

ALLIANZ SE
Form 6-K
August 10, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

for the period ended June 30, 2009

Commission file Number: 1-15154

ALLIANZ SE

Königinstrasse 28

80802 Munich

Germany

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

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THIS REPORT ON FORM 6-K (EXCEPT FOR ANY NON-GAAP FINANCIAL MEASURE AS SUCH TERM IS DEFINED IN REGULATION G UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED) SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENTS ON FORM S-8 (FILE NO. 333-13462 AND NO. 333-139900) AND ON FORM F-3 (FILE NO. 333-151308) OF ALLIANZ SE AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED. FOR THE AVOIDANCE OF DOUBT, THE DISCLOSURE CONTAINING ANY NON-GAAP FINANCIAL MEASURE CONTAINED IN THE ATTACHED REPORT, INCLUDING WITHOUT LIMITATION REFERENCES TO CONSOLIDATED OPERATING PROFIT AND OPERATING PROFIT AS IT RELATES TO THE ALLIANZ GROUP, INCLUDING THE TABLES ENTITLED OPERATING PROFIT AND OPERATING PROFIT SEGMENTS ON PAGES 3 AND 4 (AS THEY RELATE TO THE ALLIANZ GROUP) AND THE SECTION ENTITLED RECONCILIATION OF CONSOLIDATED OPERATING PROFIT AND INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS IN EARNINGS, AND TO ANY OTHER NON-GAAP FINANCIAL MEASURES, IS NOT INCORPORATED BY REFERENCE INTO THE ABOVE-MENTIONED REGISTRATION STATEMENTS FILED BY ALLIANZ SE.

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Allianz Share

Development of the Allianz share price since January 1, 2009

indexed on the Allianz share price in

Source: Thomson Reuters Datastream

Up-to-date information on the development of the Allianz share price is available at www.allianz.com/share.

Basic Allianz share information

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Share type
Denomination
Stock exchanges
Security Codes

Registered share with restricted transfer
No-par-value share
All German stock exchanges, London, Paris, Zurich, Milan, New York
WKN 840 400

Bloomberg
Reuters
Investor Relations

ISIN DE 000 840 400 5
ALV GY
ALVG.DE

We endeavor to keep our shareholders up-to-date on all company developments. Our Investor Relations Team is pleased to answer any questions you may have.

Allianz SE

Investor Relations

Koeniginstrasse 28

80802 Muenchen

Germany

Fax: + 49 89 3800 3899

E-Mail: investor.relations@allianz.com

Internet: www.allianz.com/investor-relations

For telephone enquiries, our Allianz Investor Line is available:

+ 49 1802 2554269

+ 49 1802 ALLIANZ

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		Three months ended June 30,			Change from previous year	Six months ended June 30,		
		2009	2008			2009	2008	Change from previous year
INCOME STATEMENT								
Total revenues ¹⁾	mn	22,172	21,521	3.0%	49,899	48,484	2.9%	
Operating profit ²⁾	mn	1,786	2,659	(32.8)%	3,205	4,885	(34.4)%	
Net income from continuing operations ³⁾	mn	1,869	2,225	(16.0)%	2,293	3,605	(36.4)%	
Net loss from discontinued operations, net of income taxes and minority interests in earnings ³⁾	mn		(683)		(395)	(915)	56.8%	
Net income ³⁾	mn	1,869	1,542	21.2%	1,898	2,690	(29.4)%	
SEGMENTS (Continuing Operations) ⁴⁾								
Property-Casualty								
Gross premiums written	mn	9,522	9,842	(3.3)%	23,408	23,552	(0.6)%	
Operating profit ²⁾	mn	895	1,681	(46.8)%	1,864	3,177	(41.3)%	
Combined ratio	%	98.9	93.5	5.4 pts	98.8	94.5	4.3 pts	
Life/Health								
Statutory premiums	mn	11,766	10,729	9.7%	24,779	23,056	7.5%	
Operating profit ²⁾	mn	990	703	40.8%	1,392	1,292	7.7%	
Cost-income ratio	%	93.8	94.7	(0.9) pts	95.5	95.5	0.0 pts	
Financial Services								
Operating revenues	mn	926	925	0.1%	1,788	1,846	(3.1)%	
Operating profit ²⁾	mn	146	285	(48.8)%	344	540	(36.3)%	
Cost-income ratio	%	83.2	68.8	14.4 pts	79.8	70.2	9.6 pts	
BALANCE SHEET								
Total assets as of June 30, ⁵⁾	mn	555,699	955,576	(41.8)%	555,699	955,576	(41.8)%	
Shareholders' equity as of June 30, ⁵⁾	mn	34,530	33,684	2.5%	34,530	33,684	2.5%	
Minority interests as of June 30, ⁵⁾	mn	2,081	3,564	(41.6)%	2,081	3,564	(41.6)%	
SHARE INFORMATION								
Basic earnings per share		4.14	3.44	20.3%	4.21	5.98	(29.6)%	
Diluted earnings per share		4.13	3.39	21.8%	4.17	5.85	(28.7)%	
Share price as of June 30, ⁵⁾		65.63	75.00	(12.5)%	65.63	75.00	(12.5)%	
Market capitalization as of June 30, ⁵⁾	bn	29.7	34.0	(12.5)%	29.7	34.0	(12.5)%	
OTHER DATA								
Third-party assets under management as of June 30, ⁵⁾	bn	813	703	15.6%	813	703	15.6%	

¹⁾ Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums and Financial Services segment's operating revenues.

²⁾ The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole.

³⁾ Following the announcement of the sale on August 31, 2008, Dresdner Bank was qualified as held-for-sale and discontinued operations. The transfer of ownership of Dresdner Bank to Commerzbank was completed on January 12, 2009 as scheduled. Accordingly, assets and liabilities of

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Dresdner Bank have been deconsolidated in the first quarter 2009. The loss from derecognition of discontinued operations amounts to 395 mn and represents mainly the recycling of components of other comprehensive income. All income and expenses relating to the discontinued operations of Dresdner Bank have been reclassified and presented in a separate line item Net loss from discontinued operations, net of income taxes and minority interests in earnings in the consolidated income statements for all years presented in accordance with IFRS 5.

- 4) The Allianz Group operates and manages its activities through four segments: Property-Casualty, Life/Health, Financial Services and Corporate. For further information please refer to Note 5 of our condensed consolidated interim financial statements.
- 5) 2008 figures as of December 31, 2008.

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Executive Summary and Outlook

Net income increased 21% to 1.9 billion.

Particularly good results in Life.

Solvency ratio remains strong at 159%.

Second Quarter 2009 at a Glance

Robust results in tough environment

In the second quarter net income amounted to 1,869 million, an increase of 21.2% compared to 1,542 million in the second quarter 2008. Total revenues of 22,172 million increased by 3%. Operating profit was solid at 1,786 million. While there was a significant reduction in Property-Casualty operating profit, there was a particularly strong operating profit in Life/Health operations.

Allianz Group's Consolidated Results of Operations

Total revenues ¹⁾

Total revenues

in bn

On an internal basis ²⁾, total revenues increased by 1.4% in comparison to the prior year quarter. The Life/Health insurance segment delivered 7.7% growth, whilst internal growth in our Property-Casualty operations declined by 3.7%. Revenues in the Financial Services segment decreased on an internal basis by 11.7% in the second quarter 2009.

Foreign currency exchange effects increased total revenues by 223 million. First time consolidation effects mainly of cominvest and our Turkish subsidiary contributed 132 million to total revenues, which went up by 3.0% on a nominal basis.

¹⁾ Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums and Financial Services segment's operating revenues.

²⁾ Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 38 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

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In the first six months of 2009 total revenues of 49,899 million were up 1.4 % on an internal basis. Life/Health insurance operations increased by 5.5% , whilst growth declined in our Property-Casualty and Financial Services operations by 0.9% and 14.7%, respectively. Foreign currency exchange effects increased total revenues by 454 million and first-time consolidation effects contributed 288 million. Over-all, total revenues increased by 2.9% on a nominal basis for the first half year.

Total revenues Segments

in mn

Reflective of the overall decline in industrial country gross domestic product and the continuing softening markets, gross premiums written from **Property-Casualty** operations were down by 3.7% on an internal basis. On a nominal basis, gross premiums written were down by 3.3% to 9,522 million, including the first-time consolidation of our subsidiary in Turkey and a negative foreign currency translation effect.

For the first half year, gross premiums written of 23,408 million decreased by 0.9% on an internal basis while nominal growth decreased by 0.6%.

¹⁾ Total revenues include (42) mn, 25 mn and 16 mn from consolidation for 2Q 2009, 2008 and 2007, respectively.

In our **Life/Health** segment statutory premiums of 11,766 million grew by 7.7% on an internal basis in the second quarter of 2009. This growth is driven by a continuing strong demand for products with minimum guarantees and participating components. In the first half of 2009 statutory premiums of 24,779 million grew by 5.5% on an internal basis.

Revenues in our **Financial Services** segment remained stable at 926 million in the second quarter. This was pre-dominantly driven by the revenue development in Asset Management. Adjusted for foreign currency and consolidation effects total revenues were 11.7% lower on an internal basis compared to previous year's quarter. For the first six months operating revenues for the Financial Services segment were 1,788 million, a decline of 14.7% on an internal basis.

Operating profit**Operating profit**

in mn

Operating profit of 1,786 million doubled compared to the fourth quarter 2008 and was 25.9% higher than in the first quarter 2009. But when compared to the high level of the second quarter 2008, operating profit was down by 32.8%. On a six months basis operating profit of 3,205 million was down by 34.4%.

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Group Management Report Allianz Group Interim Report Second Quarter and First Half of 2009

Operating profit Segments

in mn

At 895 million, the **Property-Casualty** segment operating profit decreased by 46.8% compared to the previous year. This decline was attributable to a lower underwriting result as well as a lower interest and similar income. On a six months basis, operating profit declined by 41.3% to 1,864 million, for the same reasons as the decline in the second quarter.

In the **Life/Health** segment operating profit increased to 990 million, an increase of 40.8 % in comparison to 703 million in the second quarter 2008 and represented a strong recovery after 402 million operating profit in the first quarter 2009 and a loss in the fourth quarter 2008 of 302 million. The main driver for this positive development is the investment result. This is based on the high quality of our fixed income debt portfolio as reflected in low impairments. For the first six months of 2009 operating profit increased to 1,392 million compared to 1,292 million the first six months of 2008.

¹⁾ Operating profit includes (33) mn, 6 mn and (37) mn from consolidation for 2Q 2009, 2008 and 2007, respectively.

In the **Financial Services** segment we recorded an operating profit of 146 million, down 48.8% compared to last year's quarter. A particular driver for this development was the set-up costs for our banking operations in Germany. For the first six months we recorded an operating profit of 344 million, a decline of 36.3%. The development was largely consistent with the 2009 to 2008 second quarter comparison.

In the second quarter 2009, the operating loss from **Corporate** activities increased to 212 million, due to lower current investment income and negative foreign currency effects compared to 2008, which were partially off-set by hedge results. For the first six months the operating loss from Corporate activities increased to 383 million compared to 120 million in 2008.

Non-operating result

Non-operating items amounted to a profit of 548 million in the second quarter 2009 compared to a profit of 156 million in 2008. This positive development was mainly due to lower non-operating impairments and higher income from financial assets and liabilities carried at fair value through income. Realized gains amounting to 959 million were 95 million lower than in the second quarter of 2008.

In the first half of 2009 our non-operating result amounted to a loss of 426 million compared to a loss of 52 million in the first six months of 2008. This development was mainly driven by lower realized gains and an expense from fully consolidated private equity investments.

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Allianz Group Interim Report Second Quarter and First Half of 2009 **Group Management Report**

Net income (loss) from continuing operations

Net income (loss) from continuing operations

in mn

Net income from continuing operations was 1,869 million compared to 2,225 million in the second quarter 2008.

Income taxes amounted to 447 million in the second quarter 2009 compared to 509 million in the second quarter 2008. The effective tax rate was 19.2% compared to 18.1% in the second quarter 2008.

On a six months basis income taxes amounted to 468 million in 2009 compared to 1,081 million in 2008. The effective tax rate was 16.8% compared to 22.4% in the first six months in 2008.

Net income (loss) from discontinued operations

Since the completion of the Dresdner Bank sale there are no further results from discontinued operations.

Net income

Net income for the second quarter 2009 amounted to 1,869 million compared to 1,542 million one year ago. On a six months basis, net income was 1,898 million compared to 2,690 million in the first six months of 2008.

Earnings per share ¹⁾

in

The net income translates into basic earnings per share of 4.21 (diluted: 4.17) for the first half of 2009.

Shareholders equity

Shareholders equity²⁾

in mn

As of June 30, 2009, shareholders equity amounted to 34,530 million, up 4.5% from March 31, 2009. For the second quarter, net income increased equity by 1,869 million and unrealized gains added 1,590 million. Dividends amounting to 1,580 million for the fiscal year 2008 paid by Allianz SE in the second quarter 2009 reduced equity.

¹⁾ For further information please refer to Note 38 to our condensed consolidated interim financial statements.

²⁾ Does not include minority interests.

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Group Management Report Allianz Group Interim Report Second Quarter and First Half of 2009

Conglomerate solvency

in bn

As of June 30, 2009 our available funds for the solvency margin, required for our insurance segments and our banking and asset management business were 33.0 billion including off-balance sheet reserves, surpassing the minimum legally stipulated level by 12.2 billion. This margin resulted in a cover ratio of 159%²⁾ at June 30, 2009. Our solvency position therefore remains strong.

- 1) Available funds and requirement as of December 31, 2008 including discontinued operations were adjusted to reflect the pro-forma view. For example, we removed hybrid capital related to Dresdner Bank from available funds and adjusted the deduction of goodwill and other intangible assets. Furthermore, we deleted the requirement of our discontinued operations.
- 2) During the fiscal year, conglomerate solvency is partially based on assumptions. The extent to which intangible assets related to certain private equity investments are to be deducted from our own funds for the purpose of the conglomerate solvency calculation has not yet been finally agreed by BaFin.

Table of ContentsAllianz Group Interim Report Second Quarter and First Half of 2009 **Group Management Report****Total revenues and reconciliation of operating profit to net income**

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	mn	mn	mn	mn
Total revenues ¹⁾	22,172	21,521	49,899	48,484
Premiums earned (net)	14,477	14,559	29,157	29,321
Interest and similar income	4,800	5,427	9,214	9,883
Operating income from financial assets and liabilities carried at fair value through income (net)	750	(405)	520	(109)
Operating realized gains/losses (net)	659	348	824	997
Fee and commission income	1,426	1,555	2,762	3,060
Other income	15	15	19	366
Claims and insurance benefits incurred (net)	(11,105)	(10,787)	(22,884)	(22,101)
Change in reserves for insurance and investment contracts (net)	(2,684)	(1,466)	(3,305)	(3,311)
Interest expenses, excluding interest expenses from external debt	(131)	(233)	(303)	(474)
Loan loss provisions	(24)	(1)	(39)	(6)
Operating impairments of investments (net)	(271)	(987)	(1,409)	(2,060)
Investment expenses	(429)	(159)	(367)	(595)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(5,168)	(4,625)	(9,968)	(8,964)
Fee and commission expenses	(552)	(592)	(1,043)	(1,143)
Operating restructuring charges	4		3	(1)
Other expenses	(1)		(2)	(1)
Reclassification of tax benefits	20	10	26	23
Operating profit	1,786	2,659	3,205	4,885
Non-operating income from financial assets and liabilities carried at fair value through income (net)	137	(88)	37	39
Non-operating realized gains/losses (net)	959	1,054	1,213	1,464
Income from fully consolidated private equity investments (net)	(101)	29	(157)	52
Interest expenses from external debt	(214)	(233)	(452)	(485)
Non-operating impairments of investments (net)	(144)	(506)	(896)	(903)
Acquisition-related expenses	(44)	(79)	(53)	(186)
Amortization of intangible assets	(11)	(3)	(15)	(8)
Non-operating restructuring charges	(14)	(8)	(77)	(2)
Reclassification of tax benefits	(20)	(10)	(26)	(23)
Non-operating items	548	156	(426)	(52)
Income from continuing operations before income taxes and minority interests in earnings	2,334	2,815	2,779	4,833
Income taxes	(447)	(509)	(468)	(1,081)
Minority interests in earnings	(18)	(81)	(18)	(147)
Net income from continuing operations	1,869	2,225	2,293	3,605
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings		(683)	(395)	(915)
Net income	1,869	1,542	1,898	2,690

¹⁾ Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums (including unit-linked and other investment-oriented products) and Financial Services segment's operating revenues.

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Group Management Report Allianz Group Interim Report Second Quarter and First Half of 2009

Risk Management

Risk management is an integral part of our business processes and supports our value-based management. As our internal risk capital model provides management with information which allows for active asset-liability management and monitoring, risk is well controlled and managed.

The information contained in the risk report in our 2008 Annual Report is still valid.

Events After the Balance Sheet Date

Placement of a senior bond with a volume of 1.5 billion

On July 15, 2009 Allianz Finance II B.V., a fully consolidated subsidiary of the Allianz SE, placed a senior bond with a volume of 1.5 billion on the capital market to institutional Investors. The senior bond has a maturity of 10 years and a fixed coupon of 4.75%.

Outlook

Economic Outlook

Developments in the second quarter of 2009 confirmed the first signs of economic recovery that had appeared in the first quarter. Stock markets recorded a strong rebound and corporate bond spreads narrowed appreciably.

This should not obscure the fact that the financial crisis had plunged the world economy into the severest recession for more than 50 years in late 2008 and early 2009. Therefore, despite the recovery we expect the global economy to shrink by around 2.5% in 2009 and industrial country gross domestic product to decrease by as much as 3.5%.

Recovery is likely, but uncertainty continues

Against this environment, forecasts are particularly subject to uncertainty. As a result, a wide variety of economic scenarios from a prolonged recession to an inflationary recovery are currently on the table. In our view a rebound in the world economy is likely in the second half of 2009. A host of leading indicators, including hard indicators such as new orders and industrial production, are pointing upwards again. The world economy is increasingly emerging from its state of shock. The massive boost from fiscal and monetary policy is starting to work. However, economic policy will not be able to maintain this course forever and in many countries private households will have to reduce their debt. This will weigh on economic growth in the medium term.

The challenges facing economic policy in the years ahead are enormous. High government deficits have to be reduced. Monetary policy needs to deal with excess liquidity in a timely fashion to avoid the risk of inflation. On the international stage there needs to be a high degree of cooperation to enable a sustained recovery in world trade with-out large external imbalances.

Regional economic performance

The performance in the emerging markets is very uneven in 2009. Asia is set to be the sole region to record positive growth, with an increase of 2.8%. China and India lead the way here. We estimate that Eastern European countries will decrease by 4.3%, primarily because recent growth in many Eastern European countries has been financed by the rapid

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Allianz Group Interim Report Second Quarter and First Half of 2009 **Group Management Report**

expansion of credit, partly in foreign currencies. Latin America will not escape the downturn either, we expect economic activity to shrink by 3% in 2009.

The economy of the United States will shrink by about 2.3% in 2009, a fairly modest figure bearing in mind that the U.S. was at the center of the real estate and banking crisis. We put the drop in Japanese GDP at 6.5%. Although the Japanese economy itself has been relatively untouched by the financial crisis, its dependence on export demand has had a noticeable impact on the economy's performance, given the current environment. The same is true for Germany, where we expect economic activity to decline by 4.1%.

Financial markets

With the economy stabilizing, the prospects for a further recovery on the financial markets have improved. However, they are likely to remain volatile. Too many risks still exist both on the financial markets and on banks' books as well as in the real economy. With public sector debt and monetary policy inflating, bond yields could also rise appreciably. However, the economic environment on the financial markets in mid-2009 is significantly better than at the beginning of the year.

Environment for financial services providers remains challenging

Property-Casualty as well as Life insurance face markedly weaker demand due to the economic downturn and rising unemployment. Prices are moving upward only slowly and only in specific areas of business.

However, the underlying long-term driver for Life/Health insurance remains intact: due to demographic change, social security systems financed on a pay-as-you-go basis are not sustainable. Against the background of rising state deficits caused by the multitude of state rescue packages to dampen the impact of the current financial crisis, social security reforms already adopted might prove to be too generous in the future. Private health care and old-age provision are going to become even more important.

Outlook for the Allianz Group

Allianz is well capitalized and our solvency ratio remains strong at 159%, after a notional accrual of 2009 dividend for the first half amounting to 0.9 billion. With a high quality investment portfolio, conservative risk appetite and active risk management program, our solvency position has little sensitivity to downside risks, and we are able to withstand a prolonged difficult market environment.

The underlying fundamentals in our operations are healthy. In Property-Casualty, prices are moving upward only slowly and only in specific areas of business. However, we estimate a slightly favorable trend overall driven by tariff increases. As well as the positive impacts from premium increases, compared to the first half of 2009 we expect our combined ratio to improve also through the claims and expenses lines. Higher claims expenses in the first half of 2009 reflected a multitude of weather-related claims. We anticipate a lower impact from such sources in the second half of 2009. Actions have been taken to further improve selective underwriting in markets where highest losses have been recorded, and we expect to see the benefits of those actions flow through the operating results over time. As a result of our ongoing efficiency and effectiveness initiatives, we are realizing further improvements in productivity that we expect will keep the growth in claims and administrative expenses to below the level of inflation.

The fundamentals of our Life portfolio are sound and benefit from our conservative risk strategy. Top line growth reflects continued demand for investment products with underlying guarantees and investment participation, and further positive capital market and economic developments would support the growth trend at good margins, and lead to a more stable value generation in our Life/Health businesses. Actions taken in the U.S. to redesign and reprice products have stabilized and improved the situation there, and strong inflows in the fixed indexed annuities in the second quarter with a balanced risk profile for the company look set to continue. As capital markets stabilized and credit spreads narrowed, there was a catch-up effect in the U.S. operating profit in line with our earlier predictions which may not recur in the second half of 2009. For the full year 2009, we expect interest and similar income in Life/Health to exceed the level of 2008.

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Group Management Report Allianz Group Interim Report Second Quarter and First Half of 2009

In Financial Services, our Asset Management business generated its highest profit of the last twelve months, and operating profit is consistently moving up again, supported by the integration of cominvest. While the equities business continues to suffer, the fixed-income business is performing outstandingly, and we expect this to continue for the rest of 2009. Third-party assets under management now exceed 800 billion for the first time. A significant part of that asset growth occurred towards the end of the second quarter, and the associated increase in operating revenues that can be expected will flow through more strongly in the second half. We are realizing the benefits of our ongoing active expense management program, and we expect to see our cost-income ratio come down.

The set-up of Allianz Bank has been largely completed and the major part of the planned level of investment expenses has already been incurred.

Following the sale of Dresdner Bank, the result from discontinued operations is fixed and plays no further role in our outlook.

We remain confident that Allianz is well positioned to take advantage of an improving economic and operating environment, and has a sound platform for delivering solid earnings in our core insurance and asset accumulation businesses.

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

Cautionary note regarding forward-looking statements

The statements contained herein may include 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 that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) 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. The matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statement.

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Property-Casualty Insurance Operations

Gross premiums written of 9,522 million in soft markets.

Combined ratio of 98.9%.

Earnings Summary

Gross premiums written

2009 to 2008 second quarter comparison

On a total growth basis, gross premiums written were down by 3.3% to 9,522 million on a nominal basis. Adjusted for the consolidation of our subsidiary in Turkey and negative foreign currency translation effects of 42 million, the decline was 3.7%¹⁾. Most of this decline was due to a lower amount of crop business underwritten in the United States, which is strongly dependent on the commodity price development. Without this effect internal growth would have been only (0.5)%. In the second quarter 2009 we observed markets generally remaining soft. In the face of the ongoing recession we stayed disciplined with regards to risk selection, and 3.6% of the revenue decline resulted from a reduction in volume, while price development was positive with 0.6%.

In the second quarter 2009, motor business, accounting for 38% of our portfolio ²⁾, reported 208 million less premiums. Our non-motor business decreased by 114 million.

The discussion about overall price changes in the paragraphs below relate to developments in the respective operating entity or country. We comment on the development of gross premiums written on an internal basis, meaning adjusted for foreign currency translation and (de-) consolidation effects, in order to provide more comparable information.

1) This decline comprises volume and price effects as described below as well as negative development of other special Property-Casualty-lines amounting to (0.7)%.

2) With regard to the total Property-Casualty business excluding reinsurance, AGCS, credit and travel business.

Gross premiums written Internal growth rates

in %

In Spain revenues declined by 5.7% or 30 million. Volume developed favorably due to an increase in the number of policies and customers. In contrast, tough competition in motor and commercial lines in an overall soft market environment led to lower prices. Despite negative price impacts we estimate it to be around 6.3% our Spanish operation is one of our most profitable businesses.

In Italy, revenues declined by 10.6% or 128 million which was mainly attributable to lower average premiums in motor business which are still impacted by the Bersani law. Volume decreased in both motor and non-motor business, as we continued to pursue a selective underwriting approach and active portfolio cleaning. We estimate the negative price effect on premiums written to be 3.3%.

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In the **United States** gross premiums written were down by 26.6% or 248 million. Volume decreased mostly in our crop business, driven by lower commodity prices. In addition, overall rates were still relatively low and the market remained soft, although we observed a positive price trend in commercial lines. We estimate the negative price effect on premiums written to be 2.6%.

In **New Europe**, revenues decreased by 4.2% or 33 million. The volume decline was mainly driven by the economic recession affecting in particular motor business due to less car registrations. In non-motor business the decrease in volume resulted from lower sales of voluntary medical insurance. Prices in New Europe decreased as a result of the high competition in the market. The estimated negative price effect on premiums written was 0.8%.

Revenues in **France** were down by 0.5% or 4 million. In order to address the high combined ratio, we increased prices in almost all business lines. As a consequence, in a competitive market, there was some loss of volume. The estimated positive price effect on premiums written was 2.5%. The decrease in volume was partially offset by higher sales in commercial lines.

Gross premiums written at **Allianz Sach** in Germany decreased by 0.8% or 14 million. This decline was attributable to lower prices and volume in motor business. The volume decrease was mainly a result of a portfolio cleaning exercise, particularly in non-profitable fleet business in order to improve our combined ratio. Prices decreased as competitors offered secondary discounted tariffs and customers displayed higher price sensitivity. In non-motor business we recorded lower volume but higher prices mainly in personal property and corporate business. We estimate the positive overall price effect to be 2.5%.

In the **United Kingdom** gross premiums written increased by 3.0% or 16 million. The volume decreased slightly mainly driven by personal lines as a result of active portfolio cleaning in order to improve our profitability, and the fact that we decided to discontinue our direct business. Rates increased in commercial lines and personal lines. We estimate the positive price effect to be 4.3%.

In **Australia**, revenues increased by 14.1% or 55 million. This increase resulted mainly from significant price increases which were implemented in mid-2008 according to overall market hardening. In addition volume grew, mainly driven by motor and household. There was a positive price effect of an estimated 8.4%.

In **South America**, revenues increased by 18.0% or 44 million mainly driven by Brazil, where we continued to benefit from better penetration in regions outside the major metropolitan areas. Motor, fire and engineering contributed most to the development.

At **AGCS** premiums increased by 9.5% or 73 million. This development stemmed from volume growth in marine and liability business. Increased prices resulted from our energy, aviation and financial lines of business.

At our **credit insurance** business we increased prices on average by 10%. At the same time we reduced our exposure to large multinational corporations. In addition, the volume of our business declined as a result of lower trading volume of our customers.

2009 to 2008 first half comparison

Gross premiums written of 23,408 million decreased on an internal basis by 0.9%. 1.2% of this decrease resulted from a reduction in volume, while there was a 0.5% positive price effect. On a nominal basis, revenues were down by 0.6%. Consolidation and de-consolidation effects impacted revenue development positively by 0.8% and were mainly attributable to the consolidation of our Turkish entity. Currency translation had a negative impact of 0.5%. The developments in most of our markets were largely consistent with the 2009 to 2008 second quarter comparison, whereas our operations in France showed higher revenues in the first quarter 2009 which outweighed the decline in the second quarter.

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Operating profit

Operating profit

in mn

2009 to 2008 second quarter comparison

Our operating profit dropped by 46.8% to 895 million. This decline was mainly attributable to a lower underwriting result, down by 487 million, and a decrease in interest and similar income of 399 million. The lower underwriting result stemmed firstly from our credit insurance at Euler Hermes, secondly from lower releases of prior years loss reserves and thirdly from higher expenses. The decrease in interest and similar income resulted primarily from lower dividend income.

The combined ratio increased by 5.4 percentage points to 98.9% due to higher accident year losses (making up for 1.8 percentage points), lower releases of prior years loss reserves contributing 2.7 percentage points, and higher expenses with an impact of 0.9 percentage points.

The accident year loss ratio amounted to 72.7% and thus increased by 1.8 percentage points. Thereof, change in frequency and severity contributed 2.4 percentage points. The losses of our credit insurance business at Euler Hermes added another 0.7 percentage points to this deterioration as the macroeconomic environment resulted in a significantly higher frequency of defaults and delayed payments. A lower load from natural catastrophes, down by 1.2 percentage points, partly offset these effects. In addition we recorded a positive impact from higher prices.

The overall impact from natural catastrophes was 105 million, including the earthquake in Italy, May hail and hailstorm Felix in Germany.

Acquisition and administrative expenses increased by 2.7% to 2,657 million. This development was driven mostly by higher acquisition expenses, which increased by 56 million to 1,819 million. This increase resulted from higher business volume relating partly to external growth. Administrative expenses went up slightly by 15 million to 838 million. The expense ratio increased by 0.9 percentage points to 28.3%.

Operating net investment income

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	mn	mn	mn	mn
Interest and similar income	932	1,331	1,865	2,382
Operating income from financial assets and liabilities carried at fair value through income (net)	52	(65)	38	29
Operating realized gains/losses (net)	20	61	16	58
Operating impairments of investments (net)	(4)	(72)	(66)	(165)
Investment expenses	(128)	(79)	(106)	(202)
Changes in reserves for insurance and investment contracts (premium refunds)	(64)	(12)	(54)	37
Operating net investment income	808	1,164	1,693	2,139

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Net investment income decreased by 356 million to 808 million. Interest and similar income decreased by 30.0% to 932 million, primarily due to lower dividend income as a result of reduced equity investments. This effect will be partially recovered by the end of the year since the majority of the equity disposal proceeds were invested in interest-bearing debt securities. The lower interest rate environment resulted in a reduced yield on our fixed-income investments. Investment expenses amounted to 128 million, an increase of 62.0% due to negative currency translation effects mainly driven by the U.S. Dollar. This effect was partially offset by our currency hedging activities.

2009 to 2008 first half comparison

On a six months basis, operating profit declined by 41.3% to 1,864 million. This development was mainly driven by a lower underwriting result and lower operating net investment income. The expense ratio increased by 0.9 percentage points to 28.0% and our combined ratio was up by 4.3 percentage points to 98.8%.

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Property-Casualty segment information

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	mn	mn	mn	mn
Gross premiums written ¹⁾	9,522	9,842	23,408	23,552
Ceded premiums written	(985)	(1,115)	(2,355)	(2,400)
Change in unearned premiums	828	721	(2,356)	(2,531)
Premiums earned (net)	9,365	9,448	18,697	18,621
Interest and similar income	932	1,331	1,865	2,382
Operating income from financial assets and liabilities carried at fair value through income (net)	52	(65)	38	29
Operating realized gains/losses (net)	20	61	16	58
Fee and commission income	270	293	542	560
Other income	5	7	8	257
Operating revenues	10,644	11,075	21,166	21,907
Claims and insurance benefits incurred (net)	(6,608)	(6,247)	(13,241)	(12,548)
Changes in reserves for insurance and investment contracts (net)	(95)	(70)	(125)	(99)
Interest expenses	(26)	(91)	(60)	(179)
Loan loss provisions	(2)	(1)	(8)	(1)
Operating impairments of investments (net)	(4)	(72)	(66)	(165)
Investment expenses	(128)	(79)	(106)	(202)
Acquisition and administrative expenses (net)	(2,657)	(2,586)	(5,232)	(5,040)
Fee and commission expenses	(229)	(248)	(463)	(496)
Other expenses			(1)	
Operating expenses	(9,749)	(9,394)	(19,302)	(18,730)
Operating profit	895	1,681	1,864	3,177
Loss ratio ²⁾ in %	70.6	66.1	70.8	67.4
Expense ratio ³⁾ in %	28.3	27.4	28.0	27.1
Combined ratio ⁴⁾ in %	98.9	93.5	98.8	94.5

1) For the Property-Casualty 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) 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).

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Property-Casualty Operations by Business Divisions

Three months ended	Gross premiums written				Premiums earned		Operating profit		Combined ratio		Loss ratio		Expense ratio	
			internal ¹⁾		(net)									
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
June 30,	mn	mn	mn	mn	mn	mn	mn	mn	%	%	%	%	%	%
Germany	1,682	1,696	1,682	1,696	1,820	1,843	55	219	106.2	100.0	77.7	72.6	28.5	27.4
Switzerland	126	124	119	122	312	289	38	25	91.5	94.0	68.0	71.5	23.5	22.5
Austria	198	197	198	197	169	177	19	28	95.1	92.1	73.3	68.7	21.8	23.4
German Speaking Countries	2,006	2,017	1,999	2,015	2,301	2,309	112	272	103.3	98.7	76.1	72.2	27.2	26.5
Italy	1,085	1,232	1,085	1,213	1,054	1,171	95	301	100.9	93.2	74.9	69.2	26.0	24.0
Spain	492	522	492	522	446	469	74	67	89.4	91.6	68.5	70.4	20.9	21.2
South America	265	244	288	244	200	187	14	22	99.8	96.9	64.8	64.5	35.0	32.4
Portugal	66	71	66	71	59	62	11	10	90.8	91.6	65.6	64.4	25.2	27.2
Turkey ²⁾	103				65		1		108.0		81.5		26.5	
Greece	24	20	24	20	16	14	3	2	90.7	93.3	56.9	61.3	33.8	32.0
Europe I incl. South America	2,035	2,089	1,955	2,070	1,840	1,903	198	402	97.8	93.2	72.0	68.9	25.8	24.3
France Credit	839	843	839	843	790	808	18	114	105.4	96.1	76.2	69.1	29.2	27.0
Insurance	421	437	421	437	293	333	(32)	112	118.9	87.4	92.9	60.2	26.0	27.2
Travel Insurance and Assistance														
Services	346	307	346	307	326	308	27	33	98.8	89.1	60.8	53.6	38.0	35.5
Netherlands	214	222	214	222	200	203	12	24	99.9	94.2	68.6	63.6	31.3	30.6
Belgium	75	73	75	73	67	65	15	13	92.1	97.3	56.3	59.8	35.8	37.5
Africa	17	17	17	17	11	12	2	4	96.1	76.4	51.1	37.6	45.0	38.8
Europe II incl. Africa	1,912	1,899	1,912	1,899	1,687	1,729	46 ³⁾	307 ³⁾	105.3	93.0	74.3	63.6	31.0	29.4
United States	786	1,061	686	934	701	743	88	141	99.7	90.9	67.5	63.4	32.2	27.5
Mexico	50	74	55	74	21	21	1	1	90.1	94.6	65.0	68.6	25.1	26.0
NAFTA	836	1,135	741	1,008	722	764	89	142	99.4	91.0	67.4	63.6	32.0	27.4
Reinsurance PC	810	718	797	718	781	741	112	130	90.7	89.1	66.2	60.7	24.5	28.4
Allianz Global Corporate & Specialty	839	657	839	766	543	449	134	155	88.8	83.0	63.0	58.8	25.8	24.2
AZ Insurance plc	491	528	544	528	406	443	53	64	94.0	94.2	60.5	61.1	33.5	33.1
Australia	411	390	445	390	291	303	71	94	88.6	89.2	63.4	64.6	25.2	24.6
Ireland	153	163	153	163	146	146	(1)	29	110.4	93.0	82.9	65.8	27.5	27.2
ART	75	120	54	120	48	17	14	12	108.5	50.8	60.6	34.2	47.9	16.6
Anglo Broker Markets/														
Global Lines	3,615	3,711	3,573	3,693	2,937	2,863	472	626	94.0	89.3	65.6	61.7	28.4	27.6

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Russia/CIS ⁴⁾	199	261	232	261	137	171	9	4	95.9	107.6	53.4	64.7	42.5	42.9
Hungary	97	118	112	118	104	118	20	11	80.1	100.2	51.6	70.1	28.5	30.1
Poland	94	122	123	122	70	83	3	17	101.8	82.8	65.4	55.5	36.4	27.3
Romania	73	83	83	83	36	33	1	1	98.4	106.8	70.1	83.7	28.3	23.1
Slovakia	81	78	81	78	79	76	22	28	75.0	71.1	48.6	42.3	26.4	28.8
Czech Republic	63	66	68	66	55	52	9	7	82.4	89.8	60.0	67.8	22.4	22.0
Bulgaria	26	28	26	28	14	16		1	104.6	100.0	61.2	57.8	43.4	42.2
Croatia	22	25	23	25	19	19	1	1	99.3	99.3	62.2	62.2	37.1	37.1
New Europe ⁵⁾	655	781	748	781	514	568	60	62	89.6	96.2	56.4	62.6	33.2	33.6
Asia-Pacific														
(excl. Australia)	125	109	118	109	63	53	6	5	97.8	97.7	66.3	60.9	31.5	36.8
Middle East	16	13	14	13	9	5	1		134.3	120.9	71.2	63.6	63.1	57.3
Growth Markets	796	903	880	903	586	626	67	67	91.1	96.8	57.7	62.6	33.4	34.2
Consolidation ⁶⁾	(842)	(777)	(874)	(775)	14	18		7						
Total	9,522	9,842	9,445	9,805	9,365	9,448	895	1,681	98.9	93.5	70.6	66.1	28.3	27.4

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

²⁾ Effective July 21, 2008, Koç Allianz Sigorta AS was consolidated following the acquisition of approximately 47.1% of the shares in Koç Allianz Sigorta AS by the Allianz Group, increasing our holding to approximately 84.2%.

³⁾ Contains 7 mn and 11 mn for 1H 2009 and 1H 2008, respectively, from a former operating entity located in Luxembourg (4 mn and 5 mn for 2Q 2009 and 2Q 2008, respectively) and also 1 mn and 3 mn for 1H 2009 and 1H 2008, respectively, from AGF UK (0 mn and 2 mn for 2Q 2009 and 2Q 2008, respectively).

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months ended June 30,	Premiums earned												Expense ratio
	Gross premiums written				(net)		Operating profit		Combined ratio		Loss ratio		
	2009	2008	internal 1)		2009	2008	2009	2008	2009	2008	2009	2008	
	mn	mn	mn	mn	mn	mn	mn	mn	mn	%	%	%	%
Germany	5,716	5,781	5,716	5,781	3,598	3,632	332	693	100.6	99.1	72.4	72.9	28.2
Switzerland	960	898	898	893	652	598	84	77	92.6	92.6	70.3	69.7	22.3
Austria	536	540	536	540	350	359	38	47	95.4	95.1	71.4	71.5	24.0
German-speaking countries	7,212	7,219	7,150	7,214	4,600	4,589	454	817	99.0	98.0	72.0	72.4	27.0
France	2,088	2,406	2,088	2,377	2,117	2,328	205	467	99.9	93.4	75.3	69.4	24.6
Spain	1,150	1,216	1,150	1,216	899	931	150	143	89.5	90.5	69.3	70.2	20.2
Latin America	523	481	579	481	383	368	31	38	100.1	97.7	66.4	64.0	33.7
Italy	147	158	147	158	119	123	21	21	90.9	90.9	65.3	64.1	25.6
Poland (excl. 2)	227				127		2		110.7		84.4		26.3
Czech Republic	47	41	47	41	29	26	6	5	88.4	90.2	57.2	58.8	31.2
Europe I incl. Latin America	4,182	4,302	4,011	4,273	3,674	3,776	415	674	97.4	93.0	72.8	68.9	24.6
Belgium	2,246	2,236	2,246	2,236	1,592	1,639	(36)	174	108.7	98.0	80.9	70.7	27.8
Direct Insurance	952	969	952	969	603	675	(24)	189	116.7	88.7	88.5	61.7	28.2
Indirect Insurance													
Assistance													
Services	695	633	695	633	622	583	40	59	98.0	91.3	61.0	55.7	37.0
Netherlands	526	521	526	521	397	396	27	43	99.6	96.0	69.1	65.0	30.5
Denmark	189	184	189	184	131	130	23	23	96.0	97.0	60.3	58.6	35.7
Sweden	44	43	44	43	18	18	3	4	94.7	76.0	59.2	46.7	35.5
Europe II incl. Scandinavia	4,652	4,586	4,652	4,586	3,363	3,441	41³⁾	506³⁾	106.6	94.8	76.4	65.3	30.2
United States	1,574	1,833	1,370	1,605	1,464	1,428	190	234	99.0	94.2	65.9	65.0	33.1
Mexico	100	112	113	112	40	40	5	5	91.1	91.9	66.2	66.1	24.9
Canada	1,674	1,945	1,483	1,717	1,504	1,468	195	239	98.8	94.1	65.9	65.0	32.9
Insurance PC	2,293	1,967	2,293	1,967	1,552	1,378	115	239	98.2	88.0	71.3	63.6	26.9
Insurance Global													
Corporate & Specialty	1,874	1,500	1,874	1,679	1,104	855	272	202	87.3	90.4	63.6	65.0	23.7
Insurance plc	924	1,034	1,065	1,034	790	903	98	122	95.0	95.7	61.8	61.7	33.2
Australia	738	742	832	742	544	610	100	137	96.8	97.0	71.9	72.6	24.9
Japan	344	363	344	363	287	296	(5)	59	111.4	92.1	83.8	65.7	27.6
India	155	141	110	141	94	37	27	19	96.0	67.3	53.4	41.8	42.6
Global Broker Markets/ Global	8,002	7,692	8,001	7,643	5,875	5,547	802	1,017	96.4	92.3	67.6	64.8	28.8
Asia/CIS 4)	373	486	442	486	271	344	16	2	97.0	104.2	54.4	63.0	42.6
Hungary	244	301	278	301	205	231	37	30	91.9	97.6	64.4	66.8	27.5
India	180	227	231	227	141	159	7	24	100.5	88.8	63.7	59.4	36.8
Romania	148	175	171	175	72	70	1	4	102.4	105.1	77.4	79.9	25.0
Slovakia	204	188	204	188	155	143	42	57	77.1	67.9	49.5	41.4	27.6
Czech Republic	140	149	151	149	106	107	21	19	81.2	86.2	60.2	63.9	21.0
Bulgaria	45	54	45	54	33	36	5	5	88.6	90.6	53.5	55.2	35.1
Latvia	49	51	50	51	39	37	2	3	101.5	96.9	64.5	63.5	37.0
Europe 5)	1,383	1,631	1,572	1,631	1,022	1,127	121	129	92.1	94.1	59.5	61.4	32.6

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-Pacific													
(I. Australia)	251	212	235	212	126	106	11	8	98.7	99.2	62.9	60.9	35.8
lle East	35	26	31	26	17	11	2	1	136.9	120.0	68.6	64.6	68.3
with Markets	1,669	1,869	1,838	1,869	1,165	1,244	134	138	93.5	94.9	60.0	61.4	33.5
olidation ⁶⁾	(2,309)	(2,116)	(2,395)	(2,116)	20	24	18	25					
I	23,408	23,552	23,257	23,469	18,697	18,621	1,864	3,177	98.8	94.5	70.8	67.4	28.0

4) Contains operations in Kazakhstan and Ukraine.

5) Contains income and expense items from a management holding.

6) Represents elimination of transactions between Allianz Group companies in different geographic regions.

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Life/Health Insurance Operations

Strong revenue growth for the year to date and in the second quarter.

Almost 1 billion operating profit in the second quarter, our highest ever.

Recovery of prior year credit spread losses.

Earnings Summary

Statutory premiums ¹⁾

2009 to 2008 second quarter comparison

Our statutory premiums grew by 7.7% on an internal basis. As in first quarter 2009 growth was driven by continued strong demand for products with minimum guarantees and participating components. Pure unit-linked business was still impacted by consumer aversion to equity and investment risks following the financial market crisis.

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

Statutory premiums Internal growth rates

in %

In the **German** life business, we recorded premium growth of 11.7% or 359 million. Here, sales of single premium deposit products were up, following the overall market recovery for single premium business. We also saw an increase in our Commercial line of business. Premium growth in our health business is stable compared to the first quarter.

In **Italy**, premiums were up 19.1% or 310 million, driven by continued high sales of a product with a minimum guarantee and a participating component sold via our bancassurance channel. Market demand for pure unit-linked investment business with equity participation was still low as consumers remained risk averse.

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In **Switzerland**, premiums grew by 18.9% or 39 million due to an increased demand in the individual traditional single premiums with guarantees and a continued demand for group life contracts.

Compared to the first quarter, where growth was negative, in this quarter, premiums in our **French** business grew by 3.3%. This growth was attributable to sales in traditional investment business.

Premium growth in our businesses in **South Korea** and **Japan** were still impacted by the financial markets down-turn. However, we had significant growth in investment business in **Taiwan** to counter this decline as investors confidence returned with the market rebound in this country. Taken together, our operations in **Asia-Pacific** generated a small decline of 1.3% or 12 million in revenues.

In the **United States** premiums were up 1.9% or 26 million. As announced at year-end 2008 we have been making significant changes to our product portfolio variable annuity living benefit riders were suspended at the end of the first quarter and our fixed and fixed index annuity products were redesigned and repriced. As the result of the rider suspension, variable annuity sales have tailed off this quarter as expected and the repriced fixed and fixed index annuities sales remained at a stable high level.

2009 to 2008 first half comparison

In the first half of 2009 our statutory premiums grew 5.5% on an internal basis. Premiums developed in line with the described effects for the second quarter, with the exception of unit-linked business. Unit-linked sales were hit stronger in the first quarter than in the second quarter and recovered in line with the upturn of the financial markets.

Operating profit

Operating profit

in mn

2009 to 2008 second quarter comparison

Operating profit increased from 703 million in the second quarter 2008 to 990 million this quarter. This was the strongest quarter profit we have reported for our Life/Health operations and was largely attributable to our investment result. Our equity reduction programme reduced the income from dividends, whereas the credit spread narrowing produced much higher income from the Fair Value Option especially in France. Improved market conditions allowed for higher realized gains and very limited impairments. Our technical and expense result remained fairly stable.

Interest and similar income stood at 3,638 million and delivered a stable yield of 1.2%¹⁾. This compares to 3,814 million in the second quarter 2008. The development was on the one hand driven by our reduced equity exposure and lower dividend receipts (408 million), which was a cyclical effect and is expected to pick up again in the second half of the year. On the other hand, and partly compensating this, we recorded an increase in interest income on debt securities due to higher assets under management. However yields declined in line with the lower interest rate environment.

¹⁾ On debt securities including cash components, based on an average asset base of 268.2 bn.

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We recorded a 615 million gain from financial assets and liabilities carried at fair value through income, after a loss of 352 million in the second quarter of 2008. This swing was primarily due to the upturn in equity markets, credit spread narrowing and a gain from foreign exchange currency hedges. The corresponding currency losses from hedged securities are shown under investment expenses.

Net realized gains/losses amounted to 639 million, an increase of 366 million, which was to a large extent attributable to the sale of ICBC and Bayer shares.

Net impairments on investments amounted to 267 million, a significantly lower level compared to 898 million in the second quarter 2008. Remaining impairments mostly resulted from private equity investments and debt securities.

Changes in reserves for insurance and investment contracts (net) amounted to 2,455 million, 1,066 million higher than in the second quarter 2008. This was driven by an increase of reserves for premium refunds to policyholders following a higher investment result.

Net claims and insurance benefits incurred were down 0.9% to 4,497 million.

Acquisition and administrative expenses (net) amounted to

1,631 million, up 26.9%. Whereas administrative expenses declined, the amortization of deferred acquisition costs at Allianz Life in the United States went up, resulting in higher acquisition expenses.

Our cost-income ratio improved 0.9 percentage points to 93.8%. The development was driven by the higher relative investment performance compared to the premiums generated in the period.

2009 to 2008 first half comparison

Operating profit increased to a remarkable level of 1,392 million. This development is in line with the capital market recovery and reinforces the underlying profitability of our Life/Health portfolio.

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	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	mn	mn	mn	mn
Statutory premiums ¹⁾	11,766	10,729	24,779	23,056
Ceded premiums written	(127)	(124)	(270)	(267)
Change in unearned premiums	(24)	(29)	(53)	(66)
Statutory premiums (net)	11,615	10,576	24,456	22,723
Deposits from SFAS 97 insurance and investment contracts	(6,503)	(5,465)	(13,996)	(12,023)
Premiums earned (net)	5,112	5,111	10,460	10,700
Interest and similar income	3,638	3,814	6,943	7,014
Operating income from financial assets and liabilities carried at fair value through income (net)	615	(352)	384	(113)
Operating realized gains/losses (net)	—	—	—	—