

ALLIANZ SE  
Form 6-K  
August 11, 2008  
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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, 2008

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 whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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333-151308) OF ALLIANZ SE AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 ON PAGE 2 AND PAGE 4 (AS IT RELATES 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, 2008**

indexed on the Allianz share price in

Source: Thomson Financial Datastream

Current information on the development of the Allianz share price is available on the internet at [www.allianz.com/share](http://www.allianz.com/share).

**Basic Allianz share information**

Share type	Registered share with restricted transfer
Denomination	No-par-value share
Stock exchanges	All German stock exchanges, London, Paris, Zurich, Milan, New York
Security Codes	WKN 840 400

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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

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+ 49 1802 ALLIANZ

**Table of Contents****Allianz Group Key Data**

		Three months ended June 30,			Six months ended June 30,		
				Change from previous			Change from previous year
		2008	2007	year	2008	2007	year
<b>INCOME STATEMENT</b>							
Total revenues <sup>1)</sup>	mn	22,037	24,337	(9.5)%	49,690	53,660	(7.4)%
Operating profit <sup>2)</sup>	mn	2,104	3,288	(36.0)%	3,960	6,158	(35.7)%
Net income	mn	1,542	2,140	(27.9)%	2,690	5,380	(50.0)%
<b>SEGMENTS</b>							
<b>Property-Casualty</b>							
Gross premiums written	mn	9,842	9,982	(1.4)%	23,552	24,093	(2.2)%
Operating profit <sup>2)</sup>	mn	1,683	1,894	(11.1)%	3,162	3,161	0.0%
Net income	mn	1,822	1,380	32.0%	2,879	2,560	12.5%
Combined ratio	%	93.5	92.9	0.6 pts	94.1	94.8	(0.7) pts
<b>Life/Health</b>							
Statutory premiums	mn	10,729	11,758	(8.8)%	23,056	24,084	(4.3)%
Operating profit <sup>2)</sup>	mn	703	758	(7.3)%	1,292	1,508	(14.3)%
Net income	mn	425	479	(11.3)%	877	1,032	(15.0)%
Statutory expense ratio	%	12.2	9.6	2.6 pts	10.5	8.4	2.1 pts
<b>Banking</b>							
Operating revenues	mn	694	1,850	(62.5)%	1,472	3,951	(62.7)%
Operating profit <sup>2)</sup>	mn	(568)	448	n.m.	(1,024)	1,148	n.m.
Net income	mn	(552)	411	n.m.	(1,090)	1,036	n.m.
Cost-income ratio	%	172.0	72.3	99.7 pts	164.1	69.4	94.7 pts
<b>Asset Management</b>							
Operating revenues	mn	738	797	(7.4)%	1,465	1,577	(7.1)%
Operating profit <sup>2)</sup>	mn	281	325	(13.5)%	522	637	(18.1)%
Net income	mn	120	134	(10.4)%	198	233	(15.0)%
Cost-income ratio	%	61.9	59.2	2.7 pts	64.4	59.6	4.8 pts
<b>BALANCE SHEET</b>							
Total assets as of June 30, <sup>3)</sup>	mn	1,016,396	1,061,149	(4.2)%	1,016,396	1,061,149	(4.2)%
Shareholders' equity as of June 30 <sup>3)</sup>	mn	40,457	47,753	(15.3)%	40,457	47,753	(15.3)%
Minority interests as of June 30, <sup>3)</sup>	mn	3,398	3,628	(6.3)%	3,398	3,628	(6.3)%
<b>SHARE INFORMATION</b>							
Basic earnings per share		3.44	4.85	(29.1)%	5.98	12.32	(51.5)%
Diluted earnings per share		3.39	4.75	(28.6)%	5.85	12.08	(51.6)%
Share price as of June 30, <sup>3)</sup>		111.90	147.95	(24.4)%	111.90	147.95	(24.4)%
Market capitalization as of June 30, <sup>3)</sup>	bn	50.6	66.6	(24.0)%	50.6	66.6	(24.0)%
<b>OTHER DATA</b>							
Third-party assets under management as of June 30, <sup>3)</sup>	bn	740	765	(3.3)%	740	765	(3.3)%

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- 1) Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management 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) 2007 figures as of December 31, 2007.

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## Executive Summary and Outlook<sup>1)</sup>

Revenues were 7.4 % lower as a tough environment resulted in a slowdown in sales of unit-linked life insurance products and a net dealing loss in Banking.

Operating profit decreased by 1.2 billion mainly attributable to Banking. Other segments were resilient.

Net income was 0.6 billion lower as a result of reduced operating profit.

Capital position remains strong.

- <sup>1)</sup> The Allianz Group operates and manages its activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. Effective January 1, 2006, in addition to our four operating segments and with retrospective application, we introduced a fifth business segment named Corporate.
- <sup>2)</sup> Does not include minority interests.

**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Allianz Group's Consolidated Results of Operations**

In the second quarter of 2008 (2Q 2008), we recorded revenues of 22,037 million, and delivered 2,104 million of operating profit and 1,542 million of net income. Compared to the second quarter of 2007 (2Q 2007), results declined significantly.

Operating profit declined by 36.0 % to 2,104 million. This shortfall is almost entirely due to banking operations. Mark-downs on asset-backed securities ( ABS ), counterparty default adjustments on monoliners and mark-to-market valuations of other trading positions led to a net dealing loss at Dresdner Bank of 627 million after a net trading income of 351 million a year ago. In contrast, operating profit from our insurance and Asset Management businesses was resilient despite the credit crisis.

With income from non-operating items relatively flat at 82 million, net income was almost entirely driven by operating profit.

**Total revenues <sup>1)</sup>****Total revenues Segments**

in mn

Total revenues decreased by 9.5 % to 22,037 million. On an internal basis<sup>2)</sup>, growth declined by 7.4 %. This was due to decreased revenues from the sale of unit-linked life insurance products, lower contribution from our bancassurance sales channels and the net dealing loss from our investment bank.

**Property-Casualty**

At 10,114 million, gross premiums written were 3.1 % ahead of previous year on an internal basis. On a nominal basis, revenues were down by 1.4 % to 9,842 million, mainly reflecting the reclassification of AGF's health business which was transferred to the Life/Health segment. Adjusted for the health business transferred, revenues increased by 1.4 %. With the exception of Italy and Credit Insurance, we saw growth in almost all regions and lines of business, though

<sup>1)</sup> Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

<sup>2)</sup> Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 39 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. Starting in 2Q 2008 we will focus our comments on internal growth, in order to provide more comparable information.



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### **Group Management Report** Allianz Group Interim Report Second Quarter and First Half of 2008

premium growth at Allianz Sach in Germany was flat. A key growth driver was our activities in the emerging markets <sup>1)</sup>, where our expansion strategy continued to pay off.

For the first half year, gross premiums written increased by 1.1 % on an internal basis to 23,827 million. Nominal growth amounted to (2.2) %, with premiums of 23,552 million. Adjusted for the health business transferred, the premium growth rate was flat at 0.1 %.

#### **Life/Health**

Statutory premiums from our life/health business decreased by 8.0 % on an internal basis to 11,070 million in the second quarter 2008. On a nominal basis revenues dropped by 8.8 % to 10,729 million. Adjusted for the health business transferred, premiums declined by 10.9 %. Premiums from unit-linked products and revenues from our bancassurance sales channels declined whereas traditional life insurance products recorded strong growth in Germany, Switzerland and Belgium.

On a year-to-date basis the reduction of statutory premiums was lower down 3.8 % to 23,727 million on an internal basis, and down 4.3 % to 23,056 on a nominal basis. Adjusted for the transfer of AGF's health business, premiums declined by 6.5 %.

#### **Banking**

In the second quarter, revenues in our banking segment decreased to a nominal 694 million. This development was mainly driven by the financial markets turbulence which led to significant shortfalls, resulting in a net dealing loss of (630) million coming from a gain of 354 million. Net fee and commission income showed weak development for the same reason, whereas net interest income was stable.

In the first six months revenues were down 62.7 % to a nominal 1,472 million, mostly driven by a net dealing loss of 1,192 million, after a gain of 695 million a year earlier.

<sup>1)</sup> New Europe, Asia-Pacific, South America, Mexico, Middle East, Northern Africa and Africa/Near East.

#### **Asset Management**

Net inflows of 33 billion exceeded the prior year performance by far, however negative foreign currency effects alone more than outweighed the high net inflows. With 740 billion as of June 30, 2008 third party assets under management were 25 billion below the year end 2007 level.

Operating revenues dropped by a nominal 7.4 % and 7.1 % on a quarter-over-quarter and year-to-date basis to 738 million and 1,465 million, respectively. A shortfall in net fee and commission income, unfavorable currency effects as well as lower mark-to-market valuation of seed money investments in the United States were the main reasons for this development.

#### **Operating profit**

##### **Operating profit** Segments

in mn

Operating profit amounted to 2,104 million, a decline of 1,184 million compared to the record quarter of 2Q 2007.

**Property-Casualty**

Operating profit decreased by 11.1 % to 1,683 million, mainly due to reduced investment income and a high impact from smaller natural catastrophes. Our combined ratio increased to 93.5 %.

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Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report**

On a six months basis, operating profit was stable at 3,162 million.

### **Life/Health**

Despite the tough economic environment, we generated an operating profit of 703 million. Maintaining operating profit on such levels attests to the underlying strength of our business. Nevertheless, turbulence in the financial markets affected our operating profit through higher impairments and lower realized gains.

On a six months basis, operating profit was down by 14.3 % to 1,292 million. In the prior year, we recorded large realized gains in the first quarter due to the favorable market conditions existing at the time.

### **Banking**

As a result of the weak revenue situation operating profit declined by 1,016 million (1H 2008: (2,172) million) leading to an operating loss of 568 million (1H 2008: (1,024) million). We achieved significant cost savings in almost every expense category. Administrative expenses were down 12.7 % to 1,165 million in 2Q 2008 and down 13.2 % to 2,383 million in the first half.

### **Asset Management**

At 281 million, operating profit decreased by 44 million from a year ago in the quarter-over-quarter comparison, with foreign exchange having a significant impact. Operating revenues increased by 4.3% on an internal basis. Underlying operating expenses reflect our continuous investment in business expansion and future growth. The cost-income ratio increased by 2.7 percentage points to 61.9 %. On a year-to-date basis, it amounted to 64.4 %, up 4.8 percentage points.

### **Corporate Segment**

Operating profit amounted to 5 million coming from a loss of 10 million and the operating loss for the first half stood at 71 million, 36.0 % lower than in the respective period in 2007.

### **Non-operating result**

Non-operating items showed a gain of 82 million after a non-operating loss of 90 million a year ago.

Impairments on investments were 498 million higher than in 2Q 2007, however the increase was outweighed by the higher level of realized gains of 604 million. A large portion of these gains resulted from large scale transactions at profits already locked-in in prior years, plus smaller, planned divestment activities. Lower interest expense from external debt and decreased acquisition expenses contributed to the improvement in non-operating items.

We recorded a non-operating gain of 128 million for the first half of 2008, representing a decline of 1,468 million as impairments on investments increased significantly by 894 million and realized gains declined by 791 million. In the prior year, we recorded realized gains net of impairments of 2,446 million stemming primarily from the sales of equity investments in a very favorable market environment.

### **Net income**

Net income of 1,542 million was almost entirely derived from operating profit. Lower income tax expenses mainly resulting from lower income tax rates applied on lower taxable income in 2Q 2008, and lower minorities in earnings due to the minority buy-out at AGF in France completed last year positively contributed to net income development. The effective tax rate was down by 1.5 percentage points to 25.3 %.

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On a six months basis, net income of 2,690 million was also derived mainly from operating profit. Lower income tax expenses and reduced minority interests in earnings contributed positively to net income.

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Group Management Report Allianz Group Interim Report Second Quarter and First Half of 2008

**Earnings per share <sup>1)</sup>**

in

<sup>1)</sup> See note 35 to our condensed consolidated interim financial statements for further details.**Segment Information Total Revenues and Operating Profit**

	Property-Casualty		Life/Health		Banking		Asset Management		Corporate		Consolidation		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
Three months ended June 30,														
<b>Total revenues <sup>1)</sup></b>	<b>9,842</b>	<b>9,982</b>	<b>10,729</b>	<b>11,758</b>	<b>694</b>	<b>1,850</b>	<b>738</b>	<b>797</b>			<b>34</b>	<b>(50)</b>	<b>22,037</b>	<b>24,337</b>
<b>Operating profit (loss)</b>	<b>1,683</b>	<b>1,894</b>	<b>703</b>	<b>758</b>	<b>(568)</b>	<b>448</b>	<b>281</b>	<b>325</b>	<b>5</b>	<b>(10)</b>		<b>(127)</b>	<b>2,104</b>	<b>3,288</b>
Non-operating items	626	180	(58)	15	68	39	(89)	(82)	(244)	(74)	(221)	(168)	82	(90)
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>2,309</b>	<b>2,074</b>	<b>645</b>	<b>773</b>	<b>(500)</b>	<b>487</b>	<b>192</b>	<b>243</b>	<b>(239)</b>	<b>(84)</b>	<b>(221)</b>	<b>(295)</b>	<b>2,186</b>	<b>3,198</b>
Income taxes	(432)	(578)	(200)	(234)	(37)	(56)	(71)	(101)	184	80	4	31	(552)	(858)
Minority interests in earnings	(55)	(116)	(20)	(60)	(15)	(20)	(1)	(8)	(3)	(4)	2	8	(92)	(200)
<b>Net income (loss)</b>	<b>1,822</b>	<b>1,380</b>	<b>425</b>	<b>479</b>	<b>(552)</b>	<b>411</b>	<b>120</b>	<b>134</b>	<b>(58)</b>	<b>(8)</b>	<b>(215)</b>	<b>(256)</b>	<b>1,542</b>	<b>2,140</b>
Six months ended June 30,														
<b>Total revenues <sup>1)</sup></b>	<b>23,552</b>	<b>24,093</b>	<b>23,056</b>	<b>24,084</b>	<b>1,472</b>	<b>3,951</b>	<b>1,465</b>	<b>1,577</b>			<b>145</b>	<b>(45)</b>	<b>49,690</b>	<b>53,660</b>
<b>Operating profit (loss)</b>	<b>3,162</b>	<b>3,161</b>	<b>1,292</b>	<b>1,508</b>	<b>(1,024)</b>	<b>1,148</b>	<b>522</b>	<b>637</b>	<b>(71)</b>	<b>(111)</b>	<b>79</b>	<b>(185)</b>	<b>3,960</b>	<b>6,158</b>
Non-operating items	721	844	(40)	118	116	156	(204)	(204)	(346)	437	(119)	245	128	1,596
<b>Income (loss) before income taxes and minority interests in</b>	<b>3,883</b>	<b>4,005</b>	<b>1,252</b>	<b>1,626</b>	<b>(908)</b>	<b>1,304</b>	<b>318</b>	<b>433</b>	<b>(417)</b>	<b>326</b>	<b>(40)</b>	<b>60</b>	<b>4,088</b>	<b>7,754</b>

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<b>earnings</b>														
Income taxes	(910)	(1,115)	(336)	(435)	(153)	(224)	(117)	(181)	270	55	20	75	(1,226)	(1,825)
Minority interests in earnings	(94)	(330)	(39)	(159)	(29)	(44)	(3)	(19)	(10)	(8)	3	11	(172)	(549)
<b>Net income (loss)</b>	<b>2,879</b>	<b>2,560</b>	<b>877</b>	<b>1,032</b>	<b>(1,090)</b>	<b>1,036</b>	<b>198</b>	<b>233</b>	<b>(157)</b>	<b>373</b>	<b>(17)</b>	<b>146</b>	<b>2,690</b>	<b>5,380</b>

<sup>1)</sup> Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

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Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report**

## Impact of the financial markets turbulence

The crisis in the mortgage market in the United States led to a devaluation of prices for various asset-backed securities ( ABS ), even for those with a high rating. Primarily, this affected collateralized debt obligations ( CDO ), and residential mortgage-backed securities especially those originating in the United States ( U.S. RMBS ).

The turbulence in the financial markets also impacted our business development, however the impact varied in each business segment.

The major impact of this crisis occurs in the Banking segment, with the substantial portion being attributable to some business units of Dresdner Bank's investment banking activities. In contrast, impacts on our insurance operations have been far less severe although sales of our unit-linked life insurance products were depressed by the current market conditions. The investment activities of the insurance segments were only impacted to a very limited extent, reflecting the high quality of the asset bases with no material CDO and subprime exposure. Similarly, the direct impact on our Asset Management segment was of minor importance.

### Impact on insurance assets

Of our Property-Casualty asset base, ABS made up 4.7 billion, as of June 30, 2008, which is around 5 %. CDOs accounted for 0.1 billion of this amount. Unrealized losses on CDOs of 3 million were recorded in our equity.

Within our Life/Health asset base, ABS amounted to 13.6 billion, as of June 30, 2008, which is 4 % of total Life/Health assets. Of these, 0.2 billion are CDOs. Unrealized losses on CDOs of 12 million were recorded in our equity.

Subprime expenses within CDOs were negligible.

### Impact on investment banking activities of Dresdner Bank

Dresdner Bank is engaged in various business activities involving structured products. These comprise ABS of the trading book, credit enhancements, conduits, leveraged buy-out commitments and structured investment vehicles.

Furthermore, Dresdner Bank has sold credit protection for third party ABS and has re-insured these positions with monoline insurers ( monoliners ).

### Net asset-backed securities of the trading book<sup>1)</sup>

As of June 30, 2008, Dresdner Bank carried ABS trading assets of a net notional 6.9 billion. The majority of these ABS are of a high quality, with 68 % of them rated A or better.

### Breakdown of exposure by rating class

in %

After write-downs, the net exposure after monoliner protection amounts to 4.6 billion as of June 30, 2008. It contains 0.9 billion CDOs, 0.7 billion U.S. RMBS and 3.0 billion other ABS. Because the financial markets turbulence mainly affected CDOs and U.S. RMBS, these net exposures are classified as critical ABS. We took substantial write-downs on CDOs and U.S. RMBS, recognizing the different quality and characteristics of the assets.

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Exposure type	Exposure <sup>1)</sup> as of 31/12/2007	Exposure <sup>1)</sup> as of 30/06/2008	Markdowns 2Q 2008	Remaining book value  as of 30/06/2008
	mn	mn		mn
<b>U.S. RMBS</b>				
Prime	713	664	34	446
Midprime	336	316	62	84
Subprime	617	554	81	149
<b>Total U.S. RMBS</b>	<b>1,666</b>	<b>1,534</b>	<b>177</b>	<b>679</b>
<b>CDO</b>				
High grade	1,615	1,508	97	864
Mezzanine	667	622		
<b>Total CDO</b>	<b>2,282</b>	<b>2,130</b>	<b>97</b>	<b>864</b>

<sup>1)</sup> Before markdowns

<sup>1)</sup> Net of monoline exposures. In respect of the monoliner protection and our indirect ABS exposure please refer to page 8 of this report.



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**Group Management Report** Allianz Group Interim Report Second Quarter and First Half of 2008

### **Credit enhancements**

Credit enhancements are one or more initiatives taken by the originator in a securitization structure to enhance the security, credit or the rating of the securitized instrument. In this context, Dresdner Bank offered second loss protection for credit investment related conduits ( CIRC ). This structure primarily contains ABS.

Under the CIRC structures, Dresdner Bank provides second loss protection, whereas the first loss stays with the client. Additionally, the Bank is entitled to sell the portfolio to the market, if the value of this portfolio falls below a pre-defined threshold. Here as well, the exposure was reduced and as of June 30, 2008, was a notional amount of 2.1 billion.

### **Conduits**

A conduit is a special purpose entity that securitizes its financial assets, e.g. receivables, by means of commercial papers.

Since the late nineties, Dresdner Bank has arranged the securitization of third party and own asset portfolios through asset-backed commercial paper programmes ( ABCP ) via several conduits. The underlying pool of assets exhibits a good quality, with 79 % having at least an A rating. Dresdner Bank has provided liquidity back-up lines of 10.6 billion of which 6.5 billion were undrawn, as of June 30, 2008.

### **Leveraged buy-out**

A leveraged buy-out is a financing transaction involving a significant amount of debt.

Dresdner Bank provides credit lines for these transactions, the bulk of which are typically syndicated. As of June 30, 2008, Dresdner Bank's LBO exposure amounted to 4.2 billion containing drawn and undrawn amounts.

### **Monoliner**

Dresdner Bank has entered into business relations with monoliners – companies that guarantee the repayment of a security and the corresponding interest in the event that the issuer defaults – in order to hedge the exposure from ABS.

In addition, Dresdner Bank has provided credit protection via Credit Default Swaps ( CDS ) for ABS exposures. According to our risk policies, most of these CDS positions are re-insured with monoliners.

Only in the case of a default of payment from the underlying assets and a breach of contractual duties of the monoliners, will an ultimate loss occur. This loss amounts to the difference between the guaranteed amount from the monoliner and the value of the underlying assets.

We bought net protection for ABS with a net notional of 13.0 billion, of which 8.9 billion have no primary reference to the US mortgage market. In addition, the secured ABS portfolio contains 4.1 billion of exposures to the US mortgage market, of which we consider 3.3 billion to be critical and expect – based on today's knowledge – that we have to rely here partially on the monoliner protection. The remaining 0.8 billion are U.S. RMBS.

Dresdner Bank's gross counterparty risk amounted to 2.4 billion. In order to hedge the monoliner default risk, the bank bought Credit Default Swaps from third parties on the various monoliners in a total amount of 0.4 billion, leaving us with net a counterparty exposure of 2.0 billion.

The positive market value of the protection bought from monoliners amounted to 1.1 billion. In addition to that, we built up Counterparty Default Adjustments (CDAs) against the positive market value of 0.4 billion, leaving us with a net book value of 0.7 billion.

Breakdown of net book value

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	Mark-to-market	CDA	Net book value as of 30/06/2008
Monoliner 1	490	249	241
Monoliner 2	306	125	181
Monoliner 3	101	2	99
Monoliner 4	68	15	53
Monoliner 5	62	10	52
Monoliner 6	36	15	21
Monoliner 7	17	7	10
Monoliner 8	4	1	3
Monoliner 9			
Total	1,084	424	660

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The underlyings show a good quality, with 88 % of them being investment grade (having at least an A rating):

### **Breakdown of exposure by rating class**

in %

As disclosed in our subsequent event section on page 88 we have entered into restructuring discussions with one mono-liner.

### **Structured Investment Vehicles ( SIV )**

A structured investment vehicle is an entity that primarily invests in long-term, high quality securities. The investments are refinanced by medium term notes ( MTN ) or commercial papers ( CP ).

On March 18, 2008, Dresdner Bank and K2 Corporation entered into an agreement through which Dresdner Bank will provide a support facility to the Structured Investment Vehicle K2 for the benefit of the senior note holders. The agreement consists of a U.S.\$ 1.5 billion committed revolving mezzanine credit facility and a backstop facility.

We have fully consolidated K2 since the end of 1Q 2008.

K2 has a well diversified portfolio that is predominantly composed of MBS, CLO and ABS and holds no direct exposure to subprime assets or CDOs on ABS/MBS. In the second quarter, the volume of K2 has been further reduced by 34.8 % to 8.8 billion. The remaining assets are of a high quality with 91 % having at least an AA rating.

## **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 there are no identified risks which could in the future pose a threat to the existence of the Allianz Group.

The impacts from the subprime-crisis are described in the paragraph Impacts from the financial markets turbulence .

The information contained in the risk report in our 2007 Annual Report is still valid.

## **Events After the Balance Sheet Date**

See Outlook below and Note 39 to the consolidated financial statements.

## **Opportunities**

As presented in our 2007 Annual Report, we remain confident that the business prospects for financial service providers remain positive.



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**Group Management Report** Allianz Group Interim Report Second Quarter and First Half of 2008

## **Outlook**

In macro-economic terms, conditions are challenging for business and consumers. Both are confronted with weak and volatile capital markets, increasing inflation, high oil prices, the risk of recession or even stagflation, a weak U.S. dollar, illiquid credit markets, falling property prices and increasing interest rates. This has created a sentiment of risk-aversion in the minds of consumers and tough trading conditions for businesses.

As discussed in our first quarter 2008 results, the further achievement of our targets was subject to a positive swing in financial markets. This has not materialized up to now. Although our underlying fundamentals remain healthy, these further deteriorating markets also affect Allianz.

We expect this difficult market environment to continue to 2009, therefore our 2006 long-term operating profit growth target of 10 % CAGR<sup>1)</sup> through 2009 cannot be maintained.

Due to expected market conditions accurate earnings predictions, especially for Banking, are not feasible. However our underlying operating profitability in Insurance and Asset Management is stable enough to generate a run rate before Banking of 9 billion plus in 2008 and 2009.

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, (iii) the frequency and severity of insured loss events, (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.

<sup>1)</sup> Compound Annual Growth Rate

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## Property-Casualty Insurance Operations

3.1% internal revenue growth.

Segment's performance is at target level, with strong operating profit of 1.7 billion despite high level of weather-related claims in the second quarter.

Combined ratio of 93.5% achieved.

## Earnings Summary

### **Gross premiums written<sup>1)</sup>**

#### **2008 to 2007 second quarter comparison**

Gross premiums written on an internal basis were 3.1% ahead of previous year at 10,114 million. We maintained our focus on profitability and selectively wrote only those risks which we believe will generate adequate returns. This disciplined underwriting approach limited the negative pricing impacts stemming from still softening markets, while at the same time achieving organic growth.

On a nominal basis, gross premiums written were down by 1.4% to 9,842 million with the decline mainly caused by the reclassification of 284 million of AGF's health business to the Life/Health segment, and negative currency translation effects of 307 million. Positive impacts resulting from last year's acquisitions in Russia and Kazakhstan could not compensate for these effects. Adjusted for the health business transferred, revenues were up by 1.4%.

### **Gross premiums written by region<sup>1)</sup>**

in %

<sup>1)</sup> After elimination of transactions between Allianz Group companies in different geographic regions and different segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

<sup>1)</sup> In order to provide more comparable information, starting in 2Q 2008 we will comment the development of our gross premiums written on an internal basis, meaning adjusted for foreign currency translation and (de-) consolidation effects.

We grew in most of our markets, with the exception of Italy and global credit insurance. Revenue development at Allianz Sach in Germany was flat.

In Italy, our operations showed a decline in gross premiums written of 108 million or 8.1%. Here, a new regulation led to significantly decreased sales volumes from the agents network. Furthermore, prices in Italy were impacted by the Bersani-law, which resulted in a market-wide price reduction.

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Our strategy of expansion into emerging markets <sup>2)</sup> continued to pay off as premiums grew strongly by 173 million on a like-for-like basis. Together, these markets contributed 1,221 million (2Q 2007: 1,048 million) or 12.1% (2Q 2007: 10.7%) to total gross premiums written.

New Europe contributed 81 million to revenue growth, adjusted for the full consolidation of Progress Garant in Russia and ATF-Polis in Kazakhstan. The main driver for the growth was motor insurance business in Poland.

At Allianz Global Corporate & Specialty ( AGCS ) internal revenues were up by 10.7% or 75 million, driven by new business. This growth was to some extent offset by the currency depreciation of the U.S. Dollar and the GBP compared to the Euro.

<sup>2)</sup> New Europe, Asia-Pacific, South America, Mexico, Middle East, Northern Africa and Africa/Near East.



**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Gross premiums written Internal growth rates<sup>1)</sup>**

in %

<sup>1)</sup> Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

<sup>2)</sup> Together with our property-casualty reinsurance business assumed, primarily attributable to Allianz SE, within Germany there was an increase of 3.1 % for 2Q 2008 over 2Q 2007 and a decrease of 0.9 % for 1H 2008 over 1H 2007.

**2008 to 2007 first half comparison**

For the first six months our gross premiums written on an internal basis increased by 1.1% to 23,827 million. On a nominal basis, revenues were down by 2.2%. Adjusted for the reclassification of 573 million of AGF's health business, revenue growth was flat at 0.1%. The developments in most of our markets were largely consistent with the 2008 to 2007 second quarter comparison, while our operations in Germany and at AGCS showed declining revenues.

**Operating profit****Operating profit**

in mn

**2008 to 2007 second quarter comparison**

Operating profit remained strong at 1,683 million, 11.1% below previous year's quarter. The main reason behind this decline is lower investment income, stemming from the upstreaming of excess capital to the parent company Allianz SE, resulting in a lower asset base. In addition, we recorded higher losses from weather-related claims than in 2Q 2007. Administrative expenses were 204 million lower compared to last year's quarter.

We achieved a combined ratio of 93.5%, well inside our target range.

Our accident year loss ratio increased by 1.5 percentage points to 70.9% mostly driven by losses from hailstorms in Germany and the earthquake in China, amounting to 222 million combined, as well as increasing claims inflation. At 4.8% the positive net development in prior years' loss reserves was almost unchanged. Overall, the calendar year loss ratio increased by 1.2 percentage points to 66.1%.

Acquisition and administrative expenses decreased by 4.3% to 2,589 million. Further efficiency improvements contributed 43 million to the reduction of administrative expenses. Due to this positive development, our expense ratio improved by 0.6 percentage points to 27.4%.

Interest and similar income was down by 3.6% to 1,331 million. The reason for this was mainly the 2007 equity investments reduction program resulting in an outflow of 5.6 billion. 2.8 billion of these proceeds were used for capital upstreaming to the holding and thereby reduced the segment's asset base and the current dividend income by about 80 million. In addition, we recorded 59 million higher losses from our assets designated at fair value as a result of weak market conditions.



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### **2008 to 2007 first half comparison**

On a six months basis, operating profit proved to be stable at 3,162 million. Our expense ratio improved by 1.6 percentage points to 26.7% and our combined ratio was down by 0.7 percentage points to 94.1%.

### **Non-operating result**

#### **2008 to 2007 second quarter comparison**

The non-operating result increased to a gain of 626 million. This development was mainly due to much higher net realized gains which were only partly offset by increased impairments of investments.

Net realized gains from investments increased significantly to 961 million compared to the previous year when no major single sales transaction was recorded. In the second quarter 2008 we recorded gains mainly from large scale transactions which were already locked-in in prior years as well as a number of smaller planned divestment activities.

Non-operating net impairments of investments increased to 341 million, reflecting the overall weakness in financial markets.

#### **2008 to 2007 first half comparison**

In contrast to the second quarter comparison, the non-operating result decreased by 14.6% to a gain of 721 million for the first six months of 2008. The combined result of significantly lower net realized gains and higher impairments of investments recorded in the first quarter was not outweighed by the positive movements in the second quarter.

### **Net income**

#### **2008 to 2007 second quarter comparison**

Net income increased by 32.0% to 1,822 million. Higher non-operating items as well as lower income tax expenses and minority interests in earnings contributed to this improvement.

Income tax expenses were down to 432 million, leading to a reduction of the effective tax rate from 27.9% to 18.7%. This resulted mainly from a higher tax-exempt income than in the second quarter 2007.

Lower minority interests in earnings amounted to 55 million, mainly reflecting the minority buy-out at AGF.

#### **2008 to 2007 first half comparison**

For the first six months, net income increased by 12.5% to 2,879 million.

Income taxes were down to 910 million, and the effective tax rate fell from 27.8% to 23.4% for the reason mentioned above.

Minority interests in earnings were also lower on a six months basis, amounting to 94 million.



**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Property-Casualty segment s income statement and ratios<sup>1)</sup>**

	Three months ended June 30,		Six months ended	
	2008	2007	June 30,	2007
	mn	mn	mn	mn
<b>Gross premiums written<sup>2)</sup></b>	<b>9,842</b>	<b>9,982</b>	<b>23,552</b>	<b>24,093</b>
Ceded premiums written	(1,115)	(1,245)	(2,400)	(2,831)
Change in unearned premiums	721	919	(2,531)	(2,248)
<b>Premiums earned (net)</b>	<b>9,448</b>	<b>9,656</b>	<b>18,621</b>	<b>19,014</b>
Interest and similar income	1,331	1,380	2,382	2,386
Operating income from financial assets and liabilities carried at fair value through income (net) <sup>3)</sup>	(60)	(1)	(46)	16
Operating realized gains/losses (net) <sup>4)</sup>	61	1	58	35
Fee and commission income	293	280	560	552
Other income	7	11	257	95
<b>Operating revenues</b>	<b>11,080</b>	<b>11,327</b>	<b>21,832</b>	<b>22,098</b>
Claims and insurance benefits incurred (net)	(6,247)	(6,266)	(12,548)	(12,649)
Changes in reserves for insurance and investment contracts (net)	(70)	(97)	(99)	(178)
Interest expenses	(91)	(92)	(179)	(184)
Loan loss provisions	(1)	(9)	(1)	(9)
Operating impairments of investments (net) <sup>5)</sup>	(72)	(5)	(165)	(7)
Investment expenses	(79)	(69)	(202)	(143)
Acquisition and administrative expenses (net)	(2,589)	(2,705)	(4,980)	(5,380)
Fee and commission expenses	(248)	(190)	(496)	(387)
<b>Operating expenses</b>	<b>(9,397)</b>	<b>(9,433)</b>	<b>(18,670)</b>	<b>(18,937)</b>
<b>Operating profit</b>	<b>1,683</b>	<b>1,894</b>	<b>3,162</b>	<b>3,161</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net) <sup>3)</sup>	14	(1)	77	(30)
Non-operating realized gains/losses (net) <sup>4)</sup>	961	216	1,333	949
Non-operating impairments of investments (net) <sup>5)</sup>	(341)	(23)	(683)	(47)
Amortization of intangible assets	(3)	(4)	(7)	(6)
Restructuring charges	(5)	(8)	1	(22)
<b>Non-operating items</b>	<b>626</b>	<b>180</b>	<b>721</b>	<b>844</b>
<b>Income before income taxes and minority interests in earnings</b>	<b>2,309</b>	<b>2,074</b>	<b>3,883</b>	<b>4,005</b>
Income taxes	(432)	(578)	(910)	(1,115)
Minority interests in earnings	(55)	(116)	(94)	(330)
<b>Net income</b>	<b>1,822</b>	<b>1,380</b>	<b>2,879</b>	<b>2,560</b>
Loss ratio <sup>6)</sup> in %	66.1	64.9	67.4	66.5
Expense ratio <sup>7)</sup> in %	27.4	28.0	26.7	28.3
<b>Combined ratio<sup>8)</sup> in %</b>	<b>93.5</b>	<b>92.9</b>	<b>94.1</b>	<b>94.8</b>

<sup>1)</sup> Since 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

<sup>2)</sup> For the Property-Casualty segment, total revenues are measured based upon gross premiums written.

<sup>3)</sup> The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.

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- 4) The total of these items equals realized gains/losses (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 5) The total of these items equals impairments of investments (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 6) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
- 7) Represents acquisition and administrative expenses (net) divided by premiums earned (net).
- 8) 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 Geographic Region**

The following table sets forth our Property-Casualty gross premiums written, premiums earned (net), operating profit, combined ratio, loss ratio and expense ratio by geographic region for the three and six months ended June 30, 2008 and 2007. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Three months ended June 30,	Gross premiums written				Premiums earned		Operating		Combined		Loss ratio		Expense ratio	
	2008	2007	2008	2007	(net)		profit		ratio		2008	2007	2008	2007
	as	as	internal	internal	2008	2007	2008	2007	2008	2007	%	%	%	%
	stated	stated	1)	1)	mn	mn	mn	mn	%	%	%	%	%	%
	mn	mn	mn	mn	mn	mn	mn	mn	%	%	%	%	%	%
<b>Germany 2)3)</b>	<b>2,136</b>	<b>1,959</b>	<b>2,136</b>	<b>2,072</b>	<b>2,603</b>	<b>2,325</b>	<b>357</b>	<b>467</b>	<b>96.8</b>	<b>92.6</b>	<b>69.1</b>	<b>64.9</b>	<b>27.7</b>	<b>27.7</b>
<b>Italy</b>	<b>1,232</b>	<b>1,340</b>	<b>1,232</b>	<b>1,340</b>	<b>1,171</b>	<b>1,234</b>	<b>301</b>	<b>264</b>	<b>93.2</b>	<b>93.8</b>	<b>69.2</b>	<b>69.8</b>	<b>24.0</b>	<b>24.0</b>
<b>France 4)</b>	<b>842</b>	<b>1,143</b>	<b>842</b>	<b>836</b>	<b>808</b>	<b>1,103</b>	<b>114</b>	<b>163</b>	<b>96.1</b>	<b>96.8</b>	<b>69.1</b>	<b>69.3</b>	<b>27.0</b>	<b>27.5</b>
<b>United Kingdom</b>	<b>528</b>	<b>613</b>	<b>617</b>	<b>613</b>	<b>443</b>	<b>498</b>	<b>66</b>	<b>64</b>	<b>94.6</b>	<b>98.5</b>	<b>61.5</b>	<b>65.3</b>	<b>33.1</b>	<b>33.2</b>
<b>Spain</b>	<b>522</b>	<b>502</b>	<b>522</b>	<b>502</b>	<b>469</b>	<b>452</b>	<b>67</b>	<b>65</b>	<b>91.6</b>	<b>90.9</b>	<b>70.4</b>	<b>71.3</b>	<b>21.2</b>	<b>19.6</b>
<b>Switzerland 2)3)</b>	<b>124</b>	<b>305</b>	<b>121</b>	<b>115</b>	<b>289</b>	<b>402</b>	<b>26</b>	<b>71</b>	<b>94.1</b>	<b>92.3</b>	<b>71.5</b>	<b>66.3</b>	<b>22.6</b>	<b>26.0</b>
Netherlands	222	228	222	228	203	204	24	32	94.1	89.6	63.6	59.0	30.5	30.6
Austria	197	201	197	201	177	183	28	31	92.2	92.9	68.7	69.6	23.5	23.3
Ireland	163	165	163	165	146	154	29	29	93.0	94.7	65.8	70.0	27.2	24.7
Belgium 5)	73	83	73	73	65	75	13	15	97.3	97.9	59.9	63.1	37.4	34.8
Portugal	71	67	71	67	62	62	10	11	91.6	89.9	64.4	62.7	27.2	27.2
Greece	20	19	20	19	14	12	2	1	93.3	97.1	61.4	65.4	31.9	31.7
<b>Western and Southern</b>														
<b>Europe</b>	<b>746</b>	<b>763</b>	<b>746</b>	<b>753</b>	<b>667</b>	<b>690</b>	<b>111 6)</b>	<b>124 6)</b>	<b>93.5</b>	<b>92.7</b>	<b>65.2</b>	<b>65.2</b>	<b>28.3</b>	<b>27.5</b>
Russia 7)	261	200	252	200	171	155	4	3	107.6	103.6	64.7	65.0	42.9	38.6
Hungary	118	127	118	127	118	125	11	17	100.2	95.8	70.1	68.2	30.1	27.6
Poland	122	95	109	95	83	61	17	7	82.8	93.0	55.4	57.6	27.4	35.4
Romania	83	83	92	83	33	39	1	5	106.8	86.5	83.7	72.1	23.1	14.4
Slovakia	78	70	73	70	76	68	28	32	71.1	61.6	42.3	35.2	28.8	26.4
Czech Republic	66	54	58	54	52	46	7	13	89.8	75.5	67.8	52.4	22.0	23.1
Bulgaria	28	24	28	24	16	15	1	2	100.1	93.1	57.8	47.1	42.3	46.0
Croatia	25	21	25	21	19	14	1		99.3	105.9	62.2	69.9	37.1	36.0
<b>New Europe 8)</b>	<b>781</b>	<b>674</b>	<b>755</b>	<b>674</b>	<b>568</b>	<b>523</b>	<b>62</b>	<b>74</b>	<b>96.2</b>	<b>92.0</b>	<b>62.6</b>	<b>60.1</b>	<b>33.6</b>	<b>31.9</b>
<b>Other Europe</b>	<b>1,527</b>	<b>1,437</b>	<b>1,501</b>	<b>1,427</b>	<b>1,235</b>	<b>1,213</b>	<b>173</b>	<b>198</b>	<b>94.7</b>	<b>91.4</b>	<b>64.0</b>	<b>62.6</b>	<b>30.7</b>	<b>28.8</b>
United States	1,061	1,030	1,230	1,195	743	804	141	189	90.9	87.8	63.4	56.0	27.5	31.8
Mexico 9)	74	53	82	53	21	22	1	2	94.7	94.0	68.7	69.1	26.0	24.9
<b>NAFTA</b>	<b>1,135</b>	<b>1,083</b>	<b>1,312</b>	<b>1,248</b>	<b>764</b>	<b>826</b>	<b>142</b>	<b>191</b>	<b>91.0</b>	<b>88.0</b>	<b>63.6</b>	<b>56.4</b>	<b>27.4</b>	<b>31.6</b>
Australia	391	390	399	390	303	311	95	84	89.2	90.8	64.5	65.0	24.7	25.8
Other	109	80	110	80	53	39	5	8	97.7	86.0	60.9	51.0	36.8	35.0

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Asia-Pacific	500	470	509	470	356	350	100	92	90.5	90.2	64.0	63.4	26.5	26.8
South America	244	242	242	219	187	180	22	14	96.9	98.7	64.6	63.6	32.3	35.1
Other	30	22	32	22	16	15	4	1	10)	10)	10)	10)	10)	10)
Specialty lines														
Allianz Global Corporate & Specialty <sup>2)</sup>	778	623	775	700	466	462	166	116	81.8	94.4	57.9	74.3	23.9	20.1
Credit Insurance	437	446	437	446	333	330	112	161	87.3	73.1	60.2	43.4	27.1	29.7
Travel Insurance and Assistance Services	306	270	306	270	308	266	33	24	89.1	107.7	53.6	58.8	35.5	48.9
Subtotal	10,341	10,455	10,584	10,280	9,448	9,656	1,683	1,891						
Consolidation <sup>11)</sup>	(499)	(473)	(470)	(473)				3						
<b>Total</b>	<b>9,842</b>	<b>9,982</b>	<b>10,114</b>	<b>9,807</b>	<b>9,448</b>	<b>9,656</b>	<b>1,683</b>	<b>1,894</b>	<b>93.5</b>	<b>92.9</b>	<b>66.1</b>	<b>64.9</b>	<b>27.4</b>	<b>28.0</b>

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

<sup>2)</sup> Effective 1Q 2008, Allianz Risk Transfer AG is shown within Germany and Allianz Global Corporate & Specialty. Prior year balances have not been adjusted.

<sup>3)</sup> Reinsurance business of Allianz Suisse was transferred to Allianz SE. Effective 1Q 2008, renewal business is shown in Germany, run-off business is shown in Switzerland.

<sup>4)</sup> Effective 1Q 2008, health business in France is shown within Life/ Health segment. Prior year balances have not been adjusted.

<sup>5)</sup> Effective 1Q 2008, health business in Belgium is shown within Life/ Health segment. Prior year balances have not been adjusted.

<sup>6)</sup> Contains 5 mn and 5 mn for 2Q 2008 and 2Q 2007 respectively and 11 mn and 10 mn for 1H 2008 and 1H 2007 respectively from a former operating entity located in Luxembourg. To be continued on page 17.



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Six months ended June 30,	Gross premiums written				Premiums earned (net)		Operating profit		Combined ratio		Loss ratio		Expense ratio	
	2008	2007	2008	2007										
	as	as	internal	internal										
	stated	stated	)	)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	mn	mn	mn	mn	mn	mn	mn	mn	mn	%	%	%	%	%
<b>Germany <sup>2)3)</sup></b>	<b>6,774</b>	<b>6,575</b>	<b>6,774</b>	<b>6,833</b>	<b>5,035</b>	<b>4,592</b>	<b>952</b>	<b>582</b>	<b>95.6</b>	<b>97.8</b>	<b>70.4</b>	<b>69.2</b>	<b>25.2</b>	<b>28.6</b>
<b>Italy</b>	<b>2,406</b>	<b>2,586</b>	<b>2,406</b>	<b>2,586</b>	<b>2,328</b>	<b>2,431</b>	<b>467</b>	<b>439</b>	<b>93.2</b>	<b>93.6</b>	<b>69.5</b>	<b>69.9</b>	<b>23.7</b>	<b>23.7</b>
<b>France <sup>4)</sup></b>	<b>2,236</b>	<b>2,838</b>	<b>2,236</b>	<b>2,215</b>	<b>1,639</b>	<b>2,217</b>	<b>173</b>	<b>237</b>	<b>97.7</b>	<b>99.0</b>	<b>70.7</b>	<b>71.5</b>	<b>27.0</b>	<b>27.5</b>
<b>United Kingdom</b>	<b>1,034</b>	<b>1,152</b>	<b>1,188</b>	<b>1,152</b>	<b>903</b>	<b>989</b>	<b>124</b>	<b>127</b>	<b>95.9</b>	<b>97.4</b>	<b>62.3</b>	<b>64.1</b>	<b>33.6</b>	<b>33.3</b>
<b>Spain</b>	<b>1,217</b>	<b>1,193</b>	<b>1,217</b>	<b>1,193</b>	<b>931</b>	<b>885</b>	<b>143</b>	<b>135</b>	<b>90.3</b>	<b>90.5</b>	<b>70.2</b>	<b>71.3</b>	<b>20.1</b>	<b>19.2</b>
<b>Switzerland <sup>2)3)</sup></b>	<b>898</b>	<b>1,272</b>	<b>886</b>	<b>867</b>	<b>598</b>	<b>806</b>	<b>76</b>	<b>122</b>	<b>92.4</b>	<b>94.9</b>	<b>69.7</b>	<b>68.3</b>	<b>22.7</b>	<b>26.6</b>
Netherlands	520	534	520	534	396	401	43	57	95.7	91.6	65.0	60.6	30.7	31.0
Austria	539	551	539	551	359	366	46	52	94.7	95.1	71.5	73.1	23.2	22.0
Ireland	363	369	363	369	296	305	59	128	91.6	93.9	65.6	69.3	26.0	24.6
Belgium <sup>5)</sup>	184	207	184	181	130	150	23	21	96.7	103.5	58.6	69.2	38.1	34.3
Portugal	158	147	158	147	123	124	20	20	90.7	89.7	64.1	61.8	26.6	27.9
Greece	41	40	41	40	27	24	5	4	89.5	91.6	58.8	61.1	30.7	30.5
<b>Western and Southern Europe</b>	<b>1,805</b>	<b>1,848</b>	<b>1,805</b>	<b>1,822</b>	<b>1,331</b>	<b>1,370</b>	<b>207 <sup>6)</sup></b>	<b>292 <sup>6)</sup></b>	<b>94.0</b>	<b>94.3</b>	<b>66.0</b>	<b>67.0</b>	<b>28.0</b>	<b>27.3</b>
Russia <sup>7)</sup>	486	268	310	268	344	199	2	4	104.2	103.8	63.0	65.3	41.2	38.5
Hungary	301	321	306	321	231	251	29	41	97.3	93.9	66.7	66.5	30.6	27.4
Poland	227	181	206	181	159	117	24	12	88.6	94.6	59.3	60.5	29.3	34.1
Romania	175	173	194	173	70	75	4	4	104.8	94.8	79.8	76.3	25.0	18.5
Slovakia	188	175	179	175	143	135	57	60	67.9	64.0	41.4	37.8	26.5	26.2
Czech Republic	149	132	134	132	107	91	19	25	86.0	77.6	63.9	54.9	22.1	22.7
Bulgaria	54	47	54	47	36	31	5	7	89.9	84.9	55.1	42.8	34.8	42.1
Croatia	51	44	51	44	37	29	3	1	96.5	101.7	63.5	69.2	33.0	32.5
<b>New Europe <sup>8)</sup></b>	<b>1,631</b>	<b>1,341</b>	<b>1,434</b>	<b>1,341</b>	<b>1,127</b>	<b>928</b>	<b>129</b>	<b>143</b>	<b>94.0</b>	<b>91.2</b>	<b>61.4</b>	<b>60.3</b>	<b>32.6</b>	<b>30.9</b>
<b>Other Europe</b>	<b>3,436</b>	<b>3,189</b>	<b>3,239</b>	<b>3,163</b>	<b>2,458</b>	<b>2,298</b>	<b>336</b>	<b>435</b>	<b>94.0</b>	<b>92.3</b>	<b>63.9</b>	<b>64.1</b>	<b>30.1</b>	<b>28.2</b>
United States	1,833	1,912	2,110	2,077	1,428	1,605	230	355	94.0	89.3	65.0	56.5	29.0	32.8
Mexico <sup>9)</sup>	112	91	125	92	40	42	5	7	90.9	89.6	66.1	64.0	24.8	25.6
<b>NAFTA</b>	<b>1,945</b>	<b>2,003</b>	<b>2,235</b>	<b>2,169</b>	<b>1,468</b>	<b>1,647</b>	<b>235</b>	<b>362</b>	<b>93.9</b>	<b>89.3</b>	<b>65.0</b>	<b>56.7</b>	<b>28.9</b>	<b>32.6</b>
Australia	742	741	747	741	610	615	136	134	96.6	96.5	72.7	71.3	23.9	25.2
Other	211	162	206	162	106	75	8	11	99.2	93.1	60.9	55.6	38.3	37.5
<b>Asia-Pacific</b>	<b>953</b>	<b>903</b>	<b>953</b>	<b>903</b>	<b>716</b>	<b>690</b>	<b>144</b>	<b>145</b>	<b>97.0</b>	<b>96.1</b>	<b>70.9</b>	<b>69.6</b>	<b>26.1</b>	<b>26.5</b>
<b>South America</b>	<b>481</b>	<b>479</b>	<b>473</b>	<b>432</b>	<b>368</b>	<b>347</b>	<b>38</b>	<b>28</b>	<b>97.6</b>	<b>99.4</b>	<b>64.0</b>	<b>64.4</b>	<b>33.6</b>	<b>35.0</b>
Other	69	57	72	57	28	26	6	4	<sup>10)</sup>	<sup>10)</sup>	<sup>10)</sup>	<sup>10)</sup>	<sup>10)</sup>	<sup>10)</sup>
<i>Specialty lines</i>														
<b>Allianz Global Corporate &amp; Specialty <sup>2)</sup></b>	<b>1,641</b>	<b>1,556</b>	<b>1,639</b>	<b>1,703</b>	<b>891</b>	<b>929</b>	<b>220</b>	<b>211</b>	<b>88.9</b>	<b>94.2</b>	<b>64.0</b>	<b>70.3</b>	<b>24.9</b>	<b>23.9</b>
<b>Credit Insurance</b>	<b>969</b>	<b>934</b>	<b>969</b>	<b>934</b>	<b>675</b>	<b>631</b>	<b>189</b>	<b>278</b>	<b>88.2</b>	<b>74.6</b>	<b>61.7</b>	<b>45.8</b>	<b>26.5</b>	<b>28.8</b>
<b>Travel Insurance and Assistance Services</b>	<b>633</b>	<b>566</b>	<b>633</b>	<b>566</b>	<b>583</b>	<b>526</b>	<b>59</b>	<b>55</b>	<b>91.2</b>	<b>104.2</b>	<b>55.7</b>	<b>56.9</b>	<b>35.5</b>	<b>47.3</b>
<b>Subtotal</b>	<b>24,692</b>	<b>25,303</b>	<b>24,920</b>	<b>24,773</b>	<b>18,621</b>	<b>19,014</b>	<b>3,162</b>	<b>3,160</b>						
Consolidation <sup>11)</sup>	(1,140)	(1,210)	(1,093)	(1,210)				1						
<b>Total</b>	<b>23,552</b>	<b>24,093</b>	<b>23,827</b>	<b>23,563</b>	<b>18,621</b>	<b>19,014</b>	<b>3,162</b>	<b>3,161</b>	<b>94.1</b>	<b>94.8</b>	<b>67.4</b>	<b>66.5</b>	<b>26.7</b>	<b>28.3</b>

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- 7) Effective February 21, 2007, Russian People's Insurance Society Rosno was consolidated following the acquisition of approximately 49.2 % of the shares in ROSNO by the Allianz Group, increasing our holding to approximately 97 %. Effective May 21, 2007, we consolidated Progress Garant for the first time.
- 8) Contains income and expense items from a management holding in both 2008 and 2007.
- 9) Effective Q1 2007, life business in Mexico is shown within the Life/Health segment.
- 10) Presentation not meaningful.
- 11) Represents elimination of transactions between Allianz Group companies in different geographic regions.

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## Life/Health Insurance Operations

Strength of our underlying business reflected in resilient operating profit of 703 million.

Challenging financial markets negatively impacted sales of unit-linked products.

## Earnings Summary

### Statutory premiums<sup>1)</sup>

#### 2008 to 2007 second quarter comparison

At 11,070 million statutory premiums were down 8.0 % on an internal basis compared to the prior year period. The current capital market situation resulted in a significant slow-down in our unit-linked business, that could not be outweighed by positive revenue developments from our traditional life insurance products.

On a nominal basis statutory premiums dropped 8.8 % to 10,729 million. Adjusted for the reclassification of AGF's health business of 284 million from the property-casualty segment revenues were down by 10.9 %.

#### Statutory premiums by region <sup>1)</sup>

in %

<sup>1)</sup>After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

<sup>1)</sup>In order to provide more comparable information we will comment the development of our gross premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects starting in 2Q 2008.

Our traditional life insurance business continued to produce dynamic sales with single premium products being the main growth driver. Mostly these benefited from acquisitions of large group insurance contracts e.g. in Germany. Thereby, we achieved premium growth in the German life business (+ 302 million), in Spain (+ 65 million), Austria (+ 44 million) and Switzerland (+ 34 million).

This favorable development partly compensated the downturn in sales of unit-linked products. These were heavily depressed as customers were cautious about these products due to the weak situation in the equity markets.

In Italy, statutory premiums deteriorated by 36.8 % as a result of a shortfall in distribution capacity and the overall weakness of the Italian unit-linked market.

The 10.0 % decline in statutory premiums in the United States was primarily attributable to less business with fixed index annuity products. A year ago we ran a sales promotion which was not repeated this year. In addition, revenues from variable annuity products suffered from weak equity markets.

Revenues in Asia-Pacific were down 11.7 % compared to the prior year period, mainly caused by developments in Taiwan and Korea. In Taiwan new regulations with regards to unitlinked products slowed revenue growth. In addition we lost one of our major local bancassurance partners.

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In Korea we started seeing the effects of a strike that has lasted over six months, impacting sales growth and retention.

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**Statutory premiums Internal growth rates<sup>1)</sup>**

in %

<sup>1)</sup> Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

**2008 to 2007 first half comparison**

On a year-to-date comparison, statutory premiums were down 3.8 % to 23,727 million . Adjusted for the reclassification of AGF 's health business of 573 million, premiums declined by 6.5 %. On a nominal basis revenues decreased by 4.3 %.

**Operating profit**

**Operating profit**

in mn

**2008 to 2007 second quarter comparison**

Operating profit amounted to 703 million proving the strength of our underlying business and its resilience to the tough market environment.

The challenging financial market conditions negatively affected investment income. **Net impairments on investments** increased by 842 million and realized gains decreased by 373 million.

**Operating income from financial assets and liabilities carried at fair value through income** showed an expense of 352 million mainly as a result of positive effects from hedge accounting treatment for certain derivative instruments that was not available a year ago.

Due to the reclassification of AGF 's health business in France from the Property-Casualty to the Life/Health segment, **net claims and insurance benefits incurred** increased by 9.2% to 4,540 million.

In aggregate, **acquisition and administrative expenses** increased by 15.2% to 1,285 million mainly due to higher acquisition expenses resulting from the transfer of the health business. The **statutory expense ratio** was up by 2.6 percentage points to 12.2%.

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### **2008 to 2007 first half comparison**

Operating profit for the first half year of 2008 decreased by 14.3% to 1,292 million. The various line item developments were largely consistent with those described for the second quarter.

### **Non-operating result**

#### **2008 to 2007 second quarter comparison**

The non-operating result was a loss of 58 million. This was almost entirely made up of realized losses of 47 million arising in Italy and Korea, not shared with policyholders,

#### **2008 to 2007 first half comparison**

We recorded a non-operating loss of 40 million compared to a non-operating gain of 118 million a year earlier.

### **Net income**

#### **2008 to 2007 second quarter comparison**

Net income amounted to 425 million. Both lower operating profit and the non-operating loss contributed to the 11.3% decline.

The **effective tax rate** rose by 0.7 percentage points to 31.0% mainly due to lower tax exempted income in 2Q 2008.

**Minority interests in earnings** were down by 40 million mainly reflecting the minority buy-out at AGF in France.

#### **2008 to 2007 first half comparison**

Net income for the first six months of 2008 came to 877 million, 15.0% lower than in the comparison period. Consistent with the development in the second quarter, the decrease stemmed from lower operating profit and the swing in non-operating items.

**Income tax expenses** were down by 99 million, driven by the lower pre-tax profits. Our **effective tax rate** remained stable at 26.8%.

As in the second quarter, **minority interests in earnings** reflected the minority buy-out in France and were 120 million lower than a year earlier.

**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Life/Health segment s income statement and ratios<sup>1)</sup>**

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Statutory premiums<sup>2)</sup></b>	<b>10,729</b>	<b>11,758</b>	<b>23,056</b>	<b>24,084</b>
Ceded premiums written	(124)	(186)	(267)	(379)
Change in unearned premiums	(29)	3	(66)	(24)
Statutory premiums (net)	10,576	11,575	22,723	23,681
Deposits from SFAS 97 insurance and investment contracts	(5,465)	(6,892)	(12,023)	(13,813)
<b>Premiums earned (net)</b>	<b>5,111</b>	<b>4,683</b>	<b>10,700</b>	<b>9,868</b>
Interest and similar income	3,814	3,783	7,014	6,938
Operating income from financial assets and liabilities carried at fair value through income (net) <sup>3)</sup>	(352)	(668)	(121)	(979)
Operating realized gains/losses (net) <sup>4)</sup>	273	646	922	1,734
Fee and commission income	168	164	339	335
Other income	5	9	115	63
Income from fully consolidated private equity investments	3		3	
<b>Operating revenues</b>	<b>9,022</b>	<b>8,617</b>	<b>18,972</b>	<b>17,959</b>
Claims and insurance benefits incurred (net)	(4,540)	(4,158)	(9,553)	(8,860)
Changes in reserves for insurance and investment contracts (net)	(1,389)	(2,211)	(3,192)	(4,835)
Interest expenses	(55)	(111)	(125)	(202)
Loan loss provisions	4		6	(3)
Operating impairments of investments (net) <sup>5)</sup>	(898)	(56)	(1,878)	(93)
Investment expenses	(82)	(163)	(410)	(359)
Acquisition and administrative expenses (net)	(1,285)	(1,115)	(2,393)	(1,989)
Fee and commission expenses	(70)	(43)	(130)	(105)
Operating restructuring charges <sup>6)</sup>		(2)	(1)	(5)
Other expenses	(1)		(1)	
Expenses from fully consolidated private equity investments	(3)		(3)	
<b>Operating expenses</b>	<b>(8,319)</b>	<b>(7,859)</b>	<b>(17,680)</b>	<b>(16,451)</b>
<b>Operating profit</b>	<b>703</b>	<b>758</b>	<b>1,292</b>	<b>1,508</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net) <sup>3)</sup>	(3)	(1)	8	
Non-operating realized gains/losses (net) <sup>4)</sup>	(47)	17	(35)	122
Non-operating impairments of investments (net) <sup>5)</sup>	(6)		(10)	
Amortization of intangible assets			(1)	(1)
Non-operating restructuring charges <sup>6)</sup>	(2)	(1)	(2)	(3)
<b>Non-operating items</b>	<b>(58)</b>	<b>15</b>	<b>(40)</b>	<b>118</b>
<b>Income before income taxes and minority interests in earnings</b>	<b>645</b>	<b>773</b>	<b>1,252</b>	<b>1,626</b>
Income taxes	(200)	(234)	(336)	(435)
Minority interests in earnings	(20)	(60)	(39)	(159)
<b>Net income</b>	<b>425</b>	<b>479</b>	<b>877</b>	<b>1,032</b>
<b>Statutory expense ratio<sup>7)</sup> in %</b>	<b>12.2</b>	<b>9.6</b>	<b>10.5</b>	<b>8.4</b>

1) Since 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

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- 2) For the Life/Health segment, total revenues are measured based upon statutory premiums. Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
- 3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 4) The total of these items equals realized gains/losses (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 5) The total of these items equals impairments of investments (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 6) The total of these items equals restructuring charges in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.
- 7) Represents acquisition and administrative expenses (net) divided by statutory premiums (net).



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**Life/Health Operations by Geographic Region**

The following table sets forth our Life/Health statutory premiums, premiums earned (net), operating profit and statutory expense ratio by geographic region for the three and six months ended June 30, 2008 and 2007. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Three months ended June 30,	Statutory premiums <sup>1)</sup>			Premiums earned (net)		Operating profit		Statutory expense ratio		
	2008 as stated	2007 as stated	2008 internal <sup>2)</sup>	2007 internal <sup>2)</sup>	2008		2007			
	mn	mn	mn	mn	mn	mn	mn	%	%	
<b>Germany Life</b>	<b>3,078</b>	<b>2,776</b>	<b>3,078</b>	<b>2,776</b>	<b>2,259</b>	<b>2,222</b>	<b>175</b>	<b>141</b>	<b>7.3</b>	<b>8.1</b>
<b>Germany Health <sup>3)</sup></b>	<b>779</b>	<b>783</b>	<b>779</b>	<b>783</b>	<b>778</b>	<b>783</b>	<b>23</b>	<b>41</b>	<b>7.7</b>	<b>9.4</b>
<b>Italy</b>	<b>1,625</b>	<b>2,572</b>	<b>1,625</b>	<b>2,572</b>	<b>232</b>	<b>255</b>	<b>96</b>	<b>102</b>	<b>7.7</b>	<b>5.7</b>
<b>France <sup>4)</sup></b>	<b>1,690</b>	<b>1,575</b>	<b>1,690</b>	<b>1,847</b>	<b>637</b>	<b>390</b>	<b>140</b>	<b>227</b>	<b>19.3</b>	<b>15.1</b>
<b>Switzerland</b>	<b>206</b>	<b>167</b>	<b>201</b>	<b>167</b>	<b>85</b>	<b>83</b>	<b>17</b>	<b>19</b>	<b>13.2</b>	<b>13.9</b>
<b>Spain</b>	<b>233</b>	<b>168</b>	<b>233</b>	<b>168</b>	<b>118</b>	<b>119</b>	<b>31</b>	<b>26</b>	<b>7.1</b>	<b>8.3</b>
Belgium <sup>5)</sup>	185	155	185	166	76	71	22	28	9.3	10.4
Netherlands	98	101	98	101	33	34	12	12	20.1	13.4
Austria	139	95	139	95	68	71	6	6	8.1	8.8
Portugal	31	28	31	28	19	17	3	7	20.7	26.1
Greece	27	25	27	25	17	16	2	1	27.3	23.6
Luxembourg	12	37	12	37	7	7	1	2	16.9	7.6
<b>Western and Southern Europe</b>	<b>492</b>	<b>441</b>	<b>492</b>	<b>452</b>	<b>220</b>	<b>216</b>	<b>46</b>	<b>55 <sup>6)</sup></b>	<b>12.9</b>	<b>12.2</b>
Poland	58	66	52	66	44	16	(1)	3	52.0	19.1
Slovakia	65	64	61	64	43	40	8	9	16.8	12.3
Hungary	51	26	51	26	19	20	3	4	14.0	27.6
Czech Republic	22	24	20	24	15	13		3	22.2	15.5
Croatia	17	17	17	17	10	10			21.9	6.1
Bulgaria	8	7	8	7	7	6	1	1	16.7	16.4
Romania	9	7	9	7	3	4			24.6	41.6
Russia	4	3	4	3	4	3	(4)	(3)	135.4	126.1
<b>New Europe</b>	<b>234</b>	<b>214</b>	<b>222</b>	<b>214</b>	<b>145</b>	<b>112</b>	<b>7</b>	<b>17</b>	<b>27.9</b>	<b>18.9</b>
<b>Other Europe</b>	<b>726</b>	<b>655</b>	<b>714</b>	<b>666</b>	<b>365</b>	<b>328</b>	<b>53</b>	<b>72</b>	<b>17.8</b>	<b>14.4</b>
Mexico <sup>7)</sup>	13	9	15	9	8	8	1	1	13.5	14.0
United States	1,396	1,796	1,617	1,796	254	105	150	88	19.3	9.5
<b>NAFTA</b>	<b>1,409</b>	<b>1,805</b>	<b>1,632</b>	<b>1,805</b>	<b>262</b>	<b>113</b>	<b>151</b>	<b>89</b>	<b>19.2</b>	<b>9.6</b>
South Korea	380	466	483	466	186	238	26	24	16.0	17.6
Taiwan	227	544	242	544	22	16	(1)	5	9.4	3.1
Indonesia	48	76	58	76	12	11	2	2	14.7	7.4
Malaysia	32	30	34	29	28	26	1	3	22.7	21.2
Other	237	82	240	82	25	4	(18)	(2)	30.3	10.1
<b>Asia-Pacific</b>	<b>924</b>	<b>1,198</b>	<b>1,057</b>	<b>1,197</b>	<b>273</b>	<b>295</b>	<b>10</b>	<b>32</b>	<b>11.4</b>	<b>10.0</b>
<b>South America</b>	<b>9</b>	<b>14</b>	<b>9</b>	<b>10</b>	<b>6</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>66.3</b>	<b>47.3</b>
<b>Other</b>	<b>105</b>	<b>98</b>	<b>149</b>	<b>98</b>	<b>95</b>	<b>87</b>	<b>6</b>	<b>18</b>	<sup>8)</sup>	<sup>8)</sup>
<b>Subtotal</b>	<b>10,784</b>	<b>11,811</b>	<b>11,167</b>	<b>12,089</b>	<b>5,110</b>	<b>4,683</b>	<b>703</b>	<b>767</b>		
Consolidation <sup>9)</sup>	(55)	(53)	(97)	(53)				(9)		
<b>Total</b>	<b>10,729</b>	<b>11,758</b>	<b>11,070</b>	<b>12,036</b>	<b>5,110</b>	<b>4,683</b>	<b>703</b>	<b>758</b>	<b>12.2</b>	<b>9.6</b>

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- 1) Statutory premiums are gross premiums written from sales of life 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) Reflect statutory premiums on an internal basis (adjusted for foreign currency translation and (de-)consolidation effects).
- 3) Loss ratios were 72.1 % and 68.1 % for the three months ended June 30, 2008 and 2007 respectively and 75.7 % and 72.9 % for the six months ended June 30, 2008 and 2007 respectively.
- 4) Effective 1Q 2008, health business in France is shown within Life/ Health segment. Prior year balances have not been adjusted.
- 5) Effective 1Q 2008, health business in Belgium is shown within Life/ Health segment. Prior year balances have not been adjusted. To be continued on page 23.

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Six months ended June 30,	Statutory premiums <sup>1)</sup>		Premiums earned (net)		Operating profit		Statutory expense ratio			
	2008 as stated	2007 as stated	2008 internal <sup>2)</sup>	2007 internal <sup>2)</sup>	2008		2007			
	mn	mn	mn	mn	2008 mn	2007 mn	2007 mn	2008 %	2007 %	
<b>Germany Life</b>	<b>6,656</b>	<b>5,815</b>	<b>6,656</b>	<b>5,815</b>	<b>4,884</b>	<b>4,788</b>	<b>363</b>	<b>332</b>	<b>7.3</b>	<b>4.6</b>
<b>Germany Health <sup>3)</sup></b>	<b>1,553</b>	<b>1,563</b>	<b>1,553</b>	<b>1,563</b>	<b>1,554</b>	<b>1,563</b>	<b>60</b>	<b>82</b>	<b>8.6</b>	<b>9.8</b>
<b>Italy</b>	<b>3,254</b>	<b>5,402</b>	<b>3,254</b>	<b>5,402</b>	<b>446</b>	<b>498</b>	<b>127</b>	<b>196</b>	<b>7.9</b>	<b>5.5</b>
<b>France <sup>4)</sup></b>	<b>3,902</b>	<b>3,065</b>	<b>3,902</b>	<b>3,618</b>	<b>1,334</b>	<b>825</b>	<b>300</b>	<b>362</b>	<b>15.9</b>	<b>14.4</b>
<b>Switzerland</b>	<b>869</b>	<b>665</b>	<b>857</b>	<b>665</b>	<b>279</b>	<b>278</b>	<b>34</b>	<b>35</b>	<b>5.4</b>	<b>6.9</b>
<b>Spain</b>	<b>416</b>	<b>324</b>	<b>416</b>	<b>324</b>	<b>230</b>	<b>229</b>	<b>57</b>	<b>53</b>	<b>8.2</b>	<b>9.4</b>
Belgium <sup>5)</sup>	388	349	388	376	165	147	51	71	9.6	8.9
Netherlands	197	214	197	214	66	69	21	23	19.9	12.9
Austria	247	198	247	198	150	139	14	25	9.7	9.4
Portugal	56	50	56	50	38	36	8	17	23.6	28.4
Greece	56	54	56	54	35	32	3	2	24.3	20.2
Luxembourg	35	47	35	47	14	14	2	5	12.4	11.1
<b>Western and Southern Europe</b>	<b>979</b>	<b>912</b>	<b>979</b>	<b>939</b>	<b>468</b>	<b>437</b>	<b>99</b>	<b>142 <sup>6)</sup></b>	<b>13.3</b>	<b>11.8</b>
Poland	121	314	110	314	81	44	3	6	45.5	10.5
Slovakia	145	126	137	126	85	80	18	16	12.4	13.6
Hungary	95	56	96	56	39	40	6	8	15.0	23.8
Czech Republic	49	45	44	45	31	26	4	6	19.7	17.6
Croatia	30	29	30	29	20	19	2	2	24.2	10.6
Bulgaria	15	15	15	15	13	13	1	2	20.2	15.3
Romania	16	16	18	16	7	6	1	(1)	27.6	34.1
Russia	8	5	8	5	7	5	(7)	(3)	135.7	133.5
<b>New Europe</b>	<b>479</b>	<b>606</b>	<b>458</b>	<b>606</b>	<b>283</b>	<b>233</b>	<b>28</b>	<b>36</b>	<b>25.2</b>	<b>14.7</b>
<b>Other Europe</b>	<b>1,458</b>	<b>1,518</b>	<b>1,437</b>	<b>1,545</b>	<b>751</b>	<b>670</b>	<b>127</b>	<b>178</b>	<b>17.3</b>	<b>12.9</b>
Mexico <sup>7)</sup>	47	16	53	16	15	16	2	2	7.1	15.0
United States	2,740	3,465	3,170	3,465	428	205	155	159	12.5	9.4
<b>NAFTA</b>	<b>2,787</b>	<b>3,481</b>	<b>3,223</b>	<b>3,481</b>	<b>443</b>	<b>221</b>	<b>157</b>	<b>161</b>	<b>12.4</b>	<b>9.5</b>
South Korea	864	931	1,047	931	396	490	56	78	13.8	15.8
Taiwan	682	894	735	894	50	30	1	9	7.8	2.8
Indonesia	94	106	110	106	22	22	5	4	13.6	11.4
Malaysia	63	58	67	58	55	49	4	5	18.8	18.2
Other	311	131	318	130	31	9	(28)	(6)	20.2	11.4
<b>Asia-Pacific</b>	<b>2,014</b>	<b>2,120</b>	<b>2,277</b>	<b>2,119</b>	<b>554</b>	<b>600</b>	<b>38</b>	<b>90</b>	<b>11.0</b>	<b>10.0</b>
<b>South America</b>	<b>39</b>	<b>47</b>	<b>39</b>	<b>39</b>	<b>35</b>	<b>17</b>	<b>7</b>	<b>(1)</b>	<b>24.4</b>	<b>27.5</b>
<b>Other</b>	<b>215</b>	<b>200</b>	<b>220</b>	<b>200</b>	<b>189</b>	<b>179</b>	<b>22</b>	<b>34</b>	<sup>8)</sup>	<sup>8)</sup>
<b>Subtotal</b>	<b>23,163</b>	<b>24,200</b>	<b>23,834</b>	<b>24,771</b>	<b>10,699</b>	<b>9,868</b>	<b>1,292</b>	<b>1,522</b>		
Consolidation <sup>9)</sup>	(107)	(116)	(107)	(117)				(14)		
<b>Total</b>	<b>23,056</b>	<b>24,084</b>	<b>23,727</b>	<b>24,654</b>	<b>10,699</b>	<b>9,868</b>	<b>1,292</b>	<b>1,508</b>	<b>10.5</b>	<b>8.4</b>

<sup>6)</sup> Contains run-off (1) mn 1Q 2007 from our former life insurance business in the United Kingdom which we sold in December 2004.

<sup>7)</sup> Effective 2007, life business in Mexico is shown within the Life/Health segment.

<sup>8)</sup> Presentation not meaningful.

<sup>9)</sup> Represents elimination of transactions between Allianz Group companies in different geographic regions.

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## Banking Operations<sup>1)</sup>

Further markdowns on asset-backed securities, counterparty default adjustments on monolines and mark-to-market valuations on other trading positions led to a net dealing loss of 627 million. Dresdner Bank's loan book quality remained strong.

## Earnings Summary

### Operating revenues

#### 2008 to 2007 second quarter comparison

Operating revenues of 635 million were significantly down compared to the second quarter 2007, as the ongoing financial market crisis severely impacted our net dealing income again.

Net interest income at 703 million was stable, profiting from the positive development in our Private & Corporate Clients ( PCC ) division, where deposit business continued to compensate for slight shortfalls in loan business. PCC's deposit business benefited from the shifts within the customer portfolios towards less riskier assets. In the Investment Bank Dresdner Kleinwort ( DKIB ) we recorded a lower result compared to the prior year period, in which higher income from structured finance transactions was generated. The impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting amounted to (12) million (2Q 2007: 6 million).

Net fee and commission income declined 22.3 % to 558 million as a result of low levels of customer activity in the challenging capital markets. This affected mainly PCC's securities business, where our retail customers did fewer transactions, as well as the strategic advisory business at DKIB.

Net dealing income, which comprises net trading income and net income from financial assets and liabilities designated at fair value through income, was severely hit by the market deterioration and turned sharply negative to 627 million after

<sup>1)</sup> The results of operations of our Banking segment are almost exclusively represented by Dresdner Bank, accounting for 92.0 % and 96.0 % of our total Banking segment's operating revenues for the six months ended June 30, 2008 and 2007, respectively. Accordingly, the discussion of our Banking segment's results of operations relates solely to the operations of Dresdner Bank.

351 million in the prior year period. This development is almost entirely attributable to DKIB. Whereas the direct impact from the credit crisis resulting in mark-downs on ABS at 286 million was significantly lower than in the previous quarters, the ongoing build-up of counter-party default adjustments for monolines of 212 million (net), and other credit crisis related negative impacts of 191 million, both increased.

Additionally, we experienced lower net dealing income stemming from our rates, credit and equity businesses, which all suffered from the current market conditions.

#### 2008 to 2007 first half comparison

Dresdner Bank's operating revenues decreased by 64.3 % to 1,354 million due to the ongoing financial markets turbulence that started in the second half of 2007. The line item developments were largely consistent with those described for the second quarter comparison.

### Operating profit (loss)

**Operating profit (loss)**

in mn

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### **2008 to 2007 second quarter comparison**

Due to the weak revenue situation, especially in net dealing income as already described, we recorded an **operating loss** of 566 million compared to an operating profit of 427 million in the same period one year ago. The loss was driven by DKIB which recorded an operating loss of 715 million as a result of the lower net dealing income. PCC produced an operating profit of 121 million and a cost-income-ratio of 81.5 %.

We further reduced our **operating expenses**. Down 11.4 %, they amounted to 1,135 million. Personnel expenses were reduced by 19.7 % to 643 million, reflecting significantly lower performance-related expenses following the lower revenues. Non-personnel costs, included in administrative expenses, declined by 3.2 % to 461 million due to further efficiency gains and strict adherence to cost discipline, mainly resulting in lower office and IT-costs.

**Net loan loss provisions** stayed at a moderate level with net additions of 66 million being 4 million higher than in the second quarter 2007.

### **2008 to 2007 first half comparison**

Resulting from the weak revenue situation in the first half of 2008, operating profit turned negative to an **operating loss** of 1,019 million. Although we managed down our **operating expenses** by 12.8 %, this development could not outweigh the decline in revenues.

**Net loan loss provisions** stayed at a moderate level, with net additions of 76 million, up 38.2 %. The quality of Dresdner Bank's loan book remained solid with a coverage ratio of 51.4 %.

## **Non-operating result**

### **2008 to 2007 second quarter comparison**

The **non-operating result** at 67 million was up 123.3 %, mainly stemming from 60 million **higher realized gains** due to the further reduction of non-strategic investments of the bank. These more than compensated for **impairments** of 35 million, mainly resulting from losses from the sale of loans.

### **2008 to 2007 first half comparison**

Compared to a year ago, the non-operating result was down by 20.0 %, amounting to 116 million, mainly reflecting lower capital gains.

## **Net income (loss)**

### **2008 to 2007 second quarter comparison**

Due to the operating loss, net income declined to a **net loss** of 545 million. In the prior year period we recorded a positive net income of 395 million.

Despite the negative pre-tax income, we recorded an income tax charge of 35 million (2Q 2007: 44 million) due to positive income in other jurisdictions. The non-recognition of deferred tax assets for losses led to an effective tax rate of (7.0) % (2Q 2007: 9.6 %).

### **2008 to 2007 first half comparison**

Net income decreased by 2,065 million to a net loss of 1,058 million as we recorded a loss before income taxes and minority interests in earnings of 903 million due to the developments explained in the second quarter comparison.



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**Banking Operations by Division**

The following table sets forth our banking operating revenues, operating profit and cost-income ratio by division. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues		Operating profit (loss)		Cost-income ratio	
	2007	2008	2007	2008	2007	2008
	mn	mn	mn	mn	%	%
<b>Three months ended June 30,</b>						
Private & Corporate Clients	839	879	121	173	81.5	77.1
Investment Banking	(222)	760	(715)	158	<sup>2)</sup>	74.5
Corporate Other <sup>1)</sup>	18	131	28	96	<sup>2)</sup>	<sup>2)</sup>
<b>Dresdner Bank</b>	<b>635</b>	<b>1,770</b>	<b>(566)</b>	<b>427</b>	<b>178.7</b>	<b>72.4</b>
Other Banks <sup>3)</sup>	59	80	(2)	21	100.0	70.0
<b>Total</b>	<b>694</b>	<b>1,850</b>	<b>(568)</b>	<b>448</b>	<b>172.0</b>	<b>72.3</b>
<b>Six months ended June 30,</b>						
Private & Corporate Clients	1,715	1,873	339	486	78.1	72.5
Investment Banking	(254)	1,649	(1,292)	376	<sup>2)</sup>	75.6
Corporate Other <sup>1)</sup>	(107)	271	(66)	242	<sup>2)</sup>	<sup>2)</sup>
<b>Dresdner Bank</b>	<b>1,354</b>	<b>3,793</b>	<b>(1,019)</b>	<b>1,104</b>	<b>169.6</b>	<b>69.4</b>
Other Banks <sup>3)</sup>	118	158	(5)	44	100.8	69.0
<b>Total</b>	<b>1,472</b>	<b>3,951</b>	<b>(1,024)</b>	<b>1,148</b>	<b>164.1</b>	<b>69.4</b>

<sup>1)</sup> These items include, in particular, impacts from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting as well as provisioning requirements for country and general risks. For the three and six months ended June 30, 2008 the impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting on Corporate Other's operating revenues amounted to 6 mn and (22) mn, respectively (2007: 4 mn and (16) mn respectively).

<sup>2)</sup> Presentation not meaningful.

<sup>3)</sup> Consists of non-Dresdner Bank banking operations within our Banking segment.



**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Income statement and cost-income ratios for the Banking segment and Dresdner Bank**

	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
	Banking Segment	Bank	Banking Segment	Dresdner Bank	Banking Segment	Bank	Banking Segment	Dresdner Bank
	mn	mn	mn	mn	mn	mn	mn	mn
Net interest income <sup>1)</sup>	727	703	730	701	1,423	1,372	1,658	1,601
Net fee and commission income <sup>2)</sup>	597	558	766	718	1,241	1,162	1,598	1,507
Trading income (net) <sup>3)</sup>	(697)	(694)	338	335	(1,403)	(1,392)	689	680
Income from financial assets and liabilities designated at fair value through income (net) <sup>3)</sup>	67	67	16	16	211	211	6	5
Other income		1				1		
<b>Operating revenues <sup>4)</sup></b>	<b>694</b>	<b>635</b>	<b>1,850</b>	<b>1,770</b>	<b>1,472</b>	<b>1,354</b>	<b>3,951</b>	<b>3,793</b>
Administrative expenses	(1,165)	(1,104)	(1,334)	(1,277)	(2,383)	(2,260)	(2,744)	(2,632)
Investment expenses	1		(4)	(5)	3	(1)	(13)	(16)
Other expenses	(30)	(31)	1	1	(36)	(36)	14	14
<b>Operating expenses</b>	<b>(1,194)</b>	<b>(1,135)</b>	<b>(1,337)</b>	<b>(1,281)</b>	<b>(2,416)</b>	<b>(2,297)</b>	<b>(2,743)</b>	<b>(2,634)</b>
Loan loss provisions	(68)	(66)	(65)	(62)	(80)	(76)	(60)	(55)
<b>Operating profit (loss)</b>	<b>(568)</b>	<b>(566)</b>	<b>448</b>	<b>427</b>	<b>(1,024)</b>	<b>(1,019)</b>	<b>1,148</b>	<b>1,104</b>
Realized gains/losses (net)	104	103	51	43	166	166	190	180
Impairments of investments (net)	(35)	(35)	(9)	(9)	(65)	(65)	(22)	(22)
Restructuring charges	(1)	(1)	(3)	(4)	15	15	(12)	(13)
<b>Non-operating items</b>	<b>68</b>	<b>67</b>	<b>39</b>	<b>30</b>	<b>116</b>	<b>116</b>	<b>156</b>	<b>145</b>
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>(500)</b>	<b>(499)</b>	<b>487</b>	<b>457</b>	<b>(908)</b>	<b>(903)</b>	<b>1,304</b>	<b>1,249</b>
Income taxes	(37)	(35)	(56)	(44)	(153)	(129)	(224)	(202)
Minority interests in earnings	(15)	(11)	(20)	(18)	(29)	(26)	(44)	(40)
<b>Net income (loss)</b>	<b>(552)</b>	<b>(545)</b>	<b>411</b>	<b>395</b>	<b>(1,090)</b>	<b>(1,058)</b>	<b>1,036</b>	<b>1,007</b>
<b>Cost-income ratio <sup>5)</sup> in %</b>	<b>172.0</b>	<b>178.7</b>	<b>72.3</b>	<b>72.4</b>	<b>164.1</b>	<b>169.6</b>	<b>69.4</b>	<b>69.4</b>

1) Represents interest and similar income less interest expenses.

2) Represents fee and commission income less fee and commission expenses.

3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.

4) For the Banking segment, total revenues are measured based upon operating revenues.

5) Represents operating expenses divided by operating revenues.

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## Asset Management Operations

Fixed income business robust.

Consistent outperformance supports net flows.

Stable underlying profitability.

## Third-Party Assets Under Management of the Allianz Group

We continued with our successful investment performance. Around 80 % of our third party assets under management are consistently outperforming their respective benchmarks.

### **Rolling investment performance of Allianz Global Investors <sup>1)</sup> in %**

This performance is the basis for strong net inflows which amounted to 33 billion between year end 2007 and June 30, 2008.

### **Development of third-party assets under management in bn**

Fixed income business proved to be robust, contributing 37 billion to total net inflows. In contrast, we recorded outflows of 4 billion of our equity business, primarily due to the continuing risk aversion of many investors against the background of the financial market crisis. In total, assets under management were down by 3.3 %. Negative market effects and unfavorable currency translation effects resulting from the downward trend of the U.S. dollar versus the Euro, were the main reasons.

<sup>1)</sup> AGI account-based, asset-weighted 3-year investment performance of 3rd party assets vs. benchmark including all equity and fixed income accounts managed on a discretionary basis by equity and fixed income managers of AGI (including direct accounts, Spezialfonds and CPMs of Allianz with AGI Germany). For some retail funds the net of fee performance is compared to the median performance of an appropriate peer group (Micropal or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS, the performance of closed funds/accounts is not included in the analysis. Also not included: WRAP accounts and accounts of Caywood Scholl, AGI Taiwan, AGI Korea, AGF AM and RAS AM.

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in %

<sup>1)</sup> Based on the origination of assets.

<sup>2)</sup> Consists of third-party assets managed by Dresdner Bank (approximately 11 bn and 18 bn as of June 30, 2008 and December 31, 2007, respectively) and by other Allianz Group companies (approximately 20 bn and 22 bn as of June 30, 2008 and December 31, 2007 respectively). There were no major movements in the geographic origination of third party assets under management. Also the weighting of retail and institutional clients remained almost stable at 35% and 65% respectively, with a slight shift towards institutional clients. In the first half of 2008 there was a marginal movement from equity assets to our fixed income business, which represent 19% and 81% of the total assets under management, respectively.

**Earnings Summary <sup>1)</sup>****Operating Revenues****2008 to 2007 second quarter comparison**

At 725 million **operating revenues** were down 6.8 % compared to the prior year period. This development was substantially impacted by 87 million unfavorable currency effects. At constant exchange rates and excluding deconsolidation effects, operating revenues would have been up by 4.7 %.

In line with the reduced asset base, management fees decreased by 40 million.

With 2 million **net income from financial assets and liabilities carried at fair value through income** was down 13 million, primarily stemming from lower mark-to-market valuation of seed money investments related to equity products in the United States.

**2008 to 2007 first half comparison**

At 1,435 million **operating revenues** declined by 6.6 %. The internal growth rate amounted to 2.8 %.

**Net income from financial assets and liabilities carried at fair value through income** turned negative to an expense of 1 million, 23 million below last year's period. This drop primarily stemmed from lower mark-to-market valuation of seed money investments related to equity products in the United States.

<sup>1)</sup> The results of operations of our Asset Management segment are almost exclusively represented by AGI, accounting for 98.2 % (2Q 2007: 97.6 %) and 97.5 % (2Q 2007: 96.6 %) of our total Asset Management segment's operating revenues and operating profit in the second quarter of 2008, respectively. Accordingly, the discussion of our Asset Management segment's results of operations relates solely to the operations of AGI.



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	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	mn	mn	mn	mn
Management fees	821	861	1,645	1,712
Loading and exit fees	63	78	126	159
Performance fees	30	20	43	35
Other income	113	94	178	196
<b>Fee and commission income</b>	<b>1,027</b>	<b>1,053</b>	<b>1,992</b>	<b>2,102</b>
Commissions <sup>1)</sup>	(208)	(239)	(416)	(471)
Other expenses	(114)	(71)	(178)	(160)
<b>Fee and commission expenses</b>	<b>(322)</b>	<b>(310)</b>	<b>(594)</b>	<b>(631)</b>
<b>Net fee and commission income</b>	<b>705</b>	<b>743</b>	<b>1,398</b>	<b>1,471</b>

<sup>1)</sup> For the three months ended June 30, 2007 and the six months ended June 30, 2007, 13 million and 25 million, respectively, have been reclassified from other expenses to commission expenses.

**Operating profit****Operating Profit**

in mn

**2008 to 2007 second quarter comparison**

At 274 million operating profit was down 12.7 % compared to the prior year period, as a 2.8 % decrease in operating expenses could not compensate for the reduction of operating revenues. On an internal basis, operating profit was 3.1 % below the prior year period.

Administrative expenses declined by 2.8 % to 451 million. However, adjusted for exchange rate effects the expenses increased by 40 million as a consequence of our ongoing business expansion and investment in future growth.

Our cost-income ratio increased by 2.6 percentage points to 62.2 %.

**2008 to 2007 first half comparison**

On a year-to-date comparison operating profit was down by 17.2 %, amounting to 512 million. On an internal basis, operating profit declined by 12.3 %.

Our cost-income ratio increased by 4.5 percentage points to 64.3 %.

**Non-operating result****2008 to 2007 second quarter comparison**

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Acquisition-related expenses increased by 4 million to 87 million. This was primarily due to the favorable business development at PIMCO. The Allianz Group had acquired 67,863 of the 150,000 PIMCO LLC Class B Units originally outstanding, as of June 30 2008, compared to 37,760 as of June 30, 2007. There was no acquisition of B Units in the second quarter 2008.

### 2008 to 2007 first half comparison

At 207 million acquisition-related expenses were 2 million higher than a year earlier. The positive development at PIMCO, as previously described, was the main driver behind this increase.

### Net income

#### 2008 to 2007 second quarter comparison

Net income of 114 million was down 9.5 % . Excluding the effects of exchange rate movements and deconsolidation, the internal growth rate also decreased, but only by 4.3 % . The lower income resulted in a decline in tax charges which

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amounted to 71 million, roughly one fourth less than a year ago. The effective tax rate was 38.4 % (2Q 2007: 43.1 %), primarily as a result of lower tax rates in Germany and Italy.

**2008 to 2007 first half comparison**

Net income dropped 13.2 % to 190 million. On an internal basis, net income declined by 16.2 %. At 116 million tax charges were down 63 million for the same reasons as discussed in the quarter-to-quarter comparison. The effective

tax rate was 37.7 %, 5.5 percentage points less than for the first six months of 2007.

**Income statement and cost-income ratios for the Asset Management segment and AGI**

	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
	Asset Management Segment	Allianz Global Investors	Asset Management Segment	Allianz Global Investors	Asset Management Segment	Allianz Global Investors	Asset Management Segment	Allianz Global Investors
	mn	mn	mn	mn	mn	mn	mn	mn
Net fee and commission income <sup>1)</sup>	721	705	765	743	1,427	1,398	1,511	1,471
Net interest income <sup>2)</sup>	7	11	13	17	27	26	36	36
Income from financial assets and liabilities carried at fair value through income (net)	3	2	16	15	(1)	(1)	23	22
Other income	7	7	3	3	12	12	7	7
<b>Operating revenues <sup>3)</sup></b>	<b>738</b>	<b>725</b>	<b>797</b>	<b>778</b>	<b>1,465</b>	<b>1,435</b>	<b>1,577</b>	<b>1,536</b>
Administrative expenses, excluding acquisition-related expenses <sup>4)</sup>	(457)	(451)	(472)	(464)	(943)	(923)	(940)	(918)
<b>Operating expenses</b>	<b>(457)</b>	<b>(451)</b>	<b>(472)</b>	<b>(464)</b>	<b>(943)</b>	<b>(923)</b>	<b>(940)</b>	<b>(918)</b>
<b>Operating profit</b>	<b>281</b>	<b>274</b>	<b>325</b>	<b>314</b>	<b>522</b>	<b>512</b>	<b>637</b>	<b>618</b>
Realized gains/losses (net)			1	1	8	8	3	3
Impairments of investments (net)	(2)	(2)			(5)	(5)		
<b>Acquisition-related expenses <sup>4)</sup>, thereof:</b>								
Deferred purchases of interests in PIMCO	(87)	(87)	(80)	(80)	(207)	(207)	(202)	(202)
Other acquisition-related expenses			(3)	(3)			(3)	(3)

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<b>Subtotal</b>	(87)	(87)	(83)	(83)	(207)	(207)	(205)	(205)
Restructuring charges							(2)	(2)
<b>Non-operating items</b>	(89)	(89)	(82)	(82)	(204)	(204)	(204)	(204)
<b>Income before income taxes and minority interests in earnings</b>	<b>192</b>	<b>185</b>	<b>243</b>	<b>232</b>	<b>318</b>	<b>308</b>	<b>433</b>	<b>414</b>
Income taxes	(71)	(71)	(101)	(100)	(117)	(116)	(181)	(179)
Minority interests in earnings	(1)		(8)	(6)	(3)	(2)	(19)	(16)
<b>Net income</b>	<b>120</b>	<b>114</b>	<b>134</b>	<b>126</b>	<b>198</b>	<b>190</b>	<b>233</b>	<b>219</b>
<b>Cost-income ratio <sup>5)</sup> in %</b>	<b>61.9</b>	<b>62.2</b>	<b>59.2</b>	<b>59.6</b>	<b>64.4</b>	<b>64.3</b>	<b>59.6</b>	<b>59.8</b>

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

2) Represents interest and similar income less interest expenses and investment expenses.

3) For the Asset Management segment, total revenues are measured based upon operating revenues.

4) The total of these items equals acquisition and administrative expenses (net) in the segment income statement included in Note 3 to the condensed consolidated interim financial statements.

5) Represents operating expenses divided by operating revenues



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## Corporate Activities

Corporate Activities made a positive contribution to operating profit.

Lower volume of realized gains affected net income.

## Earnings Summary

The aggregate operating profit for the second quarter amounted to 5 million coming from a loss of 10 million. This development was attributable to a lower loss in the Holding Function which was only slightly offset by a lower profit in the Private Equity business. For the same reasons the operating loss of 71 million for the first half of the year was 36.0 % lower than in the first six months of 2007.

At 58 million, the overall net loss was 50 million higher than in the respective quarter 2007, primarily due to a lower volume of realized gains and higher impairments of investments in the Holding Function. This development was also reflected in the first half year 2008 resulting in a net loss of 157 million coming from a net gain of 373 million in 2007.

### Holding Function

#### Operating profit (loss)

At 28 million the operating loss was 18 million lower in the second quarter of 2008. This development was positively affected by interest and similar income that increased by 55 million due to higher dividends received, however negative foreign currency exchange effects ( 44 million) almost offset this.

In the first half of 2008 the same effects led to an operating loss of 168 million that was slightly lower than last year ( 178 million).

#### Non-operating result

The non-operating loss increased by 232 million to 293 million in the second quarter. The main driver for this development was significantly higher realized gains a year earlier which were not repeated in the period under review. Additionally, impairments increased due to the weak market conditions.

In the first half year comparison non-operating items showed a loss of 383 million coming from a gain of 451 million in the prior year. Similar to the second quarter, significantly lower realized gains and higher impairments were the reason for this development.

#### Net income

Due to the movements in non-operating items we recorded a net loss of 127 million in the second quarter compared to a net loss of 1 million in the prior year. Income tax amounted to a 194 million income, partly compensating the negative impact from non-operating items.

In the first half of 2008, the holding function recorded a net loss of 264 million coming from a net income of 363 million in 2007. Income tax amounted to an income of 287 million.

### Private Equity

#### Operating profit

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In the second quarter operating profit slightly decreased to 33 million. A higher margin from consolidated private equity investments was more than offset by lower interest and similar income.

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For the first six months, operating profit increased by 44.8 % from 67 million to 97 million. In addition to the effects also observed in the second quarter, fee and commission income rose due to several real estate transactions in the first quarter 2008.

**Non-operating result**

In the second quarter comparison non-operating items turned into a positive result of 49 million coming from a negative result of 13 million in 2Q 2007, mainly due to higher realized gains.

The development in the first six months was consistent with the second quarter.

**Net income**

Driven by the development in non-operating items and lower income taxes net income amounted 69 million in the second quarter coming from a loss 7 million in 2Q 2007.

On a half year basis, net income increased by 97 million to 107 million due to higher operating profit, the increased non-operating result and also lower income tax expense.

	Holding Function		Private Equity		Total	
	2008	2007	2008	2007	2008	2007
	mn	mn	mn	mn	mn	mn
<b>Three months ended June 30,</b>						
Operating profit (loss)	(28)	(46)	33	36	5	(10)
Non-operating items	(293)	(61)	49	(13)	(244)	(74)
Income (loss) before income taxes and minorities	(321)	(107)	82	23	(239)	(84)
<b>Net income (loss)</b>	<b>(127)</b>	<b>(1)</b>	<b>69</b>	<b>(7)</b>	<b>(58)</b>	<b>(8)</b>
<b>Six months ended June 30,</b>						
Operating profit (loss)	(168)	(178)	97	67	(71)	(111)
Non-operating items	(383)	451	37	(14)	(346)	437
Income (loss) before income taxes and minorities	(551)	273	134	53	(417)	326
<b>Net income (loss)</b>	<b>(264)</b>	<b>363</b>	<b>107</b>	<b>10</b>	<b>(157)</b>	<b>373</b>

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### Balance Sheet Review

Shareholders' equity decreased due to 2007 dividend payment and reduced unrealized gains resulting from difficult financial markets.

### Shareholders' Equity

#### Shareholders' equity<sup>1)</sup>

in mn

<sup>1)</sup> Does not include minority interests of 3.4 bn, 3.5 bn and 3.6 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively. Please see note 18 to the condensed consolidated interim financial statements for further information.

<sup>2)</sup> Includes foreign currency translation adjustments.

As of June 30, 2008 shareholders' equity was down 10.1 % to 40.5 billion compared to March 31, 2008 (down 7.3 billion compared to year-end 2007). For the second quarter, net income increased our equity by 1.5 billion (1H 2008: 2.7 billion). However, dividends for the fiscal year 2007 amounting to 2.5 billion, which were paid in the second quarter 2008 and a reduction of unrealized gains of 3.6 billion (1H 2008: 6.5 billion) led in sum to lower shareholders' equity as of June 30, 2008.

### Total Assets and Total Liabilities

In the first half of 2008 total assets and liabilities decreased by 44.8 billion and 37.2 billion, respectively. In the following sections we analyze important developments within the balance sheets of our Property-Casualty, Life/Health and Banking segments as presented on pages 48 and 49. Relative to the Allianz Group's total assets and total liabilities, we consider the total assets and total liabilities from our Asset Management segment as immaterial and have, accordingly, excluded these assets and liabilities from the following discussion. Our Asset Management segment's results of operations stem primarily from its business with third-party assets. Please see pages 28 and 29 for further information on the development of our third-party assets.

**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Assets and Liabilities of the Property-Casualty segment****Property-Casualty assets****Property-Casualty asset base**fair values<sup>1)</sup> in bn

<sup>1)</sup> 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 upon, among other factors, our ownership percentage.

<sup>2)</sup> Does not include affiliates of 9.8 bn, 9.8 bn and 10.0 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

<sup>3)</sup> Includes debt securities of 2.5 bn, 2.3 bn and 2.7 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively, equity securities of 0.5 bn, 0.4 bn and 0.4 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively, and derivative financial instruments of 0.1 bn, 0.1 bn and 0.1 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

In the second quarter, our Property-Casualty asset base decreased by 3.7 %, or 3.4 billion to 88.4 billion (1H 2008: (9.2) billion). Downward movements were seen in all asset categories, with the major impact in our investments, excluding affiliates. These were down 4.1 % or 2.9 billion to 67.1 billion (1H 2008: decline of 9.0 % or 6.6 billion). Equity investments included in this balance decreased by 18.3 % to 10.7 billion (1H 2008: (35.2) %) mainly caused by a strategic decision to actively decrease our equity exposure in order to reduce equity gearing. In addition, the asset base was reduced as a result of upstreaming 2.8 billion of capital to the holding in the second quarter 2008.

Of our Property-Casualty asset base, ABS made up 4.7 billion, as of June 30, 2008, which is around 5 %. CDOs accounted for 0.1 billion of this amount. Unrealized losses on CDOs of 3 million were recorded in equity.

**Property-Casualty liabilities**

Reserves for loss and loss adjustment expenses in our Property-Casualty segment increased by 0.6 % to 54.8 billion in the second quarter (1H 2008: decline of 3.7 %) due to currency translation effects. Main contributors for the half year development were the change in presentation of AGF's health insurance business which were previously recorded within the Property-Casualty segment and are now recorded in the Life/Health segment, and foreign currency translation effects.

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**Assets and Liabilities of the Life/Health segment**

Life/Health assets

**Life/Health asset base**fair values<sup>1)</sup> in bn

- 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 upon, among other factors, our ownership percentage.
- 2) Does not include affiliates of 2.9 bn, 2.9 bn and 2.7 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively.
- 3) Financial assets for unit-linked contracts represent assets owned by, and managed on the 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 with the value of financial liabilities for unit-linked contracts.
- 4) Includes debt securities of 7.9 bn, 8.0 bn and 9.3 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively, equity securities of 3.3 bn, 3.1 bn and 3.3 bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively, and derivative financial instruments of (3.9) bn, (4.1) bn and (4.5) bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

The asset base of our Life/Health segment was down 1.1 % or 3.6 billion (1H 2008: down 3.2 % or 11.1 billion) amounting to 338.9 billion as of June 30, 2008. Financial assets for unit-linked contracts declined by 1.7 % to 59.4 billion, as the market conditions impacted the fair value of our assets in this category (1H 2008: decline of 10.1 %). In addition, the segment's investments, excluding affiliates, decreased by 1.0 % to 179.7 billion (1H 2008: decrease of 2.7 %). This resulted mainly from reduced equity market values (2Q 2008: down by 2.9 % or 1.0 billion; 1H 2008: down by 18.7 % or 7.7 billion) due to poor equity market conditions.

Within our Life/Health asset base, ABS amounted to 13.6 billion, as of June 30, 2008, which is 4 % of total Life/Health assets. Of these, 0.2 billion are CDOs. Unrealized losses on CDOs of 12 million were recorded in equity.

**Life/Health liabilities**

Life/Health reserves for insurance and investment contracts were down 0.3 % since March 31, 2008 (1H 2008: down 1.3 %) to 279.3 billion driven mainly by a reduction of premium refund reserves in Germany of (1.3) billion (1H 2008: (4.1) billion) and France of (1.4) billion (1H 2008: (2.1) billion) in the second quarter due to impairments of investments, and foreign currency translation effects of (0.3) billion (1H 2008: (3.3) billion from the United States and Korea). Furthermore due to the change in presentation of AGF's health insurance business previously recorded in the Property-Casualty segment and now recorded in the Life/Health segment, reserves for loss and loss adjustment expenses increased by 1,378 million.

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## Assets and Liabilities of the Banking segment

### **Banking loans and advances to banks and customers<sup>1)</sup>**

in bn

<sup>1)</sup> Includes loan loss allowance of (0.8) bn, (0.8) bn and (0.8) bn as of June 30, 2008, March 31, 2008 and December 31, 2007, respectively.

### **Banking loans and advances to banks and customers**

In our Banking segment, loans and advances to banks and customers were down 83.3 billion to 257.1 billion (1H 2008: decrease of 38.4 billion). This development was caused primarily by lower volume in the collateralized refinancing business at Dresdner Bank.

### **Banking liabilities to banks and customers**

In the second quarter the liabilities to banks and customers declined by 25.4 % to 279.0 billion, mainly as term deposits and certificates of deposit were down by 18.7 % or 24.5 billion to 106.5 billion. In addition, lower business in the form of repurchase agreements contributed to this development.

For the first half year, banking liabilities to banks and customers also experienced a decrease of 12.9 % due to developments similar to the second quarter.

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## Other Information

## Reconciliation of Consolidated Operating Profit and Income Before Income Taxes and Minority Interests in Earnings

The previous analysis is based on our consolidated financial statements and should be read in conjunction with those statements. The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. 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. Operating profit highlights the portion of income before income taxes and minority interests in earnings attributable to the on-going core operations of the Allianz Group. To better understand the on-going operations of the business, we exclude the effects of acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations; and we exclude interest expense from external debt and non-operating income from financial assets and liabilities carried at fair value through income (net) as these relate to our capital structure.

We believe that trends in the underlying profitability of our business can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments of investment securities, as these are largely dependent on market cycles or issuer-specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion.

Similarly, we exclude restructuring charges because the timing of the restructuring charges are largely within our control, and accordingly their exclusion provides additional insight into the operating trends of the underlying business. This differentiation is not made if the profit sources are shared with the policyholder.

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

## Reconciliation of operating profit on a consolidated basis to the Allianz Group's income before income taxes and minority interests in earnings.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Operating profit</b>	<b>2,104</b>	<b>3,288</b>	<b>3,960</b>	<b>6,158</b>



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Non-operating realized gains/losses (net) and impairments of investments (net)	507	401	761	2,446
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(92)	(37)	55	(3)
Interest expenses from external debt	(233)	(278)	(485)	(500)
Non-operating restructuring charges	(8)	(12)	14	(39)
Acquisition-related expenses	(79)	(135)	(186)	(257)
Amortization of intangible assets	(3)	(4)	(8)	(7)
Reclassification of tax benefits	(10)	(25)	(23)	(44)
<b>Income before income taxes and minority interests in earnings</b>	<b>2,186</b>	<b>3,198</b>	<b>4,088</b>	<b>7,754</b>

**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Group Management Report****Composition of Total Revenue Growth**

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

**Reconciliation of nominal total revenue<sup>1)</sup> growth to internal total revenue<sup>1)</sup> growth.**

	Three months ended June 30, 2008				Six months ended June 30, 2008			
	Nominal growth	Changes in scope of consolidation	Foreign currency translation	Internal growth	Nominal growth	Changes in scope of consolidation	Foreign currency translation	Internal growth
	%	%	%	%	%	%	%	%
Property-Casualty	(1.4)	(1.4)	(3.1)	3.1	(2.2)	(1.3)	(2.0)	1.1
Life/Health	(8.8)	2.1	(2.9)	(8.0)	(4.3)	2.3	(2.8)	(3.8)
Banking	(62.5)		5.9	(68.4)	(62.7)		2.0	(64.7)
thereof: Dresdner Bank	(64.1)		6.2	(70.3)	(64.3)		2.0	(66.3)
Asset Management	(7.4)	(0.6)	(11.1)	4.3	(7.1)	(0.5)	(9.0)	2.4
thereof: Allianz Global Investors	(6.8)	(0.2)	(11.3)	4.7	(6.6)	(0.1)	(9.3)	2.8
<b>Allianz Group</b>	<b>(9.5)</b>	<b>0.6</b>	<b>(2.7)</b>	<b>(7.4)</b>	<b>(7.4)</b>	<b>0.5</b>	<b>(2.3)</b>	<b>(5.6)</b>

<sup>1)</sup>Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues. Segment growth rates are presented before the elimination of transactions between Allianz Group companies in different segments.

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79	27	<u>Change in reserves for insurance and investment contracts (net)</u>
81	28	<u>Interest expenses</u>
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81	30	<u>Impairments of investments (net)</u>
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Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

## Consolidated Balance Sheets

As of June 30, 2008 and as of December 31, 2007

	Note	As of June 30, 2008 mn	As of December 31, 2007 mn
<b>ASSETS</b>			
Cash and cash equivalents		35,555	31,337
Financial assets carried at fair value through income	4	198,400	185,461
Investments	5	271,171	286,952
Loans and advances to banks and customers	6	359,462	396,702
Financial assets for unit linked contracts		59,446	66,060
Reinsurance assets	7	14,512	15,312
Deferred acquisition costs	8	20,512	19,613
Deferred tax assets		4,977	4,771
Other assets	9	39,160	41,528
Intangible assets	10	13,201	13,413
<b>Total assets</b>		<b>1,016,396</b>	<b>1,061,149</b>
		As of June 30, 2008 mn	As of December 31, 2007 mn
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities carried at fair value through income	11	158,059	126,053
Liabilities to banks and customers	12	288,732	336,494
Unearned premiums		17,954	15,020
Reserves for loss and loss adjustment expenses	13	63,099	63,706
Reserves for insurance and investment contracts	14	287,924	292,244
Financial liabilities for unit linked contracts		59,446	66,060
Deferred tax liabilities		3,473	3,973
Other liabilities	15	44,679	49,324
Certificated liabilities	16	34,130	42,070
Participation certificates and subordinated liabilities	17	15,045	14,824
<b>Total liabilities</b>		<b>972,541</b>	<b>1,009,768</b>
Shareholders equity		40,457	47,753
Minority interests		3,398	3,628
<b>Total equity</b>	<b>18</b>	<b>43,855</b>	<b>51,381</b>
<b>Total liabilities and equity</b>		<b>1,016,396</b>	<b>1,061,149</b>









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Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

## Consolidated Statements of Changes in Equity

For the six months ended June 30, 2008 and 2007

	Paid-in capital	Revenue reserves	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders equity	Minority interests	Total equity
	mn	mn	mn	mn	mn	mn	mn
<b>Balance as of December 31, 2006</b>	25,398	13,070	(2,210)	13,392	49,650	7,180	56,830
Foreign currency translation adjustments			(262)	(7)	(269)	(42)	(311)
<b>Available-for-sale investments</b>							
Unrealized gains and losses (net) arising during the period				(559)	(559)	(52)	(611)
Transferred to net income on disposal				(2,202)	(2,202)	(97)	(2,299)
Cash flow hedges				(9)	(9)		(9)
Miscellaneous		(136)			(136)	9	(127)
<b>Total income and expense recognized directly in shareholders equity</b>		(136)	(262)	(2,777)	(3,175)	(182)	(3,357)
Net income		5,380			5,380	549	5,929
<b>Total recognized income and expense for the period</b>		5,244	(262)	(2,777)	2,205	367	2,572
Paid-in capital							
Treasury shares		200			200		200
Transactions between equity holders	2,765	(6,051)	(62)	563	(2,785)	(3,242)	(6,027)
Dividends paid		(1,642)			(1,642)	(246)	(1,888)
<b>Balance as of June 30, 2007</b>	28,163	10,821	(2,534)	11,178	47,628	4,059	51,687
<b>Balance as of December 31, 2007</b>	28,321	12,618	(3,656)	10,470	47,753	3,628	51,381
Foreign currency translation adjustments			(729)	6	(723)	(86)	(809)
<b>Available-for-sale investments</b>							
Unrealized gains and losses (net) arising during the period				(5,922)	(5,922)	(86)	(6,008)
Transferred to net income on disposal				(627)	(627)	(3)	(630)
Cash flow hedges				8	8	(1)	7
Miscellaneous		(357)			(357)	22	(335)
<b>Total income and expense recognized directly in shareholders equity</b>		(357)	(729)	(6,535)	(7,621)	(154)	(7,775)
Net income		2,690			2,690	172	2,862
<b>Total recognized income and expense for the period</b>		2,333	(729)	(6,535)	(4,931)	18	(4,913)
Paid-in capital	203				203		203
Treasury shares		39			39		39
Transactions between equity holders		(136)		1	(135)	(11)	(146)
Dividends paid		(2,472)			(2,472)	(237)	(2,709)
<b>Balance as of June 30, 2008</b>	28,524	12,382	(4,385)	3,936	40,457	3,398	43,855

**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Condensed Consolidated Interim Financial Statements****Allianz Group****Condensed Consolidated Statements of Cash Flows****For the six months ended June 30, 2008 and 2007**

Six months ended June 30,	2008	2007
	mn	mn
<b>Summary:</b>		
Net cash flow provided by operating activities	27,506	9,573
Net cash flow used in investing activities	(4,559)	(6,212)
Net cash flow provided by financing activities	(18,699)	(3,437)
Effect of exchange rate changes on cash and cash equivalents	(30)	(28)
<b>Change in cash and cash equivalents</b>	<b>4,218</b>	<b>(104)</b>
Cash and cash equivalents at beginning of period	31,337	33,031
<b>Cash and cash equivalents at end of period</b>	<b>35,555</b>	<b>32,927</b>
<b>Cash flow from operating activities:</b>		
<b>Net income</b>	<b>2,690</b>	<b>5,380</b>
<b>Adjustments to reconcile net income to net cash flow provided by operating activities</b>		
Minority interests in earnings	172	549
Share of earnings from investments in associates and joint ventures	(68)	(331)
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 to banks and customers	302	(4,128)
Other investments, mainly financial assets held for trading and designated at fair value through income	1,846	449
Depreciation and amortization	298	419
Loan loss provisions	75	72
Interest credited to policyholder accounts	1,680	1,268
Net change in:		
Financial assets and liabilities held for trading	3,054	10,266
Reverse repurchase agreements and collateral paid for securities borrowing transactions	36,262	(41,316)
Repurchase agreements and collateral received from securities lending transactions	(18,150)	34,231
Reinsurance assets	314	(50)
Deferred acquisition costs	(709)	(905)
Unearned premiums	3,073	2,610
Reserves for losses and loss adjustment expenses	(87)	(394)
Reserves for insurance and investment contracts	876	3,389
Deferred tax assets/liabilities	244	435
Financial assets designated at fair value through income (only banking)	2,896	(1,049)
Financial liabilities designated at fair value through income (only banking)	(4,028)	70
Other (net)	(3,234)	(1,392)
<b>Subtotal</b>	<b>24,816</b>	<b>4,193</b>
<b>Net cash flow provided by operating activities</b>	<b>27,506</b>	<b>9,573</b>
<b>Cash flow from investing activities:</b>		
<b>Proceeds from the sale, maturity or repayment of:</b>		
Financial assets designated at fair value through income	1,904	3,791
Available-for-sale investments	59,802	76,884
Held-to-maturity investments	163	146
Investments in associates and joint ventures	585	590
Non-current assets and disposal groups held for sale	2,147	3

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Real estate held for investment	299	584
Loans and advances to banks and customers (purchased loans)	3,779	4,381
Property and equipment	290	269
<b>Subtotal</b>	<b>68,969</b>	<b>86,648</b>

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**Table of Contents****Condensed Consolidated Interim Financial Statements** Allianz Group Interim Report Second Quarter and First Half of 2008

Six months ended June 30,	2008	2007
	mn	mn
<b>Payments for the purchase or origination of:</b>		
Financial assets designated at fair value through income	(2,473)	(5,611)
Available-for-sale investments	(62,297)	(77,828)
Held-to-maturity investments	(450)	(142)
Investments in associates and joint ventures	(351)	(401)
Non-current assets and disposal groups held for sale	(37)	
Real estate held for investment	(118)	(245)
Loans and advances to banks and customers (purchased loans)	(5,641)	(6,764)
Property and equipment	(434)	(389)
<b>Subtotal</b>	<b>(71,801)</b>	<b>(91,380)</b>
<b>Business combinations:</b>		
Acquisitions of subsidiaries, net of cash acquired		(507)
<b>Change in other loans and advances to banks and customers (originated loans)</b>	<b>(1,875)</b>	<b>(1,145)</b>
<b>Other (net)</b>	<b>148</b>	<b>172</b>
<b>Net cash flow used in investing activities</b>	<b>(4,559)</b>	<b>(6,212)</b>
<b>Cash flow from financing activities:</b>		
Policyholders' account deposits	6,704	5,834
Policyholders' account withdrawals	(5,134)	(4,786)
Net change in liabilities to banks and customers	(11,728)	2,750
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	97,930	58,116
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(103,304)	(57,333)
Cash inflow from capital increases	203	
Transactions between equity holders	(146)	(6,027)
Dividends paid to shareholders	(2,709)	(1,888)
Net cash from sale or purchase of treasury shares	(23)	(290)
Other (net)	(492)	187
<b>Net cash flow provided by financing activities</b>	<b>(18,699)</b>	<b>(3,437)</b>

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Allianz Group Interim Report Second Quarter and First Half of 2008 **Notes to the Condensed Consolidated Interim Financial Statements**

Allianz Group

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of presentation

**Basis of presentation**

The condensed consolidated interim financial statements of the Allianz Group comprising the consolidated balance sheet, income statement, condensed cash flow statement, statement of changes in equity and selected explanatory notes are presented in accordance with the requirements of IAS 34, Interim Financial Reporting, and have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted under European Union (EU) regulations in accordance with section 315a of the German Commercial Code (HGB). The condensed consolidated interim financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB). The Allianz Group's application of IFRS results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB.

The condensed consolidated interim financial statements comply with all new or amended IFRS, where application is compulsory for the first time for periods beginning on January 1, 2008.

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 December 31, 2007.

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

The condensed consolidated interim financial statements are presented in millions of Euro (mn).

2 Changes in the presentation of the condensed consolidated interim financial statements

As presented in the Notes to the Allianz Group's consolidated financial statements for the year ended December 31, 2007, the Allianz Group identified certain prior period errors in 2007. The Allianz Group evaluated the errors individually and in the aggregate, and concluded that they were immaterial to the consolidated financial statements for all years in which they were included, and the Allianz Group corrected the errors in the 2007 consolidated financial statements. For these condensed consolidated interim financial statements, the following items were corrected in the consolidated statement of changes in equity:

	As of June 30, 2007
	mn
<b>Shareholders' equity</b>	
Revenue reserves	(559)
Unrealized gains and losses (net)	(272)

<b>Subtotal</b>	<b>(831)</b>
<b>Minority interests</b>	<b>771</b>
<b>Total equity</b>	<b>(60)</b>
<b>Reclassifications</b>	

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

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Notes to the Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

3 Segment reporting

**Allianz Group****Business Segment Information Consolidated Balance Sheets**

As of June 30, 2008 and as of December 31, 2007

	Property-Casualty		Life/Health	
	As of	As of	As of	As of
	June 30,	December 31,	June 30,	December 31,
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>ASSETS</b>				
Cash and cash equivalents	4,687	4,985	8,742	8,779
Financial assets carried at fair value through income	3,124	3,302	11,869	13,216
Investments	76,908	83,741	182,531	187,289
Loans and advances to banks and customers	18,247	20,712	92,517	91,188
Financial assets for unit linked contracts			59,446	66,060
Reinsurance assets	9,645	10,317	4,912	5,043
Deferred acquisition costs	3,993	3,681	16,361	15,838
Deferred tax assets	1,661	1,442	398	316
Other assets	22,842	21,864	14,436	14,071
Intangible assets	2,312	2,332	2,214	2,218
<b>Total assets</b>	<b>143,419</b>	<b>152,376</b>	<b>393,426</b>	<b>404,018</b>

	Property-Casualty		Life/Health	
	As of	As of	As of	As of
	June 30,	December 31,	June 30,	December 31,
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>LIABILITIES AND EQUITY</b>				
Financial liabilities carried at fair value through income	78	96	4,573	5,147
Liabilities to banks and customers	4,921	6,865	6,123	6,078
Unearned premiums	15,793	13,163	2,162	1,858
Reserves for loss and loss adjustment expenses	54,843	56,943	8,264	6,773
Reserves for insurance and investment contracts	8,610	8,976	279,261	283,139
Financial liabilities for unit linked contracts			59,446	66,060
Deferred tax liabilities	2,381	2,606	731	946
Other liabilities	19,964	22,989	17,768	17,741
Certificated liabilities	160	158	2	3
Participation certificates and subordinated liabilities	845	905	65	60
<b>Total liabilities</b>	<b>107,595</b>	<b>112,701</b>	<b>378,395</b>	<b>387,805</b>





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Allianz Group Interim Report Second Quarter and First Half of 2008 **Notes to the Condensed Consolidated Interim Financial Statements**

Banking		Asset Management		Corporate		Consolidation		Group	
As of	As of	As of	As of	As of	As of	As of	As of	As of	As of
June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
21,854	17,307	822	770	431	445	(981)	(949)	35,555	31,337
183,167	168,339	844	980	451	887	(1,055)	(1,263)	198,400	185,461
15,537	16,284	866	879	100,248	102,894	(104,919)	(104,135)	271,171	286,952
257,104	295,506	588	469	6,541	4,754	(15,535)	(15,927)	359,462	396,702
							(45)	59,446	66,060
		158	94				(48)	14,512	15,312
1,725	1,733	155	161	1,048	935	(10)	184	20,512	19,613
7,651	8,203	3,136	3,452	6,830	10,786	(15,735)	(16,848)	4,977	4,771
2,379	2,379	6,050	6,227	246	257			39,160	41,528
<b>489,417</b>	<b>509,751</b>	<b>12,619</b>	<b>13,032</b>	<b>115,795</b>	<b>120,958</b>	<b>(138,280)</b>	<b>(138,986)</b>	<b>1,016,396</b>	<b>1,061,149</b>

Banking		Asset Management		Corporate		Consolidation		Group	
As of	As of	As of	As of	As of	As of	As of	As of	As of	As of
June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
153,361	120,383			717	1,376	(670)	(949)	158,059	126,053
278,984	320,388	965	807	8,089	13,023	(10,350)	(10,667)	288,732	336,494
						(1)	(1)	17,954	15,020
						(8)	(10)	63,099	63,706
				285	358	(232)	(229)	287,924	292,244
								59,446	66,060
93	102	48	35	226	88	(6)	196	3,473	3,973
9,681	11,011	2,987	3,647	15,737	14,625	(21,458)	(20,689)	44,679	49,324
27,493	34,778			8,967	9,567	(2,492)	(2,436)	34,130	42,070
7,033	7,966	14	14	8,281	7,069	(1,193)	(1,190)	15,045	14,824
<b>476,645</b>	<b>494,628</b>	<b>4,014</b>	<b>4,503</b>	<b>42,302</b>	<b>46,106</b>	<b>(36,410)</b>	<b>(35,975)</b>	<b>972,541</b>	<b>1,009,768</b>
						<b>Total equity</b>		<b>43,855</b>	<b>51,381</b>
						<b>Total liabilities and equity</b>		<b>1,016,396</b>	<b>1,061,149</b>

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Notes to the Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

## Business Segment Information Consolidated Income Statements

For the three months ended June 30, 2008 and 2007

Three months ended June 30,	Property-Casualty		Life/Health	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Premiums written</b>	<b>9,842</b>	<b>9,982</b>	<b>5,255</b>	<b>4,856</b>
Ceded premiums written	(1,115)	(1,245)	(115)	(175)
Change in unearned premiums	721	919	(29)	2
<b>Premiums earned (net)</b>	<b>9,448</b>	<b>9,656</b>	<b>5,111</b>	<b>4,683</b>
Interest and similar income	1,331	1,380	3,814	3,783
Income from financial assets and liabilities carried at fair value through income (net)	(46)	(2)	(355)	(669)
Realized gains/losses (net)	1,022	217	226	663
Fee and commission income	293	280	168	164
Other income	7	11	5	9
Income from fully consolidated private equity investments			3	
<b>Total income</b>	<b>12,055</b>	<b>11,542</b>	<b>8,972</b>	<b>8,633</b>
Claims and insurance benefits incurred (gross)	(6,678)	(7,093)	(4,637)	(4,336)
Claims and insurance benefits incurred (ceded)	431	827	97	178
<b>Claims and insurance benefits incurred (net)</b>	<b>(6,247)</b>	<b>(6,266)</b>	<b>(4,540)</b>	<b>(4,158)</b>
Change in reserves for insurance and investment contracts (net)	(70)	(97)	(1,389)	(2,211)
Interest expenses	(91)	(92)	(55)	(111)
Loan loss provisions	(1)	(9)	4	
Impairments of investments (net)	(413)	(28)	(904)	(56)
Investment expenses	(79)	(69)	(82)	(163)
Acquisition and administrative expenses (net)	(2,589)	(2,705)	(1,285)	(1,115)
Fee and commission expenses	(248)	(190)	(70)	(43)
Amortization of intangible assets	(3)	(4)		
Restructuring charges	(5)	(8)	(2)	(3)
Other expenses			(1)	
Expenses from fully consolidated private equity investments			(3)	
<b>Total expenses</b>	<b>(9,746)</b>	<b>(9,468)</b>	<b>(8,327)</b>	<b>(7,860)</b>
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>2,309</b>	<b>2,074</b>	<b>645</b>	<b>773</b>
Income taxes	(432)	(578)	(200)	(234)
Minority interests in earnings	(55)	(116)	(20)	(60)
<b>Net income (loss)</b>	<b>1,822</b>	<b>1,380</b>	<b>425</b>	<b>479</b>

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Banking		Asset Management		Corporate		Consolidation		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
						(5)	(5)	<b>15,092</b>	<b>14,833</b>
						5	5	(1,225)	(1,415)
								692	921
								<b>14,559</b>	<b>14,339</b>
2,067	2,214	22	33	285	245	(293)	(339)	7,226	7,316
(630)	354	3	16	(118)	(44)	25	2	(1,121)	(343)
104	51		1	165	348	(123)	(192)	1,394	1,088
747	923	1,052	1,080	47	44	(204)	(169)	2,103	2,322
		7	3		9	(4)	(26)	15	6
				624	470			627	470
<b>2,288</b>	<b>3,542</b>	<b>1,084</b>	<b>1,133</b>	<b>1,003</b>	<b>1,072</b>	<b>(599)</b>	<b>(724)</b>	<b>24,803</b>	<b>25,198</b>
						2	8	(11,313)	(11,421)
						(2)	(8)	526	997
								<b>(10,787)</b>	<b>(10,424)</b>
						(7)	(24)	(1,466)	(2,332)
(1,340)	(1,484)	(14)	(19)	(366)	(394)	246	259	(1,620)	(1,841)
(68)	(65)							(65)	(74)
(35)	(9)	(2)		(121)	(9)	(51)		(1,526)	(102)
1	(4)	(1)	(1)	(50)	(20)	51	55	(160)	(202)
(1,165)	(1,334)	(544)	(555)	(73)	(251)	15	10	(5,641)	(5,950)
(150)	(157)	(331)	(315)	(37)	(26)	124	130	(712)	(601)
								(3)	(4)
(1)	(3)							(8)	(14)
(30)	1						(1)	(31)	
				(595)	(456)			(598)	(456)
<b>(2,788)</b>	<b>(3,055)</b>	<b>(892)</b>	<b>(890)</b>	<b>(1,242)</b>	<b>(1,156)</b>	<b>378</b>	<b>429</b>	<b>(22,617)</b>	<b>(22,000)</b>
<b>(500)</b>	<b>487</b>	<b>192</b>	<b>243</b>	<b>(239)</b>	<b>(84)</b>	<b>(221)</b>	<b>(295)</b>	<b>2,186</b>	<b>3,198</b>
(37)	(56)	(71)	(101)	184	80	4	31	(552)	(858)
(15)	(20)	(1)	(8)	(3)	(4)	2	8	(92)	(200)
<b>(552)</b>	<b>411</b>	<b>120</b>	<b>134</b>	<b>(58)</b>	<b>(8)</b>	<b>(215)</b>	<b>(256)</b>	<b>1,542</b>	<b>2,140</b>

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Notes to the Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

## Business Segment Information Consolidated Income Statements

For the six months ended June 30, 2008 and 2007

Six months ended June 30,	Property-Casualty		Life/Health	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Premiums written</b>	<b>23,552</b>	<b>24,093</b>	<b>11,019</b>	<b>10,251</b>
Ceded premiums written	(2,400)	(2,831)	(252)	(353)
Change in unearned premiums	(2,531)	(2,248)	(67)	(30)
<b>Premiums earned (net)</b>	<b>18,621</b>	<b>19,014</b>	<b>10,700</b>	<b>9,868</b>
Interest and similar income	2,382	2,386	7,014	6,938
Income from financial assets and liabilities carried at fair value through income (net)	31	(14)	(113)	(979)
Realized gains/losses (net)	1,391	984	887	1,856
Fee and commission income	560	552	339	335
Other income	257	95	115	63
Income from fully consolidated private equity investments			3	
<b>Total income</b>	<b>23,242</b>	<b>23,017</b>	<b>18,945</b>	<b>18,081</b>
Claims and insurance benefits incurred (gross)	(13,536)	(14,267)	(9,767)	(9,214)
Claims and insurance benefits incurred (ceded)	988	1,618	214	354
<b>Claims and insurance benefits incurred (net)</b>	<b>(12,548)</b>	<b>(12,649)</b>	<b>(9,553)</b>	<b>(8,860)</b>
Change in reserves for insurance and investment contracts (net)	(99)	(178)	(3,192)	(4,835)
Interest expenses	(179)	(184)	(125)	(202)
Loan loss provisions	(1)	(9)	6	(3)
Impairments of investments (net)	(848)	(54)	(1,888)	(93)
Investment expenses	(202)	(143)	(410)	(359)
Acquisition and administrative expenses (net)	(4,980)	(5,380)	(2,393)	(1,989)
Fee and commission expenses	(496)	(387)	(130)	(105)
Amortization of intangible assets	(7)	(6)	(1)	(1)
Restructuring charges	1	(22)	(3)	(8)
Other expenses			(1)	
Expenses from fully consolidated private equity investments			(3)	
<b>Total expenses</b>	<b>(19,359)</b>	<b>(19,012)</b>	<b>(17,693)</b>	<b>(16,455)</b>
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>3,883</b>	<b>4,005</b>	<b>1,252</b>	<b>1,626</b>
Income taxes	(910)	(1,115)	(336)	(435)
Minority interests in earnings	(94)	(330)	(39)	(159)
<b>Net income (loss)</b>	<b>2,879</b>	<b>2,560</b>	<b>877</b>	<b>1,032</b>

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Allianz Group Interim Report Second Quarter and First Half of 2008 **Notes to the Condensed Consolidated Interim Financial Statements**

Banking		Asset Management		Corporate		Consolidation		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
						(11)	(8)	<b>34,560</b>	<b>34,336</b>
						11	8	(2,641)	(3,176)
								(2,598)	(2,278)
								<b>29,321</b>	<b>28,882</b>
4,305	4,423	50	66	515	399	(630)	(630)	13,636	13,582
(1,192)	695	(1)	23	90	41	12	6	(1,173)	(228)
166	190	8	3	149	988	120	276	2,721	4,297
1,531	1,901	2,038	2,153	112	89	(376)	(352)	4,204	4,678
		12	7	1	14	(19)	(80)	366	99
				1,203	941			1,206	941
<b>4,810</b>	<b>7,209</b>	<b>2,107</b>	<b>2,252</b>	<b>2,070</b>	<b>2,472</b>	<b>(893)</b>	<b>(780)</b>	<b>50,281</b>	<b>52,251</b>
						4	13	(23,299)	(23,468)
						(4)	(13)	1,198	1,959
								<b>(22,101)</b>	<b>(21,509)</b>
(2,882)	(2,765)	(23)	(30)	(791)	(747)	(20)	(55)	(3,311)	(5,068)
(80)	(60)					554	489	(3,446)	(3,439)
(65)	(22)	(5)		(166)		(51)		(75)	(72)
3	(13)			(94)	(54)	106	106	(3,023)	(169)
(2,383)	(2,744)	(1,150)	(1,145)	(219)	(368)	38	38	(597)	(463)
(290)	(303)	(611)	(642)	(66)	(61)	226	263	(11,087)	(11,588)
								(1,367)	(1,235)
								(8)	(7)
15	(12)		(2)					13	(44)
(36)	14							13	13
				(1,151)	(916)			(1,154)	(916)
<b>(5,718)</b>	<b>(5,905)</b>	<b>(1,789)</b>	<b>(1,819)</b>	<b>(2,487)</b>	<b>(2,146)</b>	<b>853</b>	<b>840</b>	<b>(46,193)</b>	<b>(44,497)</b>
<b>(908)</b>	<b>1,304</b>	<b>318</b>	<b>433</b>	<b>(417)</b>	<b>326</b>	<b>(40)</b>	<b>60</b>	<b>4,088</b>	<b>7,754</b>
(153)	(224)	(117)	(181)	270	55	20	75	(1,226)	(1,825)
(29)	(44)	(3)	(19)	(10)	(8)	3	11	(172)	(549)
<b>(1,090)</b>	<b>1,036</b>	<b>198</b>	<b>233</b>	<b>(157)</b>	<b>373</b>	<b>(17)</b>	<b>146</b>	<b>2,690</b>	<b>5,380</b>

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Notes to the Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

## Business Segment Information Total revenues and reconciliation of

## Operating Profit and Net Income For the three months ended June 30, 2008

## and 2007

Three months ended June 30,	Property-Casualty <sup>1)</sup>		Life/Health <sup>1)</sup>	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Total revenues <sup>2)</sup></b>	<b>9,842</b>	<b>9,982</b>	<b>10,729</b>	<b>11,758</b>
Premiums earned (net)	9,448	9,656	5,111	4,683
Interest and similar income	1,331	1,380	3,814	3,783
Operating income from financial assets and liabilities carried at fair value through income (net)	(60)	(1)	(352)	(668)
Operating realized gains/losses (net)	61	1	273	646
Fee and commission income	293	280	168	164
Other income	7	11	5	9
Income from fully consolidated private equity investments			3	
Claims and insurance benefits incurred (net)	(6,247)	(6,266)	(4,540)	(4,158)
Change in reserves for insurance and investment contracts (net)	(70)	(97)	(1,389)	(2,211)
Interest expenses, excluding interest expenses from external debt	(91)	(92)	(55)	(111)
Loan loss provisions	(1)	(9)	4	
Operating impairments of investments (net)	(72)	(5)	(898)	(56)
Investment expenses	(79)	(69)	(82)	(163)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(2,589)	(2,705)	(1,285)	(1,115)
Fee and commission expenses	(248)	(190)	(70)	(43)
Operating restructuring charges				(2)
Other expenses			(1)	
Expenses from fully consolidated private equity investments			(3)	
Reclassification of tax benefits				
<b>Operating profit (loss)</b>	<b>1,683</b>	<b>1,894</b>	<b>703</b>	<b>758</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	14	(1)	(3)	(1)
Non-operating realized gains/losses (net)	961	216	(47)	17
Non-operating impairments of investments (net)	(341)	(23)	(6)	
Interest expenses from external debt				
Acquisition-related expenses				
Amortization of intangible assets	(3)	(4)		
Non-operating restructuring charges	(5)	(8)	(2)	(1)
Reclassification of tax benefits				
<b>Non-operating items</b>	<b>626</b>	<b>180</b>	<b>(58)</b>	<b>15</b>
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>2,309</b>	<b>2,074</b>	<b>645</b>	<b>773</b>
Income taxes	(432)	(578)	(200)	(234)
Minority interests in earnings	(55)	(116)	(20)	(60)
<b>Net income (loss)</b>	<b>1,822</b>	<b>1,380</b>	<b>425</b>	<b>479</b>

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- 1) Since the first quarter 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
- 2) Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

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**Table of Contents**Allianz Group Interim Report Second Quarter and First Half of 2008 **Notes to the Condensed Consolidated Interim Financial Statements**

2008	Banking		Asset Management		Corporate		Consolidation		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
<b>694</b>	<b>1,850</b>	<b>738</b>	<b>797</b>				<b>34</b>	<b>(50)</b>	<b>22,037</b>	<b>24,337</b>
									14,559	14,339
2,067	2,214	22	33	285	245	(293)	(339)	7,226	7,316	
(630)	354	3	16	(55)	39	65	(46)	(1,029)	(306)	
						14	(1)	348	646	
747	923	1,052	1,080	47	44	(204)	(169)	2,103	2,322	
		7	3		9	(4)	(26)	15	6	
				624	470			627	470	
								(10,787)	(10,424)	
						(7)	(24)	(1,466)	(2,332)	
(1,340)	(1,484)	(14)	(19)	(133)	(116)	246	259	(1,387)	(1,563)	
(68)	(65)							(65)	(74)	
						(17)		(987)	(61)	
1	(4)	(1)	(1)	(50)	(20)	51	55	(160)	(202)	
(1,165)	(1,334)	(457)	(472)	(81)	(199)	15	10	(5,562)	(5,815)	
(150)	(157)	(331)	(315)	(37)	(26)	124	130	(712)	(601)	
									(2)	
(30)	1			(595)	(456)			(31)		
								(598)	(456)	
<b>(568)</b>	<b>448</b>	<b>281</b>	<b>325</b>	<b>5</b>	<b>(10)</b>	<b>10</b>	<b>25</b>	<b>10</b>	<b>25</b>	
				(63)	(83)	(40)	48	(92)	(37)	
104	51		1	165	348	(137)	(191)	1,046	442	
(35)	(9)	(2)		(121)	(9)	(34)		(539)	(41)	
				(233)	(278)			(233)	(278)	
		(87)	(83)	8	(52)			(79)	(135)	
								(3)	(4)	
(1)	(3)							(8)	(12)	
						(10)	(25)	(10)	(25)	
<b>68</b>	<b>39</b>	<b>(89)</b>	<b>(82)</b>	<b>(244)</b>	<b>(74)</b>	<b>(221)</b>	<b>(168)</b>	<b>82</b>	<b>(90)</b>	
<b>(500)</b>	<b>487</b>	<b>192</b>	<b>243</b>	<b>(239)</b>	<b>(84)</b>	<b>(221)</b>	<b>(295)</b>	<b>2,186</b>	<b>3,198</b>	
(37)	(56)	(71)	(101)	184	80	4	31	(552)	(858)	
(15)	(20)	(1)	(8)	(3)	(4)	2	8	(92)	(200)	
<b>(552)</b>	<b>411</b>	<b>120</b>	<b>134</b>	<b>(58)</b>	<b>(8)</b>	<b>(215)</b>	<b>(256)</b>	<b>1,542</b>	<b>2,140</b>	

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Notes to the Condensed Consolidated Interim Financial Statements Allianz Group Interim Report Second Quarter and First Half of 2008

## Allianz Group

Business Segment Information Total revenues and reconciliation of  
Operating Profit and Net Income For the six months ended June 30, 2008  
and 2007

Six months ended June 30,	Property-Casualty <sup>1)</sup>		Life/Health <sup>1)</sup>	
	2008	2007	2008	2007
	mn	mn	mn	mn
<b>Total revenues <sup>2)</sup></b>	<b>23,552</b>	<b>24,093</b>	<b>23,056</b>	<b>24,084</b>
Premiums earned (net)	18,621	19,014	10,700	9,868
Interest and similar income	2,382	2,386	7,014	6,938
Operating income from financial assets and liabilities carried at fair value through income (net)	(46)	16	(121)	(979)
Operating realized gains/losses (net)	58	35	922	1,734
Fee and commission income	560	552	339	335
Other income	257	95	115	63
Income from fully consolidated private equity investments			3	
Claims and insurance benefits incurred (net)	(12,548)	(12,649)	(9,553)	(8,860)
Change in reserves for insurance and investment contracts (net)	(99)	(178)	(3,192)	(4,835)
Interest expenses, excluding interest expenses from external debt	(179)	(184)	(125)	(202)
Loan loss provisions	(1)	(9)	6	(3)
Operating impairments of investments (net)	(165)	(7)	(1,878)	(93)
Investment expenses	(202)	(143)	(410)	(359)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(4,980)	(5,380)	(2,393)	(1,989)
Fee and commission expenses	(496)	(387)	(130)	(105)
Operating restructuring charges			(1)	(5)
Other expenses			(1)	
Expenses from fully consolidated private equity investments			(3)	
Reclassification of tax benefits				
<b>Operating profit (loss)</b>	<b>3,162</b>	<b>3,161</b>	<b>1,292</b>	<b>1,508</b>
Non-operating income from financial assets and liabilities carried at fair value through income (net)	77	(30)	8	
Non-operating realized gains/losses (net)	1,333	949	(35)	122
Non-operating impairments of investments (net)	(683)	(47)	(10)	
Interest expenses from external debt				
Acquisition-related expenses				
Amortization of intangible assets	(7)	(6)	(1)	(1)
Non-operating restructuring charges	1	(22)	(2)	(3)
Reclassification of tax benefits				
<b>Non-operating items</b>	<b>721</b>	<b>844</b>	<b>(40)</b>	<b>118</b>
<b>Income (loss) before income taxes and minority interests in earnings</b>	<b>3,883</b>	<b>4,005</b>	<b>1,252</b>	<b>1,626</b>
Income taxes	(910)	(1,115)	(336)	(435)
Minority interests in earnings	(94)	(330)	(39)	(159)
<b>Net income (loss)</b>	<b>2,879</b>	<b>2,560</b>	<b>877</b>	<b>1,032</b>

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- 1) Since the first quarter 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
- 2) Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

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Allianz Group Interim Report Second Quarter and First Half of 2008 **Notes to the Condensed Consolidated Interim Financial Statements**

Banking		Asset Management		Corporate		Consolidation		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
<b>1,472</b>	<b>3,951</b>	<b>1,465</b>	<b>1,577</b>			<b>145</b>	<b>(45)</b>	<b>49,690</b>	<b>53,660</b>
								29,321	28,882
4,305	4,423	50	66	515	399	(630)	(630)	13,636	13,582
(1,192)	695	(1)	23	(45)	40	177	(20)	(1,228)	(225)
						17	13	997	1,782
1,531	1,901	2,038	2,153	112	89	(376)	(352)	4,204	4,678
		12	7	1	14	(19)	(80)	366	99
				1,203	941			1,206	941
						(20)	(55)	(22,101)	(21,509)
(2,882)	(2,765)	(23)	(30)	(306)	(247)	554	489	(3,311)	(5,068)
(80)	(60)							(2,961)	(2,939)
						(17)		(75)	(72)
3	(13)			(94)	(54)	106	106	(2,060)	(100)
(2,383)	(2,744)	(943)	(940)	(240)	(316)	38	38	(597)	(463)
(290)	(303)	(611)	(642)	(66)	(61)	226	263	(10,901)	(11,331)
								(1,367)	(1,235)
(36)	14							(1)	(5)
				(1,151)	(916)			(37)	13
						23	44	(1,154)	(916)
<b>(1,024)</b>	<b>1,148</b>	<b>522</b>	<b>637</b>	<b>(71)</b>	<b>(111)</b>	<b>79</b>	<b>(185)</b>	23	44
								<b>3,960</b>	<b>6,158</b>
				135	1				