Cash/other	**17.0**	**16.7**	**0.3**	**2.6**	**2.5**	**-**
Total	**668.6**	**664.4**	**4.1**	**100.0**	**100.0**	**-**

Compared to year-end 2017, our overall asset allocation remained almost unchanged, even though equities increased slightly.

Our well-diversified exposure to debt instruments remained stable compared to year-end 2017. 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 3.6%, and 2.0% shares of our debt instruments portfolio with unrealized gains (gross) of € 1,419 mn and € 1,196 mn. Of our covered bonds portfolio, 41.9% (31 December 2017: 41.6%) were German Pfandbriefe backed by either public-sector loans or mortgage loans. French, Spanish, and Italian covered bonds had portfolio shares of 16.1%, 9.0%, and 7.0%, respectively (31 December 2017: 16.3%, 9.2%, and 7.5%).

Our exposure to equities increased due to higher volume. Our equity gearing[2] slightly increased to 26% (31 December 2017: 24%).

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 30 June 2018, the business segment's gross reserves for loss and loss adjustment expenses as well as discounted loss reserves amounted to € 65.8 bn, compared to € 66.2 bn at year-end 2017. On a net basis, our reserves, including discounted loss reserves, increased slightly from € 56.3 bn to € 56.7 bn.[3]

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts increased by € 10.8 bn to € 509.8 bn over the first six months of 2018. The € 11.5 bn increase in aggregate policy reserves before foreign currency translation effects was mainly driven by our operations in Germany (€ 7.0 bn) and the United States (€ 5.1 bn before foreign currency translation effects). Reserves for premium refunds decreased by € 3.3 bn (before foreign currency translation effects), due to lower unrealized gains to be shared with policyholders. Foreign currency translation effects increased the balance sheet value by € 2.8 bn, mainly driven by the stronger U.S. Dollar (€ 2.6 bn).

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	2018	2017
PROPERTY-CASUALTY		
Gross premiums written	**29,984**	**29,388**
LIFE/HEALTH		
Statutory premiums	**34,229**	**33,619**
ASSET MANAGEMENT		
Operating revenues	**3,257**	**3,114**
consisting of:		
Net fee and commission income	3,249	3,076
Net interest income[1]	-	7
Income from financial assets and liabilities carried at fair value through income (net)	5	31
Other income	2	-
CORPORATE AND OTHER		
thereof: Total revenues (Banking)	**147**	**275**
consisting of:		
Interest and similar income	65	217
Income from financial assets and liabilities carried at fair value through income (net)[2]	2	13
Fee and commission income	262	287
Other income	4	3
Interest expenses, excluding interest expenses from external debt	(14)	(72)
Fee and commission expenses	(172)	(172)
CONSOLIDATION	(267)	(178)
Allianz Group total revenues	**67,350**	**66,218**

1_Represents interest and similar income less interest expenses.
2_Includes trading income.

Composition of total revenue growth

We believe that the 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. Therefore, 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 2018	Internal Growth	Changes in scope of consolidation	Foreign currency translation	Nominal Growth
Property-Casualty	5.9	0.1	(3.9)	2.0
Life/Health	4.9	(0.1)	(3.0)	1.8
Asset Management	10.9	2.3	(8.6)	4.6
Corporate and Other	(1.3)	(46.0)	-	(46.5)
Allianz Group	**5.6**	**(0.2)**	**(3.7)**	**1.7**

Life/Health Insurance Operations

OPERATING PROFIT

The reconciling item **scope** comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 21 entities comprising 99.1% 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.

Acquisition, administrative, capitalization, and amortization of DAC
€ mn

Six months ended 30 June	2018	2017
Acquisition expenses and commissions[1]	(2,494)	(2,451)
Definitions	6	8
Scope	(76)	(63)
Acquisition costs incurred	(2,564)	(2,506)
Capitalization of DAC[1]	858	866
Definition: URR capitalized	277	260
Definition: policyholder participation[2]	512	495
Scope	16	16
Capitalization of DAC	1,663	1,638
Amortization, unlocking, and true-up of DAC[1]	(869)	(814)
Definition: URR amortized	(50)	(69)
Definition: policyholder participation[2]	(600)	(662)
Scope	(11)	(16)
Amortization, unlocking, and true-up of DAC	(1,531)	(1,561)
Commissions and profit received on reinsurance business ceded	43	39
Acquisition costs[3]	**(2,390)**	**(2,391)**
Administrative and other expenses[1]	(901)	(898)
Definitions	60	74
Scope	(64)	(60)
Administrative expenses on reinsurance business ceded	7	8
Administrative expenses[3]	**(898)**	**(877)**

1_As per Interim Group Management Report.
2_For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
3_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
€ mn

Six months ended 30 June	2018	2017
Acquisition expenses and commissions[1]	(2,494)	(2,451)
Administrative and other expenses[1]	(901)	(898)
Capitalization of DAC[1]	858	866
Amortization, unlocking, and true-up of DAC[1]	(869)	(814)
Acquisition and administrative expenses	**(3,406)**	**(3,297)**
Definitions	205	106
Scope	(136)	(122)
Commissions and profit received on reinsurance business ceded	43	39
Administrative expenses on reinsurance business ceded	7	8
Acquisition and administrative expenses (net)[2]	**(3,288)**	**(3,267)**

1_As per Interim Group Management Report.
2_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
€ mn

	Note	As of 30 June 2018	As of 31 December 2017
ASSETS			
Cash and cash equivalents		17,974	17,119
Financial assets carried at fair value through income	5	7,676	8,177
Investments	6	548,225	546,828
Loans and advances to banks and customers	7	106,669	104,224
Financial assets for unit-linked contracts		120,402	119,141
Reinsurance assets	8	16,275	16,375
Deferred acquisition costs	9	25,926	23,184
Deferred tax assets		1,045	931
Other assets	10	38,889	37,731
Non-current assets and assets of disposal groups classified as held for sale	3	250	14,329
Intangible assets	11	13,415	13,262
Total assets		**896,745**	**901,300**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[1]		10,762	11,291
Liabilities to banks and customers	12	13,767	12,746
Unearned premiums		25,850	21,442
Reserves for loss and loss adjustment expenses	13	72,918	73,292
Reserves for insurance and investment contracts	14	524,338	513,687
Financial liabilities for unit-linked contracts		120,402	119,141
Deferred tax liabilities		4,213	4,906
Other liabilities	15	39,261	39,639
Liabilities of disposal groups classified as held for sale	3	-	13,662
Certificated liabilities	16	9,205	9,596
Subordinated liabilities	16	13,387	13,295
Total liabilities		834,102	832,698
Shareholders' equity		60,282	65,553
Non-controlling interests		2,360	3,049
Total equity	17	62,642	68,602
Total liabilities and equity		**896,745**	**901,300**

1_Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

Consolidated income statements
€ mn

Six months ended 30 June	Note	2018	2017
Gross premiums written		41,966	41,425
Ceded premiums written		(2,856)	(2,643)
Change in unearned premiums (net)		(3,877)	(3,639)
Premiums earned (net)	18	35,233	35,143
Interest and similar income	19	10,827	11,099
Income from financial assets and liabilities carried at fair value through income (net)	20	(1,109)	(954)
Realized gains/losses (net)	21	3,397	3,529
Fee and commission income	22	5,727	5,591
Other income		15	34
Total income		54,090	54,441
Claims and insurance benefits incurred (gross)		(26,411)	(26,579)
Claims and insurance benefits incurred (ceded)		916	1,185
Claims and insurance benefits incurred (net)	23	(25,494)	(25,394)
Change in reserves for insurance and investment contracts (net)	24	(5,956)	(6,697)
Interest expenses	25	(514)	(582)
Loan loss provisions		1	(13)
Impairments of investments (net)	26	(943)	(332)
Investment expenses	27	(630)	(644)
Acquisition and administrative expenses (net)	28	(12,525)	(12,678)
Fee and commission expenses	29	(2,204)	(2,172)
Amortization of intangible assets		(301)	(79)
Restructuring charges		(158)	(252)
Other expenses		(1)	(1)
Total expenses		(48,724)	(48,844)
Income before income taxes		**5,366**	**5,597**
Income taxes	30	(1,340)	(1,585)
Net income		**4,025**	**4,013**
Net income attributable to:			
Non-controlling interests		196	203
Shareholders		3,830	3,810
Basic earnings per share (€)		8.86	8.45
Diluted earnings per share (€)		8.78	8.44

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of comprehensive income
€ mn

Six months ended 30 June	2018	2017
Net income	**4,025**	**4,013**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	-	-
Changes arising during the period	71	(1,182)
Subtotal	71	(1,182)
Available-for-sale investments		
Reclassifications to net income	(446)	(1,635)
Changes arising during the period	(2,919)	927
Subtotal	(3,365)	(708)
Cash flow hedges		
Reclassifications to net income	-	(14)
Changes arising during the period	(30)	(19)
Subtotal	(30)	(34)
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	-	-
Changes arising during the period	(15)	(25)
Subtotal	(15)	(25)
Miscellaneous		
Reclassifications to net income	-	-
Changes arising during the period	(89)	12
Subtotal	(89)	12
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	129	255
Total other comprehensive income	(3,299)	(1,682)
Total comprehensive income	**727**	**2,330**
Total comprehensive income attributable to:		
Non-controlling interests	80	176
Shareholders	647	2,154

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

€ mn

	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 2017	**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]	-	(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**
Balance as of 1 January 2018	**28,928**	**27,199**	**(2,749)**	**12,175**	**65,553**	**3,049**	**68,602**
Total comprehensive income[1]	-	3,806	74	(3,233)	647	80	727
Paid-in capital	-	-	-	-	-	-	-
Treasury shares	-	4	-	-	4	-	4
Transactions between equity holders[2,3]	-	(2,491)	(19)	17	(2,493)	(587)	(3,080)
Dividends paid	-	(3,428)	-	-	(3,428)	(182)	(3,610)
Balance as of 30 June 2018	**28,928**	**25,090**	**(2,694)**	**8,958**	**60,282**	**2,360**	**62,642**

1_Total comprehensive income in shareholders' equity for the six months ended 30 June 2018 comprises net income attributable to shareholders of € 3,830 mn (2017: € 3,810 mn).

2_Includes income taxes within retained earnings.

3_As announced in November 2017, a share buy-back with a volume of € 2 bn was executed in the period from 3 January until 3 May 2018. During the first half year of 2018, Allianz SE purchased 10.4 million own shares for an amount of € 2.0 bn. All repurchased shares (10,373,863 shares) have been redeemed according to the simplified procedure without reduction of the share capital. The number of issued shares was thereby reduced from 440,249,646 (as of 31 December 2017) to 429,875,783 (effective on 13 June 2018).

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows

€ mn

Six months ended 30 June	2018	2017
SUMMARY		
Net cash flow provided by operating activities	15,030	19,615
Net cash flow used in investing activities	(8,567)	(11,565)
Net cash flow used in financing activities	(6,145)	(4,941)
Effect of exchange rate changes on cash and cash equivalents	6	(419)
Change in cash and cash equivalents	324	2,691
Cash and cash equivalents at beginning of period	17,119	14,463
Cash and cash equivalents reclassified to assets of disposal groups held for sale and disposed of in 2018	531	-
Cash and cash equivalents at end of period	**17,974**	**17,154**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**4,025**	**4,013**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(170)	(220)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers, non-current assets and disposal groups classified as held for sale	(2,454)	(3,229)
Other investments, mainly financial assets held for trading and designated at fair value through income	2,293	(1,311)
Depreciation and amortization	710	718
Loan loss provisions	(1)	13
Interest credited to policyholder accounts	2,083	2,328
Net change in:		
Financial assets and liabilities held for trading	(1,803)	2,085
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(820)	87
Repurchase agreements and collateral received from securities lending transactions	45	631
Reinsurance assets	239	(654)
Deferred acquisition costs	(339)	(405)
Unearned premiums	4,534	3,921
Reserves for loss and loss adjustment expenses	(282)	649
Reserves for insurance and investment contracts	8,674	7,316
Deferred tax assets/liabilities	154	262
Other (net)	(1,858)	3,409
Subtotal	11,005	15,602
Net cash flow provided by operating activities	**15,030**	**19,615**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,763	1,051
Available-for-sale investments	84,685	82,146
Held-to-maturity investments	206	136
Investments in associates and joint ventures	453	381
Non-current assets and disposal groups classified as held for sale	59	215
Real estate held for investment	46	85
Fixed assets of renewable energy investments	-	2
Loans and advances to banks and customers (purchased loans)	2,460	3,023
Property and equipment	188	128
Subtotal	89,859	87,167

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Consolidated statements of cash flows

€ mn

Six months ended 30 June	2018	2017
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(1,901)	(915)
Available-for-sale investments	(89,230)	(92,224)
Held-to-maturity investments	(252)	(140)
Investments in associates and joint ventures	(1,893)	(1,229)
Non-current assets and disposal groups classified as held for sale	-	(50)
Real estate held for investment	(221)	(75)
Fixed assets of renewable energy investments	(113)	(150)
Loans and advances to banks and customers (purchased loans)	(596)	(1,407)
Property and equipment	(623)	(701)
Subtotal	(94,830)	(96,890)
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	(208)	-
Acquisitions of subsidiaries, net of cash acquired	-	-
Change in other loans and advances to banks and customers (originated loans)	**(3,084)**	**(1,729)**
Other (net)	**(304)**	**(112)**
Net cash flow used in investing activities	**(8,567)**	**(11,565)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	951	289
Proceeds from the issuance of certificated liabilities and subordinated liabilities	2,250	3,786
Repayments of certificated liabilities and subordinated liabilities	(2,666)	(3,468)
Cash inflow from capital increases	-	-
Transactions between equity holders	(3,043)	(1,431)
Dividends paid to shareholders	(3,610)	(3,612)
Net cash from sale or purchase of treasury shares	10	(355)
Other (net)	(37)	(150)
Net cash flow used in financing activities	**(6,145)**	**(4,941)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(824)	(1,301)[1]
Dividends received	1,472	1,266
Interest received	9,257	10,048
Interest paid	(350)	(553)

1_Prior year figure has been adjusted.

Changes in liabilities arising from financing activities

€ mn

	Liabilities to banks and customers	Certificated and subordinated liabilities	Total
As of 31 December 2017	**8,925**	**22,891**	**31,817**
Net cash flows	951	(416)	535
Non-cash transactions			
Changes in the consolidated subsidiaries of the Allianz Group	(2)	-	(2)
Foreign currency translation adjustments	(40)	6	(34)
Fair value and other changes	2	111	113
As of 30 June 2018	**9,836**	**22,592**	**32,428**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL INFORMATION

1 _ Basis of presentation

The Allianz Group's condensed consolidated interim financial statements 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 2017. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017.

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 2 August 2018.

2 _ Recently adopted accounting pronouncements (effective 1 January 2018)

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18, IAS 11, and a number of revenue-related interpretations. The Group adopted IFRS 15 using the cumulative effect method on the required effective date. As a result, the Allianz Group did not apply the requirements of IFRS 15 to the comparative period presented.

Under IFRS 15, revenue is recognized when (or as) the Allianz Group satisfies a performance obligation by transferring a service to a customer. Furthermore, revenue is recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.

Based on the Allianz Group's detailed assessment, only a few differences in presentation and timing of revenue recognition were identified. The impacts Allianz Group identified primarily relate to principal versus agent considerations (i.e. gross-up) and the accounting treatment of certain asset management related upfront distribution costs which under IFRS 15 can no longer be capitalized.

The adoption of IFRS 15 led to an increase of fee and commission income and fee and commission expenses of € 193 mn (i.e. gross-up effect) and a decrease of retained earnings as of 1 January 2018 by € 20 mn, due to the reversal of capitalized upfront distribution costs. Other than that, the adoption of IFRS 15 had no impact on the Allianz Group's financial position and the financial results.

OTHER ADOPTED ACCOUNTING PRONOUNCEMENTS

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2018:

- IFRS 2, Classification and Measurement of Share-based Payment Transactions,
- IAS 40, Transfers of Investment Property,
- IFRIC 22, Foreign Currency Transactions and Advance Consideration.

These changes had no material impact on the Allianz Group's financial results or financial position.

3 _ Consolidation and classification as held for sale

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

On 27 April 2018, the Allianz Group successfully completed the acquisition of Euler Hermes's outstanding shares and delisted Euler Hermes' shares from Euronext Paris on the very same day.

From January through April 2018, the Allianz Group acquired the remaining 20.9% of Euler Hermes's outstanding shares in consideration for a total of € 1,073 mn in cash, equivalent to € 122 per share. The buyout of the outstanding shares reduced the shareholders' equity of the Allianz Group of € 513 mn.

CLASSIFICATION AS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale
€ mn

	As of 30 June 2018	As of 31 December 2017
Assets of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	-	14,102
Other disposal groups	-	6
Subtotal	-	14,108
Non-current assets classified as held for sale		
Real estate held for investment	250	216
Real estate held for own use	-	4
Subtotal	250	220
Total	**250**	**14,329**
Liabilities of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	-	13,657
Other disposal groups	-	6
Total	**-**	**13,662**

OLDENBURGISCHE LANDESBANK AG, OLDENBURG

In the first half of 2018, the Allianz Group disposed of Oldenburgische Landesbank AG, Oldenburg, a 90.2 % owned subsidiary of the Allianz Group, allocated to the reportable segment Banking (Corporate and Other). The entity had been classified as held for sale since year-end 2016. It was deconsolidated on 7 February 2018. At 31 December 2017 already, an impairment and a liability of € 233 mn had been recognized in connection with the expected loss from the sale of Oldenburgische Landesbank AG. In the first half of 2018, the Allianz Group received proceeds from the sale of its 90.2 % stake of € 323 mn and recognized a deconsolidation loss of € 24 mn.

The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the first half of 2018 was as follows:

Impact of the disposal
€ mn

Financial assets carried at fair value through income	20
Investments	2,492
Loans and advances to banks and customers	11,092
Deferred tax assets	51
Other assets	156
Financial liabilities carried at fair value through income	(15)
Liabilities to banks and customers	(12,756)
Other liabilities	(578)
Certificated liabilities	(133)
Subordinated liabilities	(149)
Other comprehensive income	(45)
Impairment loss on measurement of disposal group at fair value less costs to sell	(49)
Impairment in connection with expected loss	(233)
Realized loss from the disposal	(24)
Non-controlling interests	(37)
Proceeds from sale of the subsidiary, net of cash disposed[1]	**(208)**

1_Includes cash and cash equivalents at an amount of € 531 mn which were disposed of with the entity.

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 their revenues are consistent with those described in the consolidated financial statements for the year ended 31 December 2017. The statement contained therein regarding general segment reporting information is still applicable and valid. The reportable segments measure of profit or loss remained unchanged.

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2018 and 1 April 2018, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. Middle East and Africa were reallocated to the reportable segment Global Insurance Lines & Anglo Markets, Middle East and Africa. In the business segment Property-Casualty, the reportable segment Iberia & Latin America was combined with the reportable segment Allianz Partners to form the reportable segment Iberia & Latin America and Allianz Partners. 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 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017
ASSETS				
Cash and cash equivalents	3,931	3,317	8,505	9,025
Financial assets carried at fair value through income	736	604	6,641	7,442
Investments	101,105	101,668	430,543	424,294
Loans and advances to banks and customers	10,738	10,610	95,020	92,674
Financial assets for unit-linked contracts	-	-	120,402	119,141
Reinsurance assets	11,108	11,437	5,273	5,034
Deferred acquisition costs	5,070	4,715	20,856	18,469
Deferred tax assets	883	891	746	685
Other assets	22,453	22,787	17,341	19,416
Non-current assets and assets of disposal groups classified as held for sale	57	23	192	204
Intangible assets	3,101	2,985	2,883	2,934
Total assets	**159,182**	**159,036**	**708,403**	**699,318**

	Property-Casualty		Life/Health	
	As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	160	133	10,510	11,021
Liabilities to banks and customers	1,684	1,237	5,454	5,655
Unearned premiums	21,099	17,065	4,780	4,402
Reserves for loss and loss adjustment expenses	61,683	62,093	11,303	11,256
Reserves for insurance and investment contracts	14,796	14,928	509,815	499,060
Financial liabilities for unit-linked contracts	-	-	120,402	119,141
Deferred tax liabilities	2,215	2,445	3,514	3,956
Other liabilities	16,250	18,876	13,670	14,600
Liabilities of disposal groups classified as held for sale	-	6	-	-
Certificated liabilities	-	11	12	11
Subordinated liabilities	-	-	65	65
Total liabilities	**117,888**	**116,794**	**679,525**	**669,168**

Asset Management		Corporate and Other		Consolidation		Group	
As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017
939	1,050	5,131	3,919	(532)	(192)	17,974	17,119
67	72	594	492	(362)	(434)	7,676	8,177
36	24	102,474	105,441	(85,934)	(84,599)	548,225	546,828
64	59	5,208	5,368	(4,361)	(4,488)	106,669	104,224
-	-	-	-	-	-	120,402	119,141
-	-	-	-	(106)	(96)	16,275	16,375
-	-	-	-	-	-	25,926	23,184
176	148	1,002	958	(1,762)	(1,752)	1,045	931
3,742	3,215	6,238	8,871	(10,885)	(16,558)	38,889	37,731
-	-	-	14,105	-	(3)	250	14,329
7,421	7,332	9	12	-	-	13,415	13,262
12,445	**11,901**	**120,656**	**139,165**	**(103,942)**	**(108,120)**	**896,745**	**901,300**

Asset Management		Corporate and Other		Consolidation		Group	
As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017	As of 30 June 2018	As of 31 December 2017
-	-	458	577	(367)	(440)	10,762	11,291
174	174	8,261	7,208	(1,806)	(1,527)	13,767	12,746
-	-	-	-	(29)	(26)	25,850	21,442
-	-	-	-	(68)	(57)	72,918	73,292
-	-	(87)	(109)	(187)	(193)	524,338	513,687
-	-	-	-	-	-	120,402	119,141
66	79	179	178	(1,762)	(1,752)	4,213	4,906
3,229	2,936	24,434	26,242	(18,323)	(23,015)	39,261	39,639
-	-	-	13,682	-	(25)	-	13,662
-	-	11,977	12,367	(2,783)	(2,794)	9,205	9,596
-	-	13,342	13,250	(20)	(20)	13,387	13,295
3,469	**3,188**	**58,564**	**73,396**	**(25,344)**	**(29,848)**	**834,102**	**832,698**
				Total equity		**62,642**	**68,602**
				Total liabilities and equity		**896,745**	**901,300**

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	2018	2017	2018	2017
Total revenues[1]	**29,984**	**29,388**	**34,229**	**33,619**
Premiums earned (net)	23,742	23,557	11,491	11,585
Operating investment result				
Interest and similar income	1,717	1,760	8,927	9,056
Operating income from financial assets and liabilities carried at fair value through income (net)	(19)	(51)	(1,127)	(965)
Operating realized gains/losses (net)	92	152	2,652	2,916
Interest expenses, excluding interest expenses from external debt	(46)	(52)	(50)	(49)
Operating impairments of investments (net)	(28)	(6)	(743)	(255)
Investment expenses	(183)	(183)	(650)	(609)
Subtotal	1,533	1,621	9,010	10,094
Fee and commission income	868	911	767	708
Other income	1	32	12	1
Claims and insurance benefits incurred (net)	(15,759)	(15,556)	(9,738)	(9,838)
Operating change in reserves for insurance and investment contracts (net)[2]	(193)	(258)	(5,730)	(6,476)
Loan loss provisions	-	-	-	-
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(6,657)	(6,739)	(3,288)	(3,267)
Fee and commission expenses	(806)	(864)	(369)	(350)
Operating amortization of intangible assets	-	-	(9)	(9)
Operating restructuring charges	-	-	-	(17)
Other expenses	(1)	-	(1)	(148)
Operating profit (loss)	**2,729**	**2,705**	**2,144**	**2,282**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	27	(2)	1	22
Non-operating realized gains/losses (net)	444	307	22	59
Non-operating impairments of investments (net)	(144)	(53)	(15)	(27)
Subtotal	327	252	7	54
Non-operating change in reserves for insurance and investment contracts (net)	-	-	2	2
Interest expenses from external debt	-	-	-	-
Acquisition-related expenses	-	-	-	-
Non-operating amortization of intangible assets	(29)	(31)	(251)[3]	(27)
Non-operating restructuring charges	(50)	(165)	(32)	(7)
Non-operating items	247	56	(273)	22
Income (loss) before income taxes	2,976	2,761	1,872	2,305
Income taxes	(732)	(691)	(550)	(693)
Net income (loss)	**2,244**	**2,070**	**1,322**	**1,611**
Net income (loss) attributable to:				
Non-controlling interests	44	90	89	67
Shareholders	2,200	1,980	1,233	1,544

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 2018, includes expenses for premium refunds (net) in Property-Casualty of € (51) mn (2017: € (131) mn).
3_Includes € 0.2 bn loss from the sale of the traditional life insurance portfolio in Taiwan.

Asset Management		Corporate and Other		Consolidation		Group	
2018	2017	2018	2017	2018	2017	2018	2017
3,257	**3,114**	**147**	**275**	**(267)**	**(178)**	**67,350**	**66,218**
-	-	-	-	-	-	35,233	35,143
6	12	281	383	(104)	(112)	10,827	11,099
5	31	(8)	10	4	(1)	(1,145)	(976)
-	-	-	-	41	(42)	2,785	3,026
(5)	(5)	(100)	(163)	103	107	(98)	(161)
-	-	-	-	-	-	(770)	(261)
-	-	(45)	(49)	247	197	(630)	(644)
5	38	129	181	291	148	10,969	12,083
4,200	3,845	1,043	1,138	(1,150)	(1,012)	5,727	5,591
2	-	4	149	(5)	(148)	15	34
-	-	-	-	2	-	(25,494)	(25,394)
-	-	-	-	(35)	35	(5,958)	(6,699)
-	-	1	(13)	-	-	1	(13)
(2,010)	(1,958)	(552)	(692)	(18)	(27)	(12,525)	(12,684)
(951)	(769)	(1,003)	(1,027)	925	838	(2,204)	(2,172)
-	-	-	-	-	-	(9)	(9)
-	-	-	-	-	-	-	(17)
-	-	-	-	-	148	(1)	(1)
1,247	**1,156**	**(378)**	**(265)**	**12**	**(18)**	**5,753**	**5,860**
-	-	14	(29)	(4)	31	36	22
-	7	147	71	(2)	59	612	504
-	-	(12)	9	-	-	(172)	(71)
-	7	148	51	(6)	91	476	454
-	-	-	-	-	-	2	2
-	-	(416)	(421)	-	-	(416)	(421)
-	6	-	-	-	-	-	6
(7)	(7)	(5)	(5)	-	-	(291)	(69)
1	(8)	(77)	(56)	-	-	(158)	(235)
(6)	(2)	(350)	(430)	(6)	91	(388)	(263)
1,241	1,154	(728)	(695)	5	73	5,366	5,597
(307)	(419)	247	239	1	(21)	(1,340)	(1,585)
934	**735**	**(481)**	**(456)**	**7**	**52**	**4,025**	**4,013**
38	35	25	11	-	-	196	203
896	700	(506)	(467)	7	52	3,830	3,810

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	2018	2017	2018	2017	2018	2017	2018	2017
German Speaking Countries and Central & Eastern Europe	9,506	9,228	6,365	6,172	621	790	549	664
Western & Southern Europe and Asia Pacific	6,587	6,548	5,412	5,667	855	905	693	651
Iberia & Latin America and Allianz Partners	5,323	5,364	3,995	3,959	275	242	165	111
Global Insurance Lines & Anglo Markets, Middle East and Africa	12,920	12,211	7,970	7,760	994	769	851	644
Consolidation	(4,354)	(3,964)	-	-	(16)	-	(13)	-
Total Property-Casualty	**29,984**	**29,388**	**23,742**	**23,557**	**2,729**	**2,705**	**2,244**	**2,070**
German Speaking Countries and Central & Eastern Europe	14,322	13,619	6,976	7,132	857	826	579	555
Western & Southern Europe and Asia Pacific	14,483	14,182	3,502	3,400	712	672	303	491
Iberia & Latin America	987	1,008	227	242	160	164	111	128
USA	4,627	5,068	576	609	388	587	312	410
Global Insurance Lines & Anglo Markets, Middle East and Africa	336	325	208	201	28	24	18	18
Consolidation and Other	(527)	(584)	2	1	(1)	9	(1)	9
Total Life/Health	**34,229**	**33,619**	**11,491**	**11,585**	**2,144**	**2,282**	**1,322**	**1,611**
Asset Management	**3,257**	**3,114**	**-**	**-**	**1,247**	**1,156**	**934**	**735**
Holding & Treasury	-	-	-	-	(442)	(343)	(506)	(508)
Banking	147	275	-	-	29	57	(5)	38
Alternative Investments	-	-	-	-	35	20	29	14
Consolidation	-	-	-	-	-	-	-	-
Total Corporate and Other	**147**	**275**	**-**	**-**	**(378)**	**(265)**	**(481)**	**(456)**
Consolidation	**(267)**	**(178)**	**-**	**-**	**12**	**(18)**	**7**	**52**
Group	**67,350**	**66,218**	**35,233**	**35,143**	**5,753**	**5,860**	**4,025**	**4,013**

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 2018	As of 31 December 2017
Financial assets held for trading		
Debt securities	424	405
Equity securities	219	210
Derivative financial instruments	2,701	2,461
Subtotal	3,343	3,076
Financial assets designated at fair value through income		
Debt securities	2,312	2,603
Equity securities	2,020	2,498
Subtotal	4,333	5,101
Total	**7,676**	**8,177**

6 _ Investments

Investments

€ mn

	As of 30 June 2018	As of 31 December 2017
Available-for-sale investments	519,795	520,397
Held-to-maturity investments	2,720	2,678
Funds held by others under reinsurance contracts assumed	847	836
Investments in associates and joint ventures	10,774	9,010
Real estate held for investment	11,551	11,419
Fixed assets of renewable energy investments	2,538	2,488
Total	**548,225**	**546,828**

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

€ mn

	As of 30 June 2018				As of 31 December 2017			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	230,658	10,623	(2,598)	238,684	228,439	15,579	(493)	243,526
Government and government agency bonds[1]	179,568	21,163	(1,531)	199,200	177,186	22,551	(827)	198,911
MBS/ABS	22,756	220	(463)	22,514	21,405	368	(140)	21,633
Other	4,893	926	(13)	5,807	4,472	715	(18)	5,169
Subtotal	437,876	32,933	(4,605)	466,204	431,503	39,213	(1,477)	469,239
Equity securities	40,938	13,120	(468)	53,590	37,195	14,241	(278)	51,158
Total	**478,815**	**46,053**	**(5,073)**	**519,795**	**468,697**	**53,455**	**(1,755)**	**520,397**

1_As of 30 June 2018, fair value and amortized costs of bonds from countries with a rating below AA amounted to € 73,955 mn (31 December 2017: € 74,132 mn) and € 70,682 mn (31 December 2017: € 68,638 mn), respectively.

7 _ Loans and advances to banks and customers

Loans and advances to banks and customers

€ mn

	As of 30 June 2018	As of 31 December 2017
Short-term investments and certificates of deposit	2,972	3,094
Loans	101,300	99,526
Other	2,484	1,697
Subtotal	106,756	104,317
Loan loss allowance	(87)	(94)
Total	**106,669**	**104,224**

8 _ Reinsurance assets

Reinsurance assets

€ mn

	As of 30 June 2018	As of 31 December 2017
Unearned premiums	2,015	1,504
Reserves for loss and loss adjustment expenses	9,360	10,112
Aggregate policy reserves	4,768	4,633
Other insurance reserves	132	127
Total	**16,275**	**16,375**

9 _ Deferred acquisition costs

Deferred acquisition costs

€ mn

	As of 30 June 2018	As of 31 December 2017
Deferred acquisition costs		
Property-Casualty	5,070	4,715
Life/Health	19,767	17,568
Subtotal	24,837	22,283
Deferred sales inducements	681	450
Present value of future profits	408	451
Total	**25,926**	**23,184**

10 _ Other assets

Other assets

€ mn

	As of 30 June 2018	As of 31 December 2017
Receivables		
Policyholders	6,500	6,134
Agents	4,663	4,231
Reinsurance	3,347	2,594
Other	5,322	4,904
Less allowances for doubtful accounts	(580)	(594)
Subtotal	19,252	17,270
Tax receivables		
Income taxes	1,735	2,032
Other taxes	1,731	1,742
Subtotal	3,466	3,775
Accrued dividends, interest and rent	6,031	6,671
Prepaid expenses	605	442
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	438	538
Property and equipment		
Real estate held for own use	2,840	2,941
Software	2,817	2,786
Equipment	1,424	1,432
Subtotal	7,082	7,159
Other assets	2,015	1,876
Total	**38,889**	**37,731**

11 _ Intangible assets

Intangible Assets

€ mn

	As of 30 June 2018	As of 31 December 2017
Goodwill	12,054	11,848
Distribution agreements[1]	874	918
Other[2]	488	496
Total	**13,415**	**13,262**

1_Primarily includes the long-term distribution agreements with Commerzbank AG of € 205 mn (2017: € 223 mn), Banco Popular S.A. of € 342 mn (2017: € 352 mn), Yapi ve Kredi Bankasi A.S. of € 58 mn (2017: € 71 mn), Philippine National Bank of € 62 mn (2017: € 67 mn) and HSBC Asia, HSBC Turkey, BTPN Indonesia, and Maybank Indonesia of € 100 mn (2017: € 110 mn).

2_Primarily include acquired business portfolios, customer relationships, 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 2018	As of 31 December 2017
Payable on demand and other deposits	1,061	973
Repurchase agreements and collateral received from securities lending transactions and derivatives	3,932	3,821
Other	8,774	7,953
Total	**13,767**	**12,746**

13 _ Reserves for loss and loss adjustment expenses

As of 30 June 2018, the reserves for loss and loss adjustment expenses of the Allianz Group totaled € 72,918 mn (31 December 2017: € 73,292 mn). The following table reconciles the beginning and ending reserves of the Property-Casualty business segment for the half-years ended 30 June 2018 and 2017.

Change in the reserves for loss and loss adjustment expenses in the Property-Casualty business segment
€ mn

	2018	2017
As of 1 January	**62,093**	**61,617**
Balance carry forward of discounted loss reserves	4,096	4,055
Subtotal	66,189	65,671
Loss and loss adjustment expenses incurred		
Current year	17,740	17,547
Prior years	(1,312)	(1,016)
Subtotal	16,427	16,531
Loss and loss adjustment expenses paid		
Current year	(6,383)	(6,341)
Prior years	(10,796)	(9,804)
Subtotal	(17,178)	(16,145)
Foreign currency translation adjustments and other changes	60	(1,184)
Changes in the consolidated subsidiaries of the Allianz Group	284	-
Subtotal	65,782	64,873
Ending balance of discounted loss reserves	(4,099)	(4,041)
As of 30 June	**61,683**	**60,832**

14 _ Reserves for insurance and investment contracts

Reserves for insurance and investment contracts
€ mn

	As of 30 June 2018	As of 31 December 2017
Aggregate policy reserves	455,159	440,926
Reserves for premium refunds	68,433	71,776
Other insurance reserves	746	984
Total	**524,338**	**513,687**

15 _ Other liabilities

Other liabilities
€ mn

	As of 30 June 2018	As of 31 December 2017
Payables		
Policyholders	3,842	4,626
Reinsurance	2,199	1,589
Agents	1,505	1,562
Subtotal	7,547	7,777
Payables for social security	390	429
Tax payables		
Income taxes	2,019	2,006
Other taxes	1,696	1,453
Subtotal	3,716	3,458
Accrued interest and rent	625	461
Unearned income	517	469
Provisions		
Pensions and similar obligations	9,297	9,410
Employee related	2,537	2,540
Share-based compensation plans	338	497
Restructuring plans	317	313
Other provisions	1,840	2,055
Subtotal	14,329	14,815
Deposits retained for reinsurance ceded	1,912	2,025
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	280	147
Financial liabilities for puttable equity instruments	1,845	2,640
Other liabilities	8,102	7,418
Total	**39,261**	**39,639**

16 _ Certificated and subordinated liabilities

Certificated and subordinated liabilities

€ mn

	As of 30 June 2018	As of 31 December 2017
Senior bonds[1]	8,045	8,538
Money market securities	1,160	1,058
Total certificated liabilities	**9,205**	**9,596**
Subordinated bonds	13,342	13,250
Hybrid equity[2]	45	45
Total subordinated liabilities	**13,387**	**13,295**

1_Change due to the redemption of a € 0.5 bn bond in the first half-year of 2018.
2_Relates to hybrid equity issued by subsidiaries.

Bonds outstanding as of 30 June 2018

€ mn

	ISIN	Year of issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	DE000A1AKHB8	2009	EUR	1,500	4.750	22 July 2019
	DE000A180B72	2016	EUR	750	0.000	21 April 2020
	DE000A19S4T0	2017	EUR	500	3-months Euribor +50 bps	7 December 2020
	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022
	DE000A19S4U8	2017	EUR	750	0.250	6 June 2023
	DE000A19S4V6	2017	EUR	750	0.875	6 December 2027
	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 bond
	DE000A1YCQ29	2013	EUR	1,500	4.750	Perpetual bond
	CH0234833371	2014	CHF	500	3.250	Perpetual bond
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual bond
	XS1485742438	2016	USD	1,500	3.875	Perpetual bond
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750	8 July 2041
	DE000A0GNPZ3	2006	EUR	800	5.375	Perpetual bond

17 _ Equity

Equity
€ mn

	As of 30 June 2018	As of 31 December 2017
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1,2]	25,090	27,199
Foreign currency translation adjustments	(2,694)	(2,749)
Unrealized gains and losses (net)[3]	8,958	12,175
Subtotal	60,282	65,553
Non-controlling interests	2,360	3,049
Total	**62,642**	**68,602**

1_As of 30 June 2018, include € (112) mn (31 December 2017: € (115) mn) related to treasury shares.
2_As announced in November 2017, a share buy-back with a volume of € 2 bn was executed in the period from 3 January until 3 May 2018. During the first half year of 2018, Allianz SE purchased 10.4 million own shares for an amount of € 2.0 bn. All repurchased shares (10,373,863 shares) have been redeemed according to the simplified procedure without reduction of the share capital. The number of issued shares was thereby reduced from 440,249,646 (as of 31 December 2017) to 429,875,783 (effective on 13 June 2018).
3_As of 30 June 2018, include € 244 mn (31 December 2017: € 274 mn) related to cash flow hedges.

DIVIDENDS

In the second quarter of 2018, a total dividend of € 3,428 mn (2017: € 3,410 mn) or € 8.00 (2017: € 7.60) 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
2018				
Premiums written				
Gross	29,984	12,052	(69)	41,966
Ceded	(2,651)	(274)	69	(2,856)
Net	27,332	11,778	-	39,110
Change in unearned premiums (net)	(3,590)	(287)	-	(3,877)
Premiums earned (net)	**23,742**	**11,491**	**-**	**35,233**
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**

19 _ Interest and similar income

Interest and similar income
€ mn

Six months ended 30 June	2018	2017
Dividends from available-for-sale investments	1,476	1,227
Interest from available-for-sale investments	6,476	6,731
Interest from loans to banks and customers	1,917	2,131
Rent from real estate held for investment	445	459
Other	513	550
Total	**10,827**	**11,099**

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	2018	2017
Income from financial assets and liabilities held for trading (net)	(1,856)	1,272
Income from financial assets and liabilities designated at fair value through income (net)	(110)	180
Income from financial liabilities for puttable equity instruments (net)	77	(85)
Foreign currency gains and losses (net)[1]	780	(2,322)
Total	**(1,109)**	**(954)**

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	2018	2017
REALIZED GAINS		
Available-for-sale investments		
Equity securities	1,967	1,379
Debt securities	1,741	2,688
Subtotal	3,708	4,067
Other	341	268
Subtotal	4,049	4,335
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(226)	(271)
Debt securities	(355)	(503)
Subtotal	(581)	(773)
Other	(71)	(33)
Subtotal	(653)	(806)
Total	**3,397**	**3,529**

22 _ Fee and commission income

Fee and commission income

€ mn

Six months ended 30 June	2018	2017
PROPERTY-CASUALTY		
Fees from credit and assistance business	657	663
Service agreements	210	249
Subtotal	868	911
LIFE/HEALTH		
Service agreements	65	60
Investment advisory	702	648
Subtotal	767	708
ASSET MANAGEMENT		
Management and advisory fees[1]	3,735	3,398
Loading and exit fees	280	283
Performance fees	166	149
Other	19	15
Subtotal	4,200	3,845
CORPORATE AND OTHER		
Service agreements	727	750
Investment advisory and banking activities	316	388
Subtotal	1,043	1,138
CONSOLIDATION	(1,150)	(1,012)
Total	**5,727**	**5,591**

1_Includes effects from the application of IFRS 15 as described in note 2.

23 _ Claims and insurance benefits incurred (net)

Claims and insurance benefits incurred (net)

€ mn

Six months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
2018				
Gross	(16,427)	(10,009)	26	(26,411)
Ceded	669	272	(24)	916
Net	**(15,759)**	**(9,738)**	**2**	**(25,494)**
2017				
Gross	(16,531)	(10,089)	41	(26,579)
Ceded	975	251	(41)	1,185
Net	**(15,556)**	**(9,838)**	**-**	**(25,394)**

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	Consolidation	Group
2018				
Gross	(197)	(5,838)	(35)	(6,070)
Ceded	4	110	-	115
Net	**(193)**	**(5,728)**	**(35)**	**(5,956)**
2017				
Gross	(261)	(6,605)	35	(6,832)
Ceded	3	131	-	134
Net	**(258)**	**(6,474)**	**35**	**(6,697)**

25 _ Interest expenses

Interest expenses

€ mn

Six months ended 30 June	2018	2017
Liabilities to banks and customers	(44)	(75)
Deposits retained for reinsurance ceded	(25)	(21)
Certificated liabilities	(121)	(119)
Subordinated liabilities	(300)	(315)
Other	(25)	(51)
Total	**(514)**	**(582)**

26 _ Impairments of investments (net)

Impairments of investments (net)

€ mn

Six months ended 30 June	2018	2017
Impairments		
Available-for-sale investments		
Equity securities	(831)	(333)
Debt securities	(103)	(35)
Subtotal	(934)	(368)
Other	(13)	(6)
Subtotal	(946)	(374)
Reversals of impairments	4	42
Total	**(943)**	**(332)**

27 _ Investment expenses

Investment expenses
€ mn

Six months ended 30 June	2018	2017
Investment management expenses	(349)	(370)
Expenses from real estate held for investment	(173)	(177)
Expenses from fixed assets of renewable energy investments	(108)	(97)
Total	**(630)**	**(644)**

28 _ Acquisition and administrative expenses (net)

Acquisition and administrative expenses (net)
€ mn

Six months ended 30 June	2018	2017
PROPERTY-CASUALTY		
Acquisition costs	(5,075)	(5,128)
Administrative expenses	(1,582)	(1,611)
Subtotal	(6,657)	(6,739)
LIFE/HEALTH		
Acquisition costs	(2,390)	(2,391)
Administrative expenses	(898)	(877)
Subtotal	(3,288)	(3,267)
ASSET MANAGEMENT		
Personnel expenses	(1,253)	(1,185)
Non-personnel expenses	(757)	(767)
Subtotal	(2,010)	(1,952)
CORPORATE AND OTHER		
Administrative expenses	(552)	(692)
Subtotal	(552)	(692)
CONSOLIDATION	(18)	(27)
Total	**(12,525)**	**(12,678)**

29 _ Fee and commission expenses

Fee and commission expenses
€ mn

Six months ended 30 June	2018	2017
PROPERTY-CASUALTY		
Fees from credit and assistance business	(638)	(663)
Service agreements	(168)	(201)
Subtotal	(806)	(864)
LIFE/HEALTH		
Service agreements	(34)	(34)
Investment advisory	(335)	(315)
Subtotal	(369)	(350)
ASSET MANAGEMENT		
Commissions[1]	(869)	(694)
Other	(82)	(76)
Subtotal	(951)	(769)
CORPORATE AND OTHER		
Service agreements	(834)	(859)
Investment advisory and banking activities	(169)	(168)
Subtotal	(1,003)	(1,027)
CONSOLIDATION	925	838
Total	**(2,204)**	**(2,172)**

1_Includes effects from the application of IFRS 15 as described in note 2.

30 _ Income taxes

Income taxes
€ mn

Six months ended 30 June	2018	2017
Current income taxes	(1,153)	(1,367)
Deferred income taxes	(188)	(217)
Total	**(1,340)**	**(1,585)**

For the six months ended 30 June 2018 and 2017, 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	2018	2017
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	59	(50)
Available-for-sale investments	924	245
Cash flow hedges	10	15
Share of other comprehensive income of associates and joint ventures	4	1
Miscellaneous	31	146
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(21)	(120)
Total	**1,008**	**237**

OTHER INFORMATION

31 _ Fair values and carrying amounts of financial instruments

FAIR VALUES AND CARRYING AMOUNTS

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 2018		As of 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	17,974	17,974	17,119	17,119
Financial assets held for trading	3,343	3,343	3,076	3,076
Financial assets designated at fair value through income	4,333	4,333	5,101	5,101
Available-for-sale investments	519,795	519,795	520,397	520,397
Held-to-maturity investments	2,720	2,947	2,678	2,992
Investments in associates and joint ventures	10,774	13,012	9,010	11,059
Real estate held for investment	11,551	19,291	11,419	18,913
Loans and advances to banks and customers	106,669	120,943	104,224	119,934
Financial assets for unit-linked contracts	120,402	120,402	119,141	119,141
Derivative financial instruments and firm commitments included in other assets	438	438	538	538
FINANCIAL LIABILITIES				
Financial liabilities held for trading	10,762	10,762	11,291	11,291
Liabilities to banks and customers	13,767	13,736	12,746	12,759
Financial liabilities for unit-linked contracts	120,402	120,402	119,141	119,141
Derivative financial instruments and firm commitments included in other liabilities	280	280	147	147
Financial liabilities for puttable equity instruments	1,845	1,845	2,640	2,640
Certificated liabilities	9,205	9,924	9,596	10,459
Subordinated liabilities	13,387	13,957	13,295	14,757

As of 30 June 2018, fair values could not be reliably measured for equity investments whose carrying amounts totaled € 132 mn (31 December 2017: € 73 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 2018 and 31 December 2017:

Fair value hierarchy (items carried at fair value)
€ mn

	As of 30 June 2018				As of 31 December 2017			
	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	655	2,684	4	3,343	347	2,716	13	3,076
Financial assets designated at fair value through income	3,054	1,114	165	4,333	3,876	1,076	150	5,101
Subtotal	3,709	3,798	169	7,676	4,223	3,792	162	8,177
Available-for-sale investments								
Corporate bonds	11,683	209,110	17,891	238,684	15,816	211,507	16,203	243,526
Government and government agency bonds	16,811	181,657	731	199,200	30,884	167,449	578	198,911
MBS/ABS	46	22,299	168	22,514	45	21,406	182	21,633
Other	789	975	4,042	5,807	694	899	3,577	5,169
Equity securities	41,231	817	11,543	53,590	40,247	788	10,122	51,158
Subtotal	70,560	414,858	34,376	519,795	87,687	402,048	30,661	520,397
Financial assets for unit-linked contracts	96,178	23,493	731	120,402	95,224	23,324	592	119,141
Derivative financial instruments and firm commitments included in other assets	6	432	-	438	1	537	-	538
Total	**170,453**	**442,581**	**35,277**	**648,311**	**187,135**	**429,701**	**31,416**	**648,252**
FINANCIAL LIABILITIES								
Financial liabilities carried at fair value through income	83	1,791	8,889	10,762	34	1,139	10,118	11,291
Financial liabilities for unit-linked contracts	96,178	23,493	731	120,402	95,224	23,324	592	119,141
Derivative financial instruments and firm commitments included in other liabilities	1	280	-	280	1	146	-	147
Financial liabilities for puttable equity instruments	1,505	139	201	1,845	2,377	87	175	2,640
Total	**97,766**	**25,703**	**9,821**	**133,290**	**97,637**	**24,697**	**10,886**	**133,220**

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 2017. 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. In 2018, this mainly affects a government bond portfolio with a transfer volume of € 13 bn for which now mainly composite prices are used. Conversely, 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 2018	**162**	**20,539**	**10,122**	**592**	**31,416**
Additions through purchases and issues	16	2,534	1,771	104	4,425
Net transfers into (out of) Level 3	1	63	36	60	161
Disposal through sales and settlements	124	(477)	(524)	(15)	(892)
Net gains (losses) recognized in consolidated income statement	(133)	47	55	6	(25)
Net gains (losses) recognized in other comprehensive income	-	(147)	234	-	87
Impairments	-	(26)	(191)	-	(217)
Foreign currency translation adjustments	(1)	283	34	(17)	300
Changes in the consolidated subsidiaries of the Allianz Group	-	17	4	1	22
Carrying value (fair value) as of 30 June 2018	**169**	**22,833**	**11,543**	**731**	**35,277**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	(10)	37	-	6	33

1_Primarily include corporate bonds.

Reconciliation of level 3 financial liabilities

€ mn

	Financial liabilities carried at fair value through income	Financial liabilities for unit-linked contracts	Financial liabilities for puttable equity instruments	Total
Carrying value (fair value) as of 1 January 2018	**10,118**	**592**	**175**	**10,886**
Additions through purchases and issues	449	104	26	579
Net transfers into (out of) Level 3	-	60	-	60
Disposal through sales and settlements	(445)	(15)	-	(460)
Net losses (gains) recognized in consolidated income statement	(1,445)	6	-	(1,439)
Net losses (gains) recognized in other comprehensive income	-	-	-	-
Impairments	-	-	-	-
Foreign currency translation adjustments	211	(17)	-	194
Changes in the consolidated subsidiaries of the Allianz Group	-	1	-	-
Carrying value (fair value) as of 30 June 2018	**8,889**	**731**	**201**	**9,821**
Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date	(1,583)	6	-	(1,576)

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 2018, there were no significant changes in contingent liabilities, compared to the consolidated financial statements for the year ended 31 December 2017.

The following table shows the composition of purchase obligations as of 30 June 2018:

Purchase obligations
€ mn

	As of 30 June 2018	As of 31 December 2017
Commitments to acquire interests in associates and available-for-sale investments	13,613	16,001
Debt investments	8,005	6,392
Other	3,110	3,193
Total	**24,728**	**25,586**

All other commitments had no significant changes.

33 _ Subsequent events

SHARE BUY-BACK PROGRAM

On 4 July 2018, Allianz SE started a new share buy-back program with a volume of up to € 1 bn. The program shall be finalized by 30 September 2018. Allianz SE will cancel all repurchased shares.

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, 2 August 2018

Allianz SE
The Board of Management

Oliver Bäte	Sergio Balbinot
Jacqueline Hunt	Dr. Helga Jung
Dr. Christof Mascher	Niran Peiris
Iván de la Sota	Giulio Terzariol
Dr. Günther Thallinger	Dr. Axel Theis

REVIEW REPORT

To Allianz SE, Munich

We have reviewed the condensed consolidated interim financial statements – 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 – and the interim group management report of Allianz SE, Munich, for the period from 1 January to 30 June 2018 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures 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 express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, 2 August 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Richard Burger	Julia Unkel
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Financial calendar

Important dates for shareholders and analysts[1]

Financial Results 3Q	9 November 2018
Financial Results 2018	15 February 2019
Annual Report 2018	8 March 2019
Annual General Meeting	8 May 2019
Financial Results 1Q	14 May 2019
Financial Results 2Q/Interim Report 6M	2 August 2019
Financial Results 3Q	8 November 2019

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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