

1Q

Allianz Group
Interim Report First Quarter of 2014

QUARTERLY RESULTS

three months ended 31 March		2014	2013	Change from previous year	More details on page
Income statement					
Total revenues ¹	€ MN	33,964	32,048	6.0%	6
Operating profit ²	€ MN	2,723	2,797	(2.6)%	7
Net income ²	€ MN	1,740	1,801	(3.4)%	7
thereof: attributable to shareholders	€ MN	1,640	1,707	(3.9)%	7
Business segments³					
Property-Casualty					
Gross premiums written	€ MN	15,217	15,197	0.1%	10
Operating profit ²	€ MN	1,489	1,319	12.9%	11
Net Income ²	€ MN	645	1,017	(36.6)%	13
Combined ratio	%	92.6	94.3	(1.7)%-p	11
Life/Health⁴					
Statutory premiums	€ MN	17,163	14,837	15.7%	16
Operating profit ²	€ MN	880	855	2.9%	17
Net Income ²	€ MN	629	628	0.2%	18
Margin on reserves	BPS	73	74	(1)	18
Asset Management⁴					
Operating revenues	€ MN	1,517	1,911	(20.6)%	22
Operating profit ²	€ MN	646	900	(28.2)%	22
Net Income ²	€ MN	406	568	(28.5)%	22
Cost-income ratio	%	57.4	52.9	4.5%-p	22
Corporate and Other					
Total revenues	€ MN	139	148	(6.1)%	–
Operating result ²	€ MN	(222)	(239)	7.1%	24
Net Income ²	€ MN	131	(397)	n.m.	24
Balance sheet as of 31 March⁵					
Total assets ⁶	€ MN	733,964	711,079	3.2%	28
Shareholders' equity	€ MN	53,525	50,084	6.9%	27
Non-controlling interests	€ MN	2,835	2,765	2.5%	27
Share information					
Basic earnings per share	€	3.61	3.77	(4.2)%	83
Diluted earnings per share	€	3.55	3.69	(3.8)%	83
Share price as of 31 March ⁵	€	122.70	130.35	(5.9)%	1
Market capitalization as of 31 March ⁵	€ MN	56,013	59,505	(5.9)%	–
Other data					
Standard & Poor's rating ⁷		AA Stable outlook	AA Stable outlook	–	–
Conglomerate solvency ratio ^{5,8}	%	184	182	2%-p	27
Total assets under management as of 31 March ^{4,5}	€ BN	1,765	1,770	(0.3)%	20
thereof: third-party assets under management as of 31 March ⁵	€ BN	1,342	1,361	(1.4)%	21

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

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

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

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

5 — 2013 figures as of 31 December 2013.

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

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

8 — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 March 2014 would be 175% (31 December 2013: 173%).

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Allianz Share

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

indexed to the Allianz share price in €



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

Allianz Share price (3M 2014):
High: € 133.90 (1/17/2014) Low: € 119.00 (3/24/2014)

BASIC SHARE INFORMATION

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

INTERIM GROUP MANAGEMENT REPORT



INTERIM GROUP MANAGEMENT REPORT

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Executive Summary

FIRST QUARTER 2014

- Revenues increased 6.0 % to € 34.0 BN.
- Operating profit on track at € 2,723 MN.
- Net income decreased 3.4 % to € 1,740 MN.
- Solvency ratio remained strong at 184 %.¹

Allianz Group overview

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

Key figures

KEY FIGURES ALLIANZ GROUP

€ MN	2014	2013
three months ended 31 March		
Total revenues	33,964	32,048
Operating profit	2,723	2,797
Net income	1,740	1,801
Solvency ratio ^{1,2} in %	184	182

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT IN THE FIRST QUARTER OF 2014

Overall, global economic activity continued to trend moderately upwards early in the year. Sentiment indices and hard economic indicators such as industrial production data supported this view, in particular in the Eurozone. In contrast, unusually cold winter conditions were the main reason behind the U.S. economy's somewhat rocky start to 2014.

Improving macro conditions and low catastrophe losses helped the insurance industry make a successful start to 2014. But it has not been straightforward progress – slowing price gains as well as persistent low yields remained formidable headwinds.

In the first quarter of 2014, developments in emerging markets were the main reason for increased volatility in international financial markets. In late January numerous emerging market currencies came under intense pressure as investors started to prepare for a

gradual normalization in U.S. central bank monetary policy. This change of tack on the part of investors has hit countries that rely heavily on the inflow of foreign capital particularly hard. Rising tensions between Russia and Ukraine, including the annexation of Crimea by Russia, unsettled the markets in the second half of the first quarter.

Spreads on government bonds in the Eurozone periphery continued to narrow, despite lower benchmark bond yields. Recent doubts over growth in the United States and China, questions surrounding monetary policies, and Ukraine-related geopolitical risks have had almost no effect on this narrowing trend. Yields on 10-year German government bonds closed the quarter at 1.6%, 30 basis points lower than at the beginning of this year. European equity markets oscillated around their 2013 year-end levels for much of the first quarter of 2014. Within the Eurozone, the recovery and rising confidence in peripheral countries have been the standout features, with equity markets in Greece, Portugal and Italy all rising over 10%.

In the United States, the first quarter of 2014 was driven by notable net inflows in fixed income, equity and alternative assets along with increased investor confidence and continued outflows from emerging markets to industrialized countries.

¹ — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 March 2014 would be 175% (31 December 2013: 173 %).

² — 2013 figure as of 31 December 2013.

MANAGEMENT'S ASSESSMENT OF FIRST QUARTER 2014 RESULTS

Our **total revenues** grew 6.0% to € 34.0 BN, despite the challenges of operating in a persistently low interest rate environment. On an internal basis¹, revenues increased by 7.4%. This favorable development was driven by the strong revenue growth in our Life/Health business segment, supported by stable revenues in our Property-Casualty business segment. Lower operating revenues in our Asset Management business segment partly offset this growth.

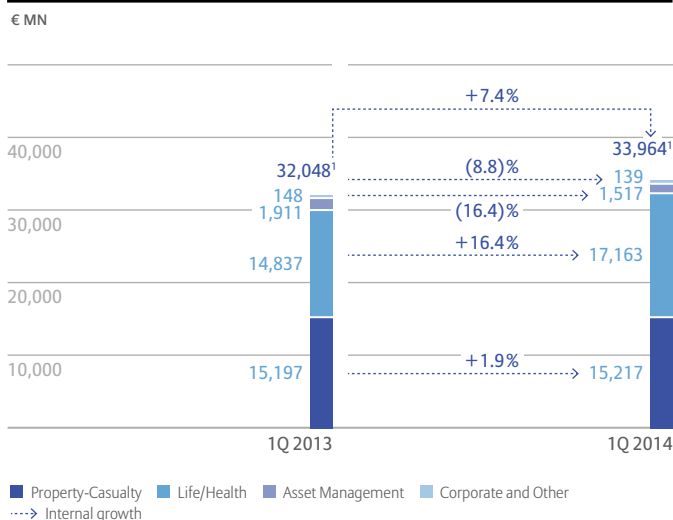
Our **operating profit** decreased 2.6% to € 2,723 MN. The operating profit decline in our Asset Management business segment as a result of expected lower performance fees more than offset the growth in the other business segments. Our Property-Casualty business recorded a higher underwriting result largely due to an improvement in the loss ratio. Our Life/Health business recorded a solid operating performance. The operating result from the Corporate and Other business segment improved due to the closure of the Allianz Bank's business operations in Germany in mid-2013.

Our **net income** decreased 3.4% to € 1,740 MN, mainly driven by a lower operating profit and slightly higher effective tax rate. The non-operating result was stable. **Net income attributable to shareholders** and **non-controlling interests** was € 1,640 MN (1Q 2013: € 1,707 MN) and € 100 MN (1Q 2013: € 94 MN), respectively.

Our **capitalization** remained strong and **shareholders' equity** increased by € 3.4 BN to € 53.5 BN compared to 31 December 2013. Our conglomerate solvency ratio strengthened by 2 percentage points to 184%.

Total revenues²

TOTAL REVENUES – BUSINESS SEGMENTS



1 — Total revenues include € (72) MN (1Q 2013: € (45) MN) from consolidation for 1Q 2014.

Property-Casualty gross premiums written amounted to € 15.2 BN. On an internal basis, gross premiums written increased by 1.9%, supported by positive price and volume effects. Most of this growth stemmed from our subsidiaries in Germany, Turkey, Allianz Worldwide Partners and AGCS.

Life/Health statutory premiums amounted to € 17.2 BN, an increase of 16.4% on an internal basis. Strong single premium increases from savings products contributed to this growth, mainly driven by the United States, Germany and Benelux.

Asset Management operating revenues went down by € 394 MN to € 1,517 MN. This was mainly because of a decrease in performance fees but also reflects the allocation of certain entities to other business segments³. On an internal basis, operating revenues decreased by 16.4%. Our performance fees decreased by € 257 MN – mainly as a result of exceptionally high performance fees from private funds in the first quarter of 2013. We recorded net outflows of € 20 BN, mainly driven by the United States.

Total revenues from our Banking operations (reported in our **Corporate and Other** business segment) decreased by € 9 MN to € 139 MN, mainly due to the mid-2013 closure of the Allianz Bank's business operations in Germany.

¹ — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 34 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.

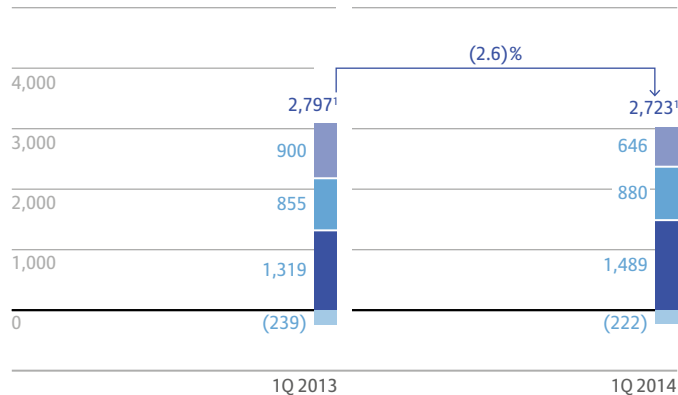
² — Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

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

Operating profit

OPERATING PROFIT – BUSINESS SEGMENTS

€ MN



■ Property-Casualty ■ Life/Health ■ Asset Management ■ Corporate and Other

1 — Total operating profit includes € (70) MN (1Q 2013: € (38) MN) from consolidation for 1Q 2014.

Our **Property-Casualty** operating profit went up by € 170 MN, or 12.9%, to € 1,489 MN. The underwriting result increased by € 165 MN to € 705 MN, largely driven by the improvement in our loss ratio. Our operating investment income (net) decreased by € 16 MN to € 747 MN.

Life/Health operating profit increased by € 25 MN to € 880 MN. While our operating performance was stable, the improvement reflects the contribution from entities transferred from Asset Management.

Asset Management operating profit declined to € 646 MN, a contraction of 28.2%. On an internal basis, operating profit decreased by 23.8% mainly due to lower performance fees but also due to lower average assets under management. The cost-income ratio deteriorated by 4.5 percentage points to 57.4%.

Benefiting from the mid-2013 closure of the Allianz Bank's business operations in Germany, our operating result in **Corporate and Other** improved by € 17 MN to a loss of € 222 MN.

Non-operating result

Our **non-operating result** was flat at a loss of € 116 MN. The positive impact from lower interest expenses from external debt and the one-off effect from pension revaluation offset the decrease in the non-operating investment result. This decrease was driven by lower non-operating realized gains and losses (net) and non-operating income from financial assets and liabilities carried at fair value through income (net).

Non-operating income from financial assets and liabilities carried at fair value through income (net) decreased by € 64 MN to a loss of € 68 MN, mainly due to unfavorable impacts from hedging instruments on investments in financial sector assets.

Non-operating realized gains and losses (net) decreased from € 267 MN to € 126 MN as a result of higher realizations on equities largely due to the disposal of The Hartford shares as well as higher realizations on real estate investments in the first quarter of 2013.

Non-operating interest expenses from external debt improved from € 241 MN to € 204 MN. New issuances have had lower funding costs compared to bonds that matured or were redeemed.

Non-operating acquisition-related expenses improved from € 25 MN to a gain of € 4 MN, mainly due to lower PIMCO B-unit expenses.

For further information on the **one-off effect from pension revaluation** of € 116 MN, please refer to note 3 to the condensed consolidated interim financial statements.

Non-operating amortization of intangible assets improved from € 41 MN to € 19 MN, largely due to impairments in the first quarter of 2013. For further information, please refer to note 11 to the condensed consolidated interim financial statements.

Income taxes

Income taxes decreased by € 10 MN to € 867 MN, driven by a € 71 MN lower income before income taxes compared to the first quarter of 2013. The effective tax rate increased to 33.3% (1Q 2013: 32.7%), mainly due to lower tax-exempt income in the first quarter of 2014.

Net income

Net income decreased by € 61 MN to € 1,740 MN, driven by our lower operating result. **Net income attributable to shareholders** and **non-controlling interests** amounted to € 1,640 MN (1Q 2013: € 1,707 MN) and € 100 MN (1Q 2013: € 94 MN), respectively. The largest non-controlling interests in net income related to Euler Hermes and PIMCO.

Basic earnings per share decreased from € 3.77 to € 3.61 and **diluted earnings per share** decreased from € 3.69 to € 3.55. For further information on earnings per share, please refer to note 38 to the condensed consolidated interim financial statements.

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

€ MN		
three months ended 31 March	2014	2013
Total revenues¹	33,964	32,048
Premiums earned (net)	16,686	16,672
Operating investment result		
Interest and similar income	5,139	5,167
Operating income from financial assets and liabilities carried at fair value through income (net)	(251)	(221)
Operating realized gains/losses (net)	780	879
Interest expenses, excluding interest expenses from external debt	(98)	(110)
Operating impairments of investments (net)	(296)	(63)
Investment expenses	(199)	(208)
Subtotal	5,075	5,444
Fee and commission income	2,408	2,754
Other income	78	60
Claims and insurance benefits incurred (net)	(11,809)	(11,638)
Change in reserves for insurance and investment contracts (net) ²	(3,440)	(4,099)
Loan loss provisions	(9)	(14)
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(5,450)	(5,464)
Fee and commission expenses	(782)	(778)
Operating amortization of intangible assets	(5)	–
Restructuring charges	1	(94)
Other expenses	(30)	(46)
Operating profit (loss)	2,723	2,797
Non-operating investment result		
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(68)	(4)
Non-operating realized gains/losses (net)	126	267
Non-operating impairments of investments (net)	(66)	(71)
Subtotal	(8)	192
Income from fully consolidated private equity investments (net)	(5)	(4)
Interest expenses from external debt	(204)	(241)
Acquisition-related expenses	4	(25)
One-off effect from pension revaluation	116	–
Non-operating amortization of intangible assets	(19)	(41)
Non-operating items	(116)	(119)
Income (loss) before income taxes	2,607	2,678
Income taxes	(867)	(877)
Net income (loss)	1,740	1,801
Net income (loss) attributable to:		
Non-controlling interests	100	94
Shareholders	1,640	1,707
Basic earnings per share in €	3.61	3.77
Diluted earnings per share in €	3.55	3.69

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

2 — For the three months ended 31 March 2014, expenses for premium refunds (net) in the business segment Property-Casualty of € (59) MN (1Q 2013: € (63) MN) are included.

Risk management

Risk management is an integral part of our business and supports our value-based management. For further information, please refer to the Risk and Opportunity Report in our Annual Report 2013. The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of its risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs. The risk profile described in the latest Risk and Opportunity Report remains unchanged. As a reminder, Allianz continues to be exposed to two external forces which affect our risk profile and would not normally be associated with our core operating activities: the European sovereign debt crisis and regulatory developments – especially the European solvency directive, Solvency II.

THE EUROPEAN SOVEREIGN DEBT CRISIS

The European sovereign debt crisis remained subdued and the Eurozone returned to moderate growth. In the first quarter several European sovereign ratings or rating outlooks improved and against this backdrop a growth of debt issuance by E.U. peripherals was observable. Especially for Italian and Spanish bond markets, yields hardly changed around the time of government bond auctions, which often used to cause bigger spread movements. Despite the stabilization of financial markets in 2013 and the first quarter of 2014, many of the root causes of the sovereign debt crisis remain unresolved and markets could fluctuate widely again in the future, having adverse implications for Allianz's balance sheet.

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

REGULATORY DEVELOPMENTS

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

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becoming clearer, the final rules are still evolving. This creates some uncertainties in terms of the ultimate capital requirements for Allianz.

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

Events after the balance sheet date

For information on events after the balance sheet date, please refer to note 40 to the condensed consolidated interim financial statements.

Other information

BUSINESS OPERATIONS AND GROUP STRUCTURE

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

STRATEGY

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

PRODUCTS, SERVICES AND SALES CHANNELS

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

Property-Casualty Insurance Operations

FIRST QUARTER 2014

- Gross premiums written at € 15.2 BN.
- Operating profit up 12.9% to € 1,489 MN, driven by a strong underwriting result.
- Combined ratio at 92.6 %.

Business segment overview

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

Key figures

KEY FIGURES PROPERTY-CASUALTY

€ MN	2014	2013
three months ended 31 March		
Gross premiums written	15,217	15,197
Operating profit	1,489	1,319
Net income	645	1,017
Loss ratio in %	64.6	66.1
Expense ratio in %	28.0	28.2
Combined ratio in %	92.6	94.3

Gross premiums written¹

On a nominal basis, we recorded *gross premiums written* of € 15,217 MN, up € 20 MN – or 0.1 % – compared to the first quarter of 2013. Unfavorable foreign currency translation effects were € 374 MN, largely due to the depreciation of the Australian Dollar, the Brazilian Real, the Turkish Lira and the Russian Ruble against the Euro.² Consolidation/deconsolidation effects were positive and amounted to € 101 MN. These mainly stemmed from our acquisition of Yapı Kredi Sigorta in Turkey in 3Q 2013.

On an internal basis, our gross premiums written increased by 1.9% consisting of a positive price effect of 0.5% and a positive volume effect of 1.4%. We experienced solid growth in Germany, Turkey, at Allianz Worldwide Partners and AGCS.

Analyzing internal premium growth in terms of price and volume, we use four clusters based on 1Q 2014 internal growth over 1Q 2013:

Cluster 1:

Overall growth – both price and volume effects are positive.

Cluster 2:

Overall growth – either price or volume effects are positive.

Cluster 3:

Overall decline – either price or volume effects are negative.

Cluster 4:

Overall decline – both price and volume effects are negative.

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

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

² – Based on the average exchange rates in 2014 compared to 2013.

CLUSTER 1

In **Turkey** we generated gross premiums of € 290 MN. The main drivers for the strong internal growth of 17.5 % were our motor and health lines.

At **Allianz Worldwide Partners** gross premiums amounted to € 785 MN. On an internal basis, we expanded by 8.9 % with most of the growth stemming from our assistance business. We experienced higher volumes mainly in our U.S., German, U.K. and French business and price increases primarily in our Australian subsidiary.

In the **United Kingdom** gross premiums increased to € 638 MN. Our internal growth of 4.4 % benefited from higher volumes – mainly in our commercial motor line – as well as tariff increases in all commercial lines of business.

In our **Credit Insurance** business, gross premiums went up to € 612 MN. The growth of 3.4 % on an internal basis was driven by new business coming from Emerging Markets and new products.

CLUSTER 2

In **Asia-Pacific** gross premiums rose to € 183 MN. The 12.8 % increase on an internal basis was mainly due to the strong growth in our Malaysian motor business. The overall price effect was negative.

In **Central and Eastern Europe** gross premiums climbed to € 713 MN, up 11.4 % on an internal basis. This growth was largely driven by higher volumes in our personal accident, property and motor lines – which more than offset a negative price effect.

At **AGCS** gross premiums amounted to € 1,589 MN. The internal growth of 2.6 % was mainly attributable to higher volumes in our financial and liability lines. The overall price effect was slightly negative.

In **Germany** gross premiums totaled € 4,090 MN – up 2.1 % on an internal basis. This was supported by price increases – mainly in our motor and commercial property and liability lines – and was partly offset by negative volume effects, particularly in our retail non-motor business.

In **Australia** we recorded gross premiums of € 574 MN. The increase of 0.7 % on an internal basis benefited from higher volumes in our motor and property business – which outweighed declining prices in most of our lines.

CLUSTER 3

In **Spain** gross premiums were flat at € 614 MN. Despite the challenging market environment, we generated higher volumes in all lines of business. However, this could not compensate for the effect of declining tariffs.

In **Switzerland** gross premiums went down to € 944 MN – a decline of 1.3 % on an internal basis. The main driver was a shift to more flexible renewal dates in our motor business.

In **France** gross premiums dropped to € 1,443 MN, down 1.5 % on an internal basis. This was driven by volume losses across all lines of business except for personal motor and was partly compensated for by tariff increases.

In **Italy** gross premiums decreased to € 961 MN. On an internal basis, gross premiums dipped by 1.7 %, largely due to falling prices, mainly in our motor business. Although regulatory changes weighed on volumes, increases in our motor business – particularly in our direct channel – resulted in a slightly positive volume effect.

United States gross premiums amounted to € 416 MN. The decrease of 4.6 %, on an internal basis was mainly attributable to declines in our commercial lines, which continued to be impacted by our strict underwriting discipline, and to lower volumes in our crop business. The overall price effect was positive.

In **Latin America** we recorded gross premiums of € 399 MN, down 10.9 % on an internal basis. We experienced volume reductions mainly in Brazil due to the stabilization phase of a new IT platform.

Operating profit

OPERATING PROFIT

€ MN	2014	2013
three months ended 31 March		
Underwriting result	705	540
Operating investment income (net)	747	763
Other result ¹	37	16
Operating profit	1,489	1,319

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

Operating profit amounted to € 1,489 MN, – up € 170 MN or 12.9 % – and was driven by a stronger underwriting result.

Our **underwriting result** grew by € 165 MN to € 705 MN. This increase was largely due to an improvement in our accident year loss ratio of 0.5 percentage points – supported by continued positive price momentum and lower claims from natural catastrophes – and a more favorable run-off.

The **combined ratio** improved by 1.7 percentage points to 92.6 %.

UNDERWRITING RESULT

€ MN three months ended 31 March	2014	2013
Premiums earned (net)	10,410	10,312
Accident year claims	(6,980)	(6,964)
Previous year claims (run-off)	253	151
Claims and insurance benefits incurred (net)	(6,727)	(6,813)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(2,912)	(2,909)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds) ¹	(66)	(50)
Underwriting result	705	540

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 28 to the condensed consolidated interim financial statements.

Our **accident year loss ratio** stood at 67.0%, down 0.5 percentage points compared to the first quarter of the previous year. Net losses from natural catastrophes dropped from € 70 MN to € 54 MN, decreasing their impact by 0.2 percentage points to 0.5%.

Excluding natural catastrophes, our accident year loss ratio was 66.5%, a 0.3 percentage point improvement on the first quarter of 2013. This was driven by continued positive price momentum, reduced attritional claims severity and our strict underwriting discipline.

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

Germany: 0.4 percentage points. The positive impact was mainly driven by a favorable price momentum – particularly in our motor business – and lower attritional claims, despite a higher burden from large losses.

Reinsurance: 0.3 percentage points. This was entirely due to lower losses from natural catastrophes, although the impact from large claims increased slightly.

France: 0.3 percentage points. This was supported by a reduced burden from large claims and the improved pricing environment especially in our motor business.

AGCS: 0.2 percentage points. The positive impact primarily resulted from lower large losses.

Australia: 0.2 percentage points. This was entirely driven by lower losses from natural catastrophe claims, as the first quarter of 2013 was burdened by the impact of floods.

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

United States: 0.2 percentage points. The negative impact stemmed largely from winter storms claims.

Our **run-off result** grew by € 102 MN to € 253 MN, an increase of 1.0 percentage points in the run-off ratio primarily reflecting the previous year quarter's particularly low level of run-off.

In the first quarter of 2014, total expenses stood at € 2,912 MN, compared to € 2,909 MN in the previous year. Our **expense ratio** improved slightly by 0.2 percentage points to 28.0%. This mainly reflects the positive effects of the changes in our business portfolio mix, the absence of the fire levy in Australia and improvements in productivity.

OPERATING INVESTMENT INCOME (NET)¹

€ MN three months ended 31 March	2014	2013
Interest and similar income (net of interest expenses)	840	872
Operating income from financial assets and liabilities carried at fair value through income (net)	14	8
Operating realized gains/losses (net)	26	15
Operating impairments of investments (net)	(5)	(1)
Investment expenses	(69)	(68)
Expenses for premium refunds (net) ²	(59)	(63)
Operating investment income (net)	747	763

¹ — The operating investment income (net) for our Property-Casualty business segment consists of the operating investment result – as shown in note 3 to the condensed consolidated interim financial statements – and expenses for premium refunds (net) (policyholder participation) as shown in note 28 to the condensed consolidated interim financial statements.

² — Refers to policyholder participation, mainly from UBR (accident insurance with premium refunds) business, and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 28 to the condensed consolidated interim financial statements.

Operating investment income (net) amounted to € 747 MN, down by € 16 MN. This was mainly due to decreased interest and similar income (net of interest expenses).

Interest and similar income (net of interest expenses) dropped by € 32 MN driven by lower income on debt securities – largely because of lower average volumes and unfavorable foreign currency translation effects. The average asset base¹ decreased by 4.0% from € 106.6 BN in the first quarter of 2013 to € 102.3 BN in the first quarter of 2014.

¹ — Including the French health business, excluding fair value option and trading.

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Operating income from financial assets and liabilities carried at fair value through income (net) amounted to € 14 MN, up by € 6 MN. This increase was due to various effects from derivatives and hedging related activities.

Operating realized gains and losses (net) grew by € 11 MN to € 26 MN mainly because of higher realizations on equities.

OTHER RESULT

€ MN	2014	2013
three months ended 31 March		
Fee and commission income	306	290
Other income	29	8
Fee and commission expenses	(291)	(275)
Other expenses	(6)	(5)
Restructuring charges	(1)	(2)
Other result	37	16

Net income

Net income decreased by € 372 MN to € 645 MN, reflecting the effect of the lower non-operating realized gains and losses (net) and a one-off effect from inter-segment pension revaluation recorded in the non-operating administrative expenses. For further information, please refer to note 3 to the condensed consolidated interim financial statements.

PROPERTY-CASUALTY BUSINESS SEGMENT INFORMATION

€ MN	2014	2013
three months ended 31 March		
Gross premiums written¹	15,217	15,197
Ceded premiums written	(1,227)	(1,310)
Change in unearned premiums	(3,580)	(3,575)
Premiums earned (net)	10,410	10,312
Interest and similar income	853	887
Operating income from financial assets and liabilities carried at fair value through income (net)	14	8
Operating realized gains/losses (net)	26	15
Fee and commission income	306	290
Other income	29	8
Operating revenues	11,638	11,520
Claims and insurance benefits incurred (net)	(6,727)	(6,813)
Change in reserves for insurance and investment contracts (net)	(125)	(113)
Interest expenses	(13)	(15)
Operating impairments of investments (net)	(5)	(1)
Investment expenses	(69)	(68)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(2,912)	(2,909)
Fee and commission expenses	(291)	(275)
Restructuring charges	(1)	(2)
Other expenses	(6)	(5)
Operating expenses	(10,149)	(10,201)
Operating profit	1,489	1,319
Non-operating items	(576)	128
Income before income taxes	913	1,447
Income taxes	(268)	(430)
Net income	645	1,017
Loss ratio ² in %	64.6	66.1
Expense ratio ³ in %	28.0	28.2
Combined ratio⁴ in %	92.6	94.3

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

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

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

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

Property-Casualty insurance operations by reportable segments

PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
			internal ¹					
	2014	2013	2014	2013	2014	2013	2014	2013
three months ended 31 March								
Germany ^{2,3}	4,090	4,000	4,090	4,005	1,871	1,851	330	319
Switzerland	944	952	940	952	368	369	61	59
Austria	350	350	350	350	209	199	16	18
German Speaking Countries³	5,384	5,310	5,380	5,307	2,448	2,423	407	398
Italy	961	978	961	978	958	966	213	206
France	1,443	1,465	1,443	1,465	976	934	128	103
Benelux ⁴	399	414	399	414	267	274	22	19
Turkey ⁵	290	211	248	211	214	130	23	17
Greece	31	30	31	30	22	20	7	4
Africa	41	38	41	38	16	14	4	1
Western & Southern Europe⁶	3,165	3,136	3,123	3,136	2,453	2,338	399	354
Latin America	399	567	505	567	410	440	41	39
Spain	614	614	614	614	440	447	67	51
Portugal	116	117	116	117	66	65	5	4
Iberia & Latin America	1,129	1,298	1,235	1,298	916	952	113	94
United States	416	452	431	452	405	463	24	47
USA	416	452	431	452	405	463	24	47
Allianz Global Corporate & Specialty	1,589	1,566	1,606	1,566	721	730	143	92
Reinsurance PC ²	1,568	1,454	1,568	1,452	748	734	162	44
Australia	574	685	690	685	520	599	50	65
United Kingdom	638	595	621	595	561	517	30	55
Credit Insurance	612	599	614	594	378	344	112	88
Ireland	120	112	120	112	90	93	5	7
Global Insurance Lines & Anglo Markets⁷	5,101	5,011	5,219	5,004	3,018	3,017	501	351
Russia	231	220	276	220	150	146	(51)	–
Poland	113	109	114	109	86	85	4	3
Hungary	87	86	91	86	53	56	5	6
Slovakia	107	105	107	105	64	66	20	13
Czech Republic	74	74	80	74	57	57	15	6
Romania	53	49	54	49	36	36	2	1
Bulgaria	16	15	16	15	16	17	5	5
Croatia	28	28	28	28	19	19	3	3
Ukraine	5	6	6	6	2	2	(1)	1
Central and Eastern Europe⁸	713	692	771	692	483	484	–	36
Asia-Pacific	183	180	203	180	100	89	24	19
Middle East and North Africa	20	20	21	20	12	12	1	2
Growth Markets	916	892	995	892	595	585	25	57
Allianz Global Assistance	566	526	565	526	454	435	22	14
Allianz Worldwide Care	202	177	202	177	112	97	10	8
Allianz Worldwide Partners⁹	785	720	784	720	575	534	21	18
Consolidation ¹⁰	(1,679)	(1,622)	(1,681)	(1,616)	–	–	(1)	–
Total	15,217	15,197	15,486	15,193	10,410	10,312	1,489	1,319

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

2 — The combined ratio 1Q 2013 at Germany and Reinsurance PC was impacted by a one-off effect related to the commutation of internal reinsurance resulting in a 3.5 percentage point improvement in the combined ratio for Germany and an increase of 8.9 percentage points in Reinsurance PC. This had no impact at Group level.

3 — Starting from 2014 "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 3 MN, premiums earned (net) of € 3 MN and operating profit of € 1 MN. Prior

period figures were not adjusted. Contribution to German Speaking Countries before consolidation in 1Q 2013 was gross written premiums of € 8 MN, premiums earned (net) of € 4 MN and operating profit of € 2 MN.

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

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

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%	Combined ratio		Loss ratio		Expense ratio	
	2014	2013	2014	2013	2014	2013
three months ended 31 March						
Germany ^{2,3}	90.6	91.4	64.6	68.3	26.0	23.1
Switzerland	89.1	89.7	66.9	68.6	22.2	21.1
Austria	96.1	96.4	68.7	68.8	27.4	27.6
German Speaking Countries³	90.8	91.5	65.3	68.4	25.5	23.1
Italy	83.7	85.6	57.5	61.4	26.2	24.2
France	93.6	96.5	67.0	70.0	26.6	26.5
Benelux ⁴	98.0	98.3	68.3	69.9	29.7	28.4
Turkey ⁵	96.0	92.0	72.9	66.3	23.1	25.7
Greece	70.8	84.2	39.3	49.5	31.5	34.7
Africa	77.3	95.7	54.1	65.7	23.2	30.0
Western & Southern Europe⁶	90.1	91.9	63.6	66.1	26.5	25.8
Latin America	101.4	97.6	70.1	65.3	31.3	32.3
Spain	89.1	92.9	68.6	72.8	20.5	20.1
Portugal	96.2	99.4	74.1	75.8	22.1	23.6
Iberia & Latin America	95.1	95.5	69.7	69.6	25.4	25.9
United States	106.9	101.5	70.6	65.6	36.3	35.9
USA	106.9	101.5	70.6	65.6	36.3	35.9
Allianz Global Corporate & Specialty	91.9	97.3	64.4	69.4	27.5	27.9
Reinsurance PC ²	81.8	96.3	53.2	54.1	28.6	42.2
Australia	99.7	99.5	75.4	73.7	24.3	25.8
United Kingdom	99.7	95.2	68.2	63.4	31.5	31.8
Credit Insurance	77.8	84.9	49.1	57.7	28.7	27.2
Ireland	100.9	98.8	67.1	64.6	33.8	34.2
Global Insurance Lines & Anglo Markets⁷	90.8	95.9	62.4	64.1	28.4	31.8
Russia	139.6	105.3	91.4	64.7	48.2	40.6
Poland	99.6	101.0	65.5	66.8	34.1	34.2
Hungary	105.4	103.9	62.1	63.4	43.3	40.5
Slovakia	75.9	87.2	45.3	57.2	30.6	30.0
Czech Republic	76.1	90.3	48.5	63.9	27.6	26.4
Romania	102.2	101.5	71.7	71.8	30.5	29.7
Bulgaria	71.9	71.2	48.1	40.7	23.8	30.5
Croatia	91.0	90.9	54.5	54.6	36.5	36.3
Ukraine	128.3	105.5	63.2	54.6	65.1	50.9
Central and Eastern Europe⁸	106.1	98.4	68.0	63.1	38.1	35.3
Asia-Pacific	84.2	87.9	54.4	57.2	29.8	30.7
Middle East and North Africa	98.7	95.5	61.3	62.9	37.4	32.6
Growth Markets	102.2	96.8	65.6	62.3	36.6	34.5
Allianz Global Assistance	95.8	98.5	60.8	63.4	35.0	35.1
Allianz Worldwide Care	92.0	92.2	75.4	75.4	16.6	16.8
Allianz Worldwide Partners⁹	96.7	98.3	64.2	65.5	32.5	32.8
Consolidation ¹⁰	—	—	—	—	—	—
Total	92.6	94.3	64.6	66.1	28.0	28.2

6 — Contains € 2 MN and € 4 MN operating profit for 1Q 2014 and 1Q 2013, respectively, from a management holding located in Luxembourg.

7 — Contains € 1 MN and € 0.2 MN operating loss for 1Q 2014 and 1Q 2013, respectively, from AGF UK.

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

9 — The reportable segment Allianz Worldwide Partners includes the business of Allianz Global Assistance and Allianz Worldwide Care as well as the reinsurance business of Allianz Global Automotive and income

and expenses of a management holding. The set-up of this division will be further enhanced during the following quarters. The reinsurance business of Allianz Global Automotive contributed with gross premiums written of € 17 MN, premiums earned (net) of € 9 MN and an operating loss of € 8 MN for 1Q 2014 and with gross premiums written of € 17 MN, premiums earned (net) of € 2 MN and an operating loss of € 3 MN for 1Q 2013.

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

Life/Health Insurance Operations

FIRST QUARTER 2014

- Statutory premiums grew 15.7 % to € 17.2 BN.
- Operating profit solid at € 880 MN.

Business segment overview

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

Key figures

KEY FIGURES LIFE/HEALTH

€ MN	2014	2013
three months ended 31 March		
Statutory premiums	17,163	14,837
Operating profit ¹	880	855
Net income ¹	629	628
Margin on reserves (BPS) ^{1,2}	73	74

Statutory premiums^{3,4}

In the first quarter of 2014, *statutory premiums* amounted to € 17,163 MN, an increase of € 2,326 MN. Excluding unfavorable foreign currency translation effects of € 229 MN and positive consolidation/deconsolidation effects of € 125 MN – largely from our acquisition of Yapı Kredi in Turkey – premiums increased by 16.4 %, or € 2,430 MN, on an internal basis.

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

Premiums in the *United States* increased to € 2,556 MN, representing growth of 69.8 %. This was driven by stronger fixed-indexed annuity sales as a result of an innovative index strategy and the successful penetration into the broker and dealer channel. This growth was partly offset by a decrease in the variable annuity business.

In *Benelux*⁵, we recorded premiums of € 1,084 MN, an increase of 57.3 %. This growth largely resulted from cooperation between Allianz companies in Luxembourg and France, as well as our distribution partners in those countries, with investment-oriented products. In Belgium, our zero-guarantee products also contributed to this growth.

Premiums in *Italy* increased 13.1 % to € 2,370 MN. Sustained by a favorable market environment, this growth was mainly driven by our single premium savings business via bancassurance and some large contracts. We recorded a decrease in single premium unit-linked business via the financial advisors channel as the first quarter of 2013 significantly benefited from the launch of a new product.

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

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

³ – 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.

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

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

Premiums in *Spain* increased 12.8% to € 353 MN. As a result of the gradual economic recovery, we recorded growth in single and recurring premiums in all business lines across the major distribution channels.

In our *German* life business, premiums grew 11.5% to € 4,980 MN. This was driven by a strong increase in single premium business with savings products via our bancassurance channel but with relatively flat recurring premiums. Statutory premiums in our German health business decreased 2.8% to € 808 MN due to premium reductions in supplementary coverage and a lower contribution from full health care coverage business.

In *Asia-Pacific*, we recorded premiums of € 1,339 MN, a growth of 11.4%. This was driven by favorable developments in all markets, but in particular due to increased sales of single premium unit-linked products in Taiwan and higher sales of single premium investment-oriented products via the bancassurance channel in South Korea.

Premiums in *France* increased to € 2,472 MN, up 9.0%. This was mainly attributable to the cooperation between Allianz companies in France and Luxembourg, supported by our distribution partners in those countries. In our individual life business we recorded growth in unit-linked products and a solid increase in our health and protection business.

In *Switzerland*, premiums totaled € 951 MN. The increase of 3.3% was entirely driven by single and recurring premiums in our group life business.

Premiums in *Central and Eastern Europe* declined to € 236 MN, representing a drop of 5.1%. This largely relates to the timing of a sales campaign in Hungary and stronger sales of investment-oriented products in the Czech Republic in the first quarter of 2013. This adverse development was partially compensated for by the increase of unit-linked product revenues distributed via bancassurance in Poland.

Operating profit

Operating profit increased by € 25 MN to € 880 MN, mainly as a result of the allocation of certain entities previously reflected within the reportable segment Asset Management to the business segment Life/Health. Excluding this effect, our operating profit was stable despite a lower operating investment result compared to the first quarter of 2013.

Interest and similar income (net of interest expenses) grew by € 76 MN to € 4,134 MN, mainly due to higher interest income from debt investments as a result of an increased asset base.

Operating income from financial assets and liabilities carried at fair value through income (net) decreased by € 25 MN to a loss of € 269 MN. This was mainly driven by a negative valuation impact related to financial derivatives in France but was partly offset by gains from the net of foreign currency translation effects and financial derivatives in Germany. These derivatives are used to manage duration and other interest rate related exposures as well as to protect against equity and foreign currency fluctuations.

Operating realized gains and losses (net) decreased by € 72 MN to € 827 MN. This was mainly the result of lower realizations on equities.

Operating impairments of investments (net) increased by € 229 MN to € 291 MN. This was driven by higher impairments on our emerging market debt funds due to the depreciation of corresponding currencies over the past nine months as well as higher impairments on equities.

Fee and commission income increased by € 89 MN to € 229 MN, mainly due to income generated by entities transferred from the reportable segment Asset Management.

Claims and insurance benefits incurred (net) increased by € 255 MN to € 5,081 MN, largely because of higher payments for maturities in Germany.

Change in reserves for insurance and investment contracts (net) decreased by € 687 MN to € 3,314 MN. Largely related to Germany, this decline was driven by a lower change in reserves for premium refunds due to the decreased investment result and the one-off effect from pension revaluation. Additionally, we had a lower increase in aggregate policy reserves because of higher maturities and lower net premiums earned.

Acquisition and administrative expenses (net) remained broadly stable at € 1,253 MN.

Other expenses increased by € 117 MN to € 140 MN. This was mainly the result of the one-off effect from pension revaluation. For further information on the one-off effect from pension revaluation, please refer to note 3 to the condensed consolidated interim financial statements.

Margin on reserves was broadly flat at 73 basis points.

Overall, the major driver of the increase in our operating profit was higher unit-linked management fees mainly driven by the first time inclusion of the transferred entities from the reportable segment Asset Management. Reserve-driven fees were moderately higher, while the investment margin (i.e. investment income net of hedged item movements and policyholder participation) decreased mainly due to a lower harvesting result in Germany and Italy. Strong fixed-indexed annuity business in the United States increased acquisition expenses, which were largely offset by higher capitalization of deferred acquisition costs.

Net income

Net income was flat at € 629 MN. Lower income before income taxes was offset by lower taxes. The effective tax rate amounted to 28.8% (1Q 2013: 29.8%).

LIFE/HEALTH BUSINESS SEGMENT INFORMATION

€ MN		
three months ended 31 March	2014	2013
Statutory premiums¹	17,163	14,837
Ceded premiums written	(162)	(157)
Change in unearned premiums	(183)	(114)
Statutory premiums (net)	16,818	14,566
Deposits from insurance and investment contracts	(10,542)	(8,206)
Premiums earned (net)	6,276	6,360
Interest and similar income	4,159	4,077
Operating income from financial assets and liabilities carried at fair value through income (net)	(269)	(244)
Operating realized gains/losses (net)	827	899
Fee and commission income	229	140
Other income	49	49
Operating revenues	11,271	11,281
Claims and insurance benefits incurred (net)	(5,081)	(4,826)
Change in reserves for insurance and investment contracts (net)	(3,314)	(4,001)
Interest expenses	(25)	(19)
Operating impairments of investments (net)	(291)	(62)
Investment expenses	(195)	(190)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,253)	(1,248)
Fee and commission expenses	(87)	(56)
Operating amortization of intangible assets	(5)	–
Restructuring charges	–	(1)
Other expenses	(140)	(23)
Operating expenses	(10,391)	(10,426)
Operating profit	880	855
Non-operating items	4	40
Income before income taxes	884	895
Income taxes	(255)	(267)
Net income	629	628
Margin on reserves ² in basis points	73	74

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

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

Life/Health insurance operations by reportable segments

LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Statutory premiums ¹				Premiums earned (net)		Operating profit (loss)		Margin on reserves ² (bps)	
	internal ³									
three months ended 31 March	2014	2013	2014	2013	2014	2013	2014 ⁴	2013	2014 ⁴	2013
Germany Life	4,980	4,466	4,980	4,466	2,931	3,053	276	344	59	78
Germany Health	808	831	808	831	809	832	24	31	37	49
Switzerland	951	917	947	917	234	232	21	20	63	59
Austria	117	114	117	114	89	87	12	9	111	86
German Speaking Countries	6,856	6,328	6,852	6,328	4,063	4,204	333	404	58	74
Italy	2,370	2,095	2,370	2,095	131	131	47	81	38	71
France	2,472	2,268	2,472	2,268	839	824	145	115	74	61
Benelux ⁵	1,084	689	1,084	689	130	132	32	26	84	73
Greece	24	25	24	25	14	14	–	(1)	– ⁸	(91)
Turkey ⁶	161	33	45	33	31	9	4	–	83	– ⁸
Africa	16	18	16	18	8	8	1	1	213	204
Western & Southern Europe	6,127	5,128	6,011	5,128	1,153	1,118	229	222	63	65
Latin America	71	76	79	76	28	26	1	1	31	85
Spain	353	313	353	313	100	85	48	33	276	201
Portugal	52	48	52	48	21	20	3	5	217	420
Iberia & Latin America	476	437	484	437	149	131	52	39	247	204
United States	2,556	1,562	2,652	1,562	227	208	169	101	94	58
USA	2,556	1,562	2,652	1,562	227	208	169	101	94	58
Reinsurance LH	126	132	126	132	82	121	11	7	229	135
Global Insurance Lines & Anglo Markets	126	132	126	132	82	121	11	7	229	135
South Korea	393	361	402	361	120	130	5	5	20	21
Taiwan	502	486	535	486	40	27	3	3	24	20
Indonesia	134	157	169	157	53	34	17	22	578	657
Malaysia	95	85	106	85	50	55	7	4	236	149
Japan	–	–	–	–	1	1	(1)	4	(12)	71
Other	215	211	236	211	162	165	20	25	242	265
Asia-Pacific	1,339	1,300	1,448	1,300	426	412	51	63	91	107
Poland	48	27	49	27	18	12	3	4	252	251
Slovakia	66	61	66	61	49	50	8	8	270	282
Hungary	38	78	40	78	11	13	4	1	397	135
Czech Republic	33	44	35	44	19	19	4	5	272	387
Russia	15	16	18	16	14	16	–	(1)	– ⁸	(222)
Croatia	22	17	22	17	22	16	4	1	481	121
Bulgaria	9	8	9	8	8	7	4	1	932	253
Romania	5	6	5	6	3	3	2	–	879	– ⁸
Central and Eastern Europe⁷	236	257	244	257	145	136	27	19	310	230
Middle East and North Africa	40	40	43	40	30	30	5	4	331	279
Global Life	1	1	1	1	1	–	–	–	– ⁸	– ⁸
Growth Markets	1,616	1,598	1,736	1,598	602	578	83	86	125	126
Consolidation ⁹	(594)	(348)	(594)	(348)	–	–	3	(4)	– ⁸	– ⁸
Total	17,163	14,837	17,267	14,837	6,276	6,360	880	855	73	74

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

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

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

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

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

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

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

8 – Presentation not meaningful.

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

Asset Management

FIRST QUARTER 2014

- Operating profit of € 646 MN.
- Cost-income ratio at 57.4%.
- Third-party net outflows of € 20 BN in the first quarter of 2014.
- Total assets under management at € 1,765 BN.

Business segment overview

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

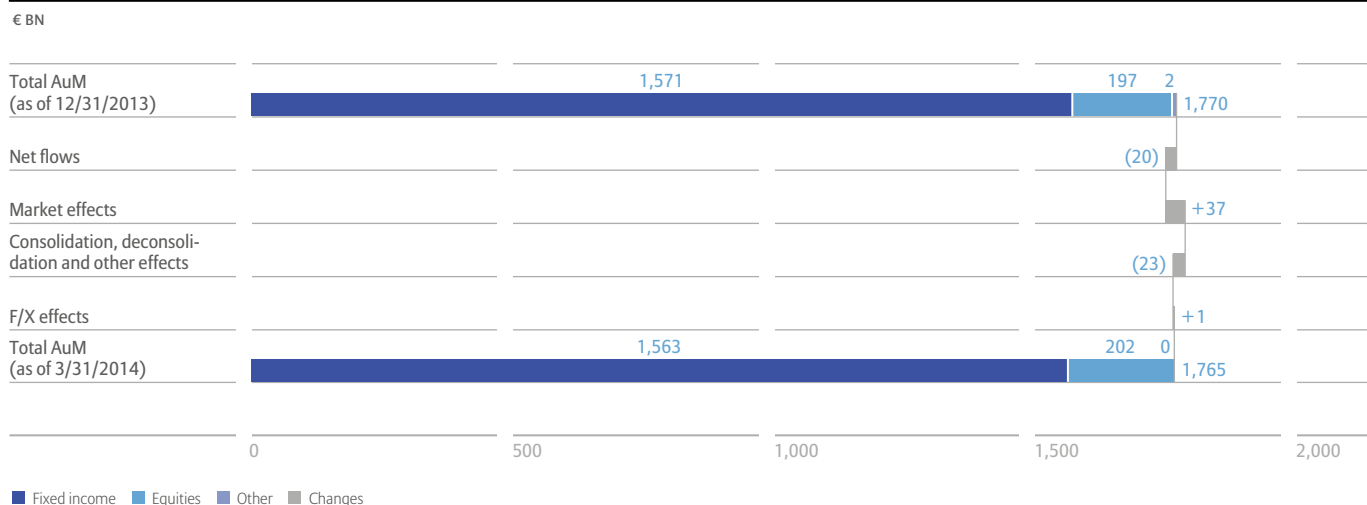
Key figures

KEY FIGURES ASSET MANAGEMENT

€ MN	2014	2013
three months ended 31 March		
Operating revenues ¹	1,517	1,911
Operating profit ¹	646	900
Cost-income ratio ¹ in %	57.4	52.9
Net income ¹	406	568
Total assets under management ¹ as of 31 March in € BN	1,765	1,934
thereof: Third-party assets under management as of 31 March in € BN	1,342	1,517

Assets under management

DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT



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

As of 31 March 2014, total assets under management amounted to € 1,765 BN. Of this, € 1,342 BN related to our third-party assets under management and € 423 BN to Allianz group assets. We show the development of total assets under management based on asset classes as they are relevant for the business segment's development.

In the first three months of 2014, we recorded net outflows of total assets under management of € 20 BN, which were almost entirely related to third-party assets under management. Net outflows stemmed from fixed income products and were mainly driven by the United States, while our equities recorded net inflows.

Favorable market effects contributed € 37 BN in total assets under management, with € 35 BN driven by fixed income and € 2 BN by equities.

These positive effects were partly offset by negative effects of € 23 BN. This was due to the allocation of certain entities to other business segments which resulted in a decrease of € 32 BN in assets under management partially offset by a change in reporting to include third-party fund of fund assets under management.

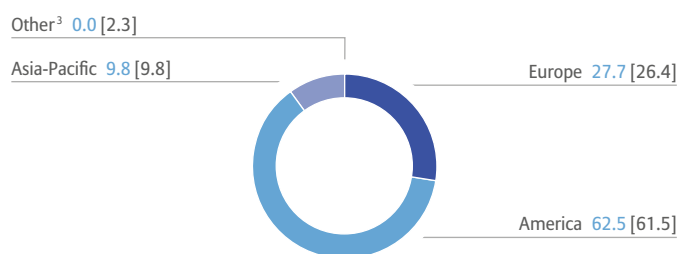
Foreign currency translation effects were not significant given the relatively unchanged value of the U.S. Dollar against the Euro.¹

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

As of 31 March 2014 the share of third-party assets under management by business unit was 83.1 % attributable to PIMCO and 16.9 % to AllianzGI.

THIRD-PARTY ASSETS UNDER MANAGEMENT BY REGION/COUNTRY^{1,2,3}

as of 31 March 2014 [31 December 2013] in %



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

² — "America" consists of the United States, Canada and Brazil (approximately € 824 BN, € 12 BN and € 3 BN third-party assets under management as of 31 March 2014, respectively).

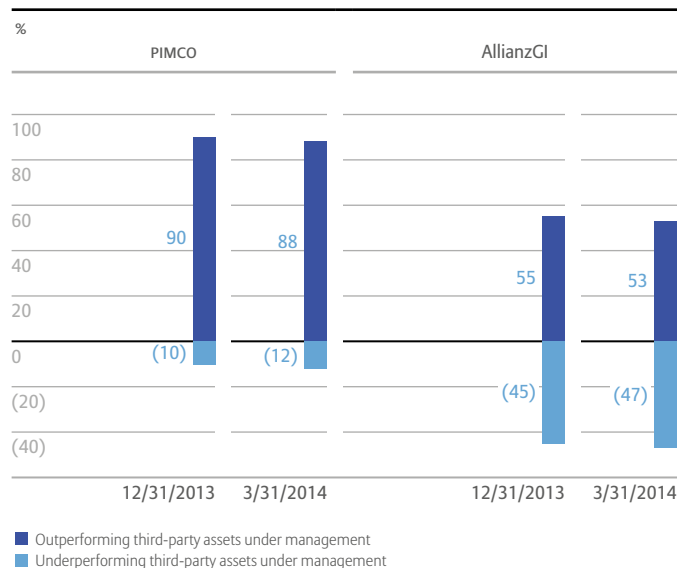
³ — "Other" consists of third-party assets managed by other Allianz Group companies which were allocated to other business segments as of 1 January 2014.

The regional allocation of third-party assets under management shifted slightly also due to the allocation of certain entities to other business segments. Europe's share rose by 1.3 percentage points, also due to the change in reporting of fund of fund assets and positive market effects.

The split of third-party assets under management remained the same compared to 31 December 2013, with 87 % attributable to fixed income and 13 % to equities.

The share of third-party assets under management between our retail and institutional clients² changed slightly – down one percentage point for retail clients (36 %) and up one percentage point for institutional clients (64 %).

THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI¹



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

The overall three-year rolling investment performance of our Asset Management business was on a high level, with 83 % of our assets outperforming their respective benchmarks (31 December 2013: 85 %). 88 % of PIMCO assets outperformed their respective benchmarks while 53 % of AllianzGI assets outperformed their respective benchmarks.

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

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

Operating revenues

Operating revenues went down by € 394 MN, or 20.6 %, to € 1,517 MN. This was mainly driven by a decrease in performance fees but also reflects the allocation of certain entities to other business segments. On an internal basis¹, operating revenues decreased by 16.4 %.

Net fee and commission income went down by € 381 MN, or 20.1 % to € 1,516 MN due to the decline in performance fees and lower average third-party assets under management. Our *performance fees* decreased by € 257 MN – mainly as a result of exceptionally high performance fees from private funds in the first quarter of 2013.

Our *income from financial assets and liabilities carried at fair value through income (net)* was down by € 8 MN due to a swing of valuation effects from seed money compared to the first quarter of 2013.

Operating profit

Our *operating profit* declined to € 646 MN, a contraction of € 254 MN, or 28.2 %. On an internal basis¹, operating profit decreased by 23.8 % mainly due to lower performance fees.

Administrative expenses fell by € 135 MN to € 873 MN, which was generally in line with the decline in operating revenues and lower assets under management related expenses.

Our *cost-income ratio* deteriorated by 4.5 percentage points to 57.4 % mainly due to the decrease in performance fees. Excluding the effect of performance fees and restructuring expenses, the cost-income ratio increased by 1.3 percentage points to 52.9 % compared to the first quarter of 2013.

Net income

Our *net income* decreased by € 162 MN, or 28.5 % to € 406 MN. This was largely consistent with our operating profit.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN	2014	2013
three months ended 31 March		
Management and loading fees	1,825	1,983
Performance fees	19	276
Other	17	27
Fee and commission income	1,861	2,286
Commissions	(307)	(376)
Other	(38)	(13)
Fee and commission expenses	(345)	(389)
Net fee and commission income	1,516	1,897
Net interest income ¹	–	4
Income from financial assets and liabilities carried at fair value through income (net)	(1)	7
Other income	2	3
Operating revenues	1,517	1,911
Administrative expenses (net), excluding acquisition-related expenses	(873)	(1,008)
Restructuring charges	2	(3)
Operating expenses	(871)	(1,011)
Operating profit	646	900
Non-operating items	(14)	(31)
Income before income taxes	632	869
Income taxes	(226)	(301)
Net income	406	568
Cost-income ratio ² in %	57.4	52.9

¹ – Represents interest and similar income less interest expenses.

² – Represents operating expenses divided by operating revenues.

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

Corporate and Other

FIRST QUARTER 2014

Operating loss decreased by € 17 MN to € 222 MN as the recovery of our Banking result more than offset the drop in Holding & Treasury.

Business segment overview

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

Key figures

KEY FIGURES CORPORATE AND OTHER¹

€ MN	2014	2013
three months ended 31 March		
Operating revenues	377	461
Operating expenses	(599)	(700)
Operating result	(222)	(239)
Net income (loss)	131	(397)

KEY FIGURES REPORTABLE SEGMENTS

€ MN	2014	2013
three months ended 31 March		
HOLDING & TREASURY		
Operating revenues	68	138
Operating expenses	(316)	(305)
Operating result	(248)	(167)
BANKING		
Operating revenues	268	281
Operating expenses	(250)	(364)
Operating result	18	(83)
ALTERNATIVE INVESTMENTS		
Operating revenues	41	44
Operating expenses	(33)	(33)
Operating result	8	11

¹ — Consolidation included. For further information about our Corporate and Other business segment, please refer to note 3 to the condensed consolidated interim financial statements.

Earnings summary

Our *operating result* improved by € 17 MN to a loss of € 222 MN. A € 101 MN recovery in operating profit in our Banking segment more than compensated for € 81 MN and € 3 MN lower results in Holding & Treasury and Alternative Investments, respectively.

Our *net result* increased from a loss of € 397 MN to income of € 131 MN. This was driven by a one-off benefit from pension revaluation with our German subsidiaries.¹

Operating earnings summaries by reportable segment

HOLDING & TREASURY

Our *operating loss* increased by € 81 MN to € 248 MN, primarily due to a lower net interest result and – to a lesser extent – a decreased net fee and commission result.

Our *net interest result* dropped from € 32 MN to a loss of € 24 MN as the decrease in interest and similar income was only partly offset by lower interest expenses. *Interest and similar income* was down by € 67 MN to € 54 MN, as the previous year's quarter benefited from interest payments on our silent participation in Commerzbank, which was redeemed in 2013. To a much lesser extent, lower income from associates also contributed to the decline. *Interest expenses, excluding interest expenses from external debt*, decreased by € 11 MN to € 78 MN due to lower interest rates.

Our *net fee and commission result* was down by € 13 MN to a loss of € 55 MN. This was the result of higher IT project startup costs.

Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation, increased by € 9 MN to € 155 MN. This was due to the non-recurrence of service revenues as a result of the one-off effect from pension revaluation with our German subsidiaries.¹

Investment expenses went down by € 4 MN to € 14 MN.

BANKING²

Our *operating result* recovered from a loss of € 83 MN to an operating profit of € 18 MN. This improvement was mainly attributable to the non-recurrence of restructuring charges of € 88 MN incurred in the first quarter of 2013 related to the pending closure of the Allianz Bank's business operations in mid-2013. It was also supported by lower administration expenses as a result of the aforementioned closure.

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

Excluding these operations, the *operating profit* in Banking improved marginally by € 1 MN to € 18 MN.

Our *net interest, fee and commission result* remained almost stable at € 133 MN (1Q 2013: € 131 MN). The *net interest result* slightly increased by € 2 MN to € 82 MN as lower interest and similar income was more than compensated for by decreased interest expenses while the *net fee and commission result* was flat.

Our *loan loss provisions* decreased by € 3 MN to € 9 MN primarily due to lower loan loss provisions at our German subsidiary Oldenburgische Landesbank.

Administrative expenses went up from € 103 MN to € 107 MN mainly as a result of costs to modernize the distribution channel and implementation of a new sales structure at Oldenburgische Landesbank and the allocation of a former Asset Management entity to the reportable segment Banking in Italy.

Our *operating income from financial assets and liabilities carried at fair value through income (net)* stood unchanged at € 2 MN.

ALTERNATIVE INVESTMENTS

Our *operating result* declined by € 3 MN to € 8 MN due to a slightly lower net fee and commission income.

¹ — For further information on the one-off effect from pension revaluation, please refer to note 3 to the condensed consolidated interim financial statements.

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

Outlook

- Industrialized countries set to register higher growth in 2014.
- Our outlook for the Allianz Group's operating profit is unchanged at € 10.0 BN, plus or minus € 0.5 BN.

Economic outlook¹

The global economy regained some momentum in the course of 2013. One of the areas where this trend left its mark was industrial production, which rose by 2.4% on average last year. Global output grew by 2.3% in the same period. There is a good chance that the economic recovery that started to emerge in 2013 will continue this year. This view is supported by the favorable readings of the purchasing managers' indices for the manufacturing industry, in particular in industrialized countries. Given the expected acceleration in growth in the industrialized world, global output is likely to expand by 3% in 2014. Fears that economic development in emerging markets would deteriorate substantially look unfounded. Nevertheless, they have lost steam since 2012 and will not return to their pre-crisis growth rates. However, with an expected real GDP increase of 4.5% in 2014, growth in these countries will still be considerably higher than in the industrialized world. In the Eurozone, the economy is also starting to get back on its feet in crisis-ridden member states, narrowing the "north-south divide". Both sentiment indices and hard economic indicators such as industrial production data suggest the economic recovery is set to continue, albeit at a moderate pace. For 2014 as a whole, we expect real GDP growth of 1.5%. Supported by brighter economic conditions in the Eurozone, the German economy could expand by about 2% this year. Inflation is likely to remain subdued on a global level, not least due to the dire unemployment situation in many industrialized countries, which keeps the lid on wages. Despite the overall favorable growth picture, risks for the global economy should not be disregarded. In this respect, an escalation of the ongoing conflict between Russia and Ukraine – which might eventually lead to a spiral of sanctions and corresponding counter-sanctions – ranks first on the list.

Financial markets will probably remain under the twin spell of the Russian-Ukrainian tensions and monetary policy in 2014. Regarding the latter, we expect to see a gradual exit from crisis mode, led by the U.S. central bank reining in its asset purchases. Nevertheless, given its concerns about money market rates, banking liquidity and lending growth, the European Central Bank might actually ease slightly further – despite the recovery in the Eurozone – before eventually starting to exit from its very expansionary policy stance in 2015. Even though monetary policy would still remain highly accommodative, the steps towards an exit could well be accompanied by pronounced swings in the equity, bond and currency markets. Although the sovereign debt crisis in the Eurozone is not yet over, we expect it to continue to gradually subside.

With short-term rates close to zero, there are limited prospects of markedly higher yields on longer-term bonds. We expect yields on 10-year German and U.S. government bonds to climb only modestly to about 2% and slightly above 3%, respectively, by the end of 2014. With growth in the United States set to outpace that in the Eurozone, the U.S. Dollar is likely to appreciate moderately against the Euro.

Insurance industry outlook

Our *insurance* industry outlook remains unchanged. For full details, please refer to page 88 of the Allianz Group Annual Report 2013.

Asset management industry outlook

Our *asset management* industry outlook remains unchanged. For full details, please refer to page 89 of the Allianz Group Annual Report 2013.

¹ – The information presented in the section Economic outlook is based on our own estimates.

Outlook for the Allianz Group

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

As always, natural catastrophes and adverse developments in the capital markets, as well as factors stated in our cautionary note regarding forward-looking statements, may severely affect the results of our operations.

Cautionary note regarding forward-looking statements

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

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

No duty to update

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

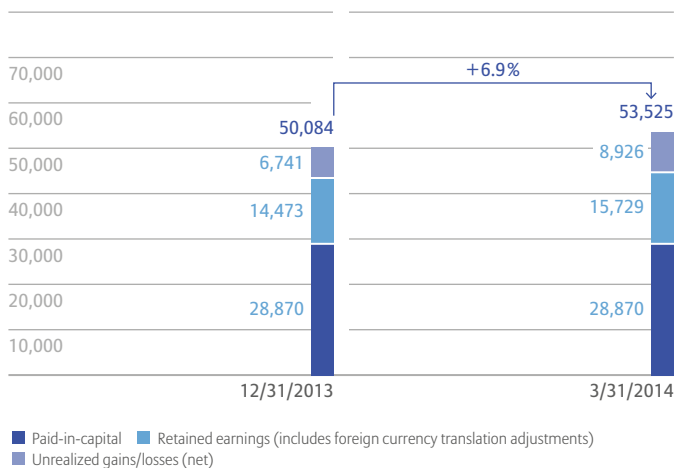
Balance Sheet Review

- Shareholders' equity increased by € 3.4 BN to € 53.5 BN.
- Solvency ratio strong at 184%.¹

Shareholders' equity²

SHAREHOLDERS' EQUITY

€ MN



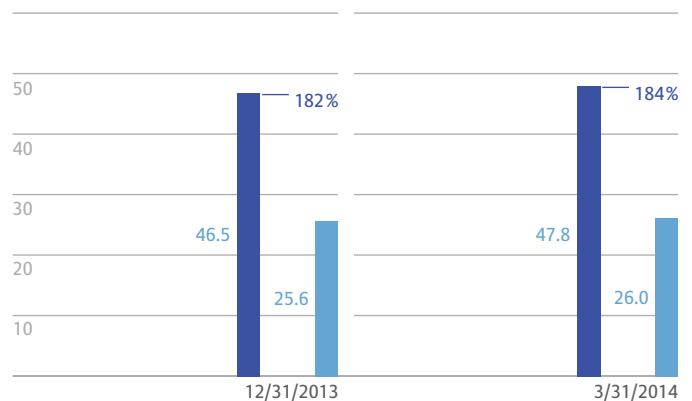
Compared to year-end 2013, *shareholders' equity* increased by € 3,441 MN and amounted to € 53,525 MN as of 31 March 2014. Net income attributable to shareholders contributed € 1,640 MN to this growth. In addition, unrealized gains increased by € 2,185 MN, mainly due to higher fair values of debt securities triggered by declines in government bond yields – in particular within the Eurozone. Foreign currency translation adjustments remained stable.

Regulatory capital adequacy

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

CONGLOMERATE SOLVENCY¹

€ BN



Solvency ratio ■ Eligible capital ■ Requirement

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

Compared to year-end, our *conglomerate solvency ratio* increased two percentage points to 184%. The Group's eligible capital for solvency purposes rose by € 1.3 BN to € 47.8 BN, including off-balance sheet reserves of € 2.3 BN (31 December 2013: € 2.3 BN). This increase was primarily attributable to our net income (net of accrued dividends) of € 1.0 BN. The issuance of a new subordinated bond and higher unrealized gains on equities further contributed to the increase. These developments were partly offset by higher actuarial losses on the valuation of our pension benefit obligation following a decrease in discount rates. The required funds increased by € 0.4 BN

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

² – This does not include non-controlling interests of € 2,835 MN and € 2,765 MN as of 31 March 2014 and 31 December 2013, respectively. For further information, please refer to note 19 to the condensed consolidated interim financial statements. Retained earnings include foreign currency translation adjustments of € (3,297) MN and € (3,312) MN as of 31 March 2014 and 31 December 2013, respectively.

to € 26.0 BN, mainly due to higher aggregate policy reserves in Life/Health. As a result, our eligible capital surpassed the minimum legally stipulated level by € 21.8 BN.

Total assets and total liabilities

As of 31 March 2014, total assets amounted to € 734.0 BN and total liabilities were € 677.6 BN. Compared to year-end 2013, total assets and total liabilities increased by € 22.9 BN and € 19.4 BN, respectively.

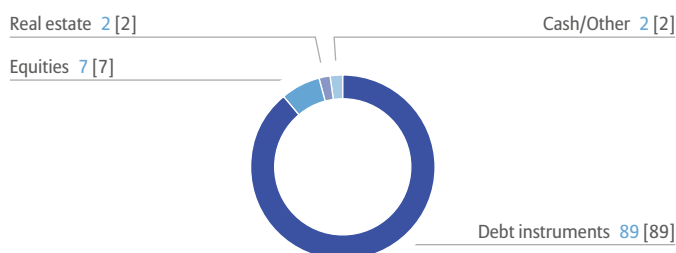
The following section mainly focuses on our financial investments in debt instruments, equities, real estate and cash and other since these reflect the major developments of our asset base.

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

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

ASSET ALLOCATION

Investment portfolio as of 31 March 2014: € 556.1 BN
[as of 31 December 2013: € 536.8 BN] in %



Compared to year-end 2013, our investment portfolio grew by € 19.3 BN to € 556.1 BN as of 31 March 2014. This was mainly due to debt securities.

Our gross exposure to **equities** increased by € 1.5 BN to € 37.1 BN due to new investments and, to a lesser extent, positive market developments. This exposure still accounted for 7% of our investment portfolio. Given the upswing in shareholders' equity, our equity gearing² decreased one percentage point to 24%.

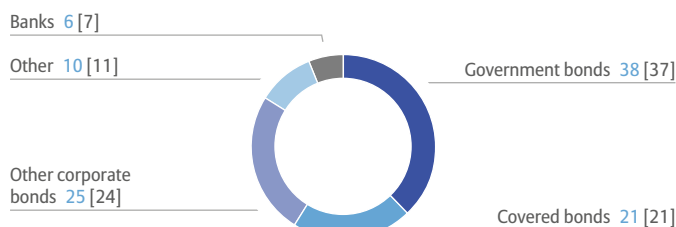
Our exposure to **real estate** stood almost unchanged at € 10.9 BN (31 December 2013: € 10.8 BN) and still accounted for 2% of our investment portfolio.

Our **cash and other investments** went up from € 9.8 BN to € 10.7 BN.

The vast majority of our investment portfolio is comprised of diversified **debt instruments**, which amounted to € 497.4 BN as of 31 March 2014 compared to € 480.6 BN as of year-end 2013. The increase of € 16.8 BN was driven by higher fair values as a result of lower interest rates and new investments. The portfolio share of debt instruments remained unchanged at 89%.

FIXED INCOME PORTFOLIO

Total fixed income portfolio as of 31 March 2014: € 497.4 BN
[as of 31 December 2013: € 480.6 BN] in %



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

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

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 — Excluding self-originated German private retail mortgage loans. For 2%, no ratings were available.

Compared to year-end, our *government bond exposure* increased by € 7.7 BN to € 187.3 BN and accounted for 38% (31 December 2013: 37%) of our fixed income portfolio. The allocation of government and government-related bond exposure remained almost unchanged, with a marginal increase in supranational bonds. Our sovereign debt exposure in Italy and Spain equaled 6.0% and 0.9% of our fixed income portfolio, respectively. The corresponding unrealized gains (gross) amounted to € 3,264 MN in Italy and € 389 MN in Spain while our government bond exposure in Portugal remained limited.

Our *covered bonds* increased from € 102.5 BN to € 105.5 BN as of 31 March 2014 – still representing 21% of our fixed income portfolio. 46% of this portfolio was German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 16% and 9% of the covered bonds were attributable to France and Spain, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and over-collateralization.

Our *corporate bond* portfolio grew by € 6.4 BN to € 122.7 BN and accounted for 25% of our fixed income portfolio – representing an uptick of one percentage point compared to year-end. This increase was attributable to both new investments and lower yields leading to fair value increases.

Our exposure to subordinated securities in banks remained stable at € 4.9 BN (31 December 2013: € 4.8 BN).

Our exposure to asset-backed securities (ABS) was up by € 0.5 BN to € 18.9 BN and still accounted for 4% of our fixed income portfolio. This increase was mainly related to positive market effects. About 73% of our ABS portfolio was related to mortgage backed securities (MBS). MBS issued by U.S. agencies, which are backed by the U.S. government, had an unchanged share of 13% in the ABS portfolio. Overall, 97% of the ABS portfolio received an investment grade rating, with 87% rated “AA” or better.

INVESTMENT RESULT

INVESTMENT INCOME (NET)

€ MN	Group		
three months ended 31 March	2014	2013	Delta
Interest and similar income (net) ¹	5,041	5,057	(16)
Income from financial assets and liabilities carried at fair value through income (net)	(319)	(225)	(94)
Realized gains/losses (net)	906	1,146	(240)
Impairments of investments (net)	(362)	(134)	(228)
Investment expenses	(199)	(208)	9
Investment income (net)	5,067	5,636	(569)

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

Our *investment income (net)* decreased by € 569 MN to € 5,067 MN mainly due to lower realized gains and higher impairments.

Realized gains and losses (net) declined by € 240 MN to € 906 MN as a result of lower realizations on equities compared to the previous year's quarter. Realizations on debt securities were about at the same level as the first quarter of 2013.

Impairments (net) increased by € 228 MN to € 362 MN. This increase was primarily driven by higher impairments on emerging market debt funds related to unfavorable currency movements, which amounted to € 198 MN compared to insignificant amounts in the previous year's quarter. Slightly higher impairments on equities were almost offset by lower impairments on real estate investments.

Income from financial assets and liabilities carried at fair value through income (net) contracted by € 94 MN to a loss of € 319 MN. This was mainly driven by a negative valuation impact related to financial derivatives in France and was partly offset by gains from the net of foreign currency translation effects and financial derivatives in Germany. These derivatives are used to manage duration and other interest rate related exposures as well as to protect against equity and foreign currency fluctuations.

Our *interest and similar income (net)*¹ held up well in the low-yield environment and remained stable at € 5,041 MN (1Q 2013: € 5,057 MN). Slightly increased income from real estate investments and equities almost offset the small decrease in interest income – which suffered from the low interest yield environment and to a larger extent from the non-recurrence of interest payments on our silent participation in Commerzbank, which was redeemed in 2013.

Investment expenses decreased by € 9 MN to € 199 MN.

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

In the following sections, we analyze important developments in the balance sheets of our business segments – including our insurance reserves and external financing.

ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY BUSINESS SEGMENT

Property-Casualty assets

Compared to year-end, the Property-Casualty asset base increased by € 3.5 BN to € 104.6 BN. This was mainly driven by higher cash and cash pool assets and greater exposure to debt securities.

COMPOSITION OF ASSET BASE – FAIR VALUES¹

€ BN	as of 31 March 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	0.3	0.5
Debt securities	0.1	0.1
Other ²	–	–
Subtotal	0.4	0.6
Investments³		
Equities	5.6	5.0
Debt securities	68.4	67.0
Cash and cash pool assets ⁴	6.8	4.9
Other	7.3	7.5
Subtotal	88.1	84.4
Loans and advances to banks and customers	16.1	16.1
Property-Casualty asset base	104.6	101.1

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

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

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

⁴ – Including cash and cash equivalents, as stated in our business segment balance sheet of € 3.9 BN and € 2.8 BN and receivables from cash pooling amounting to € 4.3 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (0.3) BN and € (0.3) BN, as well as liabilities from cash pooling of € (1.1) BN and € (1.0) BN as of 31 March 2014 and 31 December 2013, respectively.

As of 31 March 2014, ABS of € 3.9 BN (31 December 2013: € 3.7 BN) represented 3.7 % of the Property-Casualty asset base.

Property-Casualty liabilities

DEVELOPMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES¹

€ BN	Gross	Ceded	Net
As of 1 January 2014	56.6	(6.1)	50.5
Balance carry forward of discounted loss reserves ²	3.2	(0.3)	2.9
Subtotal	59.8	(6.4)	53.4
Loss and loss adjustment expenses paid in current year relating to previous years	(5.3)	0.4	(4.9)
Loss and loss adjustment expenses incurred in previous years	(0.4)	0.1	(0.3)
Foreign currency translation adjustments and other changes	0.3	–	0.3
Changes in reserves for loss and loss adjustment expenses in current year	5.5	(0.5)	5.0
Subtotal	59.9	(6.4)	53.5
Ending balance of discounted loss reserves ²	(3.4)	0.3	(3.1)
As of 31 March 2014	56.5	(6.1)	50.4

¹ – For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 14 to the condensed consolidated interim financial statements.

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

As of 31 March 2014, the segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 59.9 BN – an increase of € 0.1 BN compared to the end of 2013. On a net basis, our reserves including discounted loss reserves increased from € 53.4 BN to € 53.5 BN. Foreign currency translation effects and other changes amounted to a plus of € 0.3 BN on a net basis.

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ASSETS AND LIABILITIES OF THE LIFE/HEALTH BUSINESS SEGMENT

Life/Health assets

The Life/Health asset base grew by € 19.1 BN – or 3.9% – to € 505.6 BN. € 15.4 BN of this increase was attributable to higher debt securities which went up mainly as a result of higher fair values and new investments. Increased financial assets for unit-linked contracts and higher equities also contributed to this growth.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 31 March 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	1.9	1.4
Debt securities	2.3	2.5
Other ¹	(4.5)	(4.2)
Subtotal	(0.3)	(0.3)
Investments²		
Equities	29.6	28.9
Debt securities	284.8	269.4
Cash and cash pool assets ³	8.0	7.5
Other	10.2	10.0
Subtotal	332.6	315.8
Loans and advances to banks and customers	90.4	89.9
Financial assets for unit-linked contracts⁴	82.9	81.1
Life/Health asset base	505.6	486.5

1 — This comprises assets of € 1.3 BN and € 1.7 BN and liabilities (including the market value liability option) of € (5.8) BN and € (5.9) BN as of 31 March 2014 and 31 December 2013, respectively.

2 — These do not include affiliates of € 0.4 BN and € 0.8 BN as of 31 March 2014 and 31 December 2013, respectively.

3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of € 6.5 BN and € 5.8 BN and receivables from cash pooling amounting to € 3.5 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (1.9) BN and € (1.7) BN, as well as liabilities from cash pooling of € (0.1) BN and € (0.0) BN as of 31 March 2014 and 31 December 2013, respectively.

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

ABS increased by € 0.2 BN to € 14.0 BN, still representing 2.8% of the business segment's asset base.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS¹

€ BN	Unit-linked insurance contracts	Unit-linked investment contracts	Total
As of 1 January 2014	55.4	25.7	81.1
Net premium inflows (outflows)	0.7	0.5	1.2
Changes in fund value	1.0	0.3	1.3
Foreign currency translation adjustments	—	—	—
Other changes	(0.7)	—	(0.7)
As of 31 March 2014	56.4	26.5	82.9

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

Financial assets for unit-linked contracts were up by € 1.8 BN, or 2.2%, to € 82.9 BN. Unit-linked insurance contracts increased by € 1.0 BN to € 56.4 BN due to a good fund performance of € 1.0 BN and premium inflows exceeding outflows by € 0.7 BN. This was partly offset by transfers to the general account in France (€ (0.3) BN). Unit-linked investment contracts increased by € 0.8 BN to € 26.5 BN, with net premium inflows of € 0.5 BN. Currency effects were comparably small and largely offset each other.¹

Life/Health liabilities

In the first quarter of 2014, Life/Health reserves for insurance and investment contracts increased by € 12.6 BN, or 3.2%, to € 403.5 BN. The aggregate policy reserves increased by € 7.1 BN – mainly driven by our operations in Germany (€ 2.9 BN), the United States (€ 1.7 BN before currency effects), Switzerland (€ 0.6 BN before currency effects), Luxembourg (€ 0.5 BN) and Italy (€ 0.4 BN). Reserves for premium refund increased by € 5.6 BN due to higher unrealized gains to be shared with policyholders. Currency effects were relatively small and largely offset each other.¹

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

ASSETS AND LIABILITIES OF THE ASSET MANAGEMENT BUSINESS SEGMENT

Asset Management assets

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

The business segment's asset base decreased from € 4.4 BN to € 2.1 BN – mainly from debt securities as a result of the allocation of certain entities to other reportable segments. Cash and cash pool assets are now the remaining main component of the business segment's asset base.

Asset Management liabilities

Liabilities in our Asset Management business segment halved from € 4.0 BN to € 2.0 BN, primarily due to the above-mentioned allocation.

ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER BUSINESS SEGMENT

Corporate and Other assets

Our Corporate and Other asset base remained almost unchanged as an increase in debt securities was offset by decreased loans and advances to banks and customers and cash and cash pool assets.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 31 March 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	0.1	–
Debt securities	–	–
Other ¹	(0.4)	(0.2)
Subtotal	(0.3)	(0.2)
Investments²		
Equities	1.9	1.7
Debt securities	28.0	26.3
Cash and cash pool assets ³	(5.7)	(5.0)
Other	0.3	0.3
Subtotal	24.5	23.3
Loans and advances to banks and customers	17.3	18.2
Corporate and Other asset base	41.5	41.3

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

2 – These do not include affiliates of € 76.5 BN and € 75.4 BN as of 31 March 2014 and 31 December 2013, respectively.

3 – Including cash and cash equivalents, as stated in our business segment balance sheet, of € 1.4 BN and € 1.5 BN and receivables from cash pooling amounting to € 0.5 BN and € 0.7 BN, net of liabilities from securities lending and derivatives of € (0.1) BN and € (0.2) BN, as well as liabilities from cash pooling of € (7.5) BN and € (7.0) BN as of 31 March 2014 and 31 December 2013, respectively.

Within our Corporate and Other asset base ABS amounted to € 1.0 BN, representing 2.4% of the segment's asset base.

Corporate and Other liabilities

Compared to year-end, subordinated liabilities decreased by € 1.1 BN to € 10.4 BN as of 31 March 2014 as the redemption of a € 1.5 BN perpetual bond was only partly offset by the issuance of an undated subordinated bond with a volume of CHF 500 MN. Other liabilities increased from € 23.6 BN to € 24.9 BN. This was almost equally driven by higher taxes payable, liabilities from cash pooling and other provisions mainly related to pension obligations. Certificated liabilities remained almost unchanged.²

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

² – For further information on Allianz SE debt as of 31 March 2014, please refer to notes 17 and 18 to the condensed consolidated interim financial statements.

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ALLIANZ SE BONDS¹ OUTSTANDING AS OF 31 MARCH 2014 AND INTEREST EXPENSES FOR THE FIRST QUARTER OF 2014

1. SENIOR BONDS²			5.625 % bond issued by Allianz SE		
4.0 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 1.5 BN	
Volume	€ 1.5 BN		Year of issue	2012	
Year of issue	2006		Maturity date	10/17/2042	
Maturity date	11/23/2016		ISIN	DE 000 A1RE1Q3	
ISIN	XS 027 588 026 7		Interest expenses		€ 21.3 MN
Interest expenses		€ 15.3 MN	4.375 % bond issued by Allianz Finance II B.V., Amsterdam		
1.375 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 1.4 BN	
Volume	€ 0.5 BN		Year of issue	2005	
Year of issue	2013		Maturity date	PERPETUAL BOND	
Maturity date	3/13/2018		ISIN	XS 021 163 783 9	
ISIN	DE 000 A1H G1J 8		Interest expenses		€ 15.7 MN
Interest expenses		€ 1.8 MN	5.375 % bond issued by Allianz Finance II B.V., Amsterdam		
4.75 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 0.8 BN	
Volume	€ 1.5 BN		Year of issue	2006	
Year of issue	2009		Maturity date	PERPETUAL BOND	
Maturity date	7/22/2019		ISIN	DE 000 A0G NPZ 3	
ISIN	DE 000 A1A KHB 8		Interest expenses		€ 10.6 MN
Interest expenses		€ 18.1 MN	5.5 % bond issued by Allianz SE		
3.5 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	USD 1.0 BN	
Volume	€ 1.5 BN		Year of issue	2012	
Year of issue	2012		Maturity date	PERPETUAL BOND	
Maturity date	2/14/2022		ISIN	XS 085 787 250 0	
ISIN	DE 000 A1G 0RU 9		Interest expenses		€ 10.3 MN
Interest expenses		€ 13.3 MN	4.75 % bond issued by Allianz SE		
3.0 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 1.5 BN	
Volume	€ 0.75 BN		Year of issue	2013	
Year of issue	2013		Maturity date	PERPETUAL BOND	
Maturity date	3/13/2028		ISIN	DE 000 A1Y CQ2 9	
ISIN	DE 000 A1H G1K 6		Interest expenses		€ 17.7 MN
Interest expenses		€ 5.8 MN	3.25 % bond issued by Allianz SE		
4.5 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	CHF 0.5 BN	
Volume	GBP 0.75 BN		Year of issue	2014	
Year of issue	2013		Maturity date	PERPETUAL BOND	
Maturity date	3/13/2043		ISIN	CH 023 483 337 1	
ISIN	DE 000 A1H G1L 4		Interest expenses		€ 2.2 MN
Interest expenses		€ 10.0 MN	Total interest expenses for subordinated bonds		€ 122.9 MN
Total interest expenses for senior bonds		€ 64.3 MN	3. ISSUES REDEEMED IN 2014		
2. SUBORDINATED BONDS³			5.5 % bond issued by Allianz SE		
6.5 % bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 1.5 BN	
Volume	€ 1.0 BN		Year of issue	2004	
Year of issue	2002		Maturity date	PERPETUAL BOND	
Maturity date	1/13/2025		ISIN	XS 018 716 232 5	
ISIN	XS 015 952 750 5		Interest expenses		€ 3.2 MN
Interest expenses		€ 16.4 MN	Sum of interest expenses¹		€ 190.4 MN
5.75 % bond issued by Allianz Finance II B.V., Amsterdam			Interest expenses from external debt not presented in the table		€ 14.2 MN
Volume	€ 2.0 BN		Total interest expenses from external debt		€ 204.6 MN
Year of issue	2011				
Maturity date	7/8/2041				
ISIN	DE 000 A1GNAH1				
Interest expenses		€ 28.7 MN			

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 March 2014, please refer to notes 17 and 18 to the condensed consolidated interim financial statements.

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

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

Reconciliations

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

For further information, please refer to note 3 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	2014	2013
three months ended 31 March		
Property-Casualty		
Gross premiums written	15,217	15,197
Life/Health		
Statutory premiums	17,163	14,837
Asset Management		
Operating revenues	1,517	1,911
consisting of:		
Net fee and commission income	1,516	1,897
Net interest income	–	4
Income from financial assets and liabilities carried at fair value through income (net)	(1)	7
Other income	2	3
Corporate and Other		
Total revenues (Banking)	139	148
consisting of:		
Interest and similar income	150	157
Income from financial assets and liabilities carried at fair value through income (net)	2	2
Fee and commission income	116	120
Interest expenses, excluding interest expenses from external debt	(66)	(73)
Fee and commission expenses	(65)	(60)
Consolidation effects (Banking within Corporate and Other)	2	2
Consolidation	(72)	(45)
Allianz Group total revenues	33,964	32,048

Composition of total revenue growth

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

RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH

%	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
three months ended 31 March				
2014				
Property-Casualty	1.9	0.7	(2.5)	0.1
Life/Health	16.4	0.8	(1.5)	15.7
Asset Management	(16.4)	(2.0)	(2.2)	(20.6)
Corporate and Other	(8.8)	2.7	–	(6.1)
Allianz Group	7.4	0.6	(2.0)	6.0
2013				
Property-Casualty	1.3	2.3	(0.9)	2.7
Life/Health	8.5	–	(0.2)	8.3
Asset Management	33.9	(0.2)	(0.9)	32.8
Corporate and Other	(4.5)	–	–	(4.5)
Allianz Group	6.1	1.1	(0.6)	6.6

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

B

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

€ MN

	note	as of 31 March 2014	as of 31 December 2013
ASSETS			
Cash and cash equivalents		12,167	11,207
Financial assets carried at fair value through income	4	5,889	6,661
Investments	5	430,291	411,148
Loans and advances to banks and customers	6	116,039	116,800
Financial assets for unit-linked contracts		82,870	81,064
Reinsurance assets	7	12,962	12,609
Deferred acquisition costs	8	22,179	22,203
Deferred tax assets		1,568	1,508
Other assets	9	36,797	34,632
Non-current assets classified as held for sale	10	143	147
Intangible assets	11	13,059	13,100
Total assets		733,964	711,079
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	12	5,957	6,013
Liabilities to banks and customers	13	22,319	23,109
Unearned premiums		22,299	18,212
Reserves for loss and loss adjustment expenses	14	66,566	66,566
Reserves for insurance and investment contracts	15	417,033	404,072
Financial liabilities for unit-linked contracts		82,870	81,064
Deferred tax liabilities		3,949	3,178
Other liabilities	16	38,099	36,432
Certificated liabilities	17	8,046	8,030
Subordinated liabilities	18	10,466	11,554
Total liabilities		677,604	658,230
Shareholders' equity		53,525	50,084
Non-controlling interests		2,835	2,765
Total equity	19	56,360	52,849
Total liabilities and equity		733,964	711,079

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

€ MN				
three months ended 31 March		note	2014	2013
Gross premiums written			21,811	21,805
Ceded premiums written			(1,362)	(1,445)
Change in unearned premiums			(3,763)	(3,688)
Premiums earned (net)	20		16,686	16,672
Interest and similar income	21		5,139	5,167
Income from financial assets and liabilities carried at fair value through income (net)	22		(319)	(225)
Realized gains/losses (net)	23		906	1,146
Fee and commission income	24		2,408	2,754
Other income	25		78	60
Income from fully consolidated private equity investments	26		169	178
Total income			25,067	25,752
Claims and insurance benefits incurred (gross)			(12,332)	(12,182)
Claims and insurance benefits incurred (ceded)			523	544
Claims and insurance benefits incurred (net)	27		(11,809)	(11,638)
Change in reserves for insurance and investment contracts (net)	28		(3,440)	(4,099)
Interest expenses	29		(302)	(351)
Loan loss provisions	30		(9)	(14)
Impairments of investments (net)	31		(362)	(134)
Investment expenses	32		(199)	(208)
Acquisition and administrative expenses (net)	33		(5,330)	(5,489)
Fee and commission expenses	34		(782)	(778)
Amortization of intangible assets			(24)	(41)
Restructuring charges			1	(94)
Other expenses	35		(30)	(46)
Expenses from fully consolidated private equity investments	26		(174)	(182)
Total expenses			(22,460)	(23,074)
Income before income taxes			2,607	2,678
Income taxes	36		(867)	(877)
Net income			1,740	1,801
Net income attributable to:				
Non-controlling interests			100	94
Shareholders			1,640	1,707
Basic earnings per share (€)	38		3.61	3.77
Diluted earnings per share (€)	38		3.55	3.69

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

€ MN	2014	2013
three months ended 31 March		
Net income	1,740	1,801
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	16	289
Subtotal	16	289
Available-for-sale investments		
Reclassifications to net income	(94)	(177)
Changes arising during the period	2,314	(276)
Subtotal	2,220	(453)
Cash flow hedges		
Reclassifications to net income	(2)	(1)
Changes arising during the period	5	7
Subtotal	3	6
Share of other comprehensive income of associates		
Reclassifications to net income	–	–
Changes arising during the period	9	21
Subtotal	9	21
Miscellaneous		
Reclassifications to net income	–	–
Changes arising during the period	(29)	84
Subtotal	(29)	84
Items that may never be reclassified to profit or loss		
Actuarial gains and losses on defined benefit plans	(356)	(41)
Total other comprehensive income	1,863	(94)
Total comprehensive income	3,603	1,707
Total comprehensive income attributable to:		
Non-controlling interests	142	136
Shareholders	3,461	1,571

For further details concerning income taxes relating to components of the other comprehensive income, please see note 36.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ MN

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2013	28,815	13,524	(2,073)	10,122	50,388	2,575	52,963
Total comprehensive income ¹	–	1,750	272	(451)	1,571	136	1,707
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	1	–	–	1	–	1
Transactions between equity holders	–	(11)	–	1	(10)	13	3
Dividends paid	–	–	–	–	–	(53)	(53)
Balance as of 31 March 2013	28,815	15,264	(1,801)	9,672	51,950	2,671	54,621
Balance as of 1 January 2014	28,870	17,785	(3,312)	6,741	50,084	2,765	52,849
Total comprehensive income ¹	–	1,262	14	2,185	3,461	142	3,603
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	2	–	–	2	–	2
Transactions between equity holders	–	(23)	1	–	(22)	6	(16)
Dividends paid	–	–	–	–	–	(78)	(78)
Balance as of 31 March 2014	28,870	19,026	(3,297)	8,926	53,525	2,835	56,360

¹ — Total comprehensive income in shareholders' equity for the three months ended 31 March 2014 comprises net income attributable to shareholders of € 1,640 MN (2013: € 1,707 MN).

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2014	2013
three months ended 31 March		
SUMMARY		
Net cash flow provided by operating activities	11,817	9,814
Net cash flow used in investing activities	(8,593)	(7,726)
Net cash flow used in financing activities	(2,262)	(289)
Effect of exchange rate changes on cash and cash equivalents	(2)	73
Change in cash and cash equivalents	960	1,872
Cash and cash equivalents at beginning of period	11,207	12,437
Cash and cash equivalents at end of period	12,167	14,309
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	1,740	1,801
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(37)	(27)
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	(544)	(1,012)
Other investments, mainly financial assets held for trading and designated at fair value through income	115	847
Depreciation and amortization	278	268
Loan loss provisions	9	14
Interest credited to policyholder accounts	1,060	751
Net change in:		
Financial assets and liabilities held for trading	632	683
Reverse repurchase agreements and collateral paid for securities borrowing transactions	240	(228)
Repurchase agreements and collateral received from securities lending transactions	352	525
Reinsurance assets	(351)	(352)
Deferred acquisition costs	(767)	(597)
Unearned premiums	4,069	4,155
Reserves for loss and loss adjustment expenses	(131)	(802)
Reserves for insurance and investment contracts	6,038	3,755
Deferred tax assets/liabilities	(49)	108
Other (net)	(837)	(75)
Subtotal	10,077	8,013
Net cash flow provided by operating activities	11,817	9,814

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN		
three months ended 31 March	2014	2013
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	154	472
Available-for-sale investments	32,800	30,387
Held-to-maturity investments	203	178
Investments in associates and joint ventures	151	152
Non-current assets classified as held for sale	16	24
Real estate held for investment	65	112
Loans and advances to banks and customers (purchased loans)	2,940	1,642
Property and equipment	45	49
Subtotal	36,374	33,016
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(241)	(240)
Available-for-sale investments	(41,342)	(37,684)
Held-to-maturity investments	(159)	(121)
Investments in associates and joint ventures	(298)	(155)
Non-current assets classified as held for sale	(7)	–
Real estate held for investment	(266)	(155)
Loans and advances to banks and customers (purchased loans)	(1,393)	(1,411)
Property and equipment	(308)	(221)
Subtotal	(44,014)	(39,987)
Business combinations:		
Proceeds from sale of subsidiaries, net of cash disposed	–	–
Acquisitions of subsidiaries, net of cash acquired	–	–
Change in other loans and advances to banks and customers (originated loans)	(925)	(565)
Other (net)	(28)	(190)
Net cash flow used in investing activities	(8,593)	(7,726)
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	(1,063)	(558)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	896	2,973
Repayments of certificated liabilities and subordinated liabilities	(1,980)	(2,637)
Cash inflow from capital increases	–	–
Transactions between equity holders	(16)	3
Dividends paid to shareholders	(78)	(53)
Net cash from sale or purchase of treasury shares	2	2
Other (net)	(23)	(19)
Net cash flow used in financing activities	(2,262)	(289)
SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(448)	(534)
Dividends received	298	298
Interest received	5,270	5,086
Interest paid	(521)	(572)

Notes to the Condensed Consolidated Interim Financial Statements

GENERAL INFORMATION

1 – Basis of presentation

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

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

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

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

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

These condensed consolidated interim financial statements of the Allianz Group were authorized for issue by the Board of Management on 13 May 2014.

2 – Recently adopted accounting pronouncements

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

effective 1 January 2014

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

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

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

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

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

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

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

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

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

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

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

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

OTHER RECLASSIFICATIONS

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

3 – Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

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

Property-Casualty

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

Life/Health

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

Asset Management

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

Corporate and Other

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

GENERAL SEGMENT REPORTING INFORMATION

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

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

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

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

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations,
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group,
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business,
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance,
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can and do vary, sometimes materially, through time.
- one-off effect from pension revaluation. Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries. Service costs incurred in this context are reimbursed by the German subsidiaries of Allianz SE, resulting in corresponding service revenues at Allianz SE. Effective 1 January 2014, the German subsidiaries of Allianz SE changed the application of the option provided by article 67 (1) sentence 1 of the Introductory Act to German Commercial Code (EGHGB) to distribute the conversion expenses due to the first-time application of the German Accounting Law Modernization Act (BilMoG) in 2010 over a period of up to 15 years in the way that the conversion expenses were fully recognized in 2014. The resulting one-off expenses at the German subsidiaries and one-off income at Allianz SE are shown as non-operating items. In case of policyholder participation within the Life/Health insurance business, this one-off effect is presented within operating profit. On the Allianz Group level, the one-off expenses and income are offset. The only impact on the Allianz Group level is the related policyholder participation, which had a positive impact of € 116 MN on income before income taxes for the three months ended 31 March 2014.

Against this general rule, the following exceptions apply:

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

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

RECENT ORGANIZATIONAL CHANGES

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

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

€ MN	Property-Casualty		Life/Health	
	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013
ASSETS				
Cash and cash equivalents	3,858	2,773	6,508	5,828
Financial assets carried at fair value through income	519	639	5,438	5,548
Investments	90,180	88,432	324,996	309,037
Loans and advances to banks and customers	16,134	16,131	90,388	89,922
Financial assets for unit-linked contracts	–	–	82,870	81,064
Reinsurance assets	8,279	7,922	4,720	4,717
Deferred acquisition costs	4,746	4,354	17,433	17,690
Deferred tax assets	1,198	1,083	245	261
Other assets	23,784	21,664	18,061	17,850
Non-current assets classified as held for sale	138	131	5	–
Intangible assets	2,449	2,478	3,010	2,640
Total assets	151,285	145,607	553,674	534,557

€ MN	Property-Casualty		Life/Health	
	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	91	78	5,795	5,869
Liabilities to banks and customers	1,123	1,189	3,701	2,260
Unearned premiums	19,332	15,367	2,980	2,855
Reserves for loss and loss adjustment expenses	56,478	56,614	10,100	9,961
Reserves for insurance and investment contracts	13,690	13,389	403,535	390,873
Financial liabilities for unit-linked contracts	–	–	82,870	81,064
Deferred tax liabilities	2,325	2,154	2,976	2,420
Other liabilities	16,370	17,128	14,668	14,008
Certificated liabilities	37	37	12	12
Subordinated liabilities	–	–	109	95
Total liabilities	109,446	105,956	526,746	509,417

Asset Management		Corporate and Other		Consolidation		Group	
as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013
1,559	1,861	1,382	1,497	(1,140)	(752)	12,167	11,207
111	635	187	307	(366)	(468)	5,889	6,661
129	1,141	106,776	103,727	(91,790)	(91,189)	430,291	411,148
129	449	17,320	18,166	(7,932)	(7,868)	116,039	116,800
—	—	—	—	—	—	82,870	81,064
—	—	—	—	(37)	(30)	12,962	12,609
—	159	—	—	—	—	22,179	22,203
158	167	1,493	1,681	(1,526)	(1,684)	1,568	1,508
2,065	2,188	6,268	7,457	(13,381)	(14,527)	36,797	34,632
—	16	—	—	—	—	143	147
6,889	7,268	711	714	—	—	13,059	13,100
11,040	13,884	134,137	133,549	(116,172)	(116,518)	733,964	711,079

Asset Management		Corporate and Other		Consolidation		Group	
as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013	as of 31 March 2014	as of 31 December 2013
—	1	437	534	(366)	(469)	5,957	6,013
187	1,314	20,648	21,337	(3,340)	(2,991)	22,319	23,109
—	—	—	—	(13)	(10)	22,299	18,212
—	—	—	—	(12)	(9)	66,566	66,566
—	—	—	—	(192)	(190)	417,033	404,072
—	—	—	—	—	—	82,870	81,064
3	124	171	164	(1,526)	(1,684)	3,949	3,178
1,773	2,591	24,913	23,605	(19,625)	(20,900)	38,099	36,432
—	—	13,202	13,186	(5,205)	(5,205)	8,046	8,030
—	14	10,421	11,509	(64)	(64)	10,466	11,554
1,963	4,044	69,792	70,335	(30,343)	(31,522)	677,604	658,230
				Total equity		56,360	52,849
				Total liabilities and equity		733,964	711,079

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

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

€ MN	Property-Casualty		Life/Health	
	2014	2013	2014	2013
three months ended 31 March				
Total revenues¹	15,217	15,197	17,163	14,837
Premiums earned (net)	10,410	10,312	6,276	6,360
Operating investment result				
Interest and similar income	853	887	4,159	4,077
Operating income from financial assets and liabilities carried at fair value through income (net)	14	8	(269)	(244)
Operating realized gains/losses (net)	26	15	827	899
Interest expenses, excluding interest expenses from external debt	(13)	(15)	(25)	(19)
Operating impairments of investments (net)	(5)	(1)	(291)	(62)
Investment expenses	(69)	(68)	(195)	(190)
Subtotal	806	826	4,206	4,461
Fee and commission income	306	290	229	140
Other income	29	8	49	49
Claims and insurance benefits incurred (net)	(6,727)	(6,813)	(5,081)	(4,826)
Change in reserves for insurance and investment contracts (net) ²	(125)	(113)	(3,314)	(4,001)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(2,912)	(2,909)	(1,253)	(1,248)
Fee and commission expenses	(291)	(275)	(87)	(56)
Operating amortization of intangible assets	–	–	(5)	–
Restructuring charges	(1)	(2)	–	(1)
Other expenses	(6)	(5)	(140)	(23)
Operating profit (loss)	1,489	1,319	880	855
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(59)	(9)	–	13
Non-operating realized gains/losses (net)	83	156	26	34
Non-operating impairments of investments (net)	(57)	(16)	(6)	(4)
Subtotal	(33)	131	20	43
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effect from pension revaluation	(537)	–	(8)	–
Non-operating amortization of intangible assets	(6)	(3)	(8)	(3)
Non-operating items	(576)	128	4	40
Income (loss) before income taxes	913	1,447	884	895
Income taxes	(268)	(430)	(255)	(267)
Net income (loss)	645	1,017	629	628
Net income (loss) attributable to:				
Non-controlling interests	44	43	31	23
Shareholders	601	974	598	605

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

² – For the three months ended 31 March 2014, includes expenses for premium refunds (net) in Property-Casualty of € (59) MN (2013: € (63) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
1,517	1,911	139	148	(72)	(45)	33,964	32,048
–	–	–	–	–	–	16,686	16,672
2	11	208	282	(83)	(90)	5,139	5,167
(1)	7	2	9	3	(1)	(251)	(221)
–	–	–	–	(73)	(35)	780	879
(2)	(7)	(144)	(163)	86	94	(98)	(110)
–	–	–	–	–	–	(296)	(63)
–	–	(16)	(19)	81	69	(199)	(208)
(1)	11	50	109	14	37	5,075	5,444
1,861	2,286	167	168	(155)	(130)	2,408	2,754
2	3	–	2	(2)	(2)	78	60
–	–	–	–	(1)	1	(11,809)	(11,638)
–	–	–	–	(1)	15	(3,440)	(4,099)
–	–	(9)	(14)	–	–	(9)	(14)
(873)	(1,008)	(296)	(303)	(116)	4	(5,450)	(5,464)
(345)	(389)	(134)	(112)	75	54	(782)	(778)
–	–	–	–	–	–	(5)	–
2	(3)	–	(88)	–	–	1	(94)
–	–	–	(1)	116	(17)	(30)	(46)
646	900	(222)	(239)	(70)	(38)	2,723	2,797
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	(6)	(8)	(3)	–	(68)	(4)
–	–	17	82	–	(5)	126	267
–	–	(3)	(51)	–	–	(66)	(71)
–	–	8	23	(3)	(5)	(8)	192
–	–	(7)	(7)	2	3	(5)	(4)
–	–	(204)	(241)	–	–	(204)	(241)
3	(25)	1	–	–	–	4	(25)
(14)	–	675	–	–	–	116	–
(3)	(6)	(2)	(50)	–	21	(19)	(41)
(14)	(31)	471	(275)	(1)	19	(116)	(119)
–	–	–	–	–	–	–	–
632	869	249	(514)	(71)	(19)	2,607	2,678
(226)	(301)	(118)	117	–	4	(867)	(877)
406	568	131	(397)	(71)	(15)	1,740	1,801
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
21	26	4	2	–	–	100	94
385	542	127	(399)	(71)	(15)	1,640	1,707

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

€ MN	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
three months ended 31 March	2014	2013	2014	2013	2014	2013
Gross premiums written	5,384	5,307	3,165	3,136	1,129	1,298
Ceded premiums written	(817)	(799)	(245)	(239)	(169)	(178)
Change in unearned premiums	(2,119)	(2,085)	(467)	(559)	(44)	(168)
Premiums earned (net)	2,448	2,423	2,453	2,338	916	952
Interest and similar income	282	290	194	196	50	54
Operating income from financial assets and liabilities carried at fair value through income (net)	4	4	1	7	8	2
Operating realized gains/losses (net)	26	15	–	–	–	–
Fee and commission income	29	33	10	6	–	–
Other income	9	6	2	1	17	–
Operating revenues	2,798	2,771	2,660	2,548	991	1,008
Claims and insurance benefits incurred (net)	(1,599)	(1,657)	(1,562)	(1,544)	(638)	(662)
Change in reserves for insurance and investment contracts (net)	(106)	(90)	(13)	(11)	(2)	(1)
Interest expenses	(2)	(9)	(4)	(3)	(1)	(1)
Operating impairments of investments (net)	(5)	(1)	–	–	–	–
Investment expenses	(23)	(19)	(22)	(23)	(3)	(3)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(625)	(560)	(649)	(604)	(233)	(247)
Fee and commission expenses	(27)	(33)	(10)	(8)	–	–
Restructuring charges	–	–	–	–	–	–
Other expenses	(4)	(4)	(1)	(1)	(1)	–
Operating expenses	(2,391)	(2,373)	(2,261)	(2,194)	(878)	(914)
Operating profit	407	398	399	354	113	94
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(25)	(9)	(23)	–	1	–
Non-operating realized gains/losses (net)	35	30	18	40	3	10
Non-operating impairments of investments (net)	(8)	(5)	(44)	(9)	(1)	(1)
One-off effect from pension revaluation	(530)	–	–	–	–	–
Amortization of intangible assets	–	(1)	(3)	(3)	–	–
Non-operating items	(528)	15	(52)	28	3	9
Income (loss) before income taxes	(121)	413	347	382	116	103
Income taxes	45	(119)	(124)	(137)	(34)	(34)
Net income (loss)	(76)	294	223	245	82	69
Net income (loss) attributable to:						
Non-controlling interests	–	1	6	4	1	1
Shareholders	(76)	293	217	241	81	68
Loss ratio ¹ in %	65.3	68.4	63.6	66.1	69.7	69.6
Expense ratio ² in %	25.5	23.1	26.5	25.8	25.4	25.9
Combined ratio³ in %	90.8	91.5	90.1	91.9	95.1	95.5

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

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

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

4 – Presentation not meaningful.

USA		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
416	452	5,101	5,011	916	892	785	720	(1,679)	(1,619)	15,217	15,197
(31)	(29)	(1,402)	(1,460)	(212)	(198)	(30)	(26)	1,679	1,619	(1,227)	(1,310)
20	40	(681)	(534)	(109)	(109)	(180)	(160)	–	–	(3,580)	(3,575)
405	463	3,018	3,017	595	585	575	534	–	–	10,410	10,312
56	58	226	247	39	41	6	7	–	(6)	853	887
(1)	(1)	2	(5)	–	1	–	–	–	–	14	8
–	–	–	–	–	–	–	–	–	–	26	15
–	–	145	146	18	17	115	111	(11)	(23)	306	290
–	–	–	–	1	–	–	1	–	–	29	8
460	520	3,391	3,405	653	644	696	653	(11)	(29)	11,638	11,520
(286)	(304)	(1,883)	(1,932)	(390)	(364)	(369)	(350)	–	–	(6,727)	(6,813)
(2)	(2)	(1)	(9)	(1)	(1)	–	1	–	–	(125)	(113)
–	–	(5)	(7)	(1)	(1)	–	–	–	6	(13)	(15)
–	–	–	–	–	–	–	–	–	–	(5)	(1)
(1)	(1)	(18)	(20)	(2)	(2)	–	–	–	–	(69)	(68)
(147)	(166)	(857)	(960)	(218)	(202)	(187)	(175)	4	5	(2,912)	(2,909)
–	–	(125)	(124)	(16)	(17)	(119)	(111)	6	18	(291)	(275)
–	–	(1)	(2)	–	–	–	–	–	–	(1)	(2)
–	–	–	–	–	–	–	–	–	–	(6)	(5)
(436)	(473)	(2,890)	(3,054)	(628)	(587)	(675)	(635)	10	29	(10,149)	(10,201)
24	47	501	351	25	57	21	18	(1)	–	1,489	1,319
(1)	–	(9)	–	(1)	–	(1)	–	–	–	(59)	(9)
1	4	25	70	1	2	–	–	–	–	83	156
–	–	(4)	–	–	(1)	–	–	–	–	(57)	(16)
–	–	(7)	–	–	–	–	–	–	–	(537)	–
–	–	(2)	2	(2)	(2)	–	–	1	1	(6)	(3)
–	4	3	72	(2)	(1)	(1)	–	1	1	(576)	128
24	51	504	423	23	56	20	18	–	1	913	1,447
(5)	(14)	(139)	(105)	(5)	(17)	(6)	(4)	–	–	(268)	(430)
19	37	365	318	18	39	14	14	–	1	645	1,017
–	–	–	–	–	–	–	–	–	–	–	–
–	–	28	29	9	7	–	1	–	–	44	43
19	37	337	289	9	32	14	13	–	1	601	974
70.6	65.6	62.4	64.1	65.6	62.3	64.2	65.5	– ⁴	– ⁴	64.6	66.1
36.3	35.9	28.4	31.8	36.6	34.5	32.5	32.8	– ⁴	– ⁴	28.0	28.2
106.9	101.5	90.8	95.9	102.2	96.8	96.7	98.3	– ⁴	– ⁴	92.6	94.3

REPORTABLE SEGMENTS – LIFE/HEALTH

REPORTABLE SEGMENTS – LIFE/HEALTH

	German Speaking Countries		Western & Southern Europe	
	2014	2013	2014	2013
three months ended 31 March				
Statutory premiums¹	6,856	6,328	6,127	5,128
Ceded premiums written	(39)	(45)	(597)	(344)
Change in unearned premiums	(62)	(30)	(14)	(13)
Statutory premiums (net)	6,755	6,253	5,516	4,771
Deposits from insurance and investment contracts	(2,692)	(2,049)	(4,363)	(3,653)
Premiums earned (net)	4,063	4,204	1,153	1,118
Interest and similar income	2,264	2,203	891	891
Operating income from financial assets and liabilities carried at fair value through income (net)	31	(24)	(50)	42
Operating realized gains/losses (net)	498	714	306	142
Fee and commission income	19	12	118	92
Other income	42	33	5	16
Operating revenues	6,917	7,142	2,423	2,301
Claims and insurance benefits incurred (net)	(3,519)	(3,197)	(998)	(974)
Change in reserves for insurance and investment contracts (net)	(2,266)	(2,974)	(489)	(567)
Interest expenses	(25)	(23)	(5)	(6)
Operating impairments of investments (net)	(113)	(39)	(177)	(23)
Investment expenses	(128)	(123)	(49)	(50)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(385)	(354)	(420)	(409)
Fee and commission expenses	(9)	(7)	(53)	(47)
Operating amortization of intangible assets	(5)	–	–	–
Restructuring charges	–	(1)	–	–
Other expenses	(134)	(20)	(3)	(3)
Operating expenses	(6,584)	(6,738)	(2,194)	(2,079)
Operating profit	333	404	229	222
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	(4)	4
Non-operating realized gains/losses (net)	–	–	25	21
Non-operating impairments of investments (net)	–	–	(5)	(3)
One-off effect from pension revaluation	(8)	–	–	–
Non-operating amortization of intangible assets	–	–	(3)	–
Non-operating items	(8)	–	13	22
Income before income taxes	325	404	242	244
Income taxes	(109)	(148)	(58)	(58)
Net income	216	256	184	186
Net income attributable to:				
Non-controlling interests	–	–	9	6
Shareholders	216	256	175	180
Margin on reserves² in basis points	58	74	63	65

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

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

³ — Presentation not meaningful.

Iberia & Latin America		USA		Global Insurance Lines & Anglo Markets		Growth Markets		Consolidation		Life/Health	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
476	437	2,556	1,562	126	132	1,616	1,598	(594)	(348)	17,163	14,837
(4)	(10)	(29)	(30)	(13)	(11)	(74)	(65)	594	348	(162)	(157)
(34)	(30)	(3)	(1)	(31)	–	(39)	(40)	–	–	(183)	(114)
438	397	2,524	1,531	82	121	1,503	1,493	–	–	16,818	14,566
(289)	(266)	(2,297)	(1,323)	–	–	(901)	(915)	–	–	(10,542)	(8,206)
149	131	227	208	82	121	602	578	–	–	6,276	6,360
94	92	692	678	19	19	215	210	(16)	(16)	4,159	4,077
1	6	(245)	(251)	(5)	(18)	(4)	5	3	(4)	(269)	(244)
4	2	9	19	–	–	10	22	–	–	827	899
34	1	23	16	–	–	35	20	–	(1)	229	140
–	–	–	–	–	–	2	–	–	–	49	49
282	232	706	670	96	122	860	835	(13)	(21)	11,271	11,281
(139)	(139)	(25)	(22)	(75)	(98)	(325)	(396)	–	–	(5,081)	(4,826)
(22)	(4)	(338)	(317)	15	5	(214)	(144)	–	–	(3,314)	(4,001)
(1)	(1)	(2)	(2)	(1)	–	(7)	(2)	16	15	(25)	(19)
–	–	–	–	–	–	(1)	–	–	–	(291)	(62)
(1)	(1)	(10)	(8)	–	–	(7)	(8)	–	–	(195)	(190)
(50)	(48)	(158)	(217)	(24)	(22)	(216)	(199)	–	1	(1,253)	(1,248)
(17)	–	(4)	(3)	–	–	(4)	–	–	1	(87)	(56)
–	–	–	–	–	–	–	–	–	–	(5)	–
–	–	–	–	–	–	–	–	–	–	–	(1)
–	–	–	–	–	–	(3)	–	–	–	(140)	(23)
(230)	(193)	(537)	(569)	(85)	(115)	(777)	(749)	16	17	(10,391)	(10,426)
52	39	169	101	11	7	83	86	3	(4)	880	855
–	–	4	9	–	–	–	–	–	–	–	13
–	–	–	–	–	–	1	13	–	–	26	34
–	–	–	–	–	–	(1)	(1)	–	–	(6)	(4)
–	–	–	–	–	–	–	–	–	–	(8)	–
(4)	–	–	–	–	–	(1)	(3)	–	–	(8)	(3)
(4)	–	4	9	–	–	(1)	9	–	–	4	40
48	39	173	110	11	7	82	95	3	(4)	884	895
(14)	(11)	(54)	(30)	(3)	(2)	(17)	(18)	–	–	(255)	(267)
34	28	119	80	8	5	65	77	3	(4)	629	628
9	6	–	–	–	–	13	11	–	–	31	23
25	22	119	80	8	5	52	66	3	(4)	598	605
247	204	94	58	229	135	125	126	– ³	– ³	73	74

REPORTABLE SEGMENTS – ASSET MANAGEMENT

REPORTABLE SEGMENTS – ASSET MANAGEMENT

€ MN		
three months ended 31 March	2014	2013
Net fee and commission income ¹	1,516	1,897
Net interest income ²	–	4
Income from financial assets and liabilities carried at fair value through income (net)	(1)	7
Other income	2	3
Operating revenues	1,517	1,911
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(873)	(1,008)
Restructuring charges	2	(3)
Operating expenses	(871)	(1,011)
Operating profit	646	900
Acquisition-related expenses	3	(25)
One-off effect from pension revaluation	(14)	–
Amortization of intangible assets	(3)	(6)
Non-operating items	(14)	(31)
Income before income taxes	632	869
Income taxes	(226)	(301)
Net income	406	568
Net income attributable to:		
Non-controlling interests	21	26
Shareholders	385	542
Cost-income ratio³ in %	57.4	52.9

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

2 – Represents interest and similar income less interest expenses.

3 – Represents operating expenses divided by operating revenues.

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Comprehensive Income

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REPORTABLE SEGMENTS – CORPORATE AND OTHER

REPORTABLE SEGMENTS – CORPORATE AND OTHER

€ MN	Holding & Treasury	
three months ended 31 March	2014	2013
Interest and similar income	54	121
Operating income from financial assets and liabilities carried at fair value through income (net)	–	7
Fee and commission income	14	10
Other income	–	–
Operating revenues	68	138
Interest expenses, excluding interest expenses from external debt	(78)	(89)
Loan loss provisions	–	–
Investment expenses	(14)	(18)
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(155)	(146)
Fee and commission expenses	(69)	(52)
Restructuring charges	–	–
Other expenses	–	–
Operating expenses	(316)	(305)
Operating profit (loss)	(248)	(167)
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(5)	(7)
Realized gains/losses (net)	18	52
Impairments of investments (net)	(3)	(51)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(204)	(241)
Acquisition-related expenses	1	–
One-off effect from pension revaluation	679	–
Amortization of intangible assets	(2)	(4)
Non-operating items	484	(251)
Income (loss) before income taxes	236	(418)
Income taxes	(114)	103
Net income (loss)	122	(315)
Net income (loss) attributable to:		
Non-controlling interests	–	–
Shareholders	122	(315)
Cost-income ratio¹ for the reportable segment Banking in %		

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

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

Banking		Alternative Investments		Consolidation		Corporate and Other	
2014	2013	2014	2013	2014	2013	2014	2013
150	157	4	4	–	–	208	282
2	2	–	–	–	–	2	9
116	120	37	39	–	(1)	167	168
–	2	–	1	–	(1)	–	2
268	281	41	44	–	(2)	377	461
(66)	(73)	–	(1)	–	–	(144)	(163)
(9)	(14)	–	–	–	–	(9)	(14)
–	–	(2)	(1)	–	–	(16)	(19)
(110)	(128)	(31)	(31)	–	2	(296)	(303)
(65)	(60)	–	–	–	–	(134)	(112)
–	(88)	–	–	–	–	–	(88)
–	(1)	–	–	–	–	–	(1)
(250)	(364)	(33)	(33)	–	2	(599)	(700)
18	(83)	8	11	–	–	(222)	(239)
–	–	(1)	(1)	–	–	(6)	(8)
(1)	3	–	–	–	27	17	82
–	–	–	–	–	–	(3)	(51)
–	–	(7)	(7)	–	–	(7)	(7)
–	–	–	–	–	–	(204)	(241)
–	–	–	–	–	–	1	–
(1)	–	(3)	–	–	–	675	–
–	–	–	(46)	–	–	(2)	(50)
(2)	3	(11)	(54)	–	27	471	(275)
16	(80)	(3)	(43)	–	27	249	(514)
(5)	24	1	(5)	–	(5)	(118)	117
11	(56)	(2)	(48)	–	22	131	(397)
2	2	2	–	–	–	4	2
9	(58)	(4)	(48)	–	22	127	(399)
80.3	146.6						

NOTES TO THE CONSOLIDATED BALANCE SHEETS

4 – Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 31 March 2014	as of 31 December 2013
Financial assets held for trading		
Debt securities	371	360
Equity securities	165	139
Derivative financial instruments	1,392	2,013
Subtotal	1,928	2,512
Financial assets designated at fair value through income		
Debt securities	2,048	2,279
Equity securities	1,913	1,870
Subtotal	3,961	4,149
Total	5,889	6,661

5 – Investments

INVESTMENTS

€ MN	as of 31 March 2014	as of 31 December 2013
Available-for-sale investments	411,062	392,233
Held-to-maturity investments	4,117	4,140
Funds held by others under reinsurance contracts assumed	956	894
Investments in associates and joint ventures	3,222	3,098
Real estate held for investment	10,934	10,783
Total	430,291	411,148

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS

	as of 31 March 2014				as of 31 December 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	2,441	112	(10)	2,543	2,515	103	(16)	2,602
Corporate mortgage-backed securities (residential and commercial)	11,474	671	(68)	12,077	11,226	693	(86)	11,833
Other asset-backed securities	3,615	228	(38)	3,805	3,460	210	(40)	3,630
Government and government agency bonds								
Germany	14,415	1,104	(5)	15,514	14,852	918	(46)	15,724
Italy	26,110	3,263	(28)	29,345	26,304	2,001	(91)	28,214
France	31,690	3,742	(32)	35,400	31,410	2,471	(177)	33,704
United States	8,627	424	(85)	8,966	8,411	239	(171)	8,479
Spain	4,293	391	(4)	4,680	2,813	178	(35)	2,956
Belgium	5,883	878	(1)	6,760	5,968	613	(3)	6,578
Greece	1	2	—	3	1	2	—	3
Portugal	196	21	—	217	196	2	(2)	196
Ireland	51	—	—	51	38	1	—	39
Hungary	762	57	—	819	773	60	—	833
Supranationals	14,739	1,142	(5)	15,876	14,571	663	(56)	15,178
All other countries	51,142	2,894	(506)	53,530	49,596	2,328	(878)	51,046
Subtotal	157,909	13,918	(666)	171,161	154,933	9,476	(1,459)	162,950
Corporate bonds ¹	173,905	11,921	(628)	185,198	168,353	9,212	(1,397)	176,168
Other	2,144	307	(3)	2,448	2,230	324	(4)	2,550
Subtotal	351,488	27,157	(1,413)	377,232	342,717	20,018	(3,002)	359,733
Equity securities ²	23,861	10,117	(148)	33,830	23,022	9,624	(146)	32,500
Total	375,349	37,274	(1,561)	411,062	365,739	29,642	(3,148)	392,233

1 — Includes bonds issued by Spanish banks with a fair value of € 441 MN (2013: € 418 MN), thereof subordinated bonds with a fair value of € 125 MN (2013: € 115 MN).

2 — Includes shares invested in Spanish banks with a fair value of € 487 MN (2013: € 402 MN).

6 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

	as of 31 March 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
Short-term investments and certificates of deposit	3,506	—	3,506	3,275	—	3,275
Reverse repurchase agreements	333	—	333	613	—	613
Collateral paid for securities borrowing transactions and derivatives	354	—	354	315	—	315
Loans	58,852 ¹	52,353	111,205	60,511 ¹	51,595	112,106
Other	767	16	783	670	15	685
Subtotal	63,812	52,369	116,181	65,384	51,610	116,994
Loan loss allowance	—	(142)	(142)	—	(194)	(194)
Total	63,812	52,227	116,039	65,384	51,416	116,800

1 — Primarily include covered bonds.

7 – Reinsurance assets

REINSURANCE ASSETS

€ MN	as of 31 March 2014	as of 31 December 2013
Unearned premiums	1,875	1,537
Reserves for loss and loss adjustment expenses	6,538	6,494
Aggregate policy reserves	4,432	4,463
Other insurance reserves	117	115
Total	12,962	12,609

8 – Deferred acquisition costs

DEFERRED ACQUISITION COSTS

€ MN	as of 31 March 2014	as of 31 December 2013
Deferred acquisition costs		
Property-Casualty	4,746	4,354
Life/Health	15,722	15,837
Asset Management ¹	–	159
Subtotal	20,468	20,350
Present value of future profits	991	1,046
Deferred sales inducements	720	807
Total	22,179	22,203

¹ – The respective entities have been prospectively reclassified from the business segment Asset Management to the business segment Life/Health. For further information please see note 3.

9 – Other assets

OTHER ASSETS

€ MN	as of 31 March 2014	as of 31 December 2013
Receivables		
Policyholders	5,890	5,489
Agents	5,489	4,424
Reinsurers	1,988	1,844
Other	5,029	4,160
Less allowance for doubtful accounts	(736)	(720)
Subtotal	17,660	15,197
Tax receivables		
Income taxes	2,073	2,159
Other taxes	1,316	1,215
Subtotal	3,389	3,374
Accrued dividends, interest and rent	7,061	7,706
Prepaid expenses		
Interest and rent	13	13
Other prepaid expenses	316	255
Subtotal	329	268
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	133	75
Property and equipment		
Real estate held for own use	2,409	2,423
Software	1,889	1,832
Equipment	1,193	1,173
Fixed assets of alternative investments	1,330	1,304
Subtotal	6,821	6,732
Other assets	1,404	1,280
Total	36,797	34,632

10 – Non-current assets classified as held for sale

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

€ MN	as of 31 March 2014	as of 31 December 2013
Investments in associates and joint ventures	138	131
Real estate held for investment	3	–
Real estate held for own use	2	16
Total	143	147

Investments in associates and joint ventures comprised an investment of € 138 MN in an associated Italian real estate company allocated to the reportable segment Western and Southern Europe (Property-Casualty). The sale of the asset will be completed in 2014. Upon measurement of the non-current asset classified as held for sale at fair value less costs to sell, no impairment was recognized for the three months ended 31 March 2014.

Real estate held for investment and held for own use comprised as of 31 March 2014 office buildings allocated to the reportable segment Growth Markets (Life/Health). The sale of these buildings is expected to be completed during the year ended 31 December 2014. Upon measurement of the non-current assets classified as held for sale at fair value less costs to sell, an impairment loss of in total € 1 MN was recognized for the three months ended 31 March 2014.

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

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill

GOODWILL

€ MN	as of 31 March 2014	as of 31 December 2013
Cost as of 1 January	12,534	12,573
Accumulated impairments as of 1 January	(990)	(894)
Carrying amount as of 1 January	11,544	11,679
Additions	6	226
Disposals	—	—
Foreign currency translation adjustments	(18)	(265)
Impairments	—	(96)
Carrying amount as of 31 December	11,532	11,544
Accumulated impairments as of 31 December	990	990
Cost as of 31 December	12,522	12,534

11 — Intangible assets

INTANGIBLE ASSETS

€ MN	as of 31 March 2014	as of 31 December 2013
Intangible assets with indefinite useful lives		
Goodwill	11,532	11,544
Brand names ¹	294	296
Subtotal	11,826	11,840
Intangible assets with finite useful lives		
Distribution agreements ²	981	995
Customer relationships ³	138	149
Other ⁴	114	116
Subtotal	1,233	1,260
Total	13,059	13,100

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

2 — Includes primarily the long-term distribution agreements with Commerzbank AG of € 363 MN (2013: € 373 MN), Banco Popular S.A. of € 366 MN (2013: € 369 MN), Yapı Kredi Bank of € 149 MN (2013: € 151 MN) and HSBC in Asia and Turkey of € 79 MN (2013: € 78 MN).

3 — Includes primarily customer relationships from the acquisition of Selecta of € 110 MN (2013: € 118 MN) and Yapı Kredi of € 10 MN (2013: € 10 MN) and renewal rights acquired in the context of a business combination of € 15 MN (2013: € 19 MN).

4 — Includes primarily acquired business portfolios of € 67 MN (2013: € 76 MN) and heritable building rights of € 17 MN (2013: € 17 MN).

12 – Financial liabilities carried at fair value through income

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 31 March 2014	as of 31 December 2013
Financial liabilities held for trading		
Derivative financial instruments	5,954	6,010
Other trading liabilities	3	3
Subtotal	5,957	6,013
Financial liabilities designated at fair value through income	–	–
Total	5,957	6,013

13 – Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS

€ MN	as of 31 March 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	187	4,459	4,646	696	4,473	5,169
Savings deposits	–	2,847	2,847	–	2,873	2,873
Term deposits and certificates of deposit	887	1,967	2,854	979	2,157	3,136
Repurchase agreements	1,311	2	1,313	1,028	3	1,031
Collateral received from securities lending transactions and derivatives	2,287	–	2,287	2,216	–	2,216
Other	4,567	3,805	8,372	5,050	3,634	8,684
Total	9,239	13,080	22,319	9,969	13,140	23,109

14 – Reserves for loss and loss adjustment expenses

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	as of 31 March 2014	as of 31 December 2013
Property-Casualty	56,478	56,614
Life/Health	10,100	9,961
Consolidation	(12)	(9)
Total	66,566	66,566

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

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, in the Property-Casualty business segment for the quarters ended 31 March 2014 and 2013. Although discounted loss reserves have been reclassified to “Reserves for insurance and investment contracts” in the balance sheet in 2013, the underlying business development of these Property-Casualty reserves is still considered in the loss and loss adjustment expenses as well as in the loss ratio and is, therefore, included in the development of the reserves below.

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

€ MN	2014			2013		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	56,614	(6,071)	50,543	62,711	(6,905)	55,806
Balance carry forward of discounted loss reserves	3,207	(306)	2,901	–	–	–
Subtotal	59,821	(6,377)	53,444	62,711	(6,905)	55,806
Loss and loss adjustment expenses incurred						
Current year	7,532	(552)	6,980	7,428	(464)	6,964
Prior years	(399)	146	(253)	(210)	59	(151)
Subtotal	7,133	(406)	6,727	7,218	(405)	6,813
Loss and loss adjustment expenses paid						
Current year	(2,028)	67	(1,961)	(1,878)	36	(1,842)
Prior years	(5,283)	335	(4,948)	(6,272)	625	(5,647)
Subtotal	(7,311)	402	(6,909)	(8,150)	661	(7,489)
Foreign currency translation adjustments and other changes	261	(14)	247	337	(43)	294
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	(20)	–	(20)
Subtotal	59,904	(6,395)	53,509	62,096	(6,692)	55,404
Ending balance of discounted loss reserves	(3,426)	295	(3,131)	(3,082)	206	(2,876)
As of 31 March	56,478	(6,100)	50,378	59,014	(6,486)	52,528

15 – Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN	as of 31 March 2014	as of 31 December 2013
Aggregate policy reserves ¹	372,772	365,519
Reserves for premium refunds	43,476	37,772
Other insurance reserves	785	781
Total	417,033	404,072

¹ — Includes discounted loss reserves of € 3,426 MN (2013: € 3,207 MN) in the Property-Casualty business segment.

16 – Other liabilities

OTHER LIABILITIES

€ MN	as of 31 March 2014	as of 31 December 2013
Payables		
Policyholders	4,305	4,911
Reinsurance	1,318	1,170
Agents	1,634	1,604
Subtotal	7,257	7,685
Payables for social security	435	395
Tax payables		
Income taxes	3,039	2,580
Other taxes	1,672	1,269
Subtotal	4,711	3,849
Accrued interest and rent	456	681
Unearned income		
Interest and rent	22	16
Other	283	261
Subtotal	305	277
Provisions		
Pensions and similar obligations	8,094	7,594
Employee related	2,251	2,104
Share-based compensation plans	440	685
Restructuring plans	143	214
Loan commitments	40	42
Contingent losses from non-insurance business	124	130
Other provisions	1,420	1,617
Subtotal	12,512	12,386
Deposits retained for reinsurance ceded	1,951	1,874
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	183	158
Financial liabilities for puttable equity instruments	2,365	2,613
Other liabilities	7,924	6,514
Total	38,099	36,432

17 — Certificated liabilities

CERTIFICATED LIABILITIES

€ MN	as of 31 March 2014	as of 31 December 2013
Allianz SE ¹		
Senior bonds	6,589	6,581
Money market securities	901	869
Subtotal	7,490	7,450
Banking subsidiaries		
Senior bonds	556	580
Subtotal	556	580
Total	8,046	8,030

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

19 — Equity

EQUITY

€ MN	as of 31 March 2014	as of 31 December 2013
Shareholders' equity		
Issued capital	1,169	1,169
Capital reserves	27,701	27,701
Retained earnings ¹	19,026	17,785
Foreign currency translation adjustments	(3,297)	(3,312)
Unrealized gains and losses (net) ²	8,926	6,741
Subtotal	53,525	50,084
Non-controlling interests	2,835	2,765
Total	56,360	52,849

1 — As of 31 March 2014, includes € (218) MN (2013: € (220) MN) related to treasury shares.

2 — As of 31 March 2014, includes € 206 MN (2013: € 203 MN) related to cash flow hedges.

18 — Subordinated liabilities

SUBORDINATED LIABILITIES

€ MN	as of 31 March 2014	as of 31 December 2013
Allianz SE ¹		
Subordinated bonds ²	9,767	10,856
Subtotal	9,767	10,856
Banking subsidiaries		
Subordinated bonds	254	254
Subtotal	254	254
All other subsidiaries		
Subordinated bonds	400	399
Hybrid equity	45	45
Subtotal	445	444
Total	10,466	11,554

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

20 – Premiums earned (net)

PREMIUMS EARNED (NET)				
€ MN				
three months ended 31 March	Property-Casualty	Life/Health	Consolidation	Group
2014				
Premiums written				
Direct	14,454	6,453	–	20,907
Assumed	763	162	(21)	904
Subtotal	15,217	6,615	(21)	21,811
Ceded	(1,227)	(156)	21	(1,362)
Net	13,990	6,459	–	20,449
Change in unearned premiums				
Direct	(3,819)	(157)	–	(3,976)
Assumed	(94)	(25)	3	(116)
Subtotal	(3,913)	(182)	3	(4,092)
Ceded	333	(1)	(3)	329
Net	(3,580)	(183)	–	(3,763)
Premiums earned				
Direct	10,635	6,296	–	16,931
Assumed	669	137	(18)	788
Subtotal	11,304	6,433	(18)	17,719
Ceded	(894)	(157)	18	(1,033)
Net	10,410	6,276	–	16,686
2013				
Premiums written				
Direct	14,516	6,460	–	20,976
Assumed	681	162	(14)	829
Subtotal	15,197	6,622	(14)	21,805
Ceded	(1,310)	(149)	14	(1,445)
Net	13,887	6,473	–	20,360
Change in unearned premiums				
Direct	(3,843)	(119)	–	(3,962)
Assumed	(111)	5	(1)	(107)
Subtotal	(3,954)	(114)	(1)	(4,069)
Ceded	379	1	1	381
Net	(3,575)	(113)	–	(3,688)
Premiums earned				
Direct	10,673	6,341	–	17,014
Assumed	570	167	(15)	722
Subtotal	11,243	6,508	(15)	17,736
Ceded	(931)	(148)	15	(1,064)
Net	10,312	6,360	–	16,672

21 – Interest and similar income

INTEREST AND SIMILAR INCOME		
€ MN		
three months ended 31 March	2014	2013
Interest from held-to-maturity investments	43	47
Dividends from available-for-sale investments	298	299
Interest from available-for-sale investments	3,296	3,281
Share of earnings from investments in associates and joint ventures	37	27
Rent from real estate held for investment	207	191
Interest from loans to banks and customers	1,216	1,283
Other interest	42	39
Total	5,139	5,167

22 – 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	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
three months ended 31 March						
2014						
Income (expenses) from financial assets and liabilities held for trading (net)	(58)	(372)	(1)	1	–	(430)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	–	52	–	–	–	52
Income (expenses) from financial liabilities for puttable equity instruments (net)	–	(27)	–	–	–	(27)
Foreign currency gains and losses (net)	13	78	–	(5)	–	86
Total	(45)	(269)	(1)	(4)	–	(319)
2013						
Income (expenses) from financial assets and liabilities held for trading (net)	(45)	(656)	–	40	(1)	(662)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	(2)	87	19	1	–	105
Income (expenses) from financial liabilities for puttable equity instruments (net)	6	(38)	(13)	–	–	(45)
Foreign currency gains and losses (net)	40	376	1	(40)	–	377
Total	(1)	(231)	7	1	(1)	(225)

INCOME (EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET)

Business segment Life/Health

For the three months ended 31 March 2014, income and expenses from financial assets and liabilities held for trading (net) in the business segment Life/Health includes expenses of € 378 MN (2013: € 669 MN) from derivative financial instruments. Included in this are expenses of € 61 MN (2013: € 367 MN) from financial derivative positions of German entities, of which income of € 143 MN (2013: € 2 MN) relates to duration management, expenses of € 119 MN (2013: income of € 39 MN) relate to protection against equity fluctuations and expenses of € 84 MN (2013: € 395 MN) relate to protection against foreign exchange rate fluctuations. Also included are expenses related to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts of € 246 MN (2013: € 251 MN) from U.S. entities.

Business segment Corporate and Other

For the three months ended 31 March 2014, income and expenses from financial assets and liabilities held for trading (net) in the business segment Corporate and Other includes income of € 5 MN (2013: € 52 MN) from financial derivative instruments to protect investments and liabilities against foreign exchange rate fluctuations. Income of € 2 MN (2013: expenses of € 4 MN) from the hedges of share-based compensation plans is also included.

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

For the three months ended 31 March 2014, income and expenses from financial assets and liabilities designated at fair value through income (net) in the business segment Life/Health includes income from equity investments of € 34 MN (2013: € 49 MN) and income of € 18 MN (2013: € 38 MN) from debt investments.

FOREIGN CURRENCY GAINS AND LOSSES (NET)

Foreign currency gains and losses are reported within income from financial assets and liabilities carried at fair value through income (net). These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through profit or loss. The Allianz Group uses freestanding

derivatives, included in the line item income (expenses) from financial assets and liabilities held for trading (net), to hedge against foreign currency fluctuations. For these derivatives, expenses in the amount of € 67 MN (2013: € 368 MN) were recognized for the three months ended 31 March 2014.

23 – Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)

€ MN	2014	2013
three months ended 31 March		
REALIZED GAINS		
Available-for-sale investments		
Equity securities	422	597
Debt securities	475	537
Subtotal	897	1,134
Investments in associates and joint ventures ¹	10	37
Real estate held for investment	17	49
Loans and advances to banks and customers	69	46
Non-current assets classified as held for sale	–	12
Subtotal	993	1,278
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(25)	(56)
Debt securities	(55)	(68)
Subtotal	(80)	(124)
Investments in associates and joint ventures ²	(4)	(3)
Real estate held for investment	(3)	(2)
Non-current assets classified as held for sale	–	(3)
Subtotal	(87)	(132)
Total	906	1,146

1 – During the three months ended 31 March 2014, includes no realized gains from the disposal of subsidiaries and businesses (2013: € 37 MN).

2 – During the three months ended 31 March 2014 and 2013, includes no realized losses from the disposal of subsidiaries.

24 – Fee and commission income

FEE AND COMMISSION INCOME

€ MN	2014	2013
three months ended 31 March		
PROPERTY-CASUALTY		
Fees from credit and assistance business	196	183
Service agreements	110	107
Subtotal	306	290
LIFE/HEALTH		
Service agreements	23	18
Investment advisory	206	122
Subtotal	229	140
ASSET MANAGEMENT		
Management fees	1,655	1,803
Loading and exit fees	170	180
Performance fees	19	276
Other	17	27
Subtotal	1,861	2,286
CORPORATE AND OTHER		
Service agreements	17	13
Investment advisory and banking activities	150	155
Subtotal	167	168
CONSOLIDATION	(155)	(130)
Total	2,408	2,754

25 — Other income

OTHER INCOME

€ MN		
three months ended 31 March	2014	2013
Realized gains from disposals of real estate held for own use	20	15
Income from alternative investments	57	42
Other	1	3
Total	78	60

26 — Income and expenses from fully consolidated private equity investments

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

€ MN		
three months ended 31 March	2014	2013
Income		
Sales and service revenues	169	178
Subtotal	169	178
Expenses		
Cost of goods sold	(54)	(55)
General and administrative expenses	(114)	(122)
Interest expenses	(8)	(8)
Subtotal	(176)	(185)
Consolidation ¹	2	3
Total	(5)	(4)

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

27 – Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN				
three months ended 31 March	Property-Casualty	Life/Health	Consolidation	Group
2014				
Gross				
Claims and insurance benefits paid	(7,311)	(5,184)	9	(12,486)
Change in reserves for loss and loss adjustment expenses	178	(26)	2	154
Subtotal	(7,133)	(5,210)	11	(12,332)
Ceded				
Claims and insurance benefits paid	402	114	(8)	508
Change in reserves for loss and loss adjustment expenses	4	15	(4)	15
Subtotal	406	129	(12)	523
Net				
Claims and insurance benefits paid	(6,909)	(5,070)	1	(11,978)
Change in reserves for loss and loss adjustment expenses	182	(11)	(2)	169
Total	(6,727)	(5,081)	(1)	(11,809)
2013				
Gross				
Claims and insurance benefits paid	(8,150)	(5,050)	9	(13,191)
Change in reserves for loss and loss adjustment expenses	932	78	(1)	1,009
Subtotal	(7,218)	(4,972)	8	(12,182)
Ceded				
Claims and insurance benefits paid	661	159	(8)	812
Change in reserves for loss and loss adjustment expenses	(256)	(13)	1	(268)
Subtotal	405	146	(7)	544
Net				
Claims and insurance benefits paid	(7,489)	(4,891)	1	(12,379)
Change in reserves for loss and loss adjustment expenses	676	65	–	741
Total	(6,813)	(4,826)	1	(11,638)

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

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN				
three months ended 31 March	Property-Casualty	Life/Health	Consolidation	Group
2014				
Gross				
Aggregate policy reserves	(65)	(1,993)	1	(2,057)
Other insurance reserves	(3)	(54)	–	(57)
Expenses for premium refunds	(59)	(1,323)	(2)	(1,384)
Subtotal	(127)	(3,370)	(1)	(3,498)
Ceded				
Aggregate policy reserves	2	51	–	53
Other insurance reserves	–	3	–	3
Expenses for premium refunds	–	2	–	2
Subtotal	2	56	–	58
Net				
Aggregate policy reserves	(63)	(1,942)	1	(2,004)
Other insurance reserves	(3)	(51)	–	(54)
Expenses for premium refunds	(59)	(1,321)	(2)	(1,382)
Total	(125)	(3,314)	(1)	(3,440)
2013				
Gross				
Aggregate policy reserves	(49)	(2,026)	–	(2,075)
Other insurance reserves	(1)	(44)	–	(45)
Expenses for premium refunds	(63)	(1,918)	15	(1,966)
Subtotal	(113)	(3,988)	15	(4,086)
Ceded				
Aggregate policy reserves	1	(18)	–	(17)
Other insurance reserves	(1)	3	–	2
Expenses for premium refunds	–	2	–	2
Subtotal	–	(13)	–	(13)
Net				
Aggregate policy reserves	(48)	(2,044)	–	(2,092)
Other insurance reserves	(2)	(41)	–	(43)
Expenses for premium refunds	(63)	(1,916)	15	(1,964)
Total	(113)	(4,001)	15	(4,099)

29 – Interest expenses

INTEREST EXPENSES

€ MN		
three months ended 31 March	2014	2013
Liabilities to banks and customers	(61)	(68)
Deposits retained on reinsurance ceded	(12)	(12)
Certificated liabilities	(67)	(68)
Subordinated liabilities	(141)	(175)
Other	(21)	(28)
Total	(302)	(351)

30 – Loan loss provisions

LOAN LOSS PROVISIONS

€ MN		
three months ended 31 March	2014	2013
Additions to allowances including direct impairments	(28)	(48)
Amounts released	12	28
Recoveries on loans previously impaired	7	6
Total	(9)	(14)

31 – Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)

€ MN		
three months ended 31 March	2014	2013
IMPAIRMENTS		
Available-for-sale investments		
Equity securities	(134)	(114)
Debt securities	(226)	(4)
Subtotal	(360)	(118)
Real estate held for investment	–	(12)
Loans and advances to banks and customers	(1)	(4)
Non-current assets classified as held for sale	(1)	–
Total	(362)	(134)

32 – Investment expenses

INVESTMENT EXPENSES

€ MN		
three months ended 31 March	2014	2013
Investment management expenses	(113)	(128)
Depreciation of real estate held for investment	(56)	(50)
Other expenses from real estate held for investment	(30)	(30)
Total	(199)	(208)

33 – Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN		
three months ended 31 March	2014	2013
PROPERTY-CASUALTY		
Acquisition costs		
Incurred	(2,765)	(2,712)
Commissions and profit received on reinsurance business ceded	117	108
Deferrals of acquisition costs	1,828	1,751
Amortization of deferred acquisition costs	(1,422)	(1,336)
Subtotal	(2,242)	(2,189)
Administrative expenses	(1,207) ¹	(720)
Subtotal	(3,449)	(2,909)
LIFE/HEALTH		
Acquisition costs		
Incurred	(1,215)	(1,121)
Commissions and profit received on reinsurance business ceded	24	25
Deferrals of acquisition costs	834	736
Amortization of deferred acquisition costs	(529)	(557)
Subtotal	(886)	(917)
Administrative expenses	(375)	(331)
Subtotal	(1,261)	(1,248)
ASSET MANAGEMENT		
Personnel expenses	(575) ¹	(709)
Non-personnel expenses	(309)	(324)
Subtotal	(884)	(1,033)
CORPORATE AND OTHER		
Administrative expenses	380 ¹	(303)
Subtotal	380	(303)
CONSOLIDATION	(116)¹	4
Total	(5,330)	(5,489)

1 – Including one-off effect from pension revaluation. Please refer to note 3 for further details.

34 – Fee and commission expenses

FEE AND COMMISSION EXPENSES

€ MN		
three months ended 31 March	2014	2013
PROPERTY-CASUALTY		
Fees from credit and assistance business	(203)	(179)
Service agreements	(88)	(96)
Subtotal	(291)	(275)
LIFE/HEALTH		
Service agreements	(11)	(12)
Investment advisory	(76)	(44)
Subtotal	(87)	(56)
ASSET MANAGEMENT		
Commissions	(307)	(376)
Other	(38)	(13)
Subtotal	(345)	(389)
CORPORATE AND OTHER		
Service agreements	(70)	(52)
Investment advisory and banking activities	(64)	(60)
Subtotal	(134)	(112)
CONSOLIDATION	75	54
Total	(782)	(778)

35 – Other expenses

OTHER EXPENSES

€ MN		
three months ended 31 March	2014	2013
Realized losses from disposals of real estate held for own use	(4)	–
Expenses from alternative investments	(25)	(21)
Other	(1)	(25)
Total	(30)	(46)

36 – Income taxes

INCOME TAXES

€ MN		
three months ended 31 March	2014	2013
Current income taxes	(988)	(790)
Deferred income taxes	121	(87)
Total	(867)	(877)

For the three months ended 31 March 2014 and 2013, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN		
three months ended 31 March	2014	2013
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	1	11
Available-for-sale investments	(920)	245
Cash flow hedges	(2)	(1)
Share of other comprehensive income of associates	(1)	–
Miscellaneous	(30)	103
Items that may never be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	159	14
Total	(793)	372

OTHER INFORMATION

37 – Financial instruments and fair value measurement

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

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

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

€ MN	as of 31 March 2014		as of 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	12,167	12,167	11,207	11,207
Financial assets held for trading	1,928	1,928	2,512	2,512
Financial assets designated at fair value through income	3,961	3,961	4,149	4,149
Available-for-sale investments	411,062	411,062	392,233	392,233
Held-to-maturity investments	4,117	4,641	4,140	4,647
Investments in associates and joint ventures	3,222	3,894	3,098	3,597
Real estate held for investment	10,934	15,768	10,783	15,625
Loans and advances to banks and customers	116,039	131,311	116,800	129,528
Financial assets for unit-linked contracts	82,870	82,870	81,064	81,064
Derivative financial instruments and firm commitments included in other assets	133	133	75	75
Real estate held for own use	2,409	3,647	2,423	3,626
FINANCIAL LIABILITIES				
Financial liabilities held for trading	5,957	5,957	6,013	6,013
Liabilities to banks and customers	22,319	22,605	23,109	23,282
Financial liabilities for unit-linked contracts	82,870	82,870	81,064	81,064
Derivative financial instruments and firm commitments included in other liabilities	183	183	158	158
Financial liabilities for puttable equity instruments	2,365	2,365	2,613	2,613
Certificated liabilities	8,046	8,701	8,030	8,576
Subordinated liabilities	10,466	11,483	11,554	12,323

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

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

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

If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values. As of 31 March 2014, fair values could not be reliably measured for equity investments with carrying amounts totaling € 225 MN (31 December 2013: € 214 MN). These investments are primarily investments in privately held corporations and partnerships.

FAIR VALUE HIERARCHY

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

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

Quoted prices in active markets – Fair value level 1:

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

Valuation techniques – Market observable inputs

– Fair value level 2:

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

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

Valuation techniques – Non-market observable inputs

– Fair value level 3:

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

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

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

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

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

FAIR VALUE HIERARCHY AS OF 31 MARCH 2014 (ITEMS CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	100	271	–	371
Equity securities	49	102	14	165
Derivative financial instruments	248	1,113	31	1,392
Subtotal	397	1,486	45	1,928
Financial assets designated at fair value through income				
Debt securities	976	1,071	1	2,048
Equity securities	1,803	–	110	1,913
Subtotal	2,779	1,071	111	3,961
Subtotal	3,176	2,557	156	5,889
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	40	2,503	–	2,543
Corporate mortgage-backed securities (residential and commercial)	–	12,045	32	12,077
Other asset-backed securities	208	3,384	213	3,805
Government and government agency bonds	26,726	144,360	75	171,161
Corporate bonds	14,999	166,848	3,351	185,198
Other debt securities	252	1,584	612	2,448
Equity securities	26,995	740	6,095	33,830
Subtotal	69,220	331,464	10,378	411,062
Financial assets for unit-linked contracts	80,233	2,460	177	82,870
Derivative financial instruments and firm commitments included in other assets	20	113	–	133
Total	152,649	336,594	10,711	499,954
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	49	1,357	4,548	5,954
Other trading liabilities	–	3	–	3
Subtotal	49	1,360	4,548	5,957
Financial liabilities for unit-linked contracts	80,233	2,460	177	82,870
Derivative financial instruments and firm commitments included in other liabilities	–	183	–	183
Financial liabilities for puttable equity instruments	2,346	19	–	2,365
Total	82,628	4,022	4,725	91,375

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

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

Valuation methodologies of financial instruments carried at fair value

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

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

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

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

Financial assets carried at fair value through income

Financial assets held for trading – Debt and equity securities

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

Financial assets held for trading – Derivative financial instruments

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

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

Financial assets designated at fair value through income

– Debt securities

The fair value is determined using the market approach.

Financial assets designated at fair value through income

– Equity securities

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

Available-for-sale investments

Available-for-sale investments – Debt securities

Debt securities include:

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

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

Available-for-sale investments – Equity securities

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

Financial assets for unit-linked contracts

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

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

Derivative financial instruments and firm commitments included in other assets

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

Financial liabilities held for trading – Derivative financial instruments

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

Financial liabilities held for trading – Other trading liabilities

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

Derivative financial instruments and firm commitments included in other liabilities

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

Financial liabilities for puttable equity instruments

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

Significant transfers of financial instruments carried at fair value

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

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

Significant level 3 portfolios – Narrative description and sensitivity analysis

Available-for-sale investments – Equity securities

Equity securities within available-for-sale investments classified as level 3 mainly comprise private equity fund investments as well as alternative investments of the Allianz Group and are in most cases delivered as net asset values by the fund managers (€ 5.0 BN). The net asset values are calculated using material non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers and hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the invested capital is considered to be a reasonable proxy for the fair value. In these cases, sensitivity analyses are also not applicable.

Available-for-sale investments – Corporate bonds

Corporate bonds within available-for-sale investments classified as level 3 are mainly priced based on the income approach (€ 3.0 BN). The primary non-market observable input used in the discounted cash flow method is an option adjusted spread taken from a benchmark security. A significant yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10 % stress of the main non-market observable inputs only has an immaterial impact on fair value.

Financial liabilities held for trading

Financial liabilities held for trading mainly include embedded derivative financial instruments relating to annuity products that are priced internally using discounted cash flow models (€ 4.4 BN). A significant decrease (increase) in surrender rates, mortality rates or the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10 % stress of the main non-market observable inputs only has an immaterial impact on fair value.

Quantification of significant non-market observable inputs

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

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

€ MN				
Description	Fair value as of 31 March 2014	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	4,977	Net asset value	n/a	n/a
Corporate bonds	2,961	Discounted cash flow method	Option adjusted spread	36 bps – 604 bps
Financial liabilities held for trading				
Derivative financial instruments	4,440			
Fixed-indexed annuities	4,039	Present value of insurance cash flow	Annuity rates	0 % – 25 %
			Surrenders	0 % – 25 %
			Mortality	0 % – 100 %
			Withdrawal benefit election	0 % – 50 %
			Volatility	n/a
Variable annuities	401	Deterministic discounted cash flow	Surrenders	0.5 % – 35 %
			Mortality	0 % – 100 %

Reconciliation of level 3 financial instruments

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

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

€ MN

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	–	–	–
Equity securities	14	–	–	–
Derivative financial instruments	38	2	–	(18)
Subtotal	52	2	–	(18)
Financial assets designated at fair value through income				
Debt securities	1	–	–	–
Equity securities	3	110	–	–
Subtotal	4	110	–	–
Available-for-sale investments				
Corporate mortgage-backed securities (residential and commercial)	33	–	–	(2)
Other asset-backed securities	212	1	–	(7)
Government and government agency bonds	56	19	–	(1)
Corporate bonds	3,149	119	31	(29)
Other debt securities	773	14	–	(52)
Equity securities	5,722	283	–	(224)
Subtotal	9,945	436	31	(315)
Financial assets for unit-linked contracts	179	25	–	(26)
Total financial assets at fair value	10,180	573	31	(359)

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

€ MN

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	4,427	276	–	(102)
Financial liabilities for unit-linked contracts	179	25	–	(26)
Financial liabilities for puttable equity instruments	–	–	–	–
Total financial liabilities at fair value	4,606	301	–	(128)

Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 March 2014	Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date
–	–	–	–	–	–	–
–	–	–	–	–	14	–
9	–	–	–	–	31	–
9	–	–	–	–	45	–
–	–	–	–	–	1	–
–	–	–	–	(3)	110	–
–	–	–	–	(3)	111	–
1	–	–	–	–	32	–
1	6	–	–	–	213	–
–	1	–	–	–	75	–
–	82	–	(1)	–	3,351	–
–	(47)	(4)	–	(72)	612	–
3	200	(22)	6	127	6,095	–
5	242	(26)	5	55	10,378	–
(1)	–	–	–	–	177	–
13	242	(26)	5	52	10,711	–

Net losses (gains) recognized in consolidated income statement	Net losses (gains) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 March 2014	Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date
(52)	–	–	(1)	–	4,548	193
(1)	–	–	–	–	177	–
–	–	–	–	–	–	–
(53)	–	–	(1)	–	4,725	193

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

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

If financial assets are measured at fair value on a non-recurring basis at the time of impairment, corresponding disclosures can be found in note 31 – Impairments of investments (net). If fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 10 – Non-current assets classified as held for sale.

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

FAIR VALUE HIERARCHY AS OF 31 MARCH 2014 (ITEMS NOT CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Held-to-maturity investments	1,073	3,566	2	4,641
Investments in associates and joint ventures	302	54	3,538	3,894
Real estate held for investment	–	–	15,768	15,768
Loans and advances to banks and customers	412	91,011	39,888	131,311
Real estate held for own use	–	–	3,647	3,647
Total assets	1,787	94,631	62,843	159,261
FINANCIAL LIABILITIES				
Liabilities to banks and customers	6,348	1,918	14,339	22,605
Certificated liabilities	–	8,007	694	8,701
Subordinated liabilities	–	11,213	270	11,483
Total liabilities	6,348	21,138	15,303	42,789

FAIR VALUE HIERARCHY AS OF 31 DECMEBER 2013 (ITEMS NOT CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Held-to-maturity investments	981	3,664	2	4,647
Investments in associates and joint ventures	316	54	3,227	3,597
Real estate held for investment	–	–	15,625	15,625
Loans and advances to banks and customers	402	90,443	38,683	129,528
Real estate held for own use	–	–	3,626	3,626
Total assets	1,699	94,161	61,163	157,023
FINANCIAL LIABILITIES				
Liabilities to banks and customers	6,588	1,977	14,717	23,282
Certificated liabilities	–	7,863	713	8,576
Subordinated liabilities	–	12,042	281	12,323
Total liabilities	6,588	21,882	15,711	44,181

Held-to-maturity investments

For level 2, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. For level 3, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

Investments in associates and joint ventures

For level 2, fair values are mainly derived based on the market approach using market multiples derived from a set of comparables as the valuation technique. For level 3, fair values are mainly based on an income approach using a discounted cash flow method or net asset values as provided by third-party vendors.

Real estate

Fair values are mainly determined based on the income approach. In some cases, a market approach is applied using market prices of identical or comparable assets in markets which are not active. The fair values are either calculated internally and validated by external experts or derived from expert appraisals with internal controls in place to monitor these valuations.

Loans and advances to banks and customers

For loans and advances to banks and customers, quoted market prices are rarely available. Level 1 consists mainly of highly liquid advances, e.g. short-term investments. The fair value for these assets in level 2 and level 3 is mainly derived based on the income approach using deterministic discounted cash flow models.

Liabilities to banks and customers

Level 1 consists mainly of highly liquid liabilities, e.g. payables on demand. The fair value for liabilities in level 2 and level 3 is mainly derived based on the income approach using future cash flows discounted with risk-specific interest rates. Main non-market observable inputs include credit spreads. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate of the fair value.

Certificated liabilities and subordinated liabilities

For level 2, the fair value is mainly determined based on the market approach using quoted market prices and the income approach using deterministic discounted cash flow models. For level 3, fair values are mainly derived based on the income approach using deterministic cash flows with credit spreads as primary non-market observable inputs. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

RECLASSIFICATION OF FINANCIAL ASSETS

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

As of 31 December 2013, the carrying amount and fair value of the CDOs was € 166 MN and € 156 MN, respectively. As of 31 March 2014, the carrying amount and fair value of the CDOs was € 159 MN and € 151 MN, respectively. For the three months ended 31 March 2014, the net profit related to the CDOs was not significant.

38 – Earnings per share

BASIC EARNINGS PER SHARE

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

BASIC EARNINGS PER SHARE

€ MN three months ended 31 March	2014	2013
Net income attributable to shareholders used to calculate basic earnings per share	1,640	1,707
Weighted average number of common shares outstanding	453,740,069	453,175,764
Basic earnings per share (€)	3.61	3.77

DILUTED EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

€ MN three months ended 31 March	2014	2013
Net income attributable to shareholders	1,640	1,707
Effect of potentially dilutive common shares	(20)	(25)
Net income used to calculate diluted earnings per share	1,620	1,682
Weighted average number of common shares outstanding	453,740,069	453,175,764
Potentially dilutive common shares resulting from assumed conversion of:		
Share-based compensation plans	3,033,129	2,466,088
Weighted average number of common shares outstanding after assumed conversion	456,773,198	455,641,852
Diluted earnings per share (€)	3.55	3.69

For the three months ended 31 March 2014, the weighted average number of common shares excludes 2,759,931 (2013: 2,774,236) treasury shares.

39 – Other information

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES

	as of 31 March 2014	as of 31 December 2013
Germany	40,251	40,537
Other countries	106,955	107,090
Total	147,206	147,627

CONTINGENT LIABILITIES AND COMMITMENTS

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

As of 31 March 2014, commitments outstanding to invest in private equity funds and similar financial instruments amounted to € 3,184 MN (31 December 2013: € 2,978 MN). Other commitments – mainly referring to a purchase obligation and sponsoring – increased from € 477 MN as of 31 December 2013 to € 906 MN as of 31 March 2014. All other commitments showed no significant changes.

40 – Subsequent events

ALLIANZ AGREES TO ACQUIRE PROPERTY AND CASUALTY INSURANCE BUSINESS AND DISTRIBUTION CAPACITY FROM UNIPOLSAI

Allianz has agreed to acquire a part of the Property and Casualty insurance business of the Italian insurer UnipolSai with premiums of € 1.1 BN for the year ended 31 December 2013. The acquisition will be for a total consideration of up to € 440 MN. The transaction is expected to be closed during the second half of 2014 and is subject to regulatory approval.

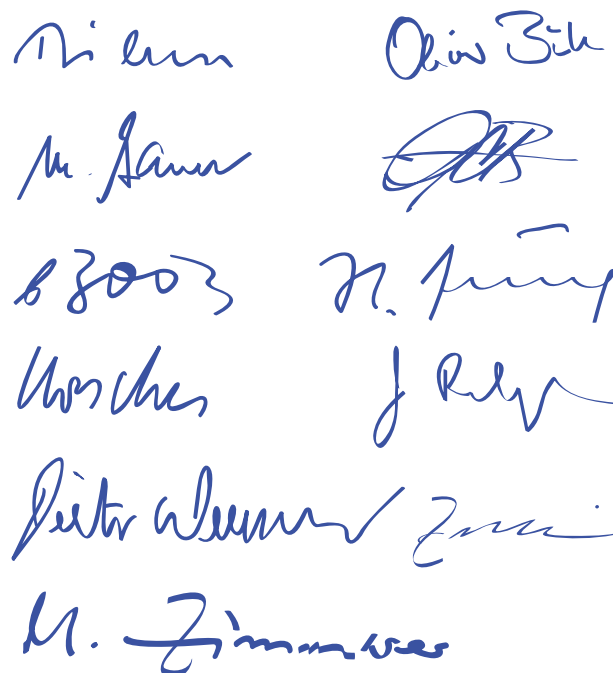
DECISION OF THE GERMAN SUPREME COURT

Based on a decision of the European Court of Justice (EuGH), the German Supreme Court (BGH) decided on 7 May 2014, that the former statutory exclusion of the rescission right after one year at the latest in case of improper consumer information provided by German insurance law is not applicable to life and pension insurance policies concluded in the period 1995–2007. The BGH remanded the case to the appellate court in order to define the consequences in the specific case. Once the written ruling of the BGH is available, the decision will be analyzed.

Munich, 13 May 2014

Allianz SE

The Board of Management



REVIEW REPORT

To Allianz SE, Munich

We have reviewed the condensed consolidated interim financial statements of Allianz SE, Munich – comprising the consolidated balance sheets, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, condensed consolidated statements of cash flows and selected explanatory notes – together with the interim group management report of Allianz SE, Munich, for the period from 1 January to 31 March 2014 that are part of the quarterly financial report according to § 37x Abs. 3 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed consolidated interim financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the E.U., and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Munich, 13 May 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft



Klaus Becker
Wirtschaftsprüfer
(Independent Auditor)



Dr. Frank Pfaffenzeller
Wirtschaftsprüfer
(Independent Auditor)

Financial calendar

Important dates for shareholders and analysts¹

Interim Report/Financial Results 2Q	8 August 2014
Interim Report/Financial Results 3Q	7 November 2014
Financial Results 2014	26 February 2015
Annual Report 2014	13 March 2015
Annual General Meeting	6 May 2015
Interim Report/Financial Results 1Q	12 May 2015

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