

3Q

Allianz Group
**Interim Report Third Quarter
and First Nine Months of 2014**

Allianz at a glance

QUARTERLY AND FIRST NINE MONTHS RESULTS

		three months ended 30 September			nine months ended 30 September			
		2014	2013	Change from previous year	2014	2013	Change from previous year	More details on page
Income statement								
Total revenues ¹	€ MN	28,781	25,144	14.5%	92,201	83,968	9.8%	6
Operating profit ²	€ MN	2,650	2,518	5.2%	8,144	7,682	6.0%	7
Net income ²	€ MN	1,687	1,530	10.2%	5,285	5,007	5.6%	8
thereof: attributable to shareholders	€ MN	1,606	1,445	11.2%	5,002	4,740	5.5%	8
Business segments ³								
Property-Casualty								
Gross premiums written	€ MN	11,254	10,650	5.7%	37,317	36,602	2.0%	12
Operating profit ²	€ MN	1,422	1,235	15.2%	4,257	3,733	14.0%	13
Net income ²	€ MN	1,083	796	36.0%	2,697	2,814	(4.1)%	15
Combined ratio	%	93.5	94.8	(1.3)%-p	93.6	95.0	(1.4)%-p	13
Life/Health ⁴								
Statutory premiums	€ MN	15,853	12,698	24.9%	49,977	41,659	20.0%	22
Operating profit ²	€ MN	790	769	2.8%	2,655	2,293	15.8%	23
Net income ²	€ MN	530	562	(5.6)%	1,891	1,664	13.6%	24
Margin on reserves	BPS	61	66	(5)	70	66	4	24
Asset Management ⁴								
Operating revenues	€ MN	1,618	1,703	(5.0)%	4,742	5,429	(12.7)%	30
Operating profit ²	€ MN	694	755	(8.1)%	2,015	2,458	(18.0)%	30
Net income ²	€ MN	438	482	(9.2)%	1,263	1,538	(17.9)%	30
Cost-income ratio	%	57.1	55.7	1.4%-p	57.5	54.7	2.8%-p	30
Corporate and Other								
Total revenues	€ MN	135	131	2.6%	405	412	(1.7)%	–
Operating result ²	€ MN	(248)	(229)	(8.1)%	(689)	(742)	7.1%	32
Net income ²	€ MN	(311)	(307)	(1.5)%	(429)	(981)	56.3%	32
Balance sheet as of 30 September ⁵								
Total assets ⁶	€ MN	784,516	711,079	10.3%	784,516	711,079	10.3%	38
Shareholders' equity	€ MN	58,199	50,083	16.2%	58,199	50,083	16.2%	37
Non-controlling interests	€ MN	2,890	2,765	4.5%	2,890	2,765	4.5%	37
Share information								
Basic earnings per share	€	3.54	3.19	11.0%	11.02	10.46	5.4%	108
Diluted earnings per share	€	3.52	3.14	11.9%	10.95	10.33	6.0%	108
Share price as of 30 September ⁵	€	128.35	130.35	(1.5)%	128.35	130.35	(1.5)%	1
Market capitalization as of 30 September ⁵	€ MN	58,592	59,505	(1.5)%	58,592	59,505	(1.5)%	–
Other data								
Standard & Poor's rating ⁷		AA Stable Outlook	AA Stable Outlook	–	AA Stable Outlook	AA Stable Outlook	–	–
Conglomerate solvency ratio ^{5,8,9}	%	184	182	3%-p	184	182	3%-p	37
Total assets under management as of 30 September ^{4,5}	€ BN	1,872	1,770	5.8%	1,872	1,770	5.8%	28
thereof: third-party assets under management as of 30 September ⁵	€ BN	1,411	1,361	3.7%	1,411	1,361	3.7%	28

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

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

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

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

5 — 2013 figures as of 31 December 2013.

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

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

8 — Solvency according to the E.U. Financial Conglomerates Directive. Conglomerate solvency ratio as of 30 September 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year. Excluding this adjustment, the solvency ratio would be 190% as of 30 September 2014.

9 — 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 and adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year, the solvency ratio as of 30 September 2014 would be 176% (31 December 2013: 173%).

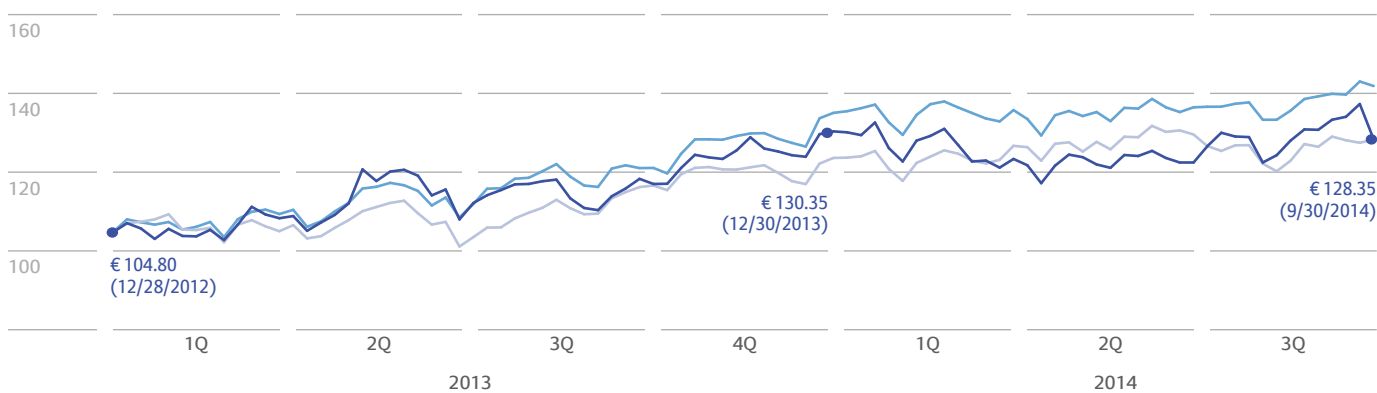
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Allianz Share

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

indexed to the Allianz share price in €



Source: Thomson Reuters Datastream

Allianz Share price (9M 2014):

High: € 138.45 (9/19/2014) Low: € 117.20 (4/15/2014)

BASIC SHARE INFORMATION

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

Disclaimer regarding Roundings

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

INTERIM GROUP MANAGEMENT REPORT



INTERIM GROUP MANAGEMENT REPORT

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Executive Summary

THIRD QUARTER 2014

- Revenues grew strongly by 14.5 % to € 28.8 BN.
- Operating profit increased by € 132 MN to € 2,650 MN.
- Net income at € 1,687 MN, up by € 157 MN.
- Solvency ratio strong at 184 %.^{1,2}

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

three months ended 30 September

	2014	2013
Total revenues	28,781	25,144
Operating profit	2,650	2,518
Net income	1,687	1,530
Solvency ratio ^{1,2,3} in %	184	182

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT IN THE THIRD QUARTER OF 2014

Overall, global economic activity continued to trend moderately upwards in the third quarter of 2014. However, both inter-regional and intra-regional growth differentials remained substantial. This holds true, in particular, for Latin America and emerging Asia, but also for North America and Europe.

In Europe, the European Central Bank (ECB) cut the main refinancing rate from 0.15 % to 0.05 %, raised the penalty deposit rate for banks to minus 0.2 %, and announced in September that it is considering purchasing asset-backed securities and covered bonds. In the United States, the Federal Reserve (Fed) continued to gradually lower the monthly volume of its asset-purchasing program. The increasingly divergent monetary policy stance of the ECB and the Fed, together with stronger economic growth in the United States than in the Euro-

zone, contributed to a pronounced weakening of the Euro against the U.S. Dollar. The U.S. Dollar to Euro exchange rate was 1.26 at the end of the third quarter (1.37 at the end of the second quarter).

Yields on 10-year German government bonds continued to decline and closed the quarter at 0.9 % – one percentage point lower than at the beginning of the year. After slowing in the second quarter, spreads on government bonds in the Eurozone periphery continued to tighten in the third quarter of 2014. This was in spite of lower benchmark bond yields and rising doubts about the robustness of the economic recovery in several European economies, as well as geopolitical risks related to Ukraine and the Middle East. Equity markets in most emerging and mature economies ended the third quarter below the levels at the beginning of this three-month-period.

The insurance industry has developed fairly well in 2014, not least due to the relatively benign natural catastrophe environment: insured natural catastrophe losses were markedly below the long-term average. However, headwinds remained, namely ultra-low investment yields and tighter regulation.

1 – Solvency according to the E.U. Financial Conglomerates Directive. Conglomerate solvency ratio as of 30 September 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year. Excluding this adjustment, the solvency ratio would be 190 % as of 30 September 2014.

2 – 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 and adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year, the solvency ratio as of 30 September 2014 would be 176 % (31 December 2013: 173 %).

3 – 2013 figure as of 31 December 2013.

MANAGEMENT'S ASSESSMENT OF THIRD QUARTER 2014 RESULTS

Our **total revenues** grew 14.5 % to € 28.8 BN. On an internal basis¹, revenues increased by 14.3 %. This was largely driven by our Life/Health business segment, which recorded strong growth in fixed-indexed annuity and unit-linked sales in the United States and Italy, respectively. Revenues from our Property-Casualty business segment also increased while operating revenues in our Asset Management business declined modestly.

Our **operating profit** increased by 5.2 % to € 2,650 MN, driven by a higher underwriting result from our Property-Casualty business. Our Life/Health business recorded solid operating performance. Operating profit from our Asset Management business segment declined mainly due to lower management and loading fees. The decrease in the operating result from the Corporate and Other business segment was attributable to Holding & Treasury.

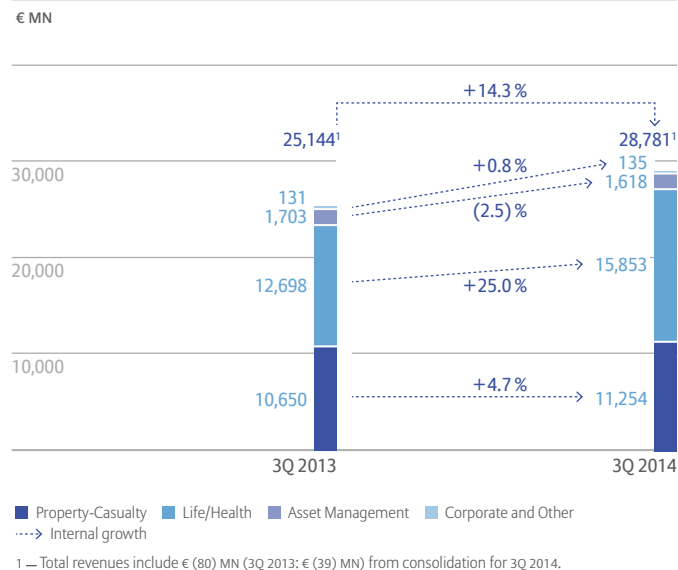
Our **net income** increased by 10.2 % to € 1,687 MN due to the higher operating profit and lower non-operating impairments. **Net income attributable to shareholders** and **non-controlling interests** amounted to € 1,606 MN (3Q 2013: € 1,445 MN) and € 81 MN (3Q 2013: € 85 MN) respectively.

Shareholders' equity reached a new high of € 58.2 BN, an increase of € 8.1 BN compared to 31 December 2013. Our conglomerate solvency ratio strengthened by three percentage points to 184%.²

Total revenues³

2014 TO 2013 THIRD QUARTER COMPARISON

TOTAL REVENUES – BUSINESS SEGMENTS



Property-Casualty gross premiums written were up 5.7 % to € 11.3 BN. On an internal basis, our gross premiums written increased by 4.7 %. This was mainly due to a favorable volume effect of 4.0 % and a positive price effect of 0.8 %. We recorded strong growth at AGCS, in the United Kingdom and Germany.

Life/Health statutory premiums amounted to € 15.9 BN, a strong increase of 25.0 % on an internal basis, driven by single premium unit-linked products in Italy and Taiwan as well as fixed-indexed annuity sales in the United States.

Asset Management operating revenues went down by € 85 MN to € 1,618 MN. This was largely due to lower management and loading fees, mainly resulting from lower margins, but also reflects the allocation of certain entities to other business segments.⁴ Third-party net outflows amounted to € 47 BN in the third quarter of 2014.

Total revenues from our Banking operations (reported in our **Corporate and Other** business segment) increased slightly to € 135 MN.

¹ — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 45 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 — Conglomerate solvency ratio as of 30 September 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year. Excluding this adjustment, the solvency ratio would be 190 % as of 30 September 2014.

³ — 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).

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.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

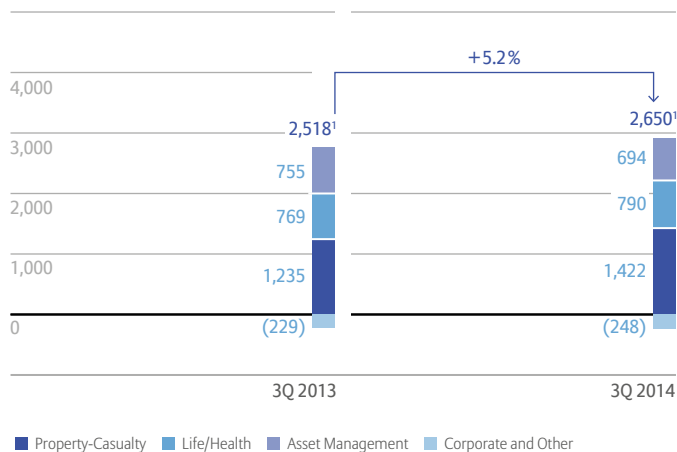
We generated total revenues of € 92.2 BN, an increase of 9.8% compared to the first nine months of 2013. On an internal basis, revenues grew by 10.8%. We recorded remarkable growth in savings products premiums in our Life/Health business and higher volume-driven gross premiums written in our Property-Casualty business segment. Lower operating revenues mainly due to decreased performance fees and lower average third party-assets under management in the Asset Management business segment slightly offset this growth.

Operating profit

2014 TO 2013 THIRD QUARTER COMPARISON

OPERATING PROFIT — BUSINESS SEGMENTS

€ MN



Our **Property-Casualty** operating profit increased by € 187 MN – or 15.2% – to € 1,422 MN. This was mainly driven by the absence of natural catastrophe impacts in the third quarter of 2014. Operating investment income (net) also contributed positively.

Life/Health operating profit increased slightly by € 22 MN or 2.8% to € 790 MN. The allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health drove this improvement.

Our **Asset Management** operating profit decreased 8.1% to € 694 MN, a decrease of 5.0% on an internal basis. This was mainly because of the lower management and loading fees. Our cost-income ratio increased by 1.4 percentage points.

In **Corporate and Other** the operating loss increased by € 19 MN to € 248 MN, driven by our reportable segment Holding & Treasury.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Operating profit increased by € 461 MN to € 8,144 MN. This was attributable to our Property-Casualty business segment, which benefited from a strong underwriting result driven by the benign natural catastrophe environment and our Life/Health business segment due to an improved operating investment result. This was partly offset by the operating profit decline in our Asset Management business segment mainly as a result of decreased performance fees and lower average assets under management.

Non-operating result

2014 TO 2013 THIRD QUARTER COMPARISON

Our **non-operating result** decreased by € 89 MN to a loss of € 331 MN, mainly driven by a reclassification of tax benefits to operating profit. This was partly offset by an improved non-operating investment result.

Non-operating income from financial assets and liabilities carried at fair value through income (net) decreased by € 54 MN to a loss of € 54 MN. This was mainly due to unfavorable impacts of hedging-related activities.

Non-operating realized gains and losses (net) increased from € 133 MN to € 184 MN due to higher realizations on debt securities.

Non-operating impairments of investments (net) decreased from € 135 MN to € 50 MN, mainly as a result of higher equity impairments in the third quarter of 2013.

Non-operating interest expenses from external debt increased slightly from € 207 MN to € 212 MN as the third quarter of 2013 was exceptionally low because one bond was redeemed in the second quarter of 2013 and a new bond was issued in the fourth quarter of 2013.

Reclassification of tax benefits had a negative impact on our non-operating result of € 158 MN in favor of the operating result. Tax benefits that are attributable to policyholders reduce tax expenses. In the segment reporting, the tax benefits are reclassified and shown within operating profit in order to adequately reflect policyholder participation.¹

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Our **non-operating result** declined by € 256 MN to a loss of € 485 MN. This was largely driven by a lower non-operating investment result due to lower non-operating realized gains and higher unfavorable hedging-related impacts in the first nine months of 2014, the reclassification of tax benefits in the third quarter of 2014 and the partly offsetting impact of the one-off effect from pension revaluation² in the first quarter of 2014.

¹ — For further information, please refer to the paragraph on 'Reportable segments measure of profit and loss' within note 4 to the condensed consolidated interim financial statements.

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

Income taxes

Income taxes decreased by € 114 MN to € 632 MN, despite higher income before income taxes. The effective tax rate decreased to 27.2 % (3Q 2013: 32.8 %). The lower tax rate is especially due to one-off tax benefits for current and previous years amounting in total to € 158 MN as previously described, that are fully allocated to policyholders. Overall, there is no impact on operating profit or on shareholders' net income. These one-off tax benefits result from a favorable court decision received in the third quarter of 2014 for a trial initiated by Allianz Leben in Germany. Absent this effect, the effective tax rate would have been approximately 32 %. In the first nine months of 2014, *income taxes* decreased by € 74 MN to € 2,373 MN and the effective tax rate decreased to 31.0 % (9M 2013: 32.8 %), mainly due to one-off tax benefits.

Net income

2014 TO 2013 THIRD QUARTER COMPARISON

Net income increased by € 157 MN to € 1,687 MN, driven primarily by our higher operating result and lower non-operating impairments. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 1,606 MN (3Q 2013: € 1,445 MN) and € 81 MN (3Q 2013: € 85 MN), respectively. The largest non-controlling interests in net income related to Euler Hermes and PIMCO.

Basic earnings per share increased from € 3.19 to € 3.54 and *diluted earnings per share* increased from € 3.14 to € 3.52. For further information on earnings per share, please refer to note 39 to the condensed consolidated interim financial statements.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Net income increased by € 279 MN to € 5,285 MN, driven primarily by our higher operating result. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 5,002 MN (9M 2013: € 4,740 MN) and € 283 MN (9M 2013: € 267 MN), respectively.

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

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Total revenues¹	28,781	25,144	92,201	83,968
Premiums earned (net)	17,035	16,637	50,421	49,600
Operating investment result				
Interest and similar income	5,299	5,129	15,976	15,709
Operating income from financial assets and liabilities carried at fair value through income (net)	(177)	(562)	(449)	(1,491)
Operating realized gains/losses (net)	709	557	2,272	2,169
Interest expenses, excluding interest expenses from external debt	(103)	(93)	(303)	(306)
Operating impairments of investments (net)	(106)	(27)	(453)	(208)
Investment expenses	(261)	(227)	(693)	(653)
Subtotal	5,360	4,777	16,352	15,221
Fee and commission income	2,590	2,583	7,536	8,016
Other income	37	42	160	144
Claims and insurance benefits incurred (net)	(12,368)	(11,874)	(36,434)	(35,484)
Change in reserves for insurance and investment contracts (net) ²	(3,419)	(3,248)	(10,457)	(10,417)
Loan loss provisions	(7)	(18)	(31)	(47)
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(5,839)	(5,581)	(16,995)	(16,831)
Fee and commission expenses	(847)	(788)	(2,459)	(2,354)
Operating amortization of intangible assets	(5)	–	(14)	–
Restructuring charges	(1)	15	8	(84)
Other expenses	(46)	(28)	(101)	(82)
Reclassification of tax benefits	158	–	158	–
Operating profit (loss)	2,650	2,518	8,144	7,682
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(54)	(1)	(155)	2
Non-operating realized gains/losses (net)	184	133	552	859
Non-operating impairments of investments (net)	(50)	(135)	(139)	(270)
Subtotal	79	(3)	258	590
Income from fully consolidated private equity investments (net)	(11)	(3)	(16)	(11)
Interest expenses from external debt	(212)	(207)	(623)	(680)
Acquisition-related expenses	–	–	6	(41)
One-off effect from pension revaluation	–	–	117	–
Non-operating amortization of intangible assets	(29)	(30)	(69)	(87)
Reclassification of tax benefits	(158)	–	(158)	–
Non-operating items	(331)	(242)	(485)	(229)
Income (loss) before income taxes	2,319	2,277	7,658	7,453
Income taxes	(632)	(746)	(2,373)	(2,447)
Net income (loss)	1,687	1,530	5,285	5,007
Net income (loss) attributable to:				
Non-controlling interests	81	85	283	267
Shareholders	1,606	1,445	5,002	4,740
Basic earnings per share in €	3.54	3.19	11.02	10.46
Diluted earnings per share in €	3.52	3.14	10.95	10.33

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

2 – For the three months ended 30 September 2014, expenses for premium refunds (net) in the business segment Property-Casualty of € (93) MN (3Q 2013: € (48) MN) are included. For the nine months ended 30 September 2014, expenses for premium refunds (net) in the business segment Property-Casualty of € (224) MN (9M 2013: € (148) 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 in general remained unchanged.

While the European sovereign debt crisis has receded, we consider the current state of the economy, combined with the persisting low interest rate environment in the Eurozone, as a rising risk for achieving our investment targets. The significant increase in geopolitical uncertainties during the current year as well as the potential spread of Ebola also represent risks which we are monitoring closely. In addition, Allianz continues to be exposed to regulatory developments – especially the European solvency directive, Solvency II, and the designation of Allianz as a global systemically important insurer. This may affect our business environment and would not normally be associated with our core operating activities.

FINANCIAL MARKET AND OPERATING ENVIRONMENT DEVELOPMENTS

Many countries within the Eurozone are currently faced with a sputtering economy and lower inflation rates addressed by the European Central Bank with its accommodative monetary policy. As a result, financial markets are facing an environment with historically low interest rates and lower risk premia – with investors looking for riskier alternatives to highly rated fixed income investments. The recent weakening in the Eurozone's growth momentum, the implementation risk of long-term structural reforms in key Eurozone countries and the uncertainty about the future path of U.S. monetary policy may lead to higher market volatility accompanied by a flight to quality.

The recent increase in geopolitical risks, as well as those resulting from U.S./E.U. sanctions against Russia during the third quarter, are manageable for the Allianz Group since our direct investment exposure to this region remains relatively small in the context of our overall investment portfolio. Nevertheless, we are monitoring these developments closely since a significant deterioration may lead to spillover effects on global markets, which could have a negative impact on our business and risk profile.

The further spread of Ebola also represents an indirect risk, with its impact on the global economy and trade in an extreme scenario.

Over the past years Allianz SE and its operating entities have developed operational contingency plans for various crisis scenarios and have continued to conduct scenario analyses on a regular basis to bolster our financial and operational resilience to strong shock scenarios. In addition, we aim to further improve our product design and pricing in the Life/Health business segment with respect to guarantees and surrender conditions. Continuous monitoring as well as prudent risk positions remain priorities for our management.

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, the European Commission 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 the Commission's draft for the delegated regulation of Solvency II was published in October 2014, the final approval is outstanding and technical standards as well as guidelines for further clarifications are still expected.

Since the deadline for the formal application of our internal model for Solvency II is approaching, this situation creates uncertainties for our approval process, especially if the final rules deviate from the current ones. The remaining uncertainty of future regulatory requirements (Solvency II as well as those applying for G-SIIs) also create uncertainty in terms of 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 41 to the condensed consolidated interim financial statements.

Other information

BUSINESS OPERATIONS AND GROUP STRUCTURE

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

We also tackled difficult issues, such as the restructuring of Fireman's Fund. AGCS will be taking over the commercial Property & Casualty business of our subsidiary in the United States. The new structure will allow us to better explore growth opportunities and utilize the potential of our strong Allianz brand. As far as the business with retail customers is concerned, we are currently looking into various options.

The Supervisory Board of Allianz SE has agreed to the request of Michael Diekmann to not further extend his board appointment beyond the Annual General Meeting (AGM) on 6 May 2015. He will remain Chairman of the Board of Management up to that day. Oliver Bäte has been appointed as new CEO of Allianz SE with effect from 7 May 2015. His contract has been extended until 30 September 2019. Oliver Bäte will continue to be responsible for Global Property and Casualty up to the AGM 2015. The Supervisory Board has also agreed to the request of Clement Booth to not further extend his board appointment. His mandate will end by 31 December 2014. Upon mutual agreement and in keeping with his request, the board mandate of Gary Bhojwani will end by 31 December of this year. The Supervisory Board appointed Dott. Sergio Balbinot as a member of the Board of Management of Allianz SE for a duration of four years starting 1 January 2015. Sergio Balbinot will take over responsibility for the insurance business in the countries of western and southern Europe (France, Benelux, Italy, Greece, Turkey). Also effective beginning of next year Dr. Axel Theis has been appointed as a member of the Board of Management of Allianz SE with a duration of four years. He will be in charge of the global industrial insurance business, credit insurance, reinsurance and the insurance business in Ireland and Great Britain. Starting 7 May 2015 he will also take over responsibility for Global Property and Casualty from Oliver Bäte. Manuel Bauer's appointment has been extended for another year until the end of 2015. The appointments of Dr. Dieter Wemmer and Dr. Werner Zedelius have been extended by three years and the appointment of Dr. Helga Jung by five years. Starting 2015 Manuel Bauer will also take

over responsibility for the insurance business in Australia and as of the same date Jay Ralph will take over responsibility for the life insurance business in the United States in addition to his current responsibilities.

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.

BASIS OF PRESENTATION

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

Property-Casualty Insurance Operations

THIRD QUARTER 2014

- Gross premiums written reached € 11.3 BN.
- Operating profit grew 15.2 % to € 1,422 MN, mainly due to a benign natural catastrophe environment.
- Combined ratio at 93.5 %.

Business segment overview

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

Key figures

KEY FIGURES PROPERTY-CASUALTY

€ MN	2014	2013
three months ended 30 September		
Gross premiums written	11,254	10,650
Operating profit	1,422	1,235
Net income	1,083	796
Loss ratio in %	65.9	67.2
Expense ratio in %	27.6	27.6
Combined ratio in %	93.5	94.8

Gross premiums written¹

2014 TO 2013 THIRD QUARTER COMPARISON

On a nominal basis, we recorded *gross premiums written* of € 11,254 MN, up € 603 MN – or 5.7 % – compared to the third quarter of 2013. Negative foreign currency translation effects amounted to only € 24 MN, largely due to the depreciation of the Argentine Peso and the Turkish Lira against the Euro, which more than offset the positive effects from the British Pound.² Consolidation/deconsolidation effects were positive at € 123 MN, mainly because of the acquisition of specific distribution activities of Unipol effective at the beginning of the third quarter of 2014. Additional positive effects are expected from the purchase of an in-force portfolio as of the fourth quarter 2014.

On an internal basis, our gross premiums written increased by 4.7 % due to a favorable volume effect of 4.0 % and a positive price effect of 0.8 %. We recorded strong growth at AGCS, in the United Kingdom and Germany.

To analyze internal premium growth in terms of price and volume, we use four clusters based on 3Q 2014 internal growth over 3Q 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.

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 *Asia-Pacific* gross premiums increased to € 201 MN. The strong growth of 25.1 % on an internal basis was mainly due to a volume increase in our motor business in Malaysia.

In the *United Kingdom* gross premiums grew by € 147 MN to € 690 MN. The internal growth of 18.1 % was driven by our motor and pet insurance business as well as tariff hikes in our commercial lines.

Allianz Worldwide Partners recorded gross premiums of € 656 MN – up 9.2 % on an internal basis. This reflected a rise in volume in our U.S., French, New Zealand and U.K. travel business.

In *Australia* gross premiums stood at € 799 MN. The increase of 5.5 % was largely a result of higher volumes in our home and worker's compensation business.

In *Germany* gross premiums were at € 1,979 MN. The internal growth of 4.1 % was largely driven by our motor retail and commercial non-motor business with positive price and volume effects.

CLUSTER 2

In *Latin America* gross premiums went up to € 581 MN. The 14.7 % growth on an internal basis was mostly due to greater volume in our motor business in Argentina.

In *Credit Insurance* gross premiums stood at € 530 MN, a rise of 7.9 % with positive volume effects in the U.S., Asia-Pacific and Middle East.

At *AGCS* gross premiums amounted to € 1,365 MN – up 10.3 % on an internal basis. The rise was mainly driven by higher volumes through new business and upsells in our liability and engineering lines. The negative price effects in our aviation and energy lines were partly offset by positive trends in our marine business.

In *Spain* gross premiums totaled € 437 MN. The growth of 5.0 % was the result of a volume increase across all our lines of business.

CLUSTER 3

In the *United States* we recorded gross premiums of € 612 MN. The decrease of 6.0 % on an internal basis was the result of a decline in volumes in our commercial lines and lower commodity prices for crop.

In *Switzerland* gross premiums totaled € 259 MN. A positive volume effect, particularly in our motor business, could not compensate the negative price impact and led to a decrease of 2.6 % on an internal basis.

In *France* gross premiums were € 962 MN – a slight decrease of 0.1 % on an internal basis. The negative volume effects outweighed positive price effects.

CLUSTER 4

In *Central and Eastern Europe* gross premiums contracted to € 522 MN – a decline of 12.3 % on an internal basis. The negative development was largely driven by a drop in volume in our motor business in Russia, as we reduced our business activity in this region. Positive developments in Romania, Slovakia and the Czech Republic could not offset the overall negative impact.

In *Italy* gross premiums fell by 0.6 % to € 933 MN. This was attributable to falling prices as well as regulatory changes weighing on volumes, particularly in motor business.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

On a nominal basis, *gross premiums* increased by 2.0 %. Adjusted for foreign currency translation and (de-)consolidation effects, this represents a growth of 3.0 %. This was comprised of a positive volume effect of 2.6 % and a positive price effect of 0.3 %.

Operating profit

OPERATING PROFIT

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Underwriting result	650	501	1,871	1,397
Operating investment income (net)	770	718	2,323	2,266
Other result ¹	2	16	64	70
Operating profit	1,422	1,235	4,257	3,733

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

2014 TO 2013 THIRD QUARTER COMPARISON

Operating profit increased by € 187 MN, or 15.2 % to € 1,422 MN. This was mainly driven by the absence of major natural catastrophe impacts in the third quarter of 2014.

Our *underwriting result* grew by € 150 MN to € 650 MN due to an improvement in our accident year loss ratio, which stemmed from significantly lower losses from natural catastrophe events. This result was partially offset by a higher impact from single large claims and by a lower run-off contribution compared to the third quarter of 2013.

The *combined ratio* improved by 1.3 percentage points to 93.5 %.

UNDERWRITING RESULT

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Premiums earned (net)	11,180	10,768	32,291	31,459
Accident year claims	(7,656)	(7,703)	(22,088)	(22,246)
Previous year claims (run-off)	290	470	909	1,216
Claims and insurance benefits incurred (net)	(7,366)	(7,234)	(21,179)	(21,030)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(3,089)	(2,976)	(9,037)	(8,861)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds) ¹	(74)	(58)	(204)	(170)
Underwriting result	650	501	1,871	1,397

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

Our **accident year loss ratio** stood at 68.5% – a 3.1 percentage point improvement compared to the previous year's figure. This is predominantly the result of a drop in losses from natural catastrophes from € 464 MN to € 7 MN, a decrease of 4.2 percentage points to 0.1%.

Excluding losses from natural catastrophes, our accident year loss ratio was at 68.4%, up 1.2 percentage points compared to the third quarter of 2013. This was mainly driven by higher losses from single large claims and the worsening in Brazil and Italy, which offset the favorable development in attritional losses in Germany and France.

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

Germany: 3.0 percentage points. This was largely because of a reduced burden from natural catastrophe events compared to the third quarter of the previous year - which was severely impacted by the storms Andreas and Ernst/Franz. The improvement was further supported by a lower attritional claims ratio and favorable price momentum, particularly in our retail motor and commercial non-motor business.

Reinsurance: 1.3 percentage points. The improvement resulted from lower losses from natural catastrophes.

France: 0.5 percentage points. This was driven by an improvement in the attritional loss ratio mainly supported by lower claim frequencies in motor and property.

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

Latin America: 0.5 percentage points. The negative impact stemmed mainly from our health and motor business in Brazil.

Italy: 0.4 percentage points. The increase in the accident year loss ratio is due to declining average premiums in motor against the background of a softening market that could not be compensated for by a low total claims frequency and an improved attritional motor claims severity. However, the loss ratio remains at a very favorable level.

Australia: 0.3 percentage points. The deterioration is driven by a negative trend in attritional claims severity in motor and property.

Our **run-off result** decreased by € 179 MN to € 290 MN – resulting in a run-off ratio of 2.6%. Reserve releases across most OEs were reduced by a 1.6 percentage point negative impact from reserve strengthening in the United States in the current quarter.

In the third quarter of 2014, total expenses amounted to € 3,089 MN, compared to € 2,976 MN in the same period of 2013. Our **expense ratio** was stable at 27.6% as the improvement in our run-rate was offset by integration costs in Italy for the acquisition of specific distribution activities of Unipol.

OPERATING INVESTMENT INCOME (NET)¹

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Interest and similar income (net of interest expenses)	878	876	2,640	2,674
Operating income from financial assets and liabilities carried at fair value through income (net)	4	(35)	20	(61)
Operating realized gains/losses (net)	74	14	129	44
Operating impairments of investments (net)	(4)	(2)	(10)	(9)
Investment expenses	(88)	(88)	(232)	(233)
Expenses for premium refunds (net) ²	(93)	(48)	(224)	(148)
Operating investment income (net)	770	718	2,323	2,266

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

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

Despite the current economic environment the *operating investment income (net)* increased to € 770 MN, a rise of € 52 MN. This was mainly driven by a better foreign currency result net of hedges.

Interest and similar income (net of interest expenses) remained stable, as the lower income on debt securities was compensated for by increased income on equities. The average asset base¹ grew by 2.3% - from € 102.5 BN in the third quarter of 2013 to € 104.9 BN in the same period of 2014.

Operating income from financial assets and liabilities carried at fair value through income (net) increased by € 39 MN to a profit of € 4 MN. This was largely because of a positive development in the foreign currency result net of hedges.

Operating realized gains and losses (net) grew by € 60 MN to € 74 MN mainly driven by higher realizations on equities in the third quarter of 2014 compared to the previous year's figure.

Expenses for premium refunds (net) increased by € 45 MN to € 93 MN due to a higher policyholder participation, mainly from the higher realized gains attributable to our APR (accident insurance with premium refunds) business.

OTHER RESULT

€ MN

	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Fee and commission income	347	317	955	915
Other income	7	11	46	29
Fee and commission expenses	(323)	(295)	(894)	(843)
Other expenses	(24)	(6)	(38)	(18)
Restructuring charges	(5)	(11)	(6)	(13)
Other result	2	16	64	70

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Operating profit rose by € 524 MN to € 4,257 MN. This improvement was driven by the favorable development of our underwriting result. The operating investment income (net) increased by € 57 MN to € 2,323 MN.

Our *combined ratio* improved by 1.4 percentage points to 93.6% benefiting from a 2.3 percentage points lower accident year loss ratio. This favorable development was largely due to 2.7 percentage points lower losses from natural catastrophes and a better underlying claims development, which more than offset a higher impact from single large claims. We recorded a 1.0 percentage point lower contribution from run-off. The improvement in the combined ratio was further supported by a lower expense ratio.

Net income

2014 TO 2013 THIRD QUARTER COMPARISON

Net income increased by € 287 MN to € 1,083 MN and was driven by a higher underwriting result reflecting the absence of natural catastrophe events and an improved investment result. A rise in the non-operating profit by € 161 MN to € 86 MN, contributed to this favorable result.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Net income decreased by € 117 MN to € 2,697 MN compared to the previous year. The higher operating profit was offset by a one-off effect from the inter-segment pension revaluation² recorded in the first quarter of 2014.

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

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

PROPERTY-CASUALTY BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Gross premiums written¹	11,254	10,650	37,317	36,602
Ceded premiums written	(959)	(859)	(3,122)	(3,290)
Change in unearned premiums	885	977	(1,904)	(1,853)
Premiums earned (net)	11,180	10,768	32,291	31,459
Interest and similar income	897	885	2,689	2,704
Operating income from financial assets and liabilities carried at fair value through income (net)	4	(35)	20	(61)
Operating realized gains/losses (net)	74	14	129	44
Fee and commission income	347	317	955	915
Other income	7	11	46	29
Operating revenues	12,509	11,960	36,130	35,089
Claims and insurance benefits incurred (net)	(7,366)	(7,234)	(21,179)	(21,030)
Change in reserves for insurance and investment contracts (net)	(168)	(107)	(428)	(318)
Interest expenses	(20)	(9)	(49)	(31)
Operating impairments of investments (net)	(4)	(2)	(10)	(9)
Investment expenses	(88)	(88)	(232)	(233)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(3,089)	(2,976)	(9,037)	(8,861)
Fee and commission expenses	(323)	(295)	(894)	(843)
Restructuring charges	(5)	(11)	(6)	(13)
Other expenses	(24)	(6)	(38)	(18)
Operating expenses	(11,086)	(10,725)	(31,873)	(31,356)
Operating profit	1,422	1,235	4,257	3,733
Non-operating items	86	(74)	(405)	265
Income before income taxes	1,509	1,161	3,852	3,999
Income taxes	(426)	(365)	(1,155)	(1,185)
Net income	1,083	796	2,697	2,814
Loss ratio ² in %	65.9	67.2	65.6	66.8
Expense ratio ³ in %	27.6	27.6	28.0	28.2
Combined ratio⁴ in %	93.5	94.8	93.6	95.0

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).

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Property-Casualty insurance operations by reportable segments – third quarter

PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN								
	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
			internal ¹					
three months ended 30 September	2014	2013	2014	2013	2014	2013	2014	2013
Germany ²	1,979	1,885	1,963	1,886	2,016	1,912	350	23
Switzerland	259	261	254	261	354	349	39	51
Austria	209	210	209	210	207	210	15	17
German Speaking Countries²	2,447	2,361	2,426	2,357	2,576	2,470	404	86
Italy ³	933	853	848	853	971	997	274	353
France	962	963	962	963	988	968	141	83
Benelux ⁴	245	254	245	253	262	271	25	21
Turkey ⁵	218	244	240	244	229	241	30	37
Greece	25	28	25	28	23	23	3	6
Africa	21	18	21	18	16	14	4	1
Western & Southern Europe⁶	2,406	2,360	2,342	2,360	2,490	2,514	480	503
Latin America	581	543	622	543	427	419	(38)	30
Spain	437	416	437	416	459	459	69	57
Portugal	67	64	67	64	69	67	5	6
Iberia & Latin America	1,086	1,023	1,127	1,023	955	946	37	93
United States	612	652	613	652	569	608	(151)	36
USA	612	652	613	652	569	608	(151)	36
Allianz Global Corporate & Specialty	1,365	1,239	1,367	1,239	817	767	172	164
Reinsurance PC	833	703	833	701	774	718	103	2
Australia	799	750	791	750	575	540	84	102
United Kingdom	690	542	641	542	639	533	67	50
Credit Insurance	530	471	504	467	366	352	71	81
Ireland	106	97	106	97	100	91	13	14
Global Insurance Lines & Anglo Markets⁷	4,321	3,802	4,241	3,796	3,271	2,999	513	406
Russia	115	221	128	221	143	155	(21)	(1)
Poland	101	103	100	103	89	86	4	4
Hungary	61	65	64	65	56	58	5	10
Slovakia	80	76	80	76	68	68	11	16
Czech Republic	71	67	76	67	63	60	11	25
Romania	48	43	48	43	41	39	3	1
Bulgaria	22	17	22	17	17	15	(6)	4
Croatia	21	23	21	23	19	20	1	3
Ukraine	3	3	4	3	2	2	1	–
Central and Eastern Europe⁸	522	618	542	618	498	502	6	62
Asia-Pacific	201	161	202	161	116	95	17	17
Middle East and North Africa	16	15	16	15	12	12	2	2
Growth Markets	739	795	760	795	627	609	25	80
Allianz Global Assistance	534	497	533	497	545	505	27	32
Allianz Worldwide Care	107	88	107	88	131	108	13	8
Allianz Worldwide Partners⁹	656	599	655	599	691	621	28	29
Consolidation and Other ^{10,11}	(1,013)	(942)	(1,015)	(938)	–	–	86	2
Total	11,254	10,650	11,149	10,645	11,180	10,768	1,422	1,235

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

2 – Starting from 2014 "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 2 MN, premiums earned (net) of € (1) MN and operating loss of € 2 MN. Prior period figures were not adjusted. Contribution to German Speaking Countries before consolidation in 2013 was gross written premiums of € 4 MN, premiums earned (net) of € (1) MN and operating loss of € 5 MN.

3 – Effective 1 July 2014, the Allianz Group acquired specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna ("Distribution Activities").

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.

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

7 – Contains € 4 MN operating profit and € 7 MN operating loss for 2014 and 2013, respectively, from AGF UK.

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%	Combined ratio		Loss ratio		Expense ratio	
three months ended 30 September	2014	2013	2014	2013	2014	2013
Germany ²	90.3	105.2	64.6	78.4	25.7	26.8
Switzerland	90.2	88.1	67.1	63.8	23.1	24.3
Austria	95.8	95.6	72.9	71.8	22.9	23.8
German Speaking Countries²	90.7	102.2	65.6	75.9	25.1	26.2
Italy ³	78.4	71.5	52.2	48.3	26.2	23.2
France	92.1	99.5	64.6	69.8	27.5	29.8
Benelux ⁴	96.0	97.4	65.2	67.5	30.8	29.8
Turkey ⁵	95.8	90.5	73.3	67.6	22.5	22.9
Greece	89.9	77.4	53.1	47.6	36.8	29.8
Africa	93.3	105.3	52.2	62.0	41.1	43.3
Western & Southern Europe⁶	87.5	87.1	60.5	60.6	27.1	26.6
Latin America	113.2	97.9	81.4	66.7	31.8	31.2
Spain	88.8	91.5	67.4	70.7	21.4	20.8
Portugal	96.7	95.6	74.0	71.8	22.7	23.8
Iberia & Latin America	100.3	94.6	74.1	69.0	26.1	25.6
United States	136.5	103.5	107.5	73.7	29.1	29.8
USA	136.5	103.5	107.5	73.7	29.1	29.8
Allianz Global Corporate & Specialty	89.7	88.1	62.7	63.0	27.0	25.2
Reinsurance PC	90.1	104.1	61.1	75.5	29.0	28.6
Australia	96.8	91.0	72.3	66.6	24.5	24.4
United Kingdom	94.7	95.5	63.8	64.5	30.8	31.0
Credit Insurance	80.1	81.8	51.0	52.8	29.1	29.0
Ireland	94.6	92.5	66.4	61.9	28.1	30.6
Global Insurance Lines & Anglo Markets⁷	91.0	93.5	62.9	65.9	28.1	27.6
Russia	121.0	106.0	80.6	66.7	40.4	39.4
Poland	99.6	99.4	65.2	65.4	34.4	34.0
Hungary	102.4	94.4	63.9	57.7	38.5	36.7
Slovakia	88.0	82.4	53.7	50.7	34.3	31.8
Czech Republic	86.2	62.5	60.8	37.8	25.5	24.7
Romania	99.5	103.1	69.4	74.6	30.1	28.5
Bulgaria	140.0	75.1	116.5	51.4	23.5	23.7
Croatia	104.5	89.7	66.9	52.7	37.5	37.0
Ukraine	87.4	100.0	56.2	44.2	31.2	55.8
Central and Eastern Europe⁸	104.6	93.6	69.5	59.4	35.1	34.3
Asia-Pacific	93.6	92.2	63.3	61.3	30.3	30.8
Middle East and North Africa	95.1	95.3	60.3	59.7	34.8	35.6
Growth Markets	102.4	93.4	68.2	59.7	34.2	33.7
Allianz Global Assistance	96.5	95.6	63.5	60.5	33.0	35.1
Allianz Worldwide Care	90.3	93.1	70.9	73.9	19.4	19.2
Allianz Worldwide Partners⁹	97.1	97.0	65.3	63.5	31.8	33.5
Consolidation and Other ^{10,11}	—	—	—	—	—	—
Total	93.5	94.8	65.9	67.2	27.6	27.6

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 2014 with the reclassification of our International Health business in France from Life/Health to the Property-Casualty business segment retrospectively as of January 2014. The reinsurance business of Allianz Global

Automotive contributed with gross premiums written of € 15 mn, premiums earned (net) of € 15 mn and an operating loss of € 3 mn for 2014 and with gross premiums written of € 14 mn, premiums earned (net) of € 8 mn and an operating loss of € 10 mn for 2013.

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

11 — The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 mn reflected in the operating profit for 2014.

Property-Casualty insurance operations by reportable segments – first nine months

PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

nine months ended 30 September	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
	2014	2013	internal ¹		2014	2013	2014	2013
			2014	2013				
Germany ^{2,3}	7,853	7,554	7,837	7,576	5,858	5,624	1,004	290
Switzerland	1,356	1,364	1,346	1,364	1,073	1,066	148	140
Austria	781	776	781	776	625	610	56	44
German Speaking Countries³	9,990	9,726	9,964	9,716	7,556	7,319	1,208	478
Italy ⁴	2,906	2,865	2,821	2,865	2,898	2,955	732	879
France	3,309	3,322	3,309	3,322	2,940	2,853	377	306
Benelux ⁵	905	930	905	927	796	813	68	72
Turkey ⁶	765	681	688	681	670	517	69	67
Greece	83	83	83	83	67	64	13	15
Africa	77	72	77	73	46	41	7	6
Western & Southern Europe⁷	8,045	7,953	7,882	7,950	7,418	7,244	1,272	1,353
Latin America	1,504	1,740	1,757	1,740	1,273	1,303	7	102
Spain	1,552	1,516	1,552	1,516	1,354	1,358	200	171
Portugal	251	247	251	247	204	200	17	17
Iberia & Latin America	3,307	3,502	3,561	3,502	2,831	2,860	225	290
United States	1,525	1,625	1,565	1,625	1,394	1,532	(159)	140
USA⁸	1,525	1,625	1,565	1,625	1,394	1,532	(159)	140
Allianz Global Corporate & Specialty Reinsurance PC ²	4,217	4,042	4,256	4,042	2,283	2,205	417	342
Australia	2,077	2,202	2,268	2,202	1,631	1,700	240	301
United Kingdom	2,021	1,713	1,926	1,713	1,787	1,573	145	151
Credit Insurance	1,672	1,609	1,648	1,596	1,110	1,072	307	285
Ireland	341	321	341	321	284	277	26	35
Global Insurance Lines & Anglo Markets⁹	13,413	12,706	13,524	12,688	9,372	9,003	1,534	1,219
Russia	494	621	570	621	433	443	(155)	(7)
Poland	316	322	315	322	262	257	13	9
Hungary	210	210	218	210	167	171	17	18
Slovakia	260	253	260	253	199	199	42	42
Czech Republic	219	210	234	210	181	171	31	36
Romania	147	136	148	136	114	112	6	4
Bulgaria	61	54	61	54	48	45	–	13
Croatia	72	76	72	76	57	58	6	10
Ukraine	12	13	16	13	6	5	–	1
Central and Eastern Europe¹⁰	1,790	1,892	1,895	1,892	1,466	1,460	(46)	120
Asia-Pacific	549	515	589	515	323	279	56	54
Middle East and North Africa	55	53	58	53	37	35	6	6
Growth Markets	2,394	2,461	2,541	2,461	1,825	1,774	15	180
Allianz Global Assistance	1,629	1,507	1,623	1,507	1,492	1,398	78	67
Allianz Worldwide Care	448	384	448	384	361	309	32	25
Allianz Worldwide Partners¹¹	2,129	1,960	2,124	1,960	1,895	1,726	77	71
Consolidation and Other ^{12,13}	(3,486)	(3,330)	(3,492)	(3,317)	–	–	86	2
Total	37,317	36,602	37,669	36,584	32,291	31,459	4,257	3,733

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

2 – In 2013, the combined ratio at Germany and Reinsurance PC was impacted by a one-off effect related to the commutation of internal reinsurance resulting in a 1.2 percentage point improvement in the combined ratio for Germany and an increase of 3.0 percentage points in Reinsurance PC. This had no impact at Group level.

3 – Starting from 2014 "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 32 MN, premiums earned (net) of € 16 MN and operating profit of € 9 MN. Prior period figures were not adjusted. Contribution to German Speaking Countries before consolidation in 2013 was gross written premiums of € 32 MN, premiums earned (net) of € 20 MN and operating profit of € 5 MN.

4 – Effective 1 July 2014, the Allianz Group acquired specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna ("Distribution Activities").

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

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

7 – Contains € 6 MN and € 9 MN operating profit for 2014 and 2013, respectively, from a management holding located in Luxembourg.

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%	Combined ratio		Loss ratio		Expense ratio	
	2014	2013	2014	2013	2014	2013
nine months ended 30 September						
Germany ^{2,3}	91.0	102.5	65.3	76.6	25.7	25.9
Switzerland	90.4	91.6	67.5	68.8	22.9	22.8
Austria	94.6	97.0	69.2	70.9	25.4	26.1
German Speaking Countries³	91.2	100.4	65.9	75.0	25.3	25.4
Italy ⁴	81.7	77.7	55.2	53.7	26.4	24.0
France	94.3	97.5	66.2	68.9	28.0	28.5
Benelux ⁵	98.1	97.4	67.8	68.0	30.3	29.4
Turkey ⁶	97.7	92.7	74.9	68.5	22.8	24.1
Greece	84.1	80.7	49.3	47.9	34.8	32.8
Africa	93.5	98.0	54.2	56.7	39.2	41.3
Western & Southern Europe⁷	90.0	88.9	62.6	62.3	27.3	26.6
Latin America	106.4	98.1	74.8	65.7	31.6	32.3
Spain	89.3	91.5	68.5	70.6	20.8	20.9
Portugal	95.8	96.4	73.0	72.8	22.7	23.6
Iberia & Latin America	97.5	94.8	71.7	68.5	25.8	26.3
United States	123.4	101.9	89.1	68.5	34.3	33.4
USA⁸	123.4	101.9	89.1	68.5	34.3	33.4
Allianz Global Corporate & Specialty	92.9	94.4	65.7	67.1	27.2	27.3
Reinsurance PC ²	86.2	98.5	57.9	65.9	28.3	32.6
Australia	95.7	92.6	71.0	67.1	24.7	25.5
United Kingdom	96.8	95.7	65.2	64.6	31.6	31.1
Credit Insurance	77.7	81.4	48.2	52.6	29.5	28.8
Ireland	97.8	94.3	67.3	62.7	30.5	31.6
Global Insurance Lines & Anglo Markets⁹	90.9	93.8	62.6	64.6	28.3	29.3
Russia	141.8	107.6	96.5	66.9	45.3	40.7
Poland	99.4	101.2	65.0	66.7	34.4	34.5
Hungary	102.8	101.6	63.1	63.0	39.7	38.6
Slovakia	84.1	85.4	52.2	54.7	31.9	30.8
Czech Republic	85.4	81.2	58.2	53.9	27.2	27.2
Romania	100.8	103.0	70.8	73.2	29.9	29.8
Bulgaria	104.4	75.1	79.2	46.6	25.2	28.5
Croatia	96.8	90.7	58.4	53.1	38.4	37.6
Ukraine	109.8	111.0	59.1	55.3	50.7	55.8
Central and Eastern Europe¹⁰	108.9	98.0	72.1	62.5	36.7	35.4
Asia-Pacific	90.6	89.5	60.9	58.8	29.7	30.8
Middle East and North Africa	97.4	95.5	62.9	61.4	34.5	34.2
Growth Markets	105.4	96.6	69.9	61.9	35.5	34.7
Allianz Global Assistance	96.0	96.9	62.2	61.7	33.7	35.2
Allianz Worldwide Care	91.5	92.4	72.7	73.9	18.8	18.5
Allianz Worldwide Partners¹¹	96.8	97.4	64.7	64.3	32.0	33.1
Consolidation and Other ^{12,13}	—	—	—	—	—	—
Total	93.6	95.0	65.6	66.8	28.0	28.2

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

9 — Contains € 4 MN operating profit and € 7 MN operating loss for 2014 and 2013, respectively, from AGF UK.

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

11 — 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 2014 with the reclassification of our International Health business in France from Life/Health to the

Property-Casualty business segment retrospectively as of January 2014. The reinsurance business of Allianz Global Automotive contributed with gross premiums written of € 52 MN, premiums earned (net) of € 42 MN and an operating loss of € 11 MN for 2014 and with gross premiums written of € 70 MN, premiums earned (net) of € 19 MN and an operating loss of € 19 MN for 2013.

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

13 — The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 MN reflected in the operating profit for 2014.

Life/Health Insurance Operations

THIRD QUARTER 2014

- Statutory premiums grew strongly by 24.9% to € 15.9 BN.
- Operating profit at a solid level of € 790 MN.

Business segment overview

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

Key figures

KEY FIGURES LIFE/HEALTH

€ MN	2014	2013
three months ended 30 September		
Statutory premiums	15,853	12,698
Operating profit ¹	790	769
Net income ¹	530	562
Margin on reserves (BPS) ^{1,2}	61	66

Statutory premiums^{3,4}

2014 TO 2013 THIRD QUARTER COMPARISON

On a nominal basis, *statutory premiums* amounted to € 15,853 MN, an increase of € 3,156 MN. Premiums increased by 25.0%, or € 3,177 MN, on an internal basis.

We recorded premium growth in most core markets – largely driven by our single premium business. These favorable developments were mainly due to the successful cooperation with our bancassurance channel in many European markets and our broker channel in the United States. Strong premium growth of unit-linked products in Italy and Taiwan and strong sales of fixed-indexed annuity products in the United States were the main drivers of this development.

Premiums in *Italy* increased 76.7% to € 2,789 MN. This growth was mainly due to the strong contribution of unit-linked and savings products distributed via our bancassurance channel. To further improve our product design and pricing, the sale of traditional guarantee savings products was largely replaced by savings products with 0%-guarantees in the third quarter of 2014.

Premiums in the *United States* increased to € 2,901 MN, representing growth of 73.7%. This was driven by continued strong fixed-indexed annuity sales as a result of an innovative index strategy and higher penetration into the broker and dealer channel. However, as anticipated, it is below the level in the second quarter of 2014 due to the impact of the pricing changes in response to the decreasing interest rate environment. This growth was partly offset by a decrease in the variable annuity business.

In *Asia-Pacific*, premiums amounted to € 1,575 MN, growth of 34.5%. This was largely driven by Taiwan – due to increased single premium unit-linked business – and by South Korea, where we recorded higher sales of single premium investment-oriented products via the bancassurance channel.

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 (a) the current quarter-end and previous quarter-end net reserves and (b) the current quarter-end and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

³ – Statutory premiums 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.

Premiums in *Central and Eastern Europe* grew 9.2% to € 204 MN. This increase was largely because of business developments in Poland, driven by unit-linked sales via bancassurance, and to a lesser extent in Hungary, mainly due to the timing of a single premium unit-linked sales campaign. This growth more than compensated for the decline in premiums in Russia as a result of the termination of one bancassurance partnership.

In *Switzerland*, premiums totaled € 201 MN. The increase of 7.3% was primarily driven by our single premium business in group life, and to a lesser extent in individual life.

In our *German* life business, premiums grew 4.0% to € 4,292 MN. This growth was driven by an increase in our single premium business with savings products while regular premiums were relatively flat. In particular the product *Perspektive* – which was launched in the second quarter of 2013 and balances reduced guarantees and higher expected returns for the policyholder with lower capital requirements for the shareholder – contributed most of the premium growth. Statutory premiums in our German health business decreased 1.9% to € 816 MN due to a lower contribution from full health care coverage business.

Premiums in *France* increased 1.4% to € 1,975 MN. All lines of business contributed to this growth, with the exception of individual life business, which we pursued more selectively.

Premiums in *Spain* decreased 3.9% to € 188 MN. This was mainly a result of a more selective growth focus. Overall, we achieved a premium mix shift in favor of more profitable protection products. The decrease was partly offset by improved business via our bancassurance channel.

In *Benelux*¹, premiums decreased to € 368 MN, representing a decline of 13.0%. This was mainly due to lower sales of investment-oriented products in Luxembourg distributed via the bancassurance channel.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Statutory premiums were 20.0% above the first nine months of 2013 and amounted to € 49,977 MN. This represents an increase of 20.5% on an internal basis and was largely driven by our strong single premium fixed-indexed annuity business in the United States, and, to a lesser extent, by an increase in the savings product business in Italy and Germany.

Operating profit

2014 TO 2013 THIRD QUARTER COMPARISON

Operating profit increased slightly by € 22 MN to € 790 MN. The allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health drove this improvement. Our operating performance was almost flat as the improved operating investment result was largely offset by associated policyholder participation and higher acquisition expenses.

Interest and similar income (net of interest expenses) increased by € 121 MN and amounted to € 4,233 MN. This was driven by higher interest income from debt investments as a result of an increased asset base.

Operating income from financial assets and liabilities carried at fair value through income (net) improved by € 330 MN to a loss of € 207 MN. This was largely due to higher losses in the third quarter of 2013 from the net of foreign currency translation effects and financial derivatives used to manage duration and other interest rate-related exposures as well as to protect against equity and foreign currency fluctuations.

Operating realized gains and losses (net) increased by € 205 MN to € 746 MN. This was largely due to higher realizations on equity investments as well as on debt securities compared to the third quarter of 2013.

Operating impairments of investments (net) increased by € 77 MN to € 102 MN. This was due to higher impairments of equity investments.

Fee and commission income increased by € 96 MN to € 263 MN, mainly due to income generated by entities transferred from the business segment Asset Management.

Claims and insurance benefits incurred (net) increased by € 361 MN to € 5,004 MN, largely because of higher payments for maturities in Germany.

Change in reserves for insurance and investment contracts (net) remained almost flat at € 3,175 MN. An increase in Germany driven by a higher change in reserves for premium refunds due to the improved investment result was largely offset by a lower increase in aggregate policy reserves because of higher maturities and lower net premiums earned.

Investment expenses increased by € 20 MN to € 219 MN, mainly due to higher asset management fees. This was the result of a higher asset base and one-offs in the third quarter of 2014.

¹ — Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

Acquisition and administrative expenses (net) amounted to € 1,488 MN, an increase of € 166 MN. This was primarily a result of higher expenses and higher deferred acquisition cost amortization in the United States compared to last year. Higher administrative costs, mainly related to the entities transferred from the business segment Asset Management, further contributed to this increase.

Margin on reserves dropped from 66 to 61 basis points.

Excluding the effects of the allocation of the former Asset Management entities, operating profit was broadly flat. While we saw an increased investment margin as well as higher loadings and fees, higher expenses and a lower technical margin offset this positive effect. The improvement in our investment margin (i.e. investment income, net of hedged item movements and policyholder participation) was driven by gains from the duration strategy as well as a recovery in the foreign currency result in Germany. The higher asset base in the United States also contributed to this development. Loadings and fees increased mainly as a result of sales increases in Germany and Asia-Pacific. We recorded higher expenses, mainly due to increased acquisition expenses in line with volume growth.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Operating profit increased by € 362 MN to € 2,655 MN. This was mainly driven by the improved operating investment result, which was burdened by higher losses from the net of foreign currency translation effects and financial derivatives in the second and third quarter of 2013. In addition, the allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health contributed € 85 MN to this increase.

Net income

2014 TO 2013 THIRD QUARTER COMPARISON

In the third quarter of 2014, *net income* decreased by € 32 MN to € 530 MN. This was mainly due to higher non-operating expenses because of a risk capital hedge in the United States and to a lesser extent higher taxes more than offsetting the operating profit growth. The effective tax rate amounted to 31.6% (3Q 2013: 29.3%).

2014 TO 2013 FIRST NINE MONTHS COMPARISON

The strong operating performance in the first half year was the main driver for the increase of € 227 MN to € 1,891 MN in the first nine months of 2014. The effective tax rate was 29.9% (9M 2013: 29.8%).

LIFE/HEALTH BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Statutory premiums¹	15,853	12,698	49,977	41,659
Ceded premiums written	(182)	(144)	(569)	(451)
Change in unearned premiums	(125)	(54)	(366)	(218)
Statutory premiums (net)	15,546	12,500	49,043	40,990
Deposits from insurance and investment contracts	(9,690)	(6,631)	(30,912)	(22,849)
Premiums earned (net)	5,856	5,869	18,131	18,141
Interest and similar income	4,260	4,127	12,891	12,573
Operating income from financial assets and liabilities carried at fair value through income (net)	(207)	(537)	(512)	(1,468)
Operating realized gains/losses (net)	746	541	2,328	2,159
Fee and commission income	263	166	752	474
Other income	32	31	114	111
Operating revenues	10,949	10,198	33,703	31,990
Claims and insurance benefits incurred (net)	(5,004)	(4,642)	(15,258)	(14,459)
Change in reserves for insurance and investment contracts (net)	(3,175)	(3,138)	(9,946)	(10,068)
Interest expenses	(27)	(16)	(75)	(56)
Operating impairments of investments (net)	(102)	(25)	(443)	(219)
Investment expenses	(219)	(198)	(645)	(581)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,488)	(1,322)	(4,189)	(4,048)
Fee and commission expenses	(110)	(61)	(290)	(191)
Operating amortization of intangible assets	(5)	–	(14)	–
Restructuring charges	(1)	(1)	8	(2)
Other expenses	(30)	(26)	(195)	(73)
Operating expenses	(10,159)	(9,429)	(31,048)	(29,698)
Operating profit	790	769	2,655	2,293
Non-operating items	(15)	27	44	77
Income before income taxes	776	795	2,698	2,370
Income taxes	(245)	(233)	(808)	(706)
Net income	530	562	1,891	1,664
Margin on reserves ² in basis points	61	66	70	66

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

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

Life/Health insurance operations by reportable segments – third quarter

LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

	Statutory premiums ¹				Premiums earned (net)		Operating profit (loss)		Margin on reserves ² (BPS)	
	internal ³									
	2014	2013	2014	2013	2014	2013	2014 ⁴	2013	2014 ⁴	2013
three months ended 30 September										
Germany Life	4,292	4,125	4,292	4,125	2,572	2,640	218	175	44	39
Germany Health	816	832	816	832	813	829	62	60	90	94
Switzerland	201	184	197	184	73	77	20	19	56	58
Austria	87	84	87	84	63	59	8	6	66	60
German Speaking Countries	5,396	5,225	5,392	5,225	3,522	3,605	307	260	50	47
Italy	2,789	1,579	2,789	1,579	71	82	46	35	33	30
France	1,975	1,947	1,975	1,947	899	915	140	118	68	63
Benelux ⁵	368	423	368	423	120	122	25	23	62	63
Greece	19	21	19	21	11	12	1	1	90	196
Turkey ⁶	243	168	267	168	40	29	7	11	108	320
Africa	12	12	12	12	6	5	–	–	– ⁸	– ⁸
Western & Southern Europe	5,407	4,149	5,431	4,149	1,148	1,165	219	188	56	54
Latin America	72	67	73	67	28	25	3	2	127	84
Spain	188	194	186	194	84	95	47	33	251	199
Portugal	59	71	59	71	21	21	6	6	424	468
Iberia & Latin America	320	331	319	331	132	141	57	41	249	206
United States	2,901	1,672	2,904	1,672	246	218	158	183	78	104
USA	2,901	1,672	2,904	1,672	246	218	158	183	78	104
Reinsurance LH	156	132	156	132	130	110	5	22	112	452
Global Insurance Lines & Anglo Markets	156	132	156	132	130	110	5	22	112	452
South Korea	421	312	390	312	127	114	(2)	11	(9)	44
Taiwan	611	347	614	347	69	47	(2)	–	(13)	– ⁸
Indonesia	198	181	219	181	82	71	18	12	544	395
Malaysia	104	95	102	95	33	45	6	3	175	120
Japan	–	–	–	–	2	2	1	1	21	20
Other	241	232	245	232	196	181	8	17	84	202
Asia-Pacific	1,575	1,167	1,571	1,167	508	459	28	44	45	79
Poland	48	30	47	30	19	10	(3)	4	(210)	297
Slovakia	61	59	61	59	56	53	13	8	410	266
Hungary	29	25	30	25	10	12	3	3	269	370
Czech Republic	29	30	31	30	17	19	5	3	308	217
Russia	10	20	11	20	9	20	–	–	– ⁸	– ⁸
Croatia	14	13	14	13	14	13	5	1	610	71
Bulgaria	8	8	8	8	7	8	4	1	1,038	399
Romania	6	5	5	5	4	3	2	1	1,161	313
Central and Eastern Europe⁷	204	190	208	190	136	138	28	20	311	241
Middle East and North Africa	45	40	46	40	34	33	4	4	257	302
Global Life	2	3	2	3	–	–	–	–	– ⁸	– ⁸
Growth Markets	1,826	1,401	1,826	1,401	678	630	60	68	84	104
Consolidation ⁹	(152)	(213)	(152)	(213)	–	–	(15)	5	– ⁸	– ⁸
Total	15,853	12,698	15,875	12,698	5,856	5,869	790	769	61	66

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

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

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

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

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

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

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

8 – Presentation not meaningful.

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

Life/Health insurance operations by reportable segments – first nine months

LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN

	Statutory premiums ¹				Premiums earned (net)		Operating profit (loss)		Margin on reserves ² (bps)	
			internal ³							
nine months ended 30 September	2014	2013	2014	2013	2014	2013	2014 ⁴	2013	2014 ⁴	2013
Germany Life	13,719	12,265	13,719	12,265	8,160	8,298	814	682	57	51
Germany Health	2,437	2,495	2,437	2,495	2,434	2,492	138	144	69	77
Switzerland	1,427	1,353	1,417	1,353	427	395	62	60	61	60
Austria	293	285	293	285	217	209	31	27	92	83
German Speaking Countries	17,876	16,398	17,866	16,398	11,239	11,394	1,045	911	59	55
Italy	8,227	6,294	8,227	6,294	310	322	170	190	43	54
France	6,522	6,354	6,522	6,354	2,649	2,589	378	356	63	63
Benelux ⁵	2,022	1,790	2,022	1,790	380	385	92	82	79	76
Greece	65	68	65	68	38	40	–	1	– ⁸	27
Turkey ⁶	609	244	369	244	106	48	19	10	111	94
Africa	43	42	43	42	20	18	3	3	175	148
Western & Southern Europe	17,489	14,791	17,249	14,791	3,504	3,402	662	641	58	62
Latin America	234	256	251	256	105	117	6	5	85	93
Spain	830	899	822	899	308	341	142	99	261	204
Portugal	183	171	183	171	62	62	15	17	355	426
Iberia & Latin America	1,247	1,326	1,257	1,326	475	520	163	121	248	208
United States	8,810	5,022	9,073	5,022	706	647	529	384	91	74
USA	8,810	5,022	9,073	5,022	706	647	529	384	91	74
Reinsurance LH	423	398	423	398	314	340	35	14	238	86
Global Insurance Lines & Anglo Markets	423	398	423	398	314	340	35	14	238	86
South Korea	1,223	991	1,187	991	380	368	13	17	16	24
Taiwan	1,549	1,352	1,614	1,352	151	114	1	–	3	– ⁸
Indonesia	502	528	602	528	221	191	51	50	551	554
Malaysia	305	271	325	271	132	153	15	13	164	160
Japan	–	–	–	–	5	5	1	6	5	38
Other	663	671	711	671	492	504	45	60	171	232
Asia-Pacific	4,243	3,813	4,440	3,813	1,380	1,334	126	147	71	86
Poland	134	78	133	78	54	28	15	12	361	281
Slovakia	189	179	189	179	154	151	29	25	310	281
Hungary	110	134	114	134	33	37	9	7	339	269
Czech Republic	118	104	126	104	54	57	12	13	275	299
Russia	38	57	44	57	37	57	–	(1)	– ⁸	(54)
Croatia	55	45	55	45	54	45	13	3	559	127
Bulgaria	27	25	27	25	24	22	10	3	898	310
Romania	17	17	17	17	10	11	5	1	908	248
Central and Eastern Europe⁷	687	639	705	639	421	407	92	62	348	245
Middle East and North Africa	123	120	130	120	92	97	15	12	304	288
Global Life	4	5	4	5	1	1	1	–	– ⁸	– ⁸
Growth Markets	5,057	4,577	5,278	4,577	1,894	1,839	233	220	111	110
Consolidation ⁹	(925)	(852)	(925)	(852)	–	–	(13)	1	– ⁸	– ⁸
Total	49,977	41,659	50,220	41,659	18,131	18,141	2,655	2,293	70	66

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

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

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

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

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8 – Presentation not meaningful.

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

Asset Management

THIRD QUARTER 2014

- Operating profit of € 694 MN.
- Cost-income ratio at 57.1 %.
- Total assets under management at € 1,872 BN – total growth of 5.8 % in the first nine months of 2014.
- Third-party net outflows of € 84 BN in the first nine months of 2014.

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.

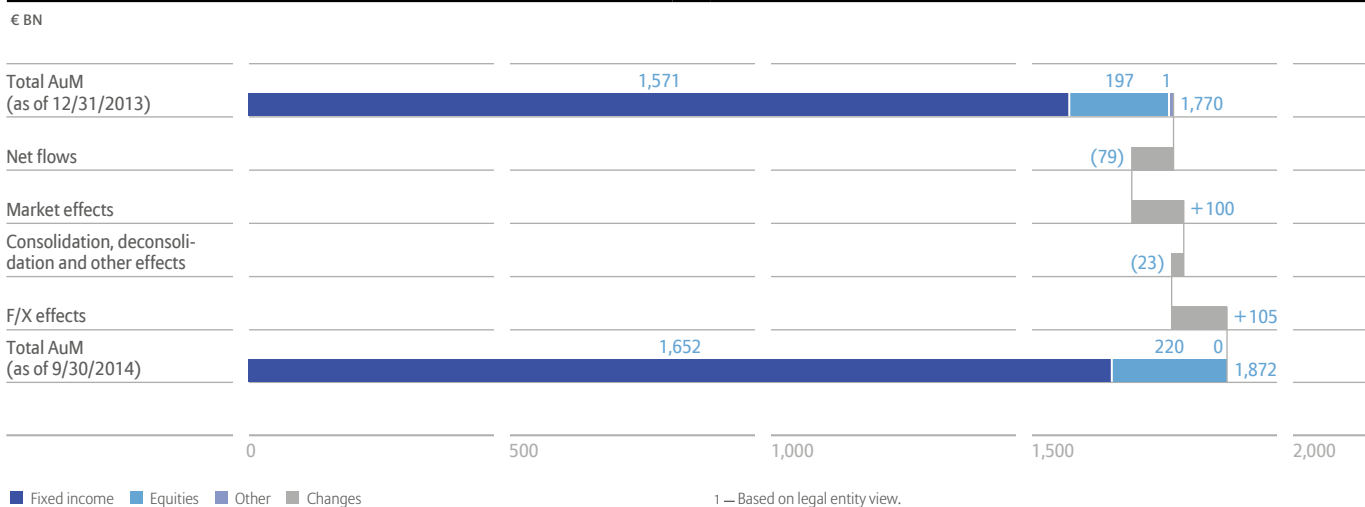
Key figures

KEY FIGURES ASSET MANAGEMENT¹

€ MN	2014	2013
three months ended 30 September		
Operating revenues	1,618	1,703
Operating profit	694	755
Cost-income ratio in %	57.1	55.7
Net income	438	482
Total assets under management as of 30 September in € BN	1,872	1,811
thereof: Third-party assets under management as of 30 September in € BN	1,411	1,404

Assets under management

DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT¹



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.

On 26 September 2014 the Chief Investment Officer of PIMCO resigned. Immediately after his resignation an orderly succession process was executed and led to the appointment of new investment management leadership at PIMCO.

As of 30 September 2014, total assets under management amounted to € 1,872 BN. Of this, € 1,411 BN related to our third-party assets under management and € 461 BN to Allianz group assets.

In the first nine months of 2014, we recorded net outflows of total assets under management of € 79 BN. Net outflows from third-party assets under management of € 84 BN were strongly driven by PIMCO in the United States. In the third quarter, PIMCO experienced third-party net outflows particularly at the end of September in conjunction with the market's reaction to the departure of PIMCO's Chief Investment Officer. AllianzGI recorded net inflows for the seventh consecutive quarter.

Market effects contributed € 100 BN to total assets under management, with € 77 BN at PIMCO and € 22 BN at AllianzGI.

As of 1 January 2014, the Allianz group allocated certain entities to other business segments which resulted in a decrease of € 34 BN in assets under management. This was partially compensated by a change in reporting to include third-party fund of fund assets under management in our total assets under management. These effects were the main drivers for a decline in total assets under management of € 23 BN, reported as consolidation, deconsolidation and other effects.

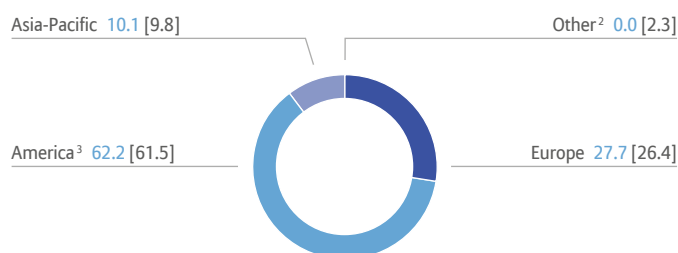
We recorded favorable foreign currency translation effects of € 105 BN, in particular on the fixed income assets, mainly as a result of the appreciation of the U.S. Dollar.¹

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

As of 30 September 2014, the share of third-party assets under management by business unit was 82.4% attributable to PIMCO and 17.6% to AllianzGI.

THIRD-PARTY ASSETS UNDER MANAGEMENT BY REGION/COUNTRY¹

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



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

² — "Other" consists of third-party assets managed by other Allianz Group companies which were allocated to other business segments as of 1 January 2014.

³ — "America" consists of the United States, Canada and Brazil (approximately € 862 BN, € 15 BN and € 1 BN third-party assets under management as of 30 September 2014, respectively).

The regional allocation of third-party assets under management shifted slightly due to the allocation of certain entities to other business segments, due to the change in reporting of fund of fund assets, positive market effects and foreign currency translation effects.

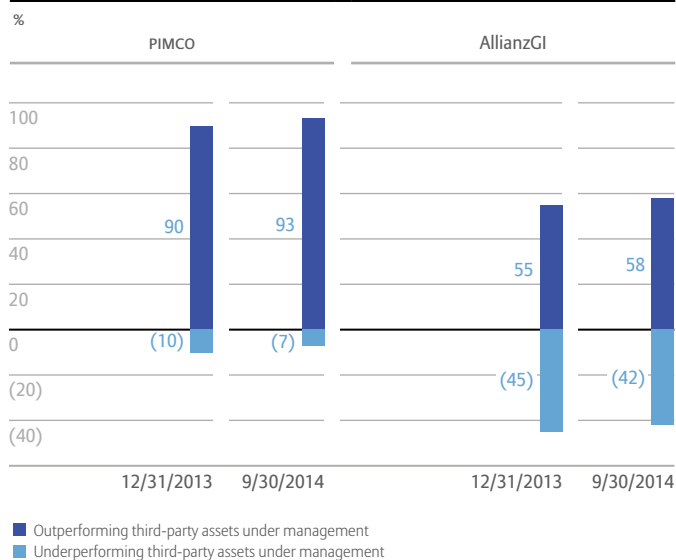
The relative share of our third-party assets under management increased by one percentage point in equities. This was mainly driven by the impact of market return, positive foreign currency translation effects and the change in reporting to include third-party fund of fund assets under management in our total assets under management. As of 30 September 2014, 86% of third-party assets under management were attributable to fixed income and 14% 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%).

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

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

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 remained on a high level, with 88 % of our assets outperforming their respective benchmarks (31 December 2013: 85 %). 93 % of PIMCO assets outperformed their respective benchmarks while 58 % of AllianzGI assets outperformed their respective benchmarks.

Operating revenues

2014 TO 2013 THIRD QUARTER COMPARISON

Operating revenues fell by € 85 MN, or 5.0 %, to € 1,618 MN. This was mainly driven by lower management and loading fees, but also reflects the allocation of certain entities to other business segments. On an internal basis¹, operating revenues went down by 2.5 %.

Net fee and commission income declined by € 81 MN, or 4.7 %, to € 1,617 MN. This largely reflects a decrease in management and loading fees, mainly driven by lower margins. Our *performance fees* decreased by € 2 MN to € 40 MN.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Our *operating revenues* fell by € 687 MN, or 12.7 %, to € 4,742 MN. On an internal basis¹, operating revenues went down 8.5 %. This was mainly the result of a € 270 MN decrease in performance fees – which were exceptionally high in the first quarter of 2013 – and lower average third-party assets under management.

Operating profit

2014 TO 2013 THIRD QUARTER COMPARISON

Our *operating profit* declined to € 694 MN, a contraction of € 61 MN, or 8.1 %, primarily due to lower management and loading fees. On an internal basis¹, operating profit fell by 5.0 %.

Administrative expenses went down by € 25 MN to € 925 MN, driven by lower personal expenses as well as lower assets under management related expenses.

Our *cost-income ratio* went up by 1.4 percentage points mainly as a result of the reduction in management and loading fees.

2014 TO 2013 FIRST NINE MONTHS COMPARISON

Our *operating profit* decreased by € 443 MN, or 18.0 %, to € 2,015 MN (internal growth¹: (13.4) %) while the *cost-income ratio* rose by 2.8 percentage points. The main drivers are as described in the first nine months comparison of the operating revenues.

Net income

In the third quarter of 2014, our *net income* decreased by € 44 MN, or 9.2 %, to € 438 MN. In the first nine months of 2014 our net income decreased by € 275 MN to € 1,263 MN. This is largely consistent with our operating profit development.

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

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ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Management and loading fees	1,938	2,004	5,653	6,076
Performance fees	40	42	126	396
Other	6	12	37	51
Fee and commission income	1,984	2,059	5,817	6,524
Commissions	(336)	(337)	(956)	(1,062)
Other	(31)	(24)	(127)	(58)
Fee and commission expenses	(367)	(361)	(1,083)	(1,121)
Net fee and commission income	1,617	1,697	4,734	5,403
Net interest income ¹	(2)	3	(3)	10
Income from financial assets and liabilities carried at fair value through income (net)	2	1	5	8
Other income	1	2	6	8
Operating revenues	1,618	1,703	4,742	5,429
Administrative expenses (net), excluding acquisition-related expenses	(925)	(949)	(2,730)	(2,966)
Restructuring charges	—	1	3	(5)
Operating expenses	(925)	(949)	(2,727)	(2,971)
Operating profit	694	755	2,015	2,458
Non-operating items	2	(5)	(15)	(59)
Income before income taxes	696	749	2,000	2,399
Income taxes	(258)	(267)	(738)	(861)
Net income	438	482	1,263	1,538
Cost-income ratio ² in %	57.1	55.7	57.5	54.7

1 — Represents interest and similar income less interest expenses.

2 — Represents operating expenses divided by operating revenues.

Corporate and Other

THIRD QUARTER 2014

Operating loss increased by € 19 MN to € 248 MN, driven by 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		
three months ended 30 September	2014	2013
Operating revenues	418	387
Operating expenses	(666)	(616)
Operating result	(248)	(229)
Net income (loss)	(311)	(307)

KEY FIGURES REPORTABLE SEGMENTS

€ MN		
three months ended 30 September	2014	2013
HOLDING & TREASURY		
Operating revenues	100	82
Operating expenses	(367)	(320)
Operating result	(267)	(238)
BANKING		
Operating revenues	273	258
Operating expenses	(261)	(254)
Operating result	11	4
ALTERNATIVE INVESTMENTS		
Operating revenues	47	47
Operating expenses	(39)	(42)
Operating result	8	5

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

Earnings summaries

2014 to 2013 third quarter comparison

Our **operating result** decreased by € 19 MN to a loss of € 248 MN. A € 29 MN decline in our operating result in Holding & Treasury was only partly compensated for by improvements in Banking and Alternative Investments.

Our **net result** was stable at a loss of € 311 MN (3Q 2013: € 307 MN). The increase in our operating loss was almost offset by the increase in non-operating realized gains and positive tax effects.

2014 to 2013 first nine months comparison

Our **operating result** improved by € 53 MN to a loss of € 689 MN. An increase in our loss in Holding & Treasury was more than compensated for by the recovery of our operating Banking result, which benefited from the closure of the Allianz Bank's business operations in mid-2013.

Our **net result** strengthened by € 553 MN to a loss of € 429 MN. This was primarily driven by a one-off benefit from pension revaluation with our German subsidiaries.¹ It was only partly offset by lower non-operating realized gains as a result of the non-recurrence of gains related to our investment in The Hartford, which was sold in 2013.

Operating earnings summaries by reportable segment

HOLDING & TREASURY

2014 to 2013 third quarter comparison

Our **operating loss** increased by € 29 MN to € 267 MN. Higher pension costs and strategic IT investment costs were offset by the improvement in our net interest result. However, in the third quarter of 2013, the operating profit benefited from a € 26 MN reduction of a restructuring provision.

Our **net interest result** improved by € 25 MN to a loss of € 11 MN. This was entirely driven by higher **interest and similar income**, which increased from € 47 MN to € 71 MN due to greater income from an increased volume of debt instruments but also from higher dividends on equities. **Interest expenses, excluding interest expenses from external debt**, remained unchanged at € 82 MN as the effects of lower interest expenses on internal debt and higher expenses related to a higher cash pool balanced each other out.

Administrative expenses (net), excluding acquisition-related expenses were up by € 22 MN to € 199 MN. This was mainly due to higher pension costs and numerous smaller effects.

Our **net fee and commission result** worsened by € 8 MN to a loss of € 55 MN. This was primarily because of higher strategic IT investment costs – in particular related to our global data center consolidation project.

During the third quarter of 2014 we reduced a **restructuring provision** related to our global data center consolidation project by € 4 MN (3Q 2013: € 26 MN).

Investment expenses remained unchanged at € 18 MN.

2014 to 2013 first nine months comparison

Our **operating loss** increased by € 77 MN to € 760 MN. This was mainly a result of a € 38 MN deterioration in our net fee and commission result because of higher IT project startup costs and a decline linked to the above-mentioned restructuring charge reduction. In addition, an € 8 MN dip in our net interest result – which amounted to a loss of € 45 MN – also contributed to this development. This was largely due to lower interest and similar income, as the previous year's figures benefited from interest payments on our silent participation in Commerzbank, which was redeemed in 2013. However, it was partly offset by higher interest income from an increased volume of debt instruments and higher income from equities and associates.

BANKING²

2014 to 2013 third quarter comparison

Our **operating profit** increased by € 7 MN to € 11 MN, mainly due to lower loan loss provisions.

Our **net interest, fee and commission result** was stable at € 132 MN (3Q 2013: € 129 MN). The **net interest result** remained unchanged at € 83 MN as both interest and similar income and interest expenses decreased by € 5 MN due to the low interest yield environment. Our **net fee and commission result** was up by € 3 MN to € 49 MN. This slight increase was mainly driven by the allocation of a former Asset Management entity to the reportable segment Banking in Italy.

Administrative expenses increased from € 109 MN to € 117 MN. This was largely due to higher commissions paid to financial agents in Italy. The above-mentioned allocation also contributed to this development.

Our **loan loss provisions** decreased by € 11 MN to € 7 MN. This was mainly because of lower loan loss provisions related to our ship financing business in Germany.

¹ — For further information on the one-off effect from pension revaluation, please refer to note 4 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.

2014 to 2013 first nine months comparison

Our *operating result* turned from a loss of € 80 MN into a profit of € 46 MN. This recovery was mainly the result of the closure of the Allianz Bank's business operations in mid-2013, and in particular the non-recurrence of restructuring charges related to this closure.

ALTERNATIVE INVESTMENTS

2014 to 2013 third quarter comparison

Our *operating result* increased by € 3 MN to € 8 MN. This was mainly due to a decrease in administrative expenses.

2014 to 2013 first nine months comparison

In line with the third quarter development, our *operating result* improved from € 20 MN to € 24 MN.

Outlook

- Upward forces in the global economy to retain the upper hand.
- Operating profit outlook unchanged – the upper end of target range is in reach.

Economic outlook¹

As 2014 draws to a close, the global economic environment is somewhat mixed. The global purchasing managers' index for the manufacturing industry, for instance, remained stable in the third quarter of 2014, hovering resolutely above the threshold that is indicative of expansion. This suggests some upside potential for industrial production around the world. However, the level reached by the overall indicator owed a lot to the positive view of business activity in the U.S. industrial sector. We expect the U.S. economy to experience solid growth in 2015, based primarily on improving domestic demand. In the Eurozone, current economic indicators suggest that economic development is likely to remain relatively subdued in the final quarter of this year. Until the end of 2015 we expect to see a moderate revival of the Eurozone economy. This is likely to be based on a steady – albeit gradual – strengthening of domestic demand and on more dynamic world trade. For 2015 as a whole, we expect real GDP growth of 1.2% in the Eurozone, following an increase of 0.8% this year. The overall Eurozone figure conceals some major differences, however. We will increasingly have to differentiate between “reformed” countries and those “with reforms outstanding”. For instance, some countries are likely to finally reap the rewards of their reform efforts and expand significantly more strongly than the Eurozone average, whereas economic recovery will continue to remain relatively weak and vulnerable in countries which have a considerable reform backlog. Growth in emerging market economies has decelerated in recent years, mainly for structural reasons. We expect these markets to grow by 4.1% this year, the weakest since the global recession in 2009. Real economic growth is then expected to pick up slightly to 4.6% in 2015 – bolstered by more dynamic economic activity in eastern European and Latin American countries. All in all, global output is likely to grow by 3.0% in 2015, following an expected increase of 2.5% this year. Inflation is likely to remain subdued on a worldwide level, not least due to the dire unemployment situation in many industrialized countries, which keeps the lid on wages. However, risks for the global economy have increased over the course of the current year, in particular in the geopolitical sphere. One example is the risk of a renewed escalation of the conflict between Russia and Ukraine.

Like this year, 2015 will probably stand under the twin spell of monetary policy and geopolitical tensions. Regarding the former, the U.S. central bank (Fed) is likely to make further corrections to its extraordinarily expansive monetary policy by raising the key interest rate towards the 1% mark by the end of next year. It is very likely, however, that the European Central Bank (ECB) will embark on rate hikes later than the Fed, i.e. not before autumn 2015. The exit from the ECB's ultra-loose monetary policy is likely to focus on interest rate policy to start with, because the ECB has already promised to provide unlimited liquidity until the end of 2016 and the new, targeted, more long-term refinancing operations will take place until mid-2016.

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 moderately until the end of next year. With the ECB starting to normalize its key interest rates later than the Fed, the U.S. Dollar is likely to appreciate from its current level against the Euro well into next year.

Insurance industry outlook

Economic tailwinds for the insurance industry are set to blow for the remainder of 2014 and into 2015 – if only gently. At the same time, differences in growth levels between markets will become wider, reflecting specific political, regulatory and economic conditions. In that respect, we will see not only the usual growth gap between emerging and industrialized countries but also a widening gulf within these groups, namely between America and Europe on the one hand and Asia and other emerging markets on the other. The same can be said about the outlook for profitability: Many challenges remain, for example low investment returns and a more demanding regulatory environment. However, more and more companies are now well positioned to cope with these challenges, thanks to strong capital buffers, innovative products and a shifting business mix.

In the *property-casualty* sector, we anticipate stable premium growth both in the remainder of 2014 and in 2015, driven mainly by the increase in economic activity. Pricing in motor insurance remains under pressure in most markets, reflecting a benign claims environment and intense competition, but other personal and commercial lines are in a better position – although we do not expect further rate hardening across the board. Overall, we expect global premium

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

revenue to rise between 4% and 5% in 2014 and 2015 (adjusted for foreign currency translation effects).

In the *life* sector, we expect premium growth to continue to recover. In mature markets, rising employment in some markets and a new product mix will help to support top-line growth. In emerging markets, strong growth will be mainly driven by rising incomes and social security reforms, boosting demand for pension products. Financial market developments should support demand, too, as consumers increasingly ask for more sophisticated savings products beyond bank deposits. All in all, we expect that global premium revenue will rise in the 3.5% – 4.5% range per annum in 2014 and 2015 (adjusted for foreign currency translation effects).

With interest rates remaining at low levels, companies will continue to adapt their business models to the challenging environment. Besides a stronger focus on the protection business – including health – new and more flexible guarantee concepts are set to come to the forefront in the savings business. At the same time, insurers will continue to look for new, long-term investment opportunities, paying special attention to infrastructure investments. These adjustments, along with strong capital buffers, leave the insurance industry well placed to cope with more stringent capital and reserve requirements.

Asset management industry outlook

Increasing asset valuations for equities and decreasing bond-yields in developed markets have provided a tailwind for the *asset management* industry in the first half of 2014. The third quarter of 2014, however, was a period of consolidation, with a lowering of global growth expectations and political uncertainties coming to the fore. Discussions around central bank policies, in particular in the United States and Europe, were an additional source of uncertainty. The development of regulatory activities – particularly in the consumer protection and transparency fields – is an additional source of uncertainty for the asset management industry.

Equities have shown some volatility in recent months and with investors anticipating an increase in U.S. interest rates we expect this

instability to continue. The dollar rapidly strengthened and reached its strongest level in more than four years. Interest rates, however, have continued their downward trend. Nevertheless, if the longer-term trend is towards higher interest rates – especially in the United States – coupled with global demographic developments, then bonds should become more attractive. This holds true in particular for liability-driven investors and for the growing number of retirees in the developed world looking for a stable stream of income.

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

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

Outlook for the Allianz Group

We are confident about staying on course in the last quarter of this year. The upper end of our operating profit target range of € 10.0 BN, plus or minus € 0.5 BN, is in reach. However, as we witnessed in 2013, unfavorable developments in the business environment can have adverse impacts on aspects of our performance. It would therefore be inappropriate to simply annualize the current nine month'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.

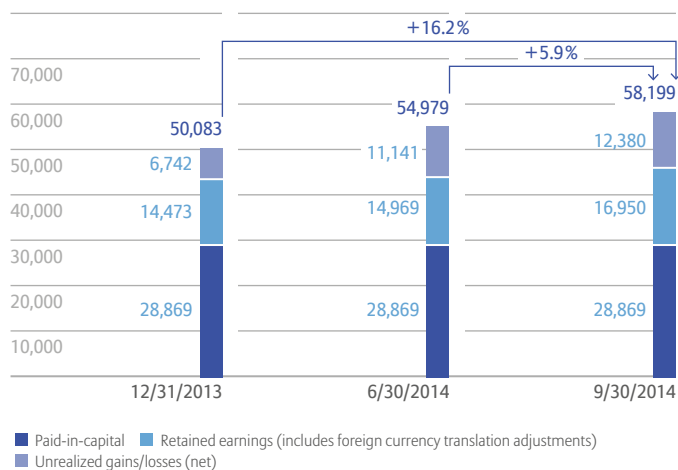
Balance Sheet Review

- Shareholders' equity increased by € 8.1 BN to a new high of € 58.2 BN.
- Solvency ratio strong at 184%.^{1,2}

Shareholders' equity³

SHAREHOLDERS' EQUITY

€ MN



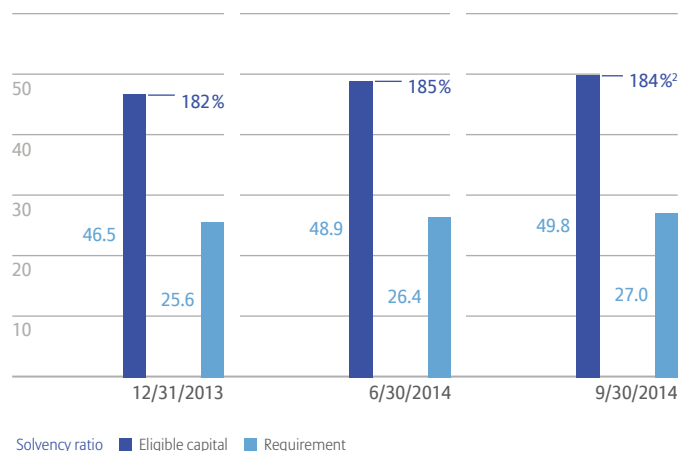
Compared to year-end 2013, *shareholders' equity* grew by € 8,115 MN – or 16.2% – and amounted to € 58,199 MN as of 30 September 2014. Unrealized gains increased by € 5,638 MN, mainly due to higher fair values triggered by the declines in all major government bond yields – in particular within the Eurozone. In addition, our net income attributable to shareholders of € 5,002 MN contributed to this increase. A € 1,079 MN increase in foreign currency translation adjustments, mainly driven by the significant appreciation of the U.S. Dollar against the Euro further contributed to the growth. These effects were partly offset by the € 2,405 MN dividend payout in May 2014.

Regulatory capital adequacy – conglomerate solvency

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 and adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year, the solvency ratio as of 30 September 2014 would be 176% (30 June 2014: 177%; 31 December 2013: 173%).

² – Conglomerate solvency ratio as of 30 September 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year. Excluding this adjustment, the solvency ratio would be 190% as of 30 September 2014.

Compared to 31 December 2013, our *conglomerate solvency ratio* slightly increased three percentage points to 184%.^{1,2} The Group's eligible capital for solvency purposes went up by € 3.2 BN to € 49.8 BN, which includes off-balance sheet reserves of € 2.2 BN (31 December 2013: € 2.3 BN) and was adjusted for the potential calls of hybrid capital (subordinated bonds) in the coming year. This increase was mainly driven by our net income (net of accrued dividends) of € 3.0 BN. The issuance of two subordinated bonds in the first and third quarter of € 1.9 BN was partly offset by the € 1.4 BN adjustment made to already reflect the potential calls in 2015. An increase in actuarial losses on

¹ – Conglomerate solvency ratio as of 30 September 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year. Excluding this adjustment, the solvency ratio would be 190% as of 30 September 2014.

² – 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 and adjusted for the potential calls of hybrid capital (subordinated bonds) of € 1.4 BN in the coming year, the solvency ratio as of 30 September 2014 would be 176% (30 June 2014: 177%; 31 December 2013: 173%).

³ – This does not include non-controlling interests of € 2,890 MN, € 2,833 MN and € 2,765 MN as of 30 September 2014, 30 June 2014 and 31 December 2013, respectively. For further information, please refer to note 20 to the condensed consolidated interim financial statements. Retained earnings include foreign currency translation adjustments of € (2,234) MN, € (3,078) MN and € (3,313) MN as of 30 September 2014, 30 June 2014 and 31 December 2013, respectively.

the valuation of our pension benefit obligation following a decrease in discount rates was offset by higher unrealized gains on equities and favorable foreign currency translation adjustments. The required funds increased by € 1.4 BN to € 27.0 BN, mainly due to higher aggregate policy reserves in Life/Health. As a result, our eligible capital surpassed the minimum legally stipulated level by € 22.8 BN.

Total assets and total liabilities

As of 30 September 2014, total assets amounted to € 784.5 BN and total liabilities were € 723.4 BN. Compared to year-end 2013, total assets and total liabilities increased by € 73.4 BN and € 65.2 BN, respectively.

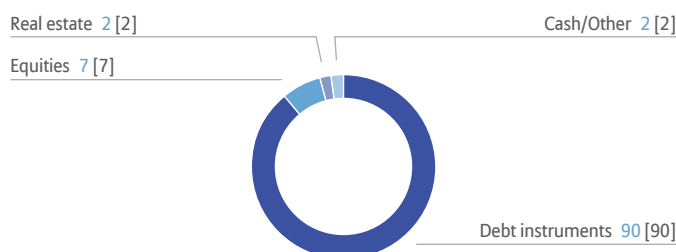
The following section mainly focuses on our financial investments in debt instruments, equities, real estate and cash since these reflect the major developments in our asset base.

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

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

ASSET ALLOCATION

Investment portfolio as of 30 September 2014: € 597.3 BN
[as of 31 December 2013: € 536.8 BN] in %



Compared to year-end 2013, our investment portfolio increased by € 60.4 BN to € 597.3 BN as of 30 September 2014 with no relative change in asset allocation.

Our gross exposure to **equities** increased by € 4.1 BN to € 39.7 BN due to new investments. This was also supported by positive developments in some major equity markets over the first nine months of 2014. Although 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%.

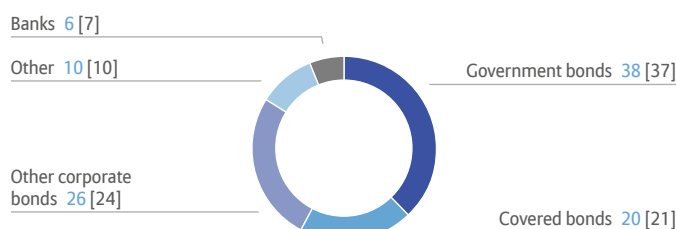
Our exposure to **real estate** increased by € 0.5 BN to € 11.2 BN due to new investments.

Our **cash and other investments** was up by € 0.6 BN to € 10.4 BN.

Our diversified exposure to **debt instruments** grew by € 55.3 BN to € 536.0 BN, but still represented 90% of our investment portfolio. The increase in absolute terms was driven by new investments and higher fair values as a result of lower interest rates.

FIXED INCOME PORTFOLIO

Total fixed income portfolio as of 30 September 2014: € 536.0 BN
[as of 31 December 2013: € 480.7 BN] in %



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

As of 30 September 2014, our **government bond exposure** totaled to € 202.3 BN, an increase of € 22.7 BN compared to year-end. The allocation of our government and government-related bond exposure remained rather stable, with a marginal decrease in the share of German government bonds reflecting the decision not to reinvest in those bonds at the low yield levels. The overall increase of the government bond exposure was primarily driven by positive market effects. Our sovereign debt exposure in Italy and Spain equaled 5.8% and 1.0% of our fixed income portfolio, reflecting new investments in Spain during the first nine months of 2014. The corresponding unrealized gains (gross) amounted to € 4,801 MN in Italy and € 735 MN in Spain. Our government bond exposure in Portugal remained limited with unrealized gains of a minor amount.

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.

Our *covered bond* portfolio increased by € 5.8 BN to € 108.3 BN and accounted for 20% of our fixed income portfolio – one percentage point lower than year-end 2013. 44% (31 December 2013: 47%) of this portfolio was German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 16% and 10% of the covered bonds were attributable to France and Spain, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and over-collateralization.

Our *corporate bonds* grew by € 22.4 BN to € 138.7 BN – representing an increase from 24% as of 31 December 2013 to 26% of our fixed income portfolio at the end of the third quarter. This increase was driven by new investments and to a lesser extent lower interest rates leading to fair value increases.

Our exposure to *bank securities* remained almost unchanged at € 33.3 BN (31 December 2013: € 33.1 BN). Given the growth in our total fixed income portfolio, the portfolio share of this exposure decreased by one percentage point to 6%. Thereof, the exposure to subordinated securities in banks slightly increased from € 4.8 BN as of year-end to € 5.3 BN.

Our exposure to asset-backed securities (ABS) went up by € 3.6 BN to € 22.0 BN and still accounted for 4% of our fixed income portfolio. The increase was largely related to new investments. About 72% of our ABS portfolio was related to mortgage-backed securities (MBS). MBS issued by U.S. agencies, which are backed by the U.S. government, increased by one percentage point and accounted for 15% of the ABS portfolio. Overall, 98% of the ABS portfolio received an investment grade rating, with 87% rated “AA” or better.

INVESTMENT RESULT

INVESTMENT INCOME (NET)

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Interest and similar income (net) ¹	5,196	5,036	15,673	15,403
Income from financial assets and liabilities carried at fair value through income (net)	(231)	(563)	(604)	(1,489)
Realized gains/losses (net)	893	690	2,825	3,028
Impairments of investments (net)	(156)	(162)	(592)	(478)
Investment expenses	(261)	(227)	(693)	(653)
Investment income (net)	5,440	4,774	16,610	15,812

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

2014 to 2013 third quarter comparison

Our *investment income (net)* increased by € 665 MN – or 13.9% – to € 5,440 MN. This advance resulted primarily from an improvement of our income from financial assets and liabilities carried at fair value through income (net) but also from an increase in realized gains and losses (net).

Income from financial assets and liabilities carried at fair value through income (net) improved by € 331 MN to a loss of € 231 MN. In the previous year's quarter, the result was considerably impacted by losses from the net of foreign currency translation effects and financial derivatives, mainly within our German Life/Health business. Derivatives are used to protect against equity and foreign currency fluctuations as well as to manage duration and other interest rate-related exposures. The recovery compared to the previous year's quarter was mainly due to an improved foreign currency result mainly driven by a burdened third quarter of 2013 due to the depreciation of selected emerging markets currencies.

Realized gains and losses (net) were up by € 203 MN to € 893 MN. This was primarily because of higher realizations on debt instruments, and to a lesser extent equities.

Our *interest and similar income (net)*¹ increased by € 160 MN to € 5,196 MN. This was mainly due to higher interest income as a result of a higher asset base.

Impairments (net) were largely unchanged at € 156 MN (3Q 2013: € 162 MN).

Investment expenses increased by € 34 MN to € 261 MN. This was mainly due to asset management fees.

2014 to 2013 first nine months comparison

Our *investment income (net)* increased by € 798 MN to € 16,610 MN largely as a result of the recovery of our *income from financial assets and liabilities carried at fair value through income (net)*.

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

ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY BUSINESS SEGMENT

Property-Casualty assets

Compared to year-end, the Property-Casualty asset base increased by € 5.5 BN to € 106.6 BN. This was primarily driven by higher debt securities, but also by increased equities. It was partly offset by lower loans and advances to banks and customers.

COMPOSITION OF ASSET BASE – FAIR VALUES¹

€ BN	as of 30 September 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	0.5	0.4
Debt securities	0.1	0.1
Other ²	(0.1)	–
Subtotal	0.5	0.6
Investments³		
Equities	6.1	5.0
Debt securities	71.6	67.0
Cash and cash pool assets ⁴	5.3	4.9
Other	7.9	7.5
Subtotal	91.0	84.4
Loans and advances to banks and customers	15.1	16.1
Property-Casualty asset base	106.6	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 € (0.2) BN and € (0.1) BN as of 30 September 2014 and 31 December 2013, respectively.

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

4 – Including cash and cash equivalents, as stated in our business segment balance sheet of € 3.1 BN and € 2.8 BN and receivables from cash pooling amounting to € 4.6 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (0.1) BN and € (0.3) BN, as well as liabilities from cash pooling of € (2.3) BN and € (1.0) BN as of 30 September 2014 and 31 December 2013, respectively.

ABS within the Property-Casualty business segment amounted to € 4.1 BN, an uptick of € 0.4 BN compared to year-end. This exposure represented 3.8% (31 December 2013: 3.6%) of the business segment's 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	(11.7)	1.1	(10.6)
Loss and loss adjustment expenses incurred in previous years	(1.1)	0.2	(0.9)
Foreign currency translation adjustments and other changes	1.7	(0.3)	1.4
Changes in reserves for loss and loss adjustment expenses in current year	13.5	(1.4)	12.1
Subtotal	62.2	(6.8)	55.4
Ending balance of discounted loss reserves ²	(3.5)	0.3	(3.2)
As of 30 September 2014	58.6	(6.5)	52.2

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

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

As of 30 September 2014, the business segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 62.2 BN – an increase of € 2.3 BN compared to year-end. On a net basis, our reserves – including discounted loss reserves – increased from € 53.4 BN to € 55.4 BN. Foreign currency translation effects and other changes amounted to a plus of € 1.4 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 € 60.7 BN – or 12.5 % – to € 547.2 BN. This was largely driven by an increased exposure to debt securities but also by higher equities and was in line with the developments in our overall investment portfolio. Higher financial assets for unit-linked contracts also contributed to this growth.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 30 September 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	1.8	1.4
Debt securities	2.4	2.5
Other ¹	(6.0)	(4.2)
Subtotal	(1.7)	(0.3)
Investments²		
Equities	31.1	28.9
Debt securities	317.9	269.3
Cash and cash pool assets ³	7.4	7.5
Other	10.5	10.0
Subtotal	367.0	315.8
Loans and advances to banks and customers	91.1	89.9
Financial assets for unit-linked contracts⁴	90.8	81.1
Life/Health asset base	547.2	486.5

1 — This comprises assets of € 1.3 BN and € 1.7 BN and liabilities (including the market value liability option) of € (7.3) BN and € (5.9) BN as of 30 September 2014 and 31 December 2013, respectively.

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

3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of € 6.9 BN and € 5.8 BN and receivables from cash pooling amounting to € 2.7 BN and € 3.5 BN, net of liabilities from securities lending and derivatives of € (2.2) BN and € (1.7) BN, as well as liabilities from cash pooling of € (0.1) BN and € (0.0) BN as of 30 September 2014 and 31 December 2013, respectively.

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

ABS within the Life/Health asset base increased by € 2.3 BN, mainly due to new investments, and amounted to € 16.2 BN. This exposure represented 3.0 % (31 December 2013: 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)	2.0	3.2	5.1
Changes in fund value	2.8	1.3	4.0
Foreign currency translation adjustments	2.6	0.2	2.7
Other changes	(2.1)	–	(2.1)
As of 30 September 2014	60.5	30.3	90.8

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 € 9.7 BN – or 12.0 % – to € 90.8 BN. Unit-linked insurance contracts increased by € 5.1 BN to € 60.5 BN due to good fund performance (€ 2.8 BN) and premium inflows exceeding outflows by € 2.0 BN. This was partly offset by transfers to the general account in France (€ (0.9) BN). Unit-linked investment contracts increased by € 4.6 BN to € 30.3 BN, with premium inflows significantly exceeding outflows (net € 3.2 BN). Currency effects were driven by the stronger U.S. Dollar (€ 2.1 BN) and Asian currencies (€ 0.6 BN).¹

Life/Health liabilities

Life/Health reserves for insurance and investment contracts increased by € 43.8 BN – or 11.2 % – to € 434.7 BN in the first nine months of 2014. The € 18.7 BN increase in aggregate policy reserves was mainly driven by our operations in Germany (€ 7.6 BN), the United States (€ 6.2 BN before currency effects), Italy (€ 1.5 BN), Luxembourg (€ 0.6 BN) and Switzerland (€ 0.5 BN before currency effects). Reserves for premium refund increased by € 18.2 BN due to higher unrealized gains to be shared with policyholders. Currency impacts resulted from the stronger U.S. Dollar (€ 5.3 BN), Asian currencies (€ 1.4 BN) and the Swiss Franc (€ 0.1 BN).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 € 4.5 BN to € 2.9 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 decreased from € 4.0 BN as of year-end to € 2.6 BN, primarily due to the above-mentioned allocation.

ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER BUSINESS SEGMENT

Corporate and Other assets

The Corporate and Other asset base increased by € 4.1 BN to € 45.4 BN. This was due to an increased volume of debt securities and, to a lesser extent, equities.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN	as of 30 September 2014	as of 31 December 2013
Financial assets and liabilities carried at fair value through income		
Equities	0.1	–
Debt securities	0.1	–
Other ¹	(0.5)	(0.2)
Subtotal	(0.2)	(0.2)
Investments²		
Equities	2.5	1.7
Debt securities	29.6	26.4
Cash and cash pool assets ³	(4.6)	(5.0)
Other	0.3	0.3
Subtotal	27.7	23.4
Loans and advances to banks and customers	17.9	18.2
Corporate and Other asset base	45.4	41.3

1 — This comprises assets of € 0.1 BN and € 0.3 BN and liabilities of € (0.6) BN and € (0.5) BN as of 30 September 2014 and 31 December 2013, respectively.

2 — These do not include affiliates of € 77.1 BN and € 75.4 BN as of 30 September 2014 and 31 December 2013, respectively.

3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of € 1.5 BN and € 1.5 BN and receivables from cash pooling amounting to € 1.9 BN and € 0.7 BN, net of liabilities from securities lending and derivatives of € (0.0) BN and € (0.2) BN, as well as liabilities from cash pooling of € (8.0) BN and € (7.1) BN as of 30 September 2014 and 31 December 2013, respectively.

Our exposure to ABS investments increased by € 0.8 BN to € 1.7 BN. This was due to new investments, representing an increase from 2.2 % to 3.8 % of the Corporate and Other's asset base.

Corporate and Other liabilities

Compared to year-end, other liabilities increased by € 2.3 BN to € 25.9 BN. This was largely related to pension obligations. Subordinated liabilities increased by € 0.5 BN to € 12.0 BN as of 30 September 2014 as the redemption of a € 1.5 BN perpetual bond was more than offset by the issuance of two undated subordinated bonds with a volume of CHF 500 MN and € 1.5 BN in the first and third quarter of 2014, respectively. Certificated liabilities were down by € 0.4 BN to € 12.8 BN.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 30 September 2014, please refer to notes 18 and 19 to the condensed consolidated interim financial statements.

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ALLIANZ SE BONDS¹ OUTSTANDING AS OF 30 SEPTEMBER 2014 AND INTEREST EXPENSES FOR THE FIRST NINE MONTHS 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 A1R E1Q 3	
ISIN	XS 027 588 026 7		Interest expenses	€ 64.5 MN	
Interest expenses	€ 46.4 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	€ 47.5 MN	
Interest expenses	€ 5.3 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	€ 32.2 MN	
Interest expenses	€ 55.1 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	€ 32.7 MN	
Interest expenses	€ 40.4 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	€ 53.8 MN	
Interest expenses	€ 17.7 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	€ 9.1 MN	
Interest expenses	€ 32.1 MN		3.375 % bond issued by Allianz SE		
Total interest expenses for senior bonds	€ 197.0 MN		Volume	€ 1.5 BN	
			Year of issue	2014	
			Maturity date	PERPETUAL BOND	
			ISIN	DE 000 A13 R7Z 7	
			Interest expenses	€ 1.8 MN	
			Total interest expenses for subordinated bonds	€ 378.3 MN	
2. SUBORDINATED BONDS³			3. ISSUES REDEEMED IN 2014		
6.5 % bond issued by Allianz Finance II B.V., Amsterdam			5.5 % bond issued by Allianz SE		
Volume	€ 1.0 BN		Volume	€ 1.5 BN	
Year of issue	2002		Year of issue	2004	
Maturity date	1/13/2025		Maturity date	PERPETUAL BOND	
ISIN	XS 015 952 750 5		ISIN	XS 018 716 232 5	
Interest expenses	€ 49.6 MN		Interest expenses	€ 3.2 MN	
5.75 % bond issued by Allianz Finance II B.V., Amsterdam			Sum of interest expenses¹	€ 578.5 MN	
Volume	€ 2.0 BN		Interest expenses from external debt not presented in the table	€ 44.5 MN	
Year of issue	2011		Total interest expenses from external debt	€ 623.0 MN	
Maturity date	7/8/2041				
ISIN	DE 000 A1G NAH 1				
Interest expenses	€ 87.1 MN				

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

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

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 4 to the condensed consolidated interim financial statements.

Composition of total revenues

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

COMPOSITION OF TOTAL REVENUES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Property-Casualty				
Gross premiums written	11,254	10,650	37,317	36,602
Life/Health				
Statutory premiums	15,853	12,698	49,977	41,659
Asset Management				
Operating revenues	1,618	1,703	4,742	5,429
consisting of:				
Net fee and commission income	1,617	1,697	4,734	5,403
Net interest income	(2)	3	(3)	10
Income from financial assets and liabilities carried at fair value through income (net)	2	1	5	8
Other income	1	2	6	8
Corporate and Other				
Total revenues (Banking)	135	131	405	412
consisting of:				
Interest and similar income	146	152	445	463
Income from financial assets and liabilities carried at fair value through income (net)	3	2	9	7
Fee and commission income	123	104	364	348
Interest expenses, excluding interest expenses from external debt	(64)	(68)	(194)	(213)
Fee and commission expenses	(73)	(58)	(219)	(192)
Consolidation effects (Banking within Corporate and Other)	(1)	–	1	(1)
Consolidation	(80)	(39)	(241)	(134)
Allianz Group total revenues	28,781	25,144	92,201	83,968

Composition of total revenue growth

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

RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH

	three months ended 30 September				nine months ended 30 September			
	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
Property-Casualty	4.7	1.2	(0.2)	5.7	3.0	0.9	(1.9)	2.0
Life/Health	25.0	–	(0.2)	24.9	20.5	0.7	(1.3)	20.0
Asset Management	(2.5)	(2.5)	–	(5.0)	(8.5)	(2.3)	(2.0)	(12.7)
Corporate and Other	0.8	1.7	–	2.6	(4.0)	2.3	–	(1.7)
Allianz Group	14.3	0.3	(0.2)	14.5	10.8	0.6	(1.6)	9.8

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 30 September 2014	as of 31 December 2013
ASSETS				
Cash and cash equivalents			11,658	11,207
Financial assets carried at fair value through income		5	6,162	6,660
Investments		6	471,167	411,148
Loans and advances to banks and customers		7	116,797	116,800
Financial assets for unit-linked contracts			90,790	81,064
Reinsurance assets		8	13,739	12,609
Deferred acquisition costs		9	22,499	22,203
Deferred tax assets			1,798	1,508
Other assets		10	36,004	34,632
Non-current assets and assets of disposal groups classified as held for sale		11	180	147
Intangible assets		12	13,721	13,100
Total assets			784,516	711,079
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income		13	7,580	6,013
Liabilities to banks and customers		14	22,749	23,109
Unearned premiums			21,141	18,212
Reserves for loss and loss adjustment expenses		15	69,116	66,566
Reserves for insurance and investment contracts		16	448,537	404,072
Financial liabilities for unit-linked contracts			90,790	81,064
Deferred tax liabilities			5,496	3,178
Other liabilities		17	37,803	36,431
Liabilities of disposal groups classified as held for sale		11	3	—
Certificated liabilities		18	8,186	8,030
Subordinated liabilities		19	12,028	11,554
Total liabilities			723,428	658,230
Shareholders' equity			58,199	50,083
Non-controlling interests			2,890	2,765
Total equity		20	61,089	52,849
Total liabilities and equity			784,516	711,079

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

€ MN

		three months ended 30 September		nine months ended 30 September	
	note	2014	2013	2014	2013
Gross premiums written		17,393	16,693	56,301	55,346
Ceded premiums written		(1,118)	(978)	(3,609)	(3,675)
Change in unearned premiums		760	922	(2,270)	(2,071)
Premiums earned (net)	21	17,035	16,637	50,421	49,600
Interest and similar income	22	5,299	5,129	15,976	15,709
Income from financial assets and liabilities carried at fair value through income (net)	23	(231)	(563)	(604)	(1,489)
Realized gains/losses (net)	24	893	690	2,825	3,028
Fee and commission income	25	2,590	2,583	7,536	8,016
Other income	26	37	42	160	144
Income from fully consolidated private equity investments	27	170	181	513	543
Total income		25,793	24,701	76,828	75,552
Claims and insurance benefits incurred (gross)		(12,910)	(12,268)	(38,204)	(37,327)
Claims and insurance benefits incurred (ceded)		542	393	1,770	1,843
Claims and insurance benefits incurred (net)	28	(12,368)	(11,874)	(36,434)	(35,484)
Change in reserves for insurance and investment contracts (net)	29	(3,419)	(3,248)	(10,457)	(10,417)
Interest expenses	30	(315)	(300)	(925)	(986)
Loan loss provisions	31	(7)	(18)	(31)	(47)
Impairments of investments (net)	32	(156)	(162)	(592)	(478)
Investment expenses	33	(261)	(227)	(693)	(653)
Acquisition and administrative expenses (net)	34	(5,839)	(5,581)	(16,873)	(16,872)
Fee and commission expenses	35	(847)	(788)	(2,459)	(2,354)
Amortization of intangible assets		(34)	(30)	(83)	(87)
Restructuring charges		(1)	15	8	(84)
Other expenses	36	(46)	(28)	(101)	(82)
Expenses from fully consolidated private equity investments	27	(181)	(184)	(529)	(555)
Total expenses		(23,474)	(22,424)	(69,170)	(68,098)
Income before income taxes		2,319	2,277	7,658	7,453
Income taxes	37	(632)	(746)	(2,373)	(2,447)
Net income		1,687	1,530	5,285	5,007
Net income attributable to:					
Non-controlling interests		81	85	283	267
Shareholders		1,606	1,445	5,002	4,740
Basic earnings per share (€)	39	3.54	3.19	11.02	10.46
Diluted earnings per share (€)	39	3.52	3.14	10.95	10.33

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Net income	1,687	1,530	5,285	5,007
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	906	(644)	1,154	(880)
Subtotal	906	(644)	1,154	(880)
Available-for-sale investments				
Reclassifications to net income	(127)	(137)	(399)	(695)
Changes arising during the period	1,362	346	6,050	(2,631)
Subtotal	1,235	208	5,651	(3,326)
Cash flow hedges				
Reclassifications to net income	3	12	16	10
Changes arising during the period	(3)	2	32	(60)
Subtotal	–	14	49	(49)
Share of other comprehensive income of associates				
Reclassifications to net income	–	–	–	–
Changes arising during the period	35	(27)	36	(42)
Subtotal	35	(27)	36	(42)
Miscellaneous				
Reclassifications to net income	–	–	–	–
Changes arising during the period	(35)	(11)	(51)	76
Subtotal	(35)	(11)	(51)	76
Items that may never be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	(464)	(110)	(1,155)	(134)
Total other comprehensive income	1,677	(570)	5,684	(4,355)
Total comprehensive income	3,364	960	10,969	652
Total comprehensive income attributable to:				
Non-controlling interests	131	57	409	225
Shareholders	3,233	903	10,560	427

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ MN

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2013	28,815	13,524	(2,073)	10,123	50,388	2,576	52,963
Total comprehensive income ¹	–	4,605	(830)	(3,349)	427	225	652
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	4	–	–	4	–	4
Transactions between equity holders	–	(11)	–	1	(9)	120	111
Dividends paid	–	(2,039)	–	–	(2,039)	(241)	(2,280)
Balance as of 30 September 2013	28,815	16,084	(2,903)	6,775	48,770	2,680	51,450
Balance as of 1 January 2014	28,869	17,786	(3,313)	6,742	50,083	2,765	52,849
Total comprehensive income ¹	–	3,838	1,083	5,639	10,560	409	10,969
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	6	–	–	6	–	6
Transactions between equity holders	–	(41)	(4)	–	(46)	(40)	(85)
Dividends paid	–	(2,405)	–	–	(2,405)	(244)	(2,649)
Balance as of 30 September 2014	28,869	19,184	(2,234)	12,380	58,199	2,890	61,089

¹ — Total comprehensive income in shareholders' equity for the nine months ended 30 September 2014 comprises net income attributable to shareholders of € 5,002 MN (2013: € 4,740 MN).

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN nine months ended 30 September	2014	2013
SUMMARY		
Net cash flow provided by operating activities	26,455	20,051
Net cash flow used in investing activities	(23,136)	(15,287)
Net cash flow used in financing activities	(3,241)	(3,977)
Effect of exchange rate changes on cash and cash equivalents	374	(153)
Change in cash and cash equivalents	451	632
Cash and cash equivalents at beginning of period	11,207	12,437
Cash and cash equivalents at end of period	11,658	13,069
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	5,285	5,007
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(115)	(111)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers, non-current assets and assets and liabilities of disposal groups classified as held for sale	(2,215)	(2,550)
Other investments, mainly financial assets held for trading and designated at fair value through income	1,691	1,044
Depreciation and amortization	886	807
Loan loss provisions	31	47
Interest credited to policyholder accounts	2,935	2,660
Net change in:		
Financial assets and liabilities held for trading	572	(199)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	205	491
Repurchase agreements and collateral received from securities lending transactions	211	303
Reinsurance assets	(548)	(700)
Deferred acquisition costs	(1,067)	(553)
Unearned premiums	2,565	2,402
Reserves for loss and loss adjustment expenses	1,387	(243)
Reserves for insurance and investment contracts	17,441	8,548
Deferred tax assets/liabilities	188	296
Other (net)	(2,997)	2,804
Subtotal	21,169	15,045
Net cash flow provided by operating activities	26,455	20,051

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN		
nine months ended 30 September	2014	2013
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,144	1,052
Available-for-sale investments	93,525	87,007
Held-to-maturity investments	449	425
Investments in associates and joint ventures	557	257
Non-current assets and assets and liabilities of disposal groups classified as held for sale	170	26
Real estate held for investment	267	259
Loans and advances to banks and customers (purchased loans)	6,739	7,324
Property and equipment	93	126
Subtotal	102,945	96,474
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(1,323)	(535)
Available-for-sale investments	(115,743)	(101,753)
Held-to-maturity investments	(251)	(176)
Investments in associates and joint ventures	(438)	(660)
Non-current assets and assets and liabilities of disposal groups classified as held for sale	(24)	–
Real estate held for investment	(749)	(813)
Loans and advances to banks and customers (purchased loans)	(3,654)	(5,682)
Property and equipment	(1,159)	(1,065)
Subtotal	(123,342)	(110,684)
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	–	75
Acquisitions of subsidiaries, net of cash acquired	(200)	(380)
Change in other loans and advances to banks and customers (originated loans)	(2,214)	(1,136)
Other (net)	(326)	363
Net cash flow used in investing activities	(23,136)	(15,287)
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	(896)	(411)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	3,379	4,316
Repayments of certificated liabilities and subordinated liabilities	(2,947)	(5,568)
Cash inflow from capital increases	–	–
Transactions between equity holders	(73)	3
Dividends paid to shareholders	(2,649)	(2,280)
Net cash from sale or purchase of treasury shares	8	8
Other (net)	(63)	(45)
Net cash flow used in financing activities	(3,241)	(3,977)
SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(1,992)	(2,346)
Dividends received	1,212	1,083
Interest received	14,579	14,533
Interest paid	(957)	(1,045)

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. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. Previously published figures have been adjusted accordingly.

These condensed consolidated interim financial statements of the Allianz Group were authorized for issue by the Board of Management on 6 November 2014.

2 – Recently adopted accounting pronouncements

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

effective 1 January 2014

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

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

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

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

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

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

€ MN			
as of 31 December 2013	As previously reported	Adoption of IFRS 10	As reported
Financial assets carried at fair value through income	7,245	(585)	6,660
Investments	411,015	133	411,148
Total assets	711,530	(452)	711,079
Other liabilities	36,883	(452)	36,431
Total liabilities	658,682	(452)	658,230
Total liabilities and equity	711,530	(452)	711,079

The adoption of IFRS 10 required the additional consolidation of certain investment funds where the Allianz Group has the ability to direct the relevant asset management activities without having a majority investment. In contrast, numerous third-party managed investment funds in which the Allianz Group has invested were deconsolidated to the extent that the Allianz Group cannot exercise power. Furthermore, IFRS 10 led to the deconsolidation of certain investment funds which mainly hold assets related to unit-linked contracts because investment decisions over these assets are not in the discretion of the Allianz Group. In total, these changes in the scope of consolidation led to a reduction of the balance sheet total of € 452 MN as of the date IFRS 10 was adopted.

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

IFRS 11, Joint Arrangements, superseded IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The IFRS classifies joint arrangements into two types: joint operations and joint ventures. For joint operations the reporting entity has to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. In contrast, for joint

ventures the reporting entity has to recognize an investment and to account for that investment using the equity method in accordance with IAS 28. The application of IFRS 11 had no material impact on the financial position and the financial results of the Allianz Group.

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

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

OTHER RECLASSIFICATIONS

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

3 – Consolidation

SIGNIFICANT ACQUISITION

Part of Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna

Effective 1 July 2014, the Allianz Group acquired specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna ("Distribution Activities"). The acquired Distribution Activities include, inter alia, a network of 725 agencies and 470 employees. At year-end 2014, the Allianz Group expects to purchase the Property-Casualty insurance in-force portfolio managed by the transferred agencies ("Portfolio"). The transfer of the Portfolio is subject to the approval by the Italian insurance regulator Istituto per la Vigilanza sulle Assicurazioni (IVASS). The acquired business represents insurance activities with premiums equal to approximately € 1.1 BN (for the year 2013).

The acquired Distribution Activities together with the Portfolio give the Allianz Group the unique opportunity to further increase its share in a key profitable market.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed related to the Distribution Activities:

**PROPERTY-CASUALTY INSURANCE BUSINESS OF UNIPOLSAI ASSICURAZIONI S.P.A.
– IDENTIFIABLE ASSETS AND LIABILITIES**

€ MN	Fair value
Deferred tax assets	4
Other assets	28
Intangible assets	113
Other liabilities	(27)
Total net identifiable assets	118

Intangible assets consist of the customer relationships related to the acquired agency network.

Other assets acquired of € 28 MN include mainly receivables from agents.

The fair value of the assumed other liabilities of € 27 MN is provisional due to the pending receipt of the final valuations of those liabilities. Other liabilities comprise mainly payables to agents and employees.

The aggregate consideration for the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A. amounts to a maximum of € 440 MN. It includes:

- a payment of € 200 MN processed on 30 June 2014; plus
- a contingent consideration, calculated as a percentage of the premiums attributable to policies renewed and transferred during a specified period following the acquisition date. The future payment that the Allianz Group will be required to make under the contingent consideration arrangement is up to € 240 MN and expected to be made in the first quarter of 2015.

An overall amount of € 375 MN (consisting of € 200 MN initial payment plus € 175 MN best estimate of additional contingent consideration as of 1 July 2014) has been allocated to the Distribution Activities leading to the determination of goodwill as follows:

**PROPERTY-CASUALTY INSURANCE BUSINESS OF UNIPOLSAI ASSICURAZIONI S.P.A.
– DETERMINATION OF GOODWILL**

€ MN	Fair value
Consideration in cash	200
Contingent consideration	175
Total consideration	375
Total net identifiable assets	118
Goodwill	257

The fair value of the contingent consideration of € 175 MN attributed to the acquired Distribution Activities is primarily based on information regarding expected churn rates of customers of the acquired business and expected renewal rates of existing policies available at the acquisition date.

Acquisition-related costs in the amount of € 8 MN (including € 6 MN registration taxes and € 2 MN legal and consulting fees) are included in administrative expenses.

Goodwill of € 257 MN arising from the acquisition consists largely of synergies, new business and cross-selling opportunities expected to be generated from the acquired network of agencies and is expected to be deductible for income tax purposes.

The impact of the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A. on the Allianz Group's total revenues and net income since the acquisition was € 85 MN and € (21) MN, respectively. It is impracticable to provide consistent information about the gross premiums written, total revenues and net income of the combined entity (Allianz Group including the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A.) for the nine months ended 30 September 2014 because the Allianz Group did not have access to the UnipolSai database and systems for periods before 1 July 2014.

At the time the Allianz Group expects to acquire the Portfolio, the Allianz Group will recognize additional assets (mainly cash and cash equivalents and receivables from policyholders) and liabilities (mainly unearned premiums and payables to agents). The acquisition of the Portfolio is expected to lead to the recognition of a small separate intangible asset equal to the present value of future profits inherent in the liabilities of the Portfolio to be assumed.

4 – Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

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

Property-Casualty

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

Life/Health

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

Asset Management

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

Corporate and Other

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

GENERAL SEGMENT REPORTING INFORMATION

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

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

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

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

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations,
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group,
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business,
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance,
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can and do vary, sometimes materially, through time,
- one-off effect from pension revaluation. Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries. Service costs incurred in this context are reimbursed by the German subsidiaries of Allianz SE, resulting in corresponding service revenues at Allianz SE. Effective 1 January 2014, the German subsidiaries of Allianz SE changed the application of the option provided by article 67 (1) sentence 1 of the Introductory Act to German Commercial Code (EGHGB) to distribute the conversion expenses due to the first-time application of the German Accounting Law Modernization Act (BilMoG) in 2010 over a period of up to 15 years in the way that the conversion expenses were fully recognized in the first quarter of 2014. The resulting one-off expenses at the German subsidiaries and one-off income at Allianz SE are shown as non-operating items. In case of policyholder participation within the Life/Health insurance business, this one-off effect is presented within operating profit. On the Allianz Group level, the one-off expenses and income offset each other. The only impact on the Allianz Group level is the related policyholder participation, which had a positive impact of € 117 MN on income before income taxes for the nine months ended 30 September 2014.

The following exceptions apply to this general rule:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For Life/Health insurance business and Property-Casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. This is also applicable to tax benefits, which are shared with policyholders. IFRS requires that the consolidated income statements present all tax benefits in the income taxes line item, even though these belong to policyholders. In the segment reporting, the tax benefits are reclassified and shown within operating profit in order to adequately reflect the policyholder participation in tax benefits.

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 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013
ASSETS				
Cash and cash equivalents	3,133	2,773	6,912	5,828
Financial assets carried at fair value through income	654	638	5,579	5,548
Investments	94,581	88,432	359,677	309,037
Loans and advances to banks and customers	15,100	16,131	91,106	89,922
Financial assets for unit-linked contracts	–	–	90,790	81,064
Reinsurance assets	8,640	7,922	5,143	4,717
Deferred acquisition costs	4,620	4,354	17,879	17,690
Deferred tax assets	1,328	1,083	236	261
Other assets	23,106	21,664	17,509	17,850
Non-current assets and assets of disposal groups classified as held for sale	60	131	117	–
Intangible assets	2,814	2,478	3,065	2,640
Total assets	154,036	145,607	598,014	534,557

€ MN	Property-Casualty		Life/Health	
	as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	165	78	7,308	5,869
Liabilities to banks and customers	840	1,189	3,938	2,260
Unearned premiums	18,000	15,367	3,157	2,855
Reserves for loss and loss adjustment expenses	58,646	56,614	10,482	9,960
Reserves for insurance and investment contracts	14,049	13,389	434,683	390,873
Financial liabilities for unit-linked contracts	–	–	90,790	81,064
Deferred tax liabilities	2,595	2,154	4,062	2,420
Other liabilities	17,099	17,127	13,657	14,009
Liabilities of disposal groups classified as held for sale	–	–	3	–
Certificated liabilities	38	37	13	12
Subordinated liabilities	–	–	109	95
Total liabilities	111,432	105,956	568,203	509,417

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013
1,699	1,860	1,538	1,497	(1,625)	(752)	11,658	11,207
46	635	394	307	(510)	(468)	6,162	6,660
108	1,140	109,409	103,727	(92,609)	(91,189)	471,167	411,148
118	449	17,941	18,166	(7,468)	(7,868)	116,797	116,800
–	–	–	–	–	–	90,790	81,064
–	–	–	–	(43)	(30)	13,739	12,609
–	159	–	–	–	–	22,499	22,203
166	167	1,467	1,680	(1,399)	(1,684)	1,798	1,508
2,922	2,188	6,892	7,457	(14,425)	(14,526)	36,004	34,632
–	16	4	–	–	–	180	147
7,149	7,268	693	714	–	–	13,721	13,100
12,208	13,883	138,337	133,549	(118,080)	(116,517)	784,516	711,079

Asset Management		Corporate and Other		Consolidation		Group	
as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013	as of 30 September 2014	as of 31 December 2013
–	1	616	534	(510)	(469)	7,580	6,013
174	1,315	21,664	21,337	(3,867)	(2,991)	22,749	23,109
–	–	–	–	(17)	(10)	21,141	18,212
–	–	–	–	(12)	(9)	69,116	66,566
–	–	–	–	(195)	(190)	448,537	404,072
–	–	–	–	–	–	90,790	81,064
3	123	235	164	(1,399)	(1,684)	5,496	3,178
2,376	2,591	25,946	23,605	(21,275)	(20,900)	37,803	36,431
–	–	–	–	–	–	3	–
–	–	12,772	13,186	(4,637)	(5,205)	8,186	8,030
–	14	11,983	11,509	(64)	(64)	12,028	11,554
2,552	4,043	73,216	70,335	(31,976)	(31,521)	723,428	658,230
				Total equity		61,089	52,849
				Total liabilities and equity		784,516	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 30 September				
Total revenues¹	11,254	10,650	15,853	12,698
Premiums earned (net)	11,180	10,768	5,856	5,869
Operating investment result				
Interest and similar income	897	885	4,260	4,127
Operating income from financial assets and liabilities carried at fair value through income (net)	4	(35)	(207)	(537)
Operating realized gains/losses (net)	74	14	746	541
Interest expenses, excluding interest expenses from external debt	(20)	(9)	(27)	(16)
Operating impairments of investments (net)	(4)	(2)	(102)	(25)
Investment expenses	(88)	(88)	(219)	(198)
Subtotal	864	767	4,451	3,892
Fee and commission income	347	317	263	166
Other income	7	11	32	31
Claims and insurance benefits incurred (net)	(7,366)	(7,234)	(5,004)	(4,642)
Change in reserves for insurance and investment contracts (net) ²	(168)	(107)	(3,175)	(3,138)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net)	(3,089)	(2,976)	(1,488)	(1,322)
Fee and commission expenses	(323)	(295)	(110)	(61)
Operating amortization of intangible assets	–	–	(5)	–
Restructuring charges	(5)	(11)	(1)	(1)
Other expenses	(24)	(6)	(30)	(26)
Reclassification of tax benefits	–	–	–	–
Operating profit (loss)	1,422	1,235	790	769
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(15)	(6)	(17)	6
Non-operating realized gains/losses (net)	158	78	19	29
Non-operating impairments of investments (net)	(42)	(129)	(7)	(3)
Subtotal	101	(58)	(5)	32
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Non-operating amortization of intangible assets	(15)	(16)	(10)	(5)
Reclassification of tax benefits	–	–	–	–
Non-operating items	86	(74)	(15)	27
Income (loss) before income taxes	1,509	1,161	776	795
Income taxes	(426)	(365)	(245)	(233)
Net income (loss)	1,083	796	530	562
Net income (loss) attributable to:				
Non-controlling interests	31	36	24	23
Shareholders	1,051	761	507	539

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

² – For the three months ended 30 September 2014, includes expenses for premium refunds (net) in Property-Casualty of € (93) MN (2013: € (48) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
1,618	1,703	135	131	(80)	(39)	28,781	25,144
–	–	–	–	–	–	17,035	16,637
1	10	222	202	(81)	(95)	5,299	5,129
2	1	14	15	10	(6)	(177)	(562)
–	–	–	–	(111)	2	709	557
(3)	(7)	(146)	(151)	92	89	(103)	(93)
–	–	–	–	–	–	(106)	(27)
–	–	(19)	(20)	64	78	(261)	(227)
–	4	72	46	(26)	69	5,360	4,777
1,984	2,059	181	170	(185)	(128)	2,590	2,583
1	2	–	(1)	(3)	(1)	37	42
–	–	–	–	2	2	(12,368)	(11,874)
–	–	–	–	(76)	(3)	(3,419)	(3,248)
–	–	(7)	(18)	–	–	(7)	(18)
(925)	(949)	(353)	(327)	15	(7)	(5,839)	(5,581)
(367)	(361)	(145)	(126)	97	55	(847)	(788)
–	–	–	–	–	–	(5)	–
–	1	4	26	–	–	(1)	15
–	–	(1)	(1)	9	4	(46)	(28)
–	–	–	–	158	–	158	–
694	755	(248)	(229)	(9)	(11)	2,650	2,518
–	–	–	–	–	–	–	–
–	–	(11)	(7)	(11)	6	(54)	(1)
5	1	36	26	(34)	–	184	133
–	–	(1)	(2)	–	–	(50)	(135)
5	1	23	17	(45)	6	79	(3)
–	–	(20)	(4)	9	2	(11)	(3)
–	–	(212)	(207)	–	–	(212)	(207)
(3)	(6)	(2)	(2)	–	–	(29)	(30)
–	–	–	–	(158)	–	(158)	–
2	(5)	(211)	(196)	(194)	8	(331)	(242)
696	749	(458)	(426)	(203)	(3)	2,319	2,277
(258)	(267)	147	119	151	–	(632)	(746)
438	482	(311)	(307)	(52)	(3)	1,687	1,530
–	–	–	–	–	–	–	–
22	23	3	4	–	–	81	85
415	459	(315)	(311)	(52)	(3)	1,606	1,445

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

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

€ MN	Property-Casualty		Life/Health	
nine months ended 30 September	2014	2013	2014	2013
Total revenues¹	37,317	36,602	49,977	41,659
Premiums earned (net)	32,291	31,459	18,131	18,141
Operating investment result				
Interest and similar income	2,689	2,704	12,891	12,573
Operating income from financial assets and liabilities carried at fair value through income (net)	20	(61)	(512)	(1,468)
Operating realized gains/losses (net)	129	44	2,328	2,159
Interest expenses, excluding interest expenses from external debt	(49)	(31)	(75)	(56)
Operating impairments of investments (net)	(10)	(9)	(443)	(219)
Investment expenses	(232)	(233)	(645)	(581)
Subtotal	2,547	2,414	13,542	12,408
Fee and commission income	955	915	752	474
Other income	46	29	114	111
Claims and insurance benefits incurred (net)	(21,179)	(21,030)	(15,258)	(14,459)
Change in reserves for insurance and investment contracts (net) ²	(428)	(318)	(9,946)	(10,068)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(9,037)	(8,861)	(4,189)	(4,048)
Fee and commission expenses	(894)	(843)	(290)	(191)
Operating amortization of intangible assets	–	–	(14)	–
Restructuring charges	(6)	(13)	8	(2)
Other expenses	(38)	(18)	(195)	(73)
Reclassification of tax benefits	–	–	–	–
Operating profit (loss)	4,257	3,733	2,655	2,293
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(77)	7	(42)	14
Non-operating realized gains/losses (net)	355	463	135	86
Non-operating impairments of investments (net)	(119)	(181)	(15)	(14)
Subtotal	159	290	78	87
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effect from pension revaluation	(537)	–	(7)	–
Non-operating amortization of intangible assets	(27)	(24)	(27)	(10)
Reclassification of tax benefits	–	–	–	–
Non-operating items	(405)	265	44	77
Income (loss) before income taxes	3,852	3,999	2,698	2,370
Income taxes	(1,155)	(1,185)	(808)	(706)
Net income (loss)	2,697	2,814	1,891	1,664
Net income (loss) attributable to:				
Non-controlling interests	117	123	87	67
Shareholders	2,581	2,691	1,804	1,597

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 nine months ended 30 September 2014, includes expenses for premium refunds (net) in Property-Casualty of € (224) MN (2013: € (148) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
4,742	5,429	405	412	(241)	(134)	92,201	83,968
–	–	–	–	–	–	50,421	49,600
5	31	660	691	(269)	(290)	15,976	15,709
5	8	25	34	14	(3)	(449)	(1,491)
–	–	–	–	(184)	(34)	2,272	2,169
(8)	(20)	(439)	(472)	269	274	(303)	(306)
–	–	–	–	–	21	(453)	(208)
–	–	(53)	(59)	238	220	(693)	(653)
2	18	193	194	67	188	16,352	15,221
5,817	6,524	526	513	(514)	(409)	7,536	8,016
6	8	1	–	(6)	(4)	160	144
–	–	–	–	3	5	(36,434)	(35,484)
–	–	–	–	(83)	(31)	(10,457)	(10,417)
–	–	(31)	(47)	–	–	(31)	(47)
(2,730)	(2,966)	(943)	(967)	(96)	12	(16,995)	(16,831)
(1,083)	(1,121)	(437)	(369)	244	169	(2,459)	(2,354)
–	–	–	–	–	–	(14)	–
3	(5)	4	(64)	–	–	8	(84)
–	–	(1)	(2)	133	11	(101)	(82)
–	–	–	–	158	–	158	–
2,015	2,458	(689)	(742)	(94)	(59)	8,144	7,682
–	–	–	–	–	–	–	–
–	–	(19)	(24)	(17)	4	(155)	2
4	1	92	314	(33)	(5)	552	859
–	–	(6)	(76)	–	–	(139)	(270)
4	1	67	213	(50)	(1)	258	590
–	–	(31)	(19)	15	7	(16)	(11)
–	–	(623)	(680)	–	–	(623)	(680)
3	(41)	2	(1)	–	–	6	(41)
(14)	–	675	–	–	–	117	–
(8)	(19)	(6)	(54)	–	21	(69)	(87)
–	–	–	–	(158)	–	(158)	–
(15)	(59)	84	(541)	(193)	28	(485)	(229)
2,000	2,399	(606)	(1,283)	(287)	(31)	7,658	7,453
(738)	(861)	177	302	150	3	(2,373)	(2,447)
1,263	1,538	(429)	(981)	(137)	(28)	5,285	5,007
–	–	–	–	–	–	–	–
67	71	13	6	–	–	283	267
1,196	1,467	(442)	(987)	(137)	(28)	5,002	4,740

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

€ MN	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
three months ended 30 September	2014	2013	2014	2013	2014	2013
Gross premiums written	2,447	2,361	2,406	2,360	1,086	1,023
Ceded premiums written	(409)	(410)	(167)	(160)	(153)	(165)
Change in unearned premiums	538	520	251	314	22	88
Premiums earned (net)	2,576	2,470	2,490	2,514	955	946
Interest and similar income	270	276	215	220	46	46
Operating income from financial assets and liabilities carried at fair value through income (net)	10	(23)	(6)	–	1	1
Operating realized gains/losses (net)	74	14	–	–	–	–
Fee and commission income	36	50	9	6	–	–
Other income	5	6	1	2	–	–
Operating revenues	2,972	2,794	2,709	2,742	1,003	993
Claims and insurance benefits incurred (net)	(1,690)	(1,876)	(1,505)	(1,522)	(708)	(653)
Change in reserves for insurance and investment contracts (net)	(152)	(95)	(8)	(11)	(2)	(1)
Interest expenses	(2)	(3)	(6)	(2)	(1)	(1)
Operating impairments of investments (net)	(4)	(2)	–	–	–	–
Investment expenses	(31)	(30)	(26)	(24)	(5)	(3)
Acquisition and administrative expenses (net)	(648)	(648)	(674)	(668)	(250)	(242)
Fee and commission expenses	(33)	(47)	(8)	(9)	–	–
Restructuring charges	(2)	(3)	–	–	–	–
Other expenses	(6)	(5)	(1)	(1)	–	–
Operating expenses	(2,569)	(2,708)	(2,229)	(2,239)	(966)	(900)
Operating profit (loss)	404	86	480	503	37	93
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(13)	(4)	1	2	2	1
Non-operating realized gains/losses (net)	67	34	37	34	8	(2)
Non-operating impairments of investments (net)	(7)	(6)	(21)	(117)	(2)	–
Amortization of intangible assets	(1)	(1)	(11)	(12)	–	–
Non-operating items	47	23	6	(93)	8	(1)
Income (loss) before income taxes	450	109	486	410	45	92
Income taxes	(109)	(30)	(176)	(149)	(8)	(32)
Net income (loss)	341	79	310	261	37	60
Net income (loss) attributable to:						
Non-controlling interests	–	(2)	4	6	1	2
Shareholders	341	81	306	255	36	59
Loss ratio ² in %	65.6	75.9	60.5	60.6	74.1	69.0
Expense ratio ³ in %	25.1	26.2	27.1	26.6	26.1	25.6
Combined ratio⁴ in %	90.7	102.2	87.5	87.1	100.3	94.6

1 – The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 MN reflected in the operating profit for 2014.

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

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

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

5 – Presentation not meaningful.

USA		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation and Other ¹		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
612	652	4,321	3,802	739	795	656	599	(1,013)	(942)	11,254	10,650
(26)	(31)	(1,030)	(866)	(167)	(155)	(20)	(13)	1,013	942	(959)	(859)
(17)	(13)	(20)	63	55	(31)	55	35	–	–	885	977
569	608	3,271	2,999	627	609	691	621	–	–	11,180	10,768
62	59	254	238	40	40	9	8	–	(3)	897	885
(1)	1	(3)	(15)	2	1	1	–	–	–	4	(35)
–	–	–	–	–	–	–	–	–	–	74	14
–	–	156	144	14	18	148	123	(16)	(24)	347	317
–	–	–	–	–	1	–	–	–	1	7	11
630	668	3,677	3,367	684	670	850	753	(16)	(25)	12,509	11,960
(612)	(448)	(2,057)	(1,976)	(427)	(363)	(451)	(395)	86	–	(7,366)	(7,234)
(2)	(1)	(2)	2	(1)	–	–	–	–	–	(168)	(107)
–	–	(10)	(4)	(1)	(1)	–	–	–	2	(20)	(9)
–	–	–	–	–	–	–	–	–	–	(4)	(2)
(1)	(1)	(23)	(27)	(2)	(2)	–	–	–	–	(88)	(88)
(166)	(181)	(920)	(827)	(215)	(206)	(220)	(208)	2	5	(3,089)	(2,976)
–	–	(133)	(121)	(12)	(17)	(150)	(120)	14	19	(323)	(295)
–	–	(3)	(7)	–	–	–	–	–	–	(5)	(11)
–	–	(17)	–	–	–	–	–	–	–	(24)	(6)
(781)	(632)	(3,164)	(2,960)	(658)	(590)	(822)	(723)	102	27	(11,086)	(10,725)
(151)	36	513	406	25	80	28	29	86	2	1,422	1,235
(1)	1	–	(6)	(5)	–	–	–	–	–	(15)	(6)
5	(1)	31	11	11	1	–	–	–	–	158	78
(6)	–	(6)	(5)	–	(1)	–	–	–	–	(42)	(129)
–	–	(2)	(2)	(2)	(2)	–	–	1	1	(15)	(16)
(1)	–	22	(3)	3	(2)	–	–	1	1	86	(74)
(151)	36	535	403	28	78	28	29	87	3	1,509	1,161
57	(7)	(141)	(121)	(13)	(15)	(5)	(9)	(30)	–	(426)	(365)
(94)	30	394	282	15	63	23	19	57	3	1,083	796
–	–	–	–	–	–	–	–	–	–	–	–
–	–	22	22	4	7	–	–	–	–	31	36
(94)	30	371	260	11	56	23	19	57	3	1,051	761
107.5	73.7	62.9	65.9	68.2	59.7	65.3	63.5	– ⁵	– ⁵	65.9	67.2
29.1	29.8	28.1	27.6	34.2	33.7	31.8	33.5	– ⁵	– ⁵	27.6	27.6
136.5	103.5	91.0	93.5	102.4	93.4	97.1	97.0	– ⁵	– ⁵	93.5	94.8

REPORTABLE SEGMENTS – PROPERTY-CASUALTY (CONTINUED)

REPORTABLE SEGMENTS – PROPERTY-CASUALTY (CONTINUED)

€ MN	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
nine months ended 30 September	2014	2013	2014	2013	2014	2013
Gross premiums written	9,990	9,726	8,045	7,953	3,307	3,502
Ceded premiums written	(1,560)	(1,563)	(577)	(538)	(479)	(550)
Change in unearned premiums	(874)	(844)	(50)	(170)	3	(92)
Premiums earned (net)	7,556	7,319	7,418	7,244	2,831	2,860
Interest and similar income	852	855	646	661	146	152
Operating income from financial assets and liabilities carried at fair value through income (net)	18	(42)	(4)	10	9	5
Operating realized gains/losses (net)	129	44	–	–	–	–
Fee and commission income	96	110	28	18	–	–
Other income	21	19	5	5	17	–
Operating revenues	8,672	8,305	8,093	7,938	3,002	3,017
Claims and insurance benefits incurred (net)	(4,981)	(5,486)	(4,647)	(4,515)	(2,028)	(1,960)
Change in reserves for insurance and investment contracts (net)	(378)	(266)	(30)	(32)	(4)	(3)
Interest expenses	(6)	(16)	(14)	(8)	(2)	(2)
Operating impairments of investments (net)	(10)	(9)	–	–	–	–
Investment expenses	(76)	(70)	(73)	(72)	(11)	(10)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,908)	(1,860)	(2,026)	(1,926)	(731)	(752)
Fee and commission expenses	(87)	(102)	(27)	(28)	–	–
Restructuring charges	(2)	(4)	–	(1)	–	–
Other expenses	(15)	(13)	(4)	(3)	(1)	–
Operating expenses	(7,464)	(7,827)	(6,821)	(6,585)	(2,777)	(2,727)
Operating profit (loss)	1,208	478	1,272	1,353	225	290
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(46)	5	(17)	1	5	3
Non-operating realized gains/losses (net)	118	86	96	206	13	15
Non-operating impairments of investments (net)	(20)	(16)	(75)	(137)	(2)	(12)
One-off effect from pension revaluation	(530)	–	–	–	–	–
Amortization of intangible assets	(2)	(2)	(17)	(16)	(1)	(1)
Non-operating items	(480)	73	(12)	54	14	4
Income (loss) before income taxes	729	551	1,260	1,408	239	294
Income taxes	(172)	(158)	(466)	(463)	(63)	(95)
Net income (loss)	557	393	794	945	176	199
Net income (loss) attributable to:						
Non-controlling interests	(1)	(1)	12	14	4	4
Shareholders	558	394	782	931	172	195
Loss ratio ³ in %	65.9	75.0	62.6	62.3	71.7	68.5
Expense ratio ⁴ in %	25.3	25.4	27.3	26.6	25.8	26.3
Combined ratio⁵ in %	91.2	100.4	90.0	88.9	97.5	94.8

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

2 – The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 MN reflected in the operating profit for 2014.

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

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

5 – 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).

6 – Presentation not meaningful.

USA ¹		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation and Other ²		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1,525	1,625	13,413	12,706	2,394	2,461	2,129	1,960	(3,486)	(3,330)	37,317	36,602
(87)	(95)	(3,318)	(3,272)	(520)	(535)	(69)	(65)	3,486	3,328	(3,122)	(3,290)
(44)	2	(724)	(431)	(49)	(151)	(166)	(169)	–	2	(1,904)	(1,853)
1,394	1,532	9,372	9,003	1,825	1,774	1,895	1,726	–	–	32,291	31,459
177	178	725	725	119	121	24	23	(1)	(11)	2,689	2,704
(2)	–	(3)	(34)	2	–	–	–	–	–	20	(61)
–	–	–	–	–	–	–	–	–	–	129	44
–	–	449	438	44	57	390	356	(52)	(64)	955	915
–	–	–	1	3	2	–	1	–	1	46	29
1,569	1,710	10,544	10,133	1,993	1,955	2,309	2,105	(53)	(74)	36,130	35,089
(1,242)	(1,049)	(5,863)	(5,813)	(1,277)	(1,098)	(1,226)	(1,109)	86	–	(21,179)	(21,030)
(6)	(6)	(5)	(9)	(3)	(2)	–	–	–	–	(428)	(318)
–	–	(23)	(13)	(3)	(2)	(1)	(1)	1	11	(49)	(31)
–	–	–	–	–	–	–	–	–	–	(10)	(9)
(2)	(2)	(62)	(70)	(7)	(7)	(1)	(1)	–	–	(232)	(233)
(478)	(512)	(2,653)	(2,636)	(647)	(615)	(607)	(572)	13	13	(9,037)	(8,861)
–	–	(382)	(363)	(39)	(49)	(397)	(352)	39	52	(894)	(843)
–	–	(4)	(9)	–	–	–	1	–	–	(6)	(13)
–	–	(17)	(1)	(2)	(1)	–	–	–	1	(38)	(18)
(1,729)	(1,570)	(9,010)	(8,914)	(1,978)	(1,775)	(2,232)	(2,035)	139	76	(31,873)	(31,356)
(159)	140	1,534	1,219	15	180	77	71	86	2	4,257	3,733
(2)	1	(11)	(2)	(6)	–	–	–	–	–	(77)	7
10	5	104	139	14	8	–	3	–	–	355	463
(6)	–	(14)	(12)	(1)	(2)	–	–	–	–	(119)	(181)
–	–	(7)	–	–	–	–	–	–	–	(537)	–
–	–	(6)	(2)	(5)	(6)	–	–	3	3	(27)	(24)
1	6	66	122	1	–	–	3	3	3	(405)	265
(158)	146	1,600	1,341	17	180	77	74	89	5	3,852	3,999
65	(28)	(452)	(372)	(18)	(45)	(19)	(23)	(30)	–	(1,155)	(1,185)
(93)	118	1,148	968	(2)	135	58	51	59	5	2,697	2,814
–	–	–	–	–	–	–	–	–	–	–	–
–	–	81	83	18	21	2	2	–	–	117	123
(93)	118	1,068	885	(20)	113	55	50	59	5	2,581	2,691
89.1	68.5	62.6	64.6	69.9	61.9	64.7	64.3	– ⁶	– ⁶	65.6	66.8
34.3	33.4	28.3	29.3	35.5	34.7	32.0	33.1	– ⁶	– ⁶	28.0	28.2
123.4	101.9	90.9	93.8	105.4	96.6	96.8	97.4	– ⁶	– ⁶	93.6	95.0

REPORTABLE SEGMENTS – LIFE/HEALTH

REPORTABLE SEGMENTS – LIFE/HEALTH

three months ended 30 September	German Speaking Countries		Western & Southern Europe	
	2014	2013	2014	2013
Statutory premiums¹	5,396	5,225	5,407	4,149
Ceded premiums written	(54)	(39)	(144)	(193)
Change in unearned premiums	(54)	(47)	(18)	(2)
Statutory premiums (net)	5,289	5,139	5,245	3,955
Deposits from insurance and investment contracts	(1,767)	(1,534)	(4,098)	(2,790)
Premiums earned (net)	3,522	3,605	1,148	1,165
Interest and similar income	2,188	2,203	960	939
Operating income from financial assets and liabilities carried at fair value through income (net)	43	(371)	9	31
Operating realized gains/losses (net)	627	366	114	151
Fee and commission income	23	11	139	115
Other income	29	26	3	5
Operating revenues	6,432	5,841	2,373	2,406
Claims and insurance benefits incurred (net)	(3,394)	(3,050)	(978)	(949)
Change in reserves for insurance and investment contracts (net)	(2,014)	(1,916)	(578)	(719)
Interest expenses	(23)	(24)	(6)	(1)
Operating impairments of investments (net)	(59)	(25)	(39)	(10)
Investment expenses	(145)	(131)	(53)	(50)
Acquisition and administrative expenses (net)	(449)	(408)	(423)	(432)
Fee and commission expenses	(9)	(5)	(71)	(51)
Operating amortization of intangible assets	(5)	–	–	–
Restructuring charges	–	–	–	–
Other expenses	(26)	(22)	(4)	(4)
Operating expenses	(6,125)	(5,581)	(2,154)	(2,217)
Operating profit	307	260	219	188
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	–	(3)
Non-operating realized gains/losses (net)	–	–	15	–
Non-operating impairments of investments (net)	–	–	(4)	(3)
Non-operating amortization of intangible assets	(1)	–	(3)	(3)
Non-operating items	(1)	–	7	(8)
Income before income taxes	307	260	226	180
Income taxes	(95)	(90)	(80)	(46)
Net income	212	170	146	134
Net income attributable to:				
Non-controlling interests	–	–	6	9
Shareholders	212	170	140	125
Margin on reserves² in basis points	50	47	56	54

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 quarter-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

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
320	331	2,901	1,672	156	132	1,826	1,401	(152)	(213)	15,853	12,698
(4)	(4)	(29)	(27)	(24)	(27)	(80)	(66)	152	213	(182)	(144)
15	12	(2)	(1)	(2)	4	(64)	(21)	–	–	(125)	(54)
331	339	2,870	1,643	130	110	1,682	1,314	–	–	15,546	12,500
(199)	(197)	(2,624)	(1,425)	–	–	(1,003)	(684)	–	–	(9,690)	(6,631)
132	141	246	218	130	110	678	630	–	–	5,856	5,869
93	92	778	682	17	18	236	207	(13)	(15)	4,260	4,127
11	8	(248)	(217)	(16)	5	6	2	(12)	6	(207)	(537)
4	3	1	18	–	–	4	3	(4)	–	746	541
36	1	31	21	–	–	34	19	(1)	(1)	263	166
–	–	–	–	–	–	–	–	–	–	32	31
276	245	809	722	130	133	958	861	(30)	(10)	10,949	10,198
(121)	(124)	(25)	(19)	(92)	(77)	(393)	(423)	–	–	(5,004)	(4,642)
(29)	(32)	(287)	(320)	(6)	(14)	(260)	(137)	–	–	(3,175)	(3,138)
–	(1)	(2)	(2)	–	–	(9)	(2)	13	15	(27)	(16)
–	–	(3)	10	–	–	(1)	–	–	–	(102)	(25)
(2)	(1)	(10)	(8)	–	–	(8)	(7)	–	–	(219)	(198)
(49)	(46)	(316)	(194)	(26)	(19)	(224)	(222)	–	(1)	(1,488)	(1,322)
(18)	–	(9)	(5)	–	–	(3)	–	1	1	(110)	(61)
–	–	–	–	–	–	–	–	–	–	(5)	–
–	–	–	–	–	–	–	–	–	–	(1)	(1)
–	–	–	–	–	–	–	–	–	–	(30)	(26)
(220)	(205)	(652)	(539)	(125)	(110)	(898)	(792)	14	15	(10,159)	(9,429)
57	41	158	183	5	22	60	68	(15)	5	790	769
–	–	(16)	9	–	–	–	–	–	–	(17)	6
–	–	–	27	–	–	4	2	–	–	19	29
–	–	–	–	–	–	(3)	–	–	–	(7)	(3)
(4)	–	–	–	–	–	(2)	(2)	–	–	(10)	(5)
(4)	–	(17)	36	–	–	–	–	–	–	(15)	27
53	41	141	219	5	22	60	68	(15)	5	776	795
(15)	(12)	(40)	(65)	(3)	(4)	(12)	(16)	–	–	(245)	(233)
38	29	101	154	2	18	47	52	(15)	5	530	562
10	6	–	–	–	–	8	8	–	–	24	23
28	22	101	154	2	18	39	43	(15)	5	507	539
249	206	78	104	112	452	84	104	– ³	– ³	61	66

REPORTABLE SEGMENTS – LIFE/HEALTH (CONTINUED)

REPORTABLE SEGMENTS – LIFE/HEALTH (CONTINUED)

€ MN	German Speaking Countries		Western & Southern Europe	
nine months ended 30 September	2014	2013	2014	2013
Statutory premiums¹	17,876	16,398	17,489	14,791
Ceded premiums written	(127)	(127)	(924)	(810)
Change in unearned premiums	(163)	(118)	(28)	(3)
Statutory premiums (net)	17,586	16,154	16,538	13,979
Deposits from insurance and investment contracts	(6,347)	(4,760)	(13,034)	(10,577)
Premiums earned (net)	11,239	11,394	3,504	3,402
Interest and similar income	6,849	6,730	2,898	2,883
Operating income from financial assets and liabilities carried at fair value through income (net)	231	(904)	(65)	133
Operating realized gains/losses (net)	1,727	1,599	565	415
Fee and commission income	63	37	385	317
Other income	97	86	13	25
Operating revenues	20,207	18,942	7,300	7,175
Claims and insurance benefits incurred (net)	(10,411)	(9,243)	(3,028)	(2,996)
Change in reserves for insurance and investment contracts (net)	(6,609)	(6,910)	(1,662)	(1,866)
Interest expenses	(68)	(75)	(15)	(16)
Operating impairments of investments (net)	(208)	(165)	(227)	(63)
Investment expenses	(425)	(382)	(166)	(149)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,219)	(1,174)	(1,347)	(1,280)
Fee and commission expenses	(29)	(18)	(182)	(156)
Operating amortization of intangible assets	(14)	–	–	–
Restructuring charges	–	(2)	–	(1)
Other expenses	(180)	(65)	(10)	(9)
Operating expenses	(19,163)	(18,031)	(6,638)	(6,534)
Operating profit	1,045	911	662	641
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	(5)	(4)
Non-operating realized gains/losses (net)	–	–	128	38
Non-operating impairments of investments (net)	–	–	(11)	(10)
One-off effect from pension revaluation	(7)	–	–	–
Non-operating amortization of intangible assets	(1)	(1)	(8)	(3)
Non-operating items	(8)	(1)	104	22
Income before income taxes	1,036	911	766	662
Income taxes	(344)	(335)	(212)	(162)
Net income	692	576	554	501
Net income attributable to:				
Non-controlling interests	–	–	28	21
Shareholders	692	576	526	479
Margin on reserves² in basis points	59	55	58	62

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
1,247	1,326	8,810	5,022	423	398	5,057	4,577	(925)	(852)	49,977	41,659
(12)	(17)	(85)	(86)	(83)	(58)	(263)	(205)	925	852	(569)	(451)
(16)	(14)	(9)	(5)	(26)	–	(124)	(80)	–	–	(366)	(218)
1,220	1,295	8,715	4,931	314	340	4,670	4,292	–	–	49,043	40,990
(745)	(775)	(8,010)	(4,285)	–	–	(2,776)	(2,453)	–	–	(30,912)	(22,849)
475	520	706	647	314	340	1,894	1,839	–	–	18,131	18,141
278	275	2,179	2,052	51	59	675	624	(39)	(49)	12,891	12,573
28	10	(676)	(645)	(21)	(49)	1	(12)	(10)	–	(512)	(1,468)
9	10	12	98	–	–	18	36	(3)	–	2,328	2,159
105	2	83	58	–	(1)	117	61	(2)	(2)	752	474
–	–	–	–	–	–	3	–	–	–	114	111
894	817	2,304	2,209	343	349	2,708	2,548	(54)	(51)	33,703	31,990
(417)	(461)	(71)	(63)	(246)	(259)	(1,085)	(1,437)	–	–	(15,258)	(14,459)
(102)	(81)	(930)	(983)	8	(9)	(651)	(219)	–	–	(9,946)	(10,068)
(1)	(2)	(6)	(5)	(1)	(1)	(24)	(7)	39	49	(75)	(56)
(1)	(1)	(3)	10	–	–	(3)	(1)	–	–	(443)	(219)
(5)	(5)	(27)	(25)	–	–	(22)	(21)	–	–	(645)	(581)
(153)	(146)	(720)	(741)	(69)	(67)	(682)	(643)	1	2	(4,189)	(4,048)
(51)	(1)	(18)	(17)	–	–	(10)	(1)	1	2	(290)	(191)
–	–	–	–	–	–	–	–	–	–	(14)	–
–	–	–	–	–	–	8	–	–	–	8	(2)
–	–	–	–	–	–	(5)	–	–	–	(195)	(73)
(731)	(696)	(1,775)	(1,825)	(308)	(335)	(2,474)	(2,328)	41	53	(31,048)	(29,698)
163	121	529	384	35	14	233	220	(13)	1	2,655	2,293
–	–	(37)	18	–	–	–	–	–	–	(42)	14
–	–	–	28	–	–	7	20	–	–	135	86
–	–	–	–	–	–	(4)	(3)	–	–	(15)	(14)
–	–	–	–	–	–	–	–	–	–	(7)	–
(12)	–	–	–	–	–	(5)	(6)	–	–	(27)	(10)
(12)	–	(37)	46	–	–	(2)	10	–	–	44	77
151	121	492	430	35	14	231	231	(13)	1	2,698	2,370
(44)	(36)	(148)	(118)	(10)	(5)	(49)	(51)	–	–	(808)	(706)
107	85	344	312	25	9	182	180	(13)	1	1,891	1,664
28	18	–	–	–	–	32	28	–	–	87	67
79	67	344	312	25	9	150	152	(13)	1	1,804	1,597
248	208	91	74	238	86	111	110	– ³	– ³	70	66

REPORTABLE SEGMENTS – ASSET MANAGEMENT

REPORTABLE SEGMENTS – ASSET MANAGEMENT

€ MN		
three months ended 30 September	2014	2013
Net fee and commission income ¹	1,617	1,697
Net interest income ²	(2)	3
Income from financial assets and liabilities carried at fair value through income (net)	2	1
Other income	1	2
Operating revenues	1,618	1,703
Administrative expenses (net)	(925)	(949)
Restructuring charges	–	1
Operating expenses	(925)	(949)
Operating profit	694	755
Realized gains/losses (net)	5	1
Amortization of intangible assets	(3)	(6)
Non-operating items	2	(5)
Income before income taxes	696	749
Income taxes	(258)	(267)
Net income	438	482
Net income attributable to:		
Non-controlling interests	22	23
Shareholders	415	459
Cost-income ratio³ in %	57.1	55.7

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

2 — Represents interest and similar income less interest expenses.

3 — Represents operating expenses divided by operating revenues.

REPORTABLE SEGMENTS — ASSET MANAGEMENT (CONTINUED)

REPORTABLE SEGMENTS — ASSET MANAGEMENT (CONTINUED)

€ MN		
nine months ended 30 September	2014	2013
Net fee and commission income ¹	4,734	5,403
Net interest income ²	(3)	10
Income from financial assets and liabilities carried at fair value through income (net)	5	8
Other income	6	8
Operating revenues	4,742	5,429
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(2,730)	(2,966)
Restructuring charges	3	(5)
Operating expenses	(2,727)	(2,971)
Operating profit	2,015	2,458
Realized gains/losses (net)	4	1
Acquisition-related expenses	3	(41)
One-off effect from pension revaluation	(14)	—
Amortization of intangible assets	(8)	(19)
Non-operating items	(15)	(59)
Income before income taxes	2,000	2,399
Income taxes	(738)	(861)
Net income	1,263	1,538
Net income attributable to:		
Non-controlling interests	67	71
Shareholders	1,196	1,467
Cost-income ratio³ in %	57.5	54.7

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

2 — Represents interest and similar income less interest expenses.

3 — Represents operating expenses divided by operating revenues.

REPORTABLE SEGMENTS – CORPORATE AND OTHER

REPORTABLE SEGMENTS – CORPORATE AND OTHER

three months ended 30 September	Holding & Treasury	
	2014	2013
Interest and similar income	71	47
Operating income from financial assets and liabilities carried at fair value through income (net)	13	13
Fee and commission income	16	22
Other income	–	–
Operating revenues	100	82
Interest expenses, excluding interest expenses from external debt	(82)	(82)
Loan loss provisions	–	–
Investment expenses	(18)	(18)
Administrative expenses (net)	(199)	(177)
Fee and commission expenses	(71)	(68)
Restructuring charges	4	26
Other expenses	–	–
Operating expenses	(367)	(320)
Operating profit (loss)	(267)	(238)
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(11)	(7)
Realized gains/losses (net)	33	15
Impairments of investments (net)	(1)	(2)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(212)	(207)
Amortization of intangible assets	(2)	(2)
Non-operating items	(194)	(203)
Income (loss) before income taxes	(461)	(441)
Income taxes	154	124
Net income (loss)	(307)	(317)
Net income (loss) attributable to:		
Non-controlling interests	1	–
Shareholders	(307)	(317)
Cost-income ratio¹ for the reportable segment Banking in %		

¹ — Represents investment expenses, administrative expenses (net), 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
146	152	5	4	–	–	222	202
3	2	(2)	(1)	–	–	14	15
123	104	44	45	(2)	(1)	181	170
–	–	–	(1)	–	1	–	(1)
273	258	47	47	(2)	–	418	387
(64)	(68)	(1)	–	–	–	(146)	(151)
(7)	(18)	–	–	–	–	(7)	(18)
–	–	(2)	(1)	2	(1)	(19)	(20)
(117)	(109)	(36)	(41)	–	1	(353)	(327)
(73)	(58)	–	–	–	–	(145)	(126)
–	–	–	–	–	–	4	26
(1)	(1)	–	–	–	–	(1)	(1)
(261)	(254)	(39)	(42)	2	–	(666)	(616)
11	4	8	5	–	–	(248)	(229)
–	–	–	–	–	–	(11)	(7)
3	11	–	–	–	–	36	26
–	–	–	–	–	–	(1)	(2)
–	–	(20)	(4)	–	–	(20)	(4)
–	–	–	–	–	–	(212)	(207)
–	–	–	–	–	–	(2)	(2)
3	11	(19)	(4)	–	–	(211)	(196)
14	15	(11)	1	–	–	(458)	(426)
(4)	(4)	(4)	(1)	–	–	147	119
10	11	(15)	(1)	–	–	(311)	(307)
2	2	–	2	–	–	3	4
8	9	(15)	(3)	–	–	(315)	(311)
86.6	83.3						

REPORTABLE SEGMENTS – CORPORATE AND OTHER (CONTINUED)

REPORTABLE SEGMENTS – CORPORATE AND OTHER (CONTINUED)

€ MN	Holding & Treasury	
nine months ended 30 September	2014	2013
Interest and similar income	199	221
Operating income from financial assets and liabilities carried at fair value through income (net)	20	27
Fee and commission income	45	42
Other income	–	–
Operating revenues	264	290
Interest expenses, excluding interest expenses from external debt	(244)	(258)
Loan loss provisions	–	–
Investment expenses	(50)	(55)
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(515)	(508)
Fee and commission expenses	(218)	(178)
Restructuring charges	4	26
Other expenses	–	–
Operating expenses	(1,023)	(973)
Operating profit (loss)	(760)	(682)
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(18)	(24)
Realized gains/losses (net)	85	268
Impairments of investments (net)	(6)	(75)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(623)	(680)
Acquisition-related expenses	2	(1)
One-off effect from pension revaluation	679	–
Amortization of intangible assets	(6)	(8)
Non-operating items	113	(521)
Income (loss) before income taxes	(646)	(1,204)
Income taxes	203	291
Net income (loss)	(443)	(912)
Net income (loss) attributable to:		
Non-controlling interests	–	–
Shareholders	(443)	(912)
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
445	463	18	8	(1)	–	660	691
9	7	(4)	–	–	–	25	34
364	348	119	125	(2)	(3)	526	513
–	–	–	1	–	–	1	–
818	818	133	133	(3)	(3)	1,211	1,238
(194)	(213)	(2)	(2)	1	–	(439)	(472)
(31)	(47)	–	–	–	–	(31)	(47)
–	–	(5)	(3)	3	–	(53)	(59)
(326)	(354)	(101)	(108)	–	3	(943)	(967)
(219)	(192)	–	–	–	–	(437)	(369)
–	(90)	–	–	–	–	4	(64)
(1)	(2)	–	–	–	–	(1)	(2)
(772)	(898)	(108)	(113)	3	3	(1,901)	(1,980)
46	(80)	24	20	–	–	(689)	(742)
–	–	–	–	–	–	(19)	(24)
7	19	–	–	–	27	92	314
–	(1)	–	–	–	–	(6)	(76)
–	–	(31)	(19)	–	–	(31)	(19)
–	–	–	–	–	–	(623)	(680)
–	–	–	–	–	–	2	(1)
(1)	–	(4)	–	–	–	675	–
–	–	–	(46)	–	–	(6)	(54)
6	18	(35)	(65)	–	27	84	(541)
51	(62)	(11)	(45)	–	27	(606)	(1,283)
(16)	20	(10)	(4)	–	(5)	177	302
35	(42)	(21)	(49)	–	22	(429)	(981)
6	5	7	1	–	–	13	6
29	(47)	(27)	(50)	–	22	(442)	(987)
81.1	108.0						

NOTES TO THE CONSOLIDATED BALANCE SHEETS

5 – Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 30 September 2014	as of 31 December 2013
Financial assets held for trading		
Debt securities	422	360
Equity securities	178	139
Derivative financial instruments	1,499	2,013
Subtotal	2,099	2,512
Financial assets designated at fair value through income		
Debt securities	2,224	2,278
Equity securities	1,840	1,870
Subtotal	4,063	4,148
Total	6,162	6,660

6 – Investments

INVESTMENTS

€ MN	as of 30 September 2014	as of 31 December 2013
Available-for-sale investments	451,643	392,233
Held-to-maturity investments	4,008	4,140
Funds held by others under reinsurance contracts assumed	1,071	893
Investments in associates and joint ventures	3,213	3,098
Real estate held for investment	11,234	10,783
Total	471,167	411,148

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS

	as of 30 September 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)	3,391	144	(5)	3,530	2,515	103	(16)	2,602
Corporate mortgage-backed securities (residential and commercial)	13,174	581	(43)	13,712	11,226	693	(86)	11,833
Other asset-backed securities	4,079	261	(38)	4,302	3,460	210	(40)	3,630
Government and government agency bonds								
France	31,093	7,175	(1)	38,267	31,410	2,471	(177)	33,704
Italy	25,637	4,766	—	30,403	26,304	2,001	(91)	28,214
Germany	12,800	1,782	(30)	14,552	14,852	918	(46)	15,724
United States	10,129	652	(47)	10,734	8,411	239	(171)	8,479
Belgium	5,795	1,482	—	7,277	5,968	613	(3)	6,578
Korea	6,173	813	—	6,986	5,798	427	(26)	6,199
Austria	5,475	1,259	—	6,734	4,941	468	(23)	5,386
Spain	4,833	734	—	5,566	2,813	178	(35)	2,956
Switzerland	4,731	482	(5)	5,208	4,376	330	(80)	4,626
Netherlands	3,807	388	—	4,195	3,627	159	(26)	3,760
Hungary	866	83	(1)	949	773	60	—	833
Portugal	197	28	—	225	196	2	(2)	196
Ireland	174	2	—	176	38	1	—	39
Greece	1	2	—	3	1	2	—	3
Supnationals	15,353	2,425	(2)	17,776	14,571	663	(56)	15,178
All other countries	34,326	1,779	(265)	35,839	30,854	944	(723)	31,075
Subtotal	161,390	23,853	(352)	184,890	154,933	9,476	(1,459)	162,950
Corporate bonds ¹	189,729	16,775	(462)	206,042	168,353	9,212	(1,397)	176,168
Other	2,234	445	(5)	2,674	2,230	324	(4)	2,550
Subtotal	373,997	42,059	(905)	415,150	342,717	20,018	(3,002)	359,733
Equity securities ²	25,647	11,044	(199)	36,492	23,022	9,623	(146)	32,499
Total	399,644	53,103	(1,104)	451,643	365,739	29,641	(3,148)	392,233

1 — Includes bonds issued by Spanish banks with a fair value of € 438 MN (2013: € 418 MN), thereof subordinated bonds with a fair value of € 132 MN (2013: € 115 MN).

2 — Includes shares invested in Spanish banks with a fair value of € 468 MN (2013: € 402 MN).

7 – Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

€ MN	as of 30 September 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
Short-term investments and certificates of deposit	3,440	–	3,440	3,275	–	3,275
Reverse repurchase agreements	90	–	90	613	–	613
Collateral paid for securities borrowing transactions and derivatives	633	–	633	315	–	315
Loans	57,441 ¹	54,513	111,954	60,511 ¹	51,595	112,106
Other	806	13	819	670	15	686
Subtotal	62,410	54,526	116,936	65,383	51,611	116,994
Loan loss allowance	–	(139)	(139)	–	(194)	(194)
Total	62,410	54,387	116,797	65,383	51,416	116,800

¹ – Primarily include covered bonds.

8 – Reinsurance assets

REINSURANCE ASSETS

€ MN	as of 30 September 2014	as of 31 December 2013
Unearned premiums	1,867	1,538
Reserves for loss and loss adjustment expenses	6,943	6,494
Aggregate policy reserves	4,809	4,463
Other insurance reserves	119	115
Total	13,739	12,609

9 – Deferred acquisition costs

DEFERRED ACQUISITION COSTS

€ MN	as of 30 September 2014	as of 31 December 2013
Deferred acquisition costs		
Property-Casualty	4,620	4,354
Life/Health	16,200	15,837
Asset Management ¹	–	159
Subtotal	20,820	20,350
Present value of future profits	922	1,046
Deferred sales inducements	757	807
Total	22,499	22,203

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

10 – Other assets

OTHER ASSETS

€ MN	as of 30 September 2014	as of 31 December 2013
Receivables		
Policyholders	5,677	5,489
Agents	4,629	4,424
Reinsurers	2,279	1,844
Other	5,028	4,160
Less allowance for doubtful accounts	(700)	(720)
Subtotal	16,912	15,197
Tax receivables		
Income taxes	1,354	2,159
Other taxes	1,271	1,215
Subtotal	2,625	3,374
Accrued dividends, interest and rent	7,268	7,706
Prepaid expenses		
Interest and rent	18	13
Other prepaid expenses	300	255
Subtotal	318	268
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	290	75
Property and equipment		
Real estate held for own use	2,507	2,423
Software	2,023	1,832
Equipment	1,251	1,173
Fixed assets of alternative investments	1,341	1,304
Subtotal	7,122	6,732
Other assets	1,470	1,280
Total	36,004	34,632

11 — Non-current assets and assets and liabilities of disposal groups classified as held for sale

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

€ MN	as of 30 September 2014	as of 31 December 2013
Assets of disposal groups classified as held for sale		
OJSC "Allianz Investments", Moscow	5	—
Subtotal	5	—
Non-current assets classified as held for sale		
Investments in associates and joint ventures	48	131
Real estate held for investment	69	—
Real estate held for own use	59	16
Subtotal	176	147
Total	180	147
Liabilities of disposal groups classified as held for sale		
OJSC "Allianz Investments", Moscow	3	—
Total	3	—

ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the third quarter of 2014, the Allianz Group decided to dispose of OJSC "Allianz Investments", Moscow. Thus, the assets and liabilities of this consolidated entity allocated to the reportable segment Growth Markets (Life/Health) were reclassified as held for sale. As of 30 September 2014, no cumulative gains or losses were recognized in other comprehensive income relating to the disposal group classified as held for sale. The sale is expected to occur during the fourth quarter of 2014. Upon measurement of the disposal group at fair value less costs to sell, an impairment loss of € 3 MN was recognized for the three and the nine months ended 30 September 2014.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As of 30 September 2014, investments in associates and joint ventures comprised an investment of € 43 MN in a U.S. real estate company allocated to the reportable segment German Speaking Countries (Life/Health). Additionally, an investment of € 5 MN in an associated French media group allocated to the reportable segments German Speaking Countries (Property-Casualty and Life/Health) was classified as held for sale. Upon measurement of both investments at fair value less costs to sell, no impairment loss was recognized for the three and the nine months ended 30 September 2014. The sale of both investments will be completed before 31 December 2014.

The investment in an associated Italian real estate company allocated to the reportable segment Western and Southern Europe (Property-Casualty) was sold as expected during the third quarter of 2014.

As of 30 September 2014, real estate held for investment classified as held for sale comprised several office buildings allocated to the reportable segments German Speaking Countries (Life/Health) and Holding & Treasury. The sale of these buildings is expected to be completed by the end of the first quarter of 2015. Upon measurement of these buildings at fair value less costs to sell, no impairment loss was recognized for the three and the nine months ended 30 September 2014.

As of 30 September 2014, real estate held for own use comprised two office buildings allocated to the reportable segment Global Insurance Lines & Anglo Markets (Property-Casualty) which were classified as held for sale. Upon measurement of the real estate held for own use classified as held for sale at fair value less costs to sell, an impairment loss of € 17 MN was recognized for the three and the nine months ended 30 September 2014. The sale of these buildings will be completed by the end of the third quarter of 2015.

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

12 – Intangible assets

INTANGIBLE ASSETS

€ MN	as of 30 September 2014	as of 31 December 2013
Intangible assets with indefinite useful lives		
Goodwill	12,100	11,544
Brand names ¹	292	296
Subtotal	12,391	11,840
Intangible assets with finite useful lives		
Distribution agreements ²	964	996
Customer relationships ³	247	149
Other ⁴	119	115
Subtotal	1,330	1,260
Total	13,721	13,100

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

2 — Includes primarily the long-term distribution agreements with Commerzbank AG of € 344 MN (2013: € 372 MN), Banco Popular S.A. of € 357 MN (2013: € 370 MN), Yapi Kredi Bank of € 147 MN (2013: € 151 MN) and HSBC Asia, HSBC Turkey and BTPN Indonesia of € 91 MN (2013: € 78 MN).

3 — Includes primarily customer relationships from the acquisition of UnipolSai Assicurazioni S.p.A. of € 107 MN (2013: € – MN), Selecta of € 93 MN (2013: € 118 MN) and Yapi 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 € 62 MN (2013: € 76 MN) and heritable building rights of € 17 MN (2013: € 17 MN).

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill

GOODWILL

€ MN	2014	2013
Cost as of 1 January	12,534	12,573
Accumulated impairments as of 1 January	(990)	(894)
Carrying amount as of 1 January	11,544	11,679
Additions	286	228
Disposals	–	–
Foreign currency translation adjustments	269	(170)
Impairments	–	(46)
Carrying amount as of 30 September	12,100	11,691
Accumulated impairments as of 30 September	990	940
Cost as of 30 September	13,090	12,631

Additions for the nine months ended 2014 are mainly related to goodwill arising from the acquisition of specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A.

13 – Financial liabilities carried at fair value through income

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

€ MN	as of 30 September 2014	as of 31 December 2013
Financial liabilities held for trading		
Derivative financial instruments	7,576	6,010
Other trading liabilities	3	3
Subtotal	7,580	6,013
Financial liabilities designated at fair value through income	–	–
Total	7,580	6,013

14 – Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS

€ MN	as of 30 September 2014			as of 31 December 2013		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	174	4,734	4,908	696	4,473	5,169
Savings deposits	–	2,836	2,836	–	2,873	2,873
Term deposits and certificates of deposit	905	1,914	2,818	980	2,157	3,136
Repurchase agreements	1,198	106	1,304	1,028	3	1,031
Collateral received from securities lending transactions and derivatives	2,285	–	2,285	2,216	–	2,216
Other	4,582	4,016	8,598	5,050	3,634	8,684
Total	9,143	13,606	22,749	9,970	13,140	23,109

15 – Reserves for loss and loss adjustment expenses

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	as of 30 September 2014	as of 31 December 2013
Property-Casualty	58,646	56,614
Life/Health	10,482	9,960
Consolidation	(12)	(9)
Total	69,116	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 nine months ended 30 September 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	(6,070)	50,544	62,711	(6,904)	55,807
Balance carry forward of discounted loss reserves	3,207	(306)	2,901	–	–	–
Subtotal	59,821	(6,376)	53,445	62,711	(6,904)	55,807
Loss and loss adjustment expenses incurred						
Current year	23,730	(1,642)	22,088	24,043	(1,797)	22,246
Prior years	(1,143)	234	(909)	(1,485)	269	(1,216)
Subtotal	22,587	(1,408)	21,179	22,558	(1,528)	21,030
Loss and loss adjustment expenses paid						
Current year	(10,262)	229	(10,033)	(10,648)	321	(10,328)
Prior years	(11,704)	1,078	(10,625)	(12,570)	1,252	(11,318)
Subtotal	(21,966)	1,307	(20,658)	(23,218)	1,573	(21,646)
Foreign currency translation adjustments and other changes	1,708	(297)	1,411	(936)	171	(765)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	145	(70)	75
Subtotal	62,151	(6,774)	55,377	61,259	(6,758)	54,502
Ending balance of discounted loss reserves	(3,505)	312	(3,193)	(3,215)	292	(2,924)
As of 30 September	58,646	(6,462)	52,184	58,044	(6,466)	51,578

16 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN	as of 30 September 2014	as of 31 December 2013
Aggregate policy reserves ¹	391,125	365,519
Reserves for premium refunds	56,414	37,772
Other insurance reserves	998	781
Total	448,537	404,072

1 — Includes discounted loss reserves of € 3,505 MN (2013: € 3,207 MN) in the Property-Casualty business segment.

17 — Other liabilities

OTHER LIABILITIES

€ MN	as of 30 September 2014	as of 31 December 2013
Payables		
Policyholders	4,003	4,911
Reinsurance	1,299	1,170
Agents	1,551	1,604
Subtotal	6,853	7,685
Payables for social security	424	395
Tax payables		
Income taxes	2,046	2,580
Other taxes	1,422	1,269
Subtotal	3,469	3,849
Accrued interest and rent	646	681
Unearned income		
Interest and rent	24	16
Other	293	261
Subtotal	317	277
Provisions		
Pensions and similar obligations	9,148	7,594
Employee related	2,527	2,104
Share-based compensation plans	530	685
Restructuring plans	107	214
Loan commitments	21	42
Contingent losses from non-insurance business	141	131
Other provisions	1,579	1,617
Subtotal	14,054	12,386
Deposits retained for reinsurance ceded	1,875	1,874
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	285	158
Financial liabilities for puttable equity instruments	2,375	2,612
Other liabilities	7,506	6,514
Total	37,803	36,431

18 – Certificated liabilities

CERTIFICATED LIABILITIES

€ MN	as of 30 September 2014	as of 31 December 2013
Allianz SE ¹		
Senior bonds	6,647	6,581
Money market securities	1,029	869
Subtotal	7,676	7,450
Banking subsidiaries		
Senior bonds	510	580
Subtotal	510	580
Total	8,186	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.

20 – Equity

EQUITY

€ MN	as of 30 September 2014	as of 31 December 2013
Shareholders' equity		
Issued capital	1,169	1,169
Capital reserves	27,701	27,701
Retained earnings ¹	19,184	17,786
Foreign currency translation adjustments	(2,234)	(3,313)
Unrealized gains and losses (net) ²	12,380	6,742
Subtotal	58,199	50,083
Non-controlling interests	2,890	2,765
Total	61,089	52,849

1 — As of 30 September 2014, includes € (215) MN (2013: € (220) MN) related to treasury shares.

2 — As of 30 September 2014, includes € 252 MN (2013: € 203 MN) related to cash flow hedges.

19 – Subordinated liabilities

SUBORDINATED LIABILITIES

€ MN	as of 30 September 2014	as of 31 December 2013
Allianz SE ¹		
Subordinated bonds ²	11,332	10,856
Subtotal	11,332	10,856
Banking subsidiaries		
Subordinated bonds	251	254
Subtotal	251	254
All other subsidiaries		
Subordinated bonds	400	399
Hybrid equity	45	45
Subtotal	445	444
Total	12,028	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, and due to the issuance of a € 1.5 BN bond in the third quarter of 2014.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

21 – Premiums earned (net)

PREMIUMS EARNED (NET)

€ MN three months ended 30 September	Property- Casualty	Life/Health	Consoli- dation	Group
2014				
Premiums written				
Direct	10,326	5,948	–	16,274
Assumed	928	208	(17)	1,119
Subtotal	11,254	6,156	(17)	17,393
Ceded	(959)	(175)	17	(1,118)
Net	10,294	5,981	–	16,275
Change in unearned premiums				
Direct	1,087	(125)	–	962
Assumed	(126)	(1)	–	(127)
Subtotal	961	(126)	–	835
Ceded	(76)	1	–	(75)
Net	885	(125)	–	760
Premiums earned				
Direct	11,413	5,824	–	17,236
Assumed	802	206	(17)	992
Subtotal	12,215	6,030	(17)	18,228
Ceded	(1,035)	(174)	17	(1,193)
Net	11,180	5,856	–	17,035
2013				
Premiums written				
Direct	9,829	5,793	–	15,622
Assumed	821	266	(16)	1,071
Subtotal	10,650	6,059	(16)	16,693
Ceded	(859)	(136)	16	(978)
Net	9,792	5,923	–	15,715
Change in unearned premiums				
Direct	1,175	(54)	–	1,121
Assumed	(61)	(1)	(1)	(63)
Subtotal	1,114	(55)	(1)	1,058
Ceded	(137)	1	1	(136)
Net	977	(54)	–	922
Premiums earned				
Direct	11,004	5,739	–	16,743
Assumed	760	264	(17)	1,008
Subtotal	11,764	6,004	(17)	17,751
Ceded	(996)	(135)	17	(1,114)
Net	10,768	5,869	–	16,637

PREMIUMS EARNED (NET) (CONTINUED)

€ MN nine months ended 30 September	Property- Casualty	Life/Health	Consoli- dation	Group
2014				
Premiums written				
Direct	34,882	18,455	–	53,337
Assumed	2,435	589	(61)	2,964
Subtotal	37,317	19,045	(61)	56,301
Ceded	(3,122)	(548)	61	(3,609)
Net	34,195	18,497	–	52,691
Change in unearned premiums				
Direct	(1,779)	(352)	–	(2,131)
Assumed	(442)	(21)	7	(456)
Subtotal	(2,221)	(373)	7	(2,587)
Ceded	317	8	(7)	317
Net	(1,904)	(366)	–	(2,270)
Premiums earned				
Direct	33,103	18,103	–	51,205
Assumed	1,993	569	(54)	2,508
Subtotal	35,096	18,672	(54)	53,713
Ceded	(2,806)	(541)	54	(3,292)
Net	32,291	18,131	–	50,421
2013				
Premiums written				
Direct	34,394	18,215	–	52,608
Assumed	2,208	571	(42)	2,737
Subtotal	36,602	18,786	(42)	55,346
Ceded	(3,290)	(427)	42	(3,675)
Net	33,312	18,359	–	51,671
Change in unearned premiums				
Direct	(1,831)	(219)	–	(2,051)
Assumed	(304)	–	(2)	(307)
Subtotal	(2,136)	(220)	(2)	(2,357)
Ceded	283	1	2	286
Net	(1,853)	(218)	–	(2,071)
Premiums earned				
Direct	32,562	17,996	–	50,558
Assumed	1,904	571	(44)	2,431
Subtotal	34,466	18,567	(44)	52,988
Ceded	(3,007)	(426)	44	(3,389)
Net	31,459	18,141	–	49,600

22 – Interest and similar income

INTEREST AND SIMILAR INCOME

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Interest from held-to-maturity investments	41	45	124	137
Dividends from available-for-sale investments	325	259	1,216	1,082
Interest from available-for-sale investments	3,436	3,262	10,095	9,878
Share of earnings from investments in associates and joint ventures	22	64	115	111
Rent from real estate held for investment	207	197	629	590
Interest from loans to banks and customers	1,211	1,263	3,646	3,807
Other interest	57	39	150	104
Total	5,299	5,129	15,976	15,709

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

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

€ MN	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
three months ended 30 September						
2014						
Income (expenses) from financial assets and liabilities held for trading (net)	(154)	(1,514)	–	(71)	–	(1,739)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	1	18	–	3	–	22
Income (expenses) from financial liabilities for puttable equity instruments (net)	(1)	(16)	–	–	–	(17)
Foreign currency gains and losses (net)	142	1,288	2	70	–	1,502
Total	(11)	(224)	2	3	(1)	(231)
2013						
Income (expenses) from financial assets and liabilities held for trading (net)	11	126	1	52	–	190
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	2	119	27	–	–	148
Income (expenses) from financial liabilities for puttable equity instruments (net)	–	(56)	(25)	–	–	(81)
Foreign currency gains and losses (net)	(53)	(720)	(2)	(44)	–	(820)
Total	(41)	(531)	1	8	–	(563)

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

Business segment Life/Health

For the three months ended 30 September 2014, income and expenses from financial assets and liabilities held for trading (net) in the business segment Life/Health includes expenses of € 1,519 MN (2013: income of € 117 MN) from derivative financial instruments. Included in this are expenses of € 1,160 MN (2013: income of € 320 MN) from

financial derivative positions of German entities, of which income of € 176 MN (2013: expenses of € 11 MN) relates to duration management, income of € 13 MN (2013: expenses of € 8 MN) relates to protection against equity fluctuations, and expenses of € 1,323 MN (2013: income of € 343 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 € 260 MN (2013: € 222 MN) from U.S. entities.

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

For the three months ended 30 September 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 € 6 MN (2013: € 80 MN) and income from debt investments of € 12 MN (2013: € 38 MN).

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 € 1,567 MN (2013: income in the amount of € 442 MN) were recognized for the three months ended 30 September 2014.

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

€ MN	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
nine months ended 30 September						
2014						
Income (expenses) from financial assets and liabilities held for trading (net)	(231)	(2,178)	(1)	(62)	(2)	(2,474)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	2	161	3	5	(1)	169
Income (expenses) from financial liabilities for puttable equity instruments (net)	–	(94)	–	–	–	(94)
Foreign currency gains and losses (net)	172	1,557	3	63	–	1,795
Total	(58)	(555)	5	6	(3)	(604)
2013						
Income (expenses) from financial assets and liabilities held for trading (net)	(3)	(685)	1	(4)	2	(689)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	26	203	45	1	(1)	274
Income (expenses) from financial liabilities for puttable equity instruments (net)	(19)	(97)	(37)	–	–	(153)
Foreign currency gains and losses (net)	(58)	(874)	(1)	13	–	(920)
Total	(54)	(1,453)	8	10	1	(1,489)

24 – Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
REALIZED GAINS				
Available-for-sale investments				
Equity securities	339	358	1,176	1,503
Debt securities	571	456	1,545	1,590
Subtotal	910	814	2,721	3,093
Investments in associates and joint ventures ¹	7	–	27	38
Real estate held for investment	42	21	125	100
Loans and advances to banks and customers	41	108	223	294
Non-current assets and assets and liabilities of disposal groups classified as held for sale	33	–	34	12
Subtotal	1,033	944	3,130	3,537
REALIZED LOSSES				
Available-for-sale investments				
Equity securities	(45)	(69)	(96)	(160)
Debt securities	(94)	(182)	(198)	(337)
Subtotal	(139)	(252)	(294)	(497)
Investments in associates and joint ventures ²	(1)	(2)	(6)	(5)
Real estate held for investment	1	1	(4)	(2)
Loans and advances to banks and customers	–	–	(1)	(2)
Non-current assets and assets and liabilities of disposal groups classified as held for sale	–	–	–	(3)
Subtotal	(140)	(254)	(305)	(509)
Total	893	690	2,825	3,028

1 – For the three and the nine months ended 30 September 2014, includes realized gains from the disposal of subsidiaries and businesses of € 1 MN (2013: € – MN) and € 1 MN (2013: € 38 MN), respectively.

2 – For the three and the nine months ended 30 September 2014, includes realized losses from the disposal of subsidiaries of € 1 MN (2013: € – MN) and € 1 MN (2013: € – MN), respectively.

25 – Fee and commission income

FEE AND COMMISSION INCOME

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
PROPERTY-CASUALTY				
Credit and assistance business	206	190	595	570
Service agreements	141	127	360	345
Subtotal	347	317	955	915
LIFE/HEALTH				
Service agreements	26	17	77	56
Investment advisory	237	149	675	418
Other	–	–	1	–
Subtotal	263	166	752	474
ASSET MANAGEMENT				
Management fees	1,772	1,827	5,128	5,525
Loading and exit fees	165	177	525	551
Performance fees	40	42	126	396
Other	6	12	37	51
Subtotal	1,984	2,059	5,817	6,524
CORPORATE AND OTHER				
Service agreements	19	24	52	49
Investment advisory and banking activities	163	146	474	464
Subtotal	181	170	526	513
CONSOLIDATION	(185)	(128)	(514)	(409)
Total	2,590	2,583	7,536	8,016

26 – Other income

OTHER INCOME

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Realized gains from disposals of real estate held for own use	–	3	23	20
Income from alternative investments	38	39	136	120
Other	(1)	1	2	4
Total	37	42	160	144

27 – Income and expenses from fully consolidated private equity investments

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Income				
Sales and service revenues	170	181	513	543
Subtotal	170	181	513	543
Expenses				
Cost of goods sold	(51)	(54)	(158)	(163)
General and administrative expenses	(121)	(125)	(353)	(375)
Interest expenses	(18)	(7)	(33)	(24)
Subtotal	(189)	(186)	(544)	(562)
Consolidation ¹	9	2	15	7
Total	(11)	(3)	(16)	(11)

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

28 – Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN	Property- Casualty	Life/Health	Consoli- dation	Group
three months ended 30 September				
2014				
Gross				
Claims and insurance benefits paid	(7,403)	(5,151)	12	(12,542)
Change in reserves for loss and loss adjustment expenses	(372)	2	2	(368)
Subtotal	(7,775)	(5,149)	14	(12,910)
Ceded				
Claims and insurance benefits paid	413	131	(11)	534
Change in reserves for loss and loss adjustment expenses	(4)	14	(2)	8
Subtotal	409	145	(12)	542
Net				
Claims and insurance benefits paid	(6,990)	(5,020)	1	(12,008)
Change in reserves for loss and loss adjustment expenses	(376)	16	1	(359)
Total	(7,366)	(5,004)	2	(12,368)
2013				
Gross				
Claims and insurance benefits paid	(7,594)	(4,636)	9	(12,221)
Change in reserves for loss and loss adjustment expenses	57	(98)	(6)	(46)
Subtotal	(7,537)	(4,734)	3	(12,268)
Ceded				
Claims and insurance benefits paid	437	93	(8)	523
Change in reserves for loss and loss adjustment expenses	(134)	(2)	6	(130)
Subtotal	303	92	(1)	393
Net				
Claims and insurance benefits paid	(7,157)	(4,543)	1	(11,698)
Change in reserves for loss and loss adjustment expenses	(77)	(100)	1	(176)
Total	(7,234)	(4,642)	2	(11,874)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET) (CONTINUED)

€ MN nine months ended 30 September	Property- Casualty	Life/Health	Consoli- dation	Group
2014				
Gross				
Claims and insurance benefits paid	(21,966)	(15,406)	33	(37,339)
Change in reserves for loss and loss adjustment expenses	(622)	(247)	4	(865)
Subtotal	(22,587)	(15,653)	37	(38,204)
Ceded				
Claims and insurance benefits paid	1,307	359	(29)	1,638
Change in reserves for loss and loss adjustment expenses	101	36	(4)	132
Subtotal	1,408	395	(33)	1,770
Net				
Claims and insurance benefits paid	(20,658)	(15,047)	4	(35,701)
Change in reserves for loss and loss adjustment expenses	(521)	(211)	(1)	(733)
Total	(21,179)	(15,258)	3	(36,434)
2013				
Gross				
Claims and insurance benefits paid	(23,218)	(14,634)	23	(37,829)
Change in reserves for loss and loss adjustment expenses	660	(152)	(5)	503
Subtotal	(22,558)	(14,786)	17	(37,327)
Ceded				
Claims and insurance benefits paid	1,573	345	(19)	1,899
Change in reserves for loss and loss adjustment expenses	(45)	(17)	6	(56)
Subtotal	1,528	327	(12)	1,843
Net				
Claims and insurance benefits paid	(21,646)	(14,289)	4	(35,931)
Change in reserves for loss and loss adjustment expenses	615	(170)	1	447
Total	(21,030)	(14,459)	5	(35,484)

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

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN three months ended 30 September	Property- Casualty	Life/Health	Consoli- dation	Group
2014				
Gross				
Aggregate policy reserves	(76)	(1,631)	(1)	(1,709)
Other insurance reserves	1	(54)	–	(53)
Expenses for premium refunds	(94)	(1,547)	(75)	(1,716)
Subtotal	(170)	(3,232)	(76)	(3,478)
Ceded				
Aggregate policy reserves	1	50	–	51
Other insurance reserves	–	2	–	2
Expenses for premium refunds	1	4	–	5
Subtotal	2	57	–	59
Net				
Aggregate policy reserves	(75)	(1,581)	(1)	(1,657)
Other insurance reserves	1	(52)	–	(51)
Expenses for premium refunds	(93)	(1,542)	(75)	(1,711)
Total	(168)	(3,175)	(76)	(3,419)
2013				
Gross				
Aggregate policy reserves	(59)	(2,065)	(1)	(2,125)
Other insurance reserves	–	(36)	–	(36)
Expenses for premium refunds	(48)	(1,092)	(2)	(1,142)
Subtotal	(107)	(3,193)	(3)	(3,303)
Ceded				
Aggregate policy reserves	1	54	–	54
Other insurance reserves	–	3	–	3
Expenses for premium refunds	(1)	(1)	–	(2)
Subtotal	–	55	–	55
Net				
Aggregate policy reserves	(59)	(2,011)	(1)	(2,071)
Other insurance reserves	–	(33)	–	(33)
Expenses for premium refunds	(48)	(1,094)	(2)	(1,144)
Total	(107)	(3,138)	(3)	(3,248)

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

€ MN nine months ended 30 September	Property- Casualty	Life/Health	Consoli- dation	Group
2014				
Gross				
Aggregate policy reserves	(205)	(5,333)	(2)	(5,540)
Other insurance reserves	(3)	(144)	–	(147)
Expenses for premium refunds	(225)	(4,671)	(81)	(4,977)
Subtotal	(433)	(10,148)	(83)	(10,664)
Ceded				
Aggregate policy reserves	4	184	1	188
Other insurance reserves	–	9	–	9
Expenses for premium refunds	1	10	–	11
Subtotal	5	202	–	208
Net				
Aggregate policy reserves	(201)	(5,150)	(1)	(5,352)
Other insurance reserves	(3)	(135)	–	(138)
Expenses for premium refunds	(224)	(4,661)	(81)	(4,967)
Total	(428)	(9,946)	(83)	(10,457)
2013				
Gross				
Aggregate policy reserves	(170)	(5,895)	(3)	(6,068)
Other insurance reserves	(2)	(87)	–	(89)
Expenses for premium refunds	(147)	(4,189)	(29)	(4,364)
Subtotal	(319)	(10,171)	(31)	(10,521)
Ceded				
Aggregate policy reserves	2	95	–	97
Other insurance reserves	(1)	6	–	5
Expenses for premium refunds	(1)	3	–	2
Subtotal	1	103	–	104
Net				
Aggregate policy reserves	(168)	(5,801)	(3)	(5,971)
Other insurance reserves	(3)	(81)	–	(83)
Expenses for premium refunds	(148)	(4,186)	(29)	(4,363)
Total	(318)	(10,068)	(31)	(10,417)

30 – Interest expenses

INTEREST EXPENSES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Liabilities to banks and customers	(60)	(62)	(183)	(196)
Deposits retained on reinsurance ceded	(12)	(8)	(34)	(30)
Certificated liabilities	(72)	(68)	(210)	(204)
Subordinated liabilities	(146)	(142)	(428)	(486)
Other	(25)	(20)	(70)	(69)
Total	(315)	(300)	(925)	(986)

31 – Loan loss provisions

LOAN LOSS PROVISIONS

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Additions to allowances including direct impairments	(30)	(36)	(103)	(116)
Amounts released	18	15	54	54
Recoveries on loans previously impaired	5	4	19	15
Total	(7)	(18)	(31)	(47)

32 – Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
IMPAIRMENTS				
Available-for-sale investments				
Equity securities	(113)	(46)	(301)	(305)
Debt securities	(31)	(11)	(275)	(36)
Subtotal	(144)	(57)	(576)	(341)
Investments in associates and joint ventures	–	(81)	–	(81)
Real estate held for investment	(21)	(16)	(22)	(38)
Loans and advances to banks and customers	(1)	(5)	(3)	(17)
Non-current assets and liabilities of disposal groups classified as held for sale	(3)	(31)	(5)	(31)
Subtotal	(168)	(189)	(605)	(507)
REVERSALS OF IMPAIRMENTS				
Available-for-sale investments				
Debt securities	–	10	–	11
Real estate held for investment	12	17	12	17
Loans and advances to banks and customers	–	1	1	1
Subtotal	12	27	13	29
Total	(156)	(162)	(592)	(478)

33 – Investment expenses

INVESTMENT EXPENSES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Investment management expenses	(158)	(129)	(409)	(387)
Depreciation of real estate held for investment	(59)	(56)	(170)	(157)
Other expenses from real estate held for investment	(45)	(42)	(113)	(109)
Total	(261)	(227)	(693)	(653)

34 – Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
PROPERTY-CASUALTY				
Acquisition costs				
Incurred	(2,384)	(2,307)	(7,479)	(7,380)
Commissions and profit received on reinsurance business ceded	105	132	298	352
Deferrals of acquisition costs	1,259	1,334	4,520	4,477
Gross amortization of deferred acquisition costs	(1,382)	(1,470)	(4,316)	(4,240)
Subtotal	(2,402)	(2,311)	(6,977)	(6,791)
Administrative expenses	(687)	(665)	(2,597) ¹	(2,070)
Subtotal	(3,089)	(2,976)	(9,574)	(8,861)
LIFE/HEALTH				
Acquisition costs				
Incurred	(1,264)	(1,041)	(3,810)	(3,297)
Commissions and profit received on reinsurance business ceded	26	17	72	46
Deferrals of acquisition costs	808	633	2,556	2,100
Gross amortization of deferred acquisition costs	(661)	(556)	(1,818)	(1,832)
Subtotal	(1,091)	(947)	(3,001)	(2,982)
Administrative expenses	(397)	(375)	(1,196)	(1,066)
Subtotal	(1,488)	(1,322)	(4,197)	(4,048)
ASSET MANAGEMENT				
Personnel expenses	(582)	(601)	(1,749) ¹	(1,961)
Non-personnel expenses	(342)	(348)	(991)	(1,046)
Subtotal	(924)	(949)	(2,740)	(3,007)
CORPORATE AND OTHER				
Administrative expenses	(353)	(327)	(266) ¹	(968)
Subtotal	(353)	(327)	(266)	(968)
CONSOLIDATION	15	(7)	(96)¹	12
Total	(5,839)	(5,581)	(16,873)	(16,872)

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

35 – Fee and commission expenses

FEE AND COMMISSION EXPENSES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
PROPERTY-CASUALTY				
Credit and assistance business	(219)	(188)	(621)	(560)
Service agreements	(103)	(105)	(273)	(280)
Investment advisory	–	(1)	–	(2)
Subtotal	(323)	(295)	(894)	(843)
LIFE/HEALTH				
Service agreements	(10)	(6)	(31)	(34)
Investment advisory	(100)	(54)	(258)	(157)
Subtotal	(110)	(61)	(290)	(191)
ASSET MANAGEMENT				
Commissions	(336)	(337)	(956)	(1,062)
Other	(31)	(24)	(127)	(58)
Subtotal	(367)	(361)	(1,083)	(1,121)
CORPORATE AND OTHER				
Service agreements	(73)	(68)	(222)	(178)
Investment advisory and banking activities	(72)	(58)	(216)	(192)
Subtotal	(145)	(126)	(437)	(369)
CONSOLIDATION	97	55	244	169
Total	(847)	(788)	(2,459)	(2,354)

36 – Other expenses

OTHER EXPENSES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Realized losses from disposals of real estate held for own use	–	–	(7)	(1)
Expenses from alternative investments	(28)	(23)	(75)	(66)
Expenses from non-current assets and assets and liabilities of disposal groups classified as held for sale	(17)	–	(18)	–
Other	(1)	(5)	(1)	(14)
Total	(46)	(28)	(101)	(82)

37 – Income taxes

INCOME TAXES

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Current income taxes	(487)	(650)	(2,278)	(2,118)
Deferred income taxes	(145)	(96)	(96)	(329)
Total	(632)	(746)	(2,373)	(2,447)

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

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Items that may be reclassified to profit or loss in future periods				
Foreign currency translation adjustments	70	(32)	83	(9)
Available-for-sale investments	(491)	4	(2,307)	1,437
Cash flow hedges	(5)	14	(24)	21
Share of other comprehensive income of associates	(1)	1	(2)	6
Miscellaneous	(29)	(48)	(56)	84
Items that may never be reclassified to profit or loss				
Actuarial gains (losses) on defined benefit plans	188	33	484	34
Total	(268)	(27)	(1,823)	1,572

OTHER INFORMATION

38 – Financial instruments and fair value measurement

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

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

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

€ MN	as of 30 September 2014		as of 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	11,658	11,658	11,207	11,207
Financial assets held for trading	2,099	2,099	2,512	2,512
Financial assets designated at fair value through income	4,063	4,063	4,148	4,148
Available-for-sale investments	451,643	451,643	392,233	392,233
Held-to-maturity investments	4,008	4,763	4,140	4,647
Investments in associates and joint ventures	3,213	3,888	3,098	3,597
Real estate held for investment	11,234	16,065	10,783	15,625
Loans and advances to banks and customers	116,797	136,916	116,800	129,528
Financial assets for unit-linked contracts	90,790	90,790	81,064	81,064
Derivative financial instruments and firm commitments included in other assets	290	290	75	75
Real estate held for own use	2,507	3,618	2,423	3,626
FINANCIAL LIABILITIES				
Financial liabilities held for trading	7,580	7,580	6,013	6,013
Liabilities to banks and customers	22,749	23,127	23,109	23,282
Financial liabilities for unit-linked contracts	90,790	90,790	81,064	81,064
Derivative financial instruments and firm commitments included in other liabilities	285	285	158	158
Financial liabilities for puttable equity instruments	2,375	2,375	2,612	2,612
Certificated liabilities	8,186	9,100	8,030	8,576
Subordinated liabilities	12,028	13,015	11,554	12,323

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

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group maximizes the use of observable inputs and minimizes the use of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity as well as general market conditions.

If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values. As of 30 September 2014, fair values could not be reliably measured for equity investments with carrying amounts totaling € 220 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 for identical assets or liabilities 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:

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

Valuation techniques – Non-market observable inputs

– Fair value level 3:

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

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

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

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

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

FAIR VALUE HIERARCHY AS OF 30 SEPTEMBER 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	113	308	–	422
Equity securities	42	121	15	178
Derivative financial instruments	227	1,226	46	1,499
Subtotal	381	1,655	61	2,099
Financial assets designated at fair value through income				
Debt securities	1,076	1,146	1	2,224
Equity securities	1,725	4	110	1,840
Subtotal	2,802	1,150	111	4,063
Subtotal	3,183	2,806	172	6,162
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	43	3,487	–	3,530
Corporate mortgage-backed securities (residential and commercial)	–	13,677	35	13,712
Other asset-backed securities	277	3,827	199	4,302
Government and government agency bonds	28,603	156,229	58	184,890
Corporate bonds	16,097	185,194	4,750	206,042
Other debt securities	259	1,759	657	2,674
Equity securities	29,341	815	6,336	36,492
Subtotal	74,619	364,988	12,035	451,643
Financial assets for unit-linked contracts	88,069	2,551	170	90,790
Derivative financial instruments and firm commitments included in other assets	–	289	–	290
Total	165,871	370,634	12,377	548,885
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	40	1,947	5,589	7,576
Other trading liabilities	–	3	–	3
Subtotal	40	1,950	5,589	7,580
Financial liabilities for unit-linked contracts	88,069	2,551	170	90,790
Derivative financial instruments and firm commitments included in other liabilities	1	284	–	285
Financial liabilities for puttable equity instruments	2,355	20	–	2,375
Total	90,464	4,804	5,759	101,029

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	2,278
Equity securities	1,867	–	3	1,870
Subtotal	1,867	2,278	4	4,148
Subtotal	2,173	4,432	56	6,660
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	32,499
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	–	2,612
Total	80,961	4,281	4,606	89,848

Valuation methodologies of financial instruments carried at fair value

For fair value measurements categorized within level 2 and level 3, 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 unlisted equity securities measured at cost.

Available-for-sale investments

Available-for-sale investments – Debt securities

Debt securities include:

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

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

Available-for-sale investments – Equity securities

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

Financial assets for unit-linked contracts

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

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

Derivative financial instruments and firm commitments included in other assets

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

Financial liabilities held for trading – Derivative financial instruments

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

Financial liabilities held for trading – Other trading liabilities

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

Derivative financial instruments and firm commitments included in other liabilities

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

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments are generally required to be recorded at the redemption amount with changes recognized in income. For level 2, the fair value is mainly determined based on the market approach and the income approach.

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.

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 (€ 5.1 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 (€ 4.1 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 has only an immaterial impact on fair value.

Financial liabilities held for trading

Financial liabilities held for trading mainly include embedded derivative financial instruments relating to annuity products that are priced internally using discounted cash flow models (€ 5.5 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 has only an immaterial impact on fair value.

Quantification of significant non-market observable inputs

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

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

€ MN				
Description	Fair value as of 30 September 2014	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	5,062	Net asset value	n/a	n/a
Corporate bonds	4,075	Discounted cash flow method	Option adjusted spread	14 bps–574 bps
Financial liabilities held for trading				
Derivative financial instruments	5,465			
Fixed-indexed annuities	4,645	Present value of insurance cash flow	Annuitizations	0%–25%
			Surrenders	0%–25%
			Mortality	0%–100%
			Withdrawal benefit election	0%–50%
			Volatility	n/a
Variable annuities	820	Deterministic discounted cash flow	Surrenders	0.5%–35%
			Mortality	0%–100%

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Comprehensive Income

52 Consolidated Statements of Changes
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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	6	–	(100)
Subtotal	52	6	–	(100)
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	–	–	(3)
Other asset-backed securities	212	–	–	(40)
Government and government agency bonds	56	35	–	(37)
Corporate bonds	3,149	1,060	159	(98)
Other debt securities	773	68	1	(70)
Equity securities	5,722	694	–	(672)
Subtotal	9,945	1,857	160	(920)
Financial assets for unit-linked contracts	179	28	–	(31)
Total financial assets at fair value	10,180	2,001	160	(1,051)

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	955	–	(357)
Financial liabilities for unit-linked contracts	179	28	–	(31)
Financial liabilities for puttable equity instruments	–	–	–	–
Total financial liabilities at fair value	4,606	983	–	(388)

Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 30 September 2014	Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date
–	–	–	–	–	–	–
1	–	–	–	–	15	–
98	–	–	3	–	46	20
99	–	–	3	–	61	20
–	–	–	–	–	1	–
–	–	–	–	(3)	110	–
–	–	–	–	(3)	111	–
(22)	25	–	1	–	35	–
6	10	–	11	–	199	–
–	1	–	2	–	58	–
6	160	–	314	–	4,750	–
1	(32)	(14)	2	(72)	657	–
17	546	(81)	28	83	6,336	–
8	710	(95)	358	11	12,035	–
(5)	–	–	–	–	170	–
102	710	(95)	361	8	12,377	20

Net losses (gains) recognized in consolidated income statement	Net losses (gains) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 30 September 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
119	–	–	446	–	5,589	944
(5)	–	–	–	–	170	–
–	–	–	–	–	–	–
114	–	–	446	–	5,759	944

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

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

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

RECLASSIFICATION OF FINANCIAL ASSETS

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

As of 31 December 2013, the carrying amount and fair value of the CDOs was € 166 MN and € 156 MN, respectively. As of 30 September 2014, the carrying amount and fair value of the CDOs was € 162 MN and € 158 MN, respectively. For the nine months ended 30 September 2014, the net profit related to the CDOs was not significant.

39 – Earnings per share

BASIC EARNINGS PER SHARE

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

BASIC EARNINGS PER SHARE

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Net income attributable to shareholders used to calculate basic earnings per share	1,606	1,445	5,002	4,740
Weighted average number of common shares outstanding	453,784,317	453,216,918	453,762,049	453,196,597
Basic earnings per share (€)	3.54	3.19	11.02	10.46

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. Potentially dilutive common shares arise from various share-based compensation plans of the Allianz Group. The dilution effect for the three and the nine months ended 30 September 2014 amounted to € 0.02 (2013: € 0.05) and € 0.07 (2013: € 0.13) per share.

DILUTED EARNINGS PER SHARE

€ MN	three months ended 30 September		nine months ended 30 September	
	2014	2013	2014	2013
Net income attributable to shareholders	1,606	1,445	5,002	4,740
Effect of potentially dilutive common shares	(10)	(20)	3	(54)
Net income used to calculate diluted earnings per share	1,597	1,425	5,004	4,686
Weighted average number of common shares outstanding	453,784,317	453,216,918	453,762,049	453,196,597
Potentially dilutive common shares resulting from assumed conversion of:				
Share-based compensation plans	328,927	385,584	3,090,734	450,966
Weighted average number of common shares outstanding after assumed conversion	454,113,244	453,602,502	456,852,783	453,647,563
Diluted earnings per share (€)	3.52	3.14	10.95	10.33

For the nine months ended 30 September 2014, the weighted average number of common shares excludes 2,737,951 (2013: 2,753,403) treasury shares.

40 – Other information

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES

	as of 30 September 2014	as of 31 December 2013
Germany	40,661	40,537
Other countries	106,862	107,090
Total	147,523	147,627

CONTINGENT LIABILITIES AND COMMITMENTS

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

As of 30 September 2014, commitments outstanding to invest in private equity funds and similar financial instruments amounted to € 3,216 MN (31 December 2013: € 2,978 MN) and commitments outstanding to invest in real estate and infrastructure amounted to € 830 MN (31 December 2013: € 860 MN). Other commitments – mainly referring to a purchase obligation and sponsoring – increased from € 477 MN as of 31 December 2013 to € 512 MN as of 30 September 2014. All other commitments showed no significant changes.

41 — Subsequent events

PIMCO INTRODUCED ENHANCED COMPENSATION PROGRAM

PIMCO introduced a Special Performance Award (SPA) as an enhancement to the regular year-end compensation process. The SPA consists of deferred cash awards granted in the course of fourth quarter 2014, earned and payable over 12 to 30 months. The purpose of the program is to secure performance and to retain talents. The average quarterly impact on income before taxes over the five quarters through the end of 2015 amounts to € 33 MN, and over the remaining six quarters to € 10 MN.

NEW DIVIDEND POLICY WITH INCREASED PAY-OUT RATIO OF 50 PERCENT

The board of management and the supervisory board of Allianz SE have decided to alter their dividend policy to target an increase in pay-out ratio from 40 to 50 percent of the Allianz Group net income (attributable to shareholders). In the interest of dividend continuity, the objective is to keep the dividend per share at least at the level paid in the previous year. It is further intended to evaluate and return to the shareholders the unused budget earmarked for external growth every three years. The first evaluation would take place at the end of 2016. The dividend policy is subject to a sustainable Solvency II ratio above 160 percent.

This dividend policy represents the current intention of the board of management and the supervisory board and may be revised in the future. Also, the dividend payment in any given year is subject to specific dividend proposals by the board of management and the supervisory board, each of which may elect to deviate from this dividend policy if appropriate under the then prevailing circumstances, as well as to the decision of the annual general meeting.

Munich, 6 November 2014

Allianz SE
The Board of Management

The image shows ten handwritten signatures in blue ink, arranged in two columns. The signatures are: Top row: 'M. Linn' and 'Oliver Biele'; Second row: 'M. Jann' and 'G. B.'; Third row: 'B. Zöfel' and 'H. F. F. F.'; Fourth row: 'K. W. W.' and 'J. R. R.'; Fifth row: 'D. W. W.' and 'Z. W. W.'; Sixth row: 'M. Zimmerer'.

REVIEW REPORT

To Allianz SE, Munich

We have reviewed the condensed consolidated interim financial statements of Allianz SE, Munich – comprising the consolidated balance sheets, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and selected explanatory notes – together with the interim group management report of Allianz SE, Munich, for the period from 1 January to 30 September 2014 that are part of the quarterly financial report according to § 37x par. 3 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed consolidated interim financial statements in accordance with those 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, 6 November 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft



Klaus Becker
Wirtschaftsprüfer
(Independent Auditor)



Dr. Frank Pfaffenzeller
Wirtschaftsprüfer
(Independent Auditor)

Financial calendar

Important dates for shareholders and analysts¹

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