

FIRST HALF-YEAR 2021

INTERIM REPORT 2021

ALLIANZ GROUP

Allianz 

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

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Disclaimer regarding roundings

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

Guideline on Alternative Performance Measures

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

INTERIM GROUP MANAGEMENT REPORT



EXECUTIVE SUMMARY

KEY FIGURES

Key figures Allianz Group¹

Six months ended 30 June		2021	2020	Delta
Total revenues ²	€ mn	75,749	73,495	2,254
Operating profit ³	€ mn	6,655	4,869	1,786
Net income ³	€ mn	5,040	3,101	1,939
thereof: attributable to shareholders	€ mn	4,791	2,927	1,864
Solvency II capitalization ratio ⁴	%	206	207	(1) %-p
Return on equity ⁵	%	15.6	11.4	4.2 %-p
Earnings per share	€	11.47	7.07	4.41
Diluted earnings per share	€	11.42	6.94	4.48

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT

The first half-year of 2021 was marked by the reopening of economies, which overall initiated a marked recovery from the effects of the COVID-19 crisis. Its main drivers were the rollout of vaccination campaigns as well as ongoing policy support – which also meant that, due to differences in vaccination progress and fiscal leeway, the extent of the recovery proved increasingly uneven. Most specifically, a noticeable gap opened between advanced markets and emerging economies, which have lacked access to sufficient amounts of vaccines and capital. Another salient feature was an increase in inflation – a result of supply bottlenecks for anything ranging from parts and materials to transport capacities to human resources.

Fiscal and monetary policies remained expansionary, irrespective of the general recovery, supporting most asset classes over the first six months of 2021. Credit risk was kept under control despite a huge increase in corporate debt. Meanwhile, the green transformation gathered steam as both the United States under President Joe Biden and the European Commission announced ambitious plans to build renewable infrastructure and decarbonize economic growth.

The insurance industry benefited from said recovery, seeing its premium income rise in numerous lines of business. The heightened risk awareness that came with the COVID-19 crisis increased the demand for risk protection, both in personal lines such as health and life and in commercial lines (supply chain and cyber risks). Later, a general return of confidence and vast amounts of “excess savings” drove a growing demand for savings products. In the property-casualty sector, commercial lines still benefited from rate hardening, while personal lines, in particular motor, saw a normalization of profitability and pricing. The progress of digitalization continued unabated, shaping

increasing parts of life and health insurance and enabling new forms of services, such as digitalized medical advice.

The global asset management industry continued to enjoy healthy returns in most asset classes in the first half-year of 2021, with the MSCI World Index – as one example – growing by 13%.

Driven by investor optimism, most traditional asset classes, such as large-cap equities and fixed-income products, continued to see inflows in 2021. At the same time, passive investments gained market share, growing at even higher rates than traditional active strategies and putting pressure on fee margins across the industry. Alternative investments – the largest revenue pool for the global asset management industry – also continued to see robust inflows. Above all, illiquid investment strategies benefited from low interest rates in major economies, causing investors to search for higher-yielding assets.

Across asset classes, the industry saw a rapid shift toward investment strategies that took into account environmental, social and governance (ESG) criteria. Growth in this field is fueled by a mix of increasing regulatory pressure, shifting investor preferences, and government-driven investment commitments.

MANAGEMENT'S ASSESSMENT

Our **total revenues** increased by 5.2% on an internal basis⁶, compared to the same period of the previous year, mostly driven by our Life/Health business segment. Our Asset Management business segment recorded higher assets under management (AuM) driven revenues, and revenues from our Property-Casualty business segment increased slightly.

Our **operating profit** increased significantly in comparison to the first half-year of 2020, which was severely impacted by COVID-19 in 2020. Our Property-Casualty business segment's operating profit grew due to a higher underwriting result, while a recovery of the investment margin led to an increase in operating profit from our Life/Health business segment. Our Asset Management business segment's operating profit increased due to higher average AuM and an improved cost-income ratio. The operating result of our Corporate and Other business segment improved due to a higher operating investment result and lower administrative expenses.

Our **operating investment result** increased by €3,516 mn to €12,343 mn, compared to the previous year's period largely driven by significantly lower impairments.

Our **non-operating result** improved by €704 mn to a loss of €41 mn. This was mostly due to a higher non-operating investment result, which was impacted by COVID-19-related market impacts in the prior year.

Income taxes increased by €551 mn to €1,573 mn, due to higher profit before tax. The effective tax rate decreased to 23.8% (24.8%), mostly due to higher profits in lower taxed countries.

1. For further information on Allianz Group figures, please refer to [note 4](#) to the condensed consolidated interim financial statements.

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

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

4. 2020 figures as of 31 December 2020. 2021 figures as of 30 June 2021. Figures exclude the application of transitional measures for technical provisions.

5. Represents the annualized ratio of net income attributable to shareholders to the average shareholders' equity at the beginning of the period and at the end of the period. The net income attributable to shareholders is adjusted for net financial charges and currency translation effects related to undated subordinated bonds classified as shareholders' equity. From the average shareholders' equity undated subordinated bonds classified as shareholders' equity and unrealized gains/losses on bonds net of shadow accounting are excluded. Annualized figures are not a forecast for full year numbers. For 2020, the return on equity for the full year is shown.

6. Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. For a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and the Allianz Group as a whole, please refer to the chapter [Reconciliations](#).

The increase in **net income** was largely driven by the increase in operating profit, supported by a higher non-operating investment result.

Our **shareholders' equity**¹ decreased by € 3.1 bn to € 77.7 bn, compared to 31 December 2020, driven by a dividend payout of € 4.0 bn and a € 4.6 bn reduction in unrealized gains and losses (net). This was partly offset by a net income attributable to shareholders of € 4.8 bn and a € 0.6 bn increase in foreign currency translation adjustments. Over the same period, our **Solvency II capitalization ratio** decreased slightly to 206 %².

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

Risk and opportunity management

In our Annual Report 2020, we described our risk and opportunity profile and addressed potential risks that could adversely affect our business as well as our risk profile. For our insurance business the statements contained in that report remain largely unchanged. For our asset management business the Board of Management of Allianz SE has come to the conclusion that there is a relevant risk relating to the Structured Alpha Funds:

- Subsequent to the litigation pending in U.S. courts in relation to the Structured Alpha Funds against Allianz Global Investors U.S. LLC and other Allianz Group companies and the investigation launched by the U.S. Securities and Exchange Commission ("SEC") in 2020, the U.S. Department of Justice ("DOJ") has begun an investigation concerning the Structured Alpha Funds, and Allianz Global Investors U.S. LLC has received a voluntary request for documents and information from the DOJ. Allianz is fully cooperating with the SEC and the DOJ in the investigations and has immediately started its own review of this matter.
- In light of the DOJ investigation and based on information available to Allianz as of today, the Board of Management of Allianz SE has reassessed the matter and has come to the conclusion that there is a relevant risk that the matters relating to the Structured Alpha Funds could materially impact future financial results of Allianz Group. However, it is currently neither feasible to predict how the SEC and DOJ investigations and the pending court proceedings may be resolved nor the timing of any such resolution. It is in particular not feasible to reliably estimate the amount of any possible resolution including potential fines. Therefore, no provision has been recognized at the current stage.

Overall, we continue to monitor developments in order to be able to react in a timely and appropriate manner, should the need arise. For further information, please refer to the chapter Outlook.

¹ For further information on shareholders' equity, please refer to the Balance Sheet Review.

Events after the balance sheet date

For information on any events occurring after the balance sheet date, please refer to note 33 to the condensed consolidated interim financial statements.

Other information

RECENT ORGANIZATIONAL CHANGES

In the course of the first half-year of 2021, there were some minor reallocations between the reportable segments.

STRATEGY

The Allianz Group's strategy is described in the Risk and Opportunity Report that forms part of our Annual Report 2020. While the COVID-19 crisis has prompted us to review and/or accelerate some elements of our Group strategy, there have been no material changes.

PRODUCTS, SERVICES AND SALES CHANNELS

For an overview of the products and services offered by the Allianz Group as well as of sales channels, please refer to the Business Operations chapter in our Annual Report 2020.

ALLIANZ GROUP AND BUSINESS SEGMENTS

The Allianz Group operates and manages its activities through the four business segments mentioned above. For further information, please refer to note 4 to the condensed consolidated interim financial statements or to the Business Operations chapter in our Annual Report 2020.

² Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio amounted to 236 % as of 30 June 2021. For further information, please refer to the Balance Sheet Review.

PROPERTY-CASUALTY INSURANCE OPERATIONS

KEY FIGURES

Key figures Property-Casualty¹

Six months ended 30 June		2021	2020	Delta
Total revenues ²	€ mn	33,610	33,785	(174)
Operating profit	€ mn	2,871	2,175	696
Net income	€ mn	2,095	926	1,169
Loss ratio ³	%	66.8	70.1	(3.3) %-p
Expense ratio ⁴	%	26.7	26.5	0.1%-p
Combined ratio ⁵	%	93.4	96.7	(3.2) %-p

Total revenues⁶

On a nominal basis, we recorded a slight decrease in **total revenues** by 0.5% compared to the first six months of the previous year.

This included unfavorable foreign currency translation effects of € 746 mn⁷ and positive (de)consolidation effects of € 414 mn. On an internal basis, our revenues went up 0.5%, driven mainly by a positive price effect of 2.7% and a negative volume effect of 2.3%.

The following operations contributed positively to internal growth:

Asia-Pacific: Total revenues increased to € 741 mn, an internal growth of 16.9%. It was mainly due to favorable volume effects in China, specifically in our motor insurance business, the new health insurance business, and our partnership with JD.com.

Turkey: Total revenues amounted to € 471 mn – up 19.0% on an internal basis. Much of this was a result of price and volume increases in our motor insurance business.

Australia: Total revenues went up 6.4% on an internal basis, totaling € 1,716 mn. Key drivers were increases in average premiums and volume increases in our home and motor insurance business.

The following operations weighed on internal growth:

United Kingdom: Total revenues went down 6.0% on an internal basis, totaling € 2,200 mn. Much of this decrease was a result of a COVID-19-related volume decline in our commercial insurance business and strong competitive dynamics in our motor insurance business.

France: Total revenues fell to € 2,445 mn. This internal decrease of 2.5% was mainly due to unfavorable volume effects in our commercial property and liability insurance business.

AGCS: Total revenues amounted to € 5,176 mn – a 1.1% decline on an internal basis, which resulted from negative volume effects in our Liability line of business.

1_For further information on Property-Casualty figures, please refer to [note 4](#) to the condensed consolidated interim financial statements.

2_Total revenues in Property-Casualty also include fee and commission income.

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

4_Represents acquisition and administrative expenses (net) divided by premiums earned (net).

5_Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Operating profit

Operating profit

€ mn

Six months ended 30 June	2021	2020	Delta
Underwriting result	1,540	717	823
Operating investment income (net)	1,324	1,287	37
Other result ¹	7	171	(164)
Operating profit	2,871	2,175	696

1_ Consists of fee and commission income/expenses and other income/expenses.

Driven largely by the positive development of our underwriting result, our **operating profit** increased considerably compared to the first six months of the previous year. A slight rise in our operating investment income added to that outcome.

The significant increase in our **underwriting result** was due to underlying improvements, considering COVID-19 effects, and a higher contribution from run-off, compared to the first half-year of 2020. Higher claims from natural catastrophes and a slight worsening on the expenses side had a partially offsetting effect. Overall, our **combined ratio** improved by 3.2 percentage points to 93.4%.

Underwriting result

€ mn

Six months ended 30 June	2021	2020	Delta
Premiums earned (net)	25,620	26,030	(409)
Accident year claims	(17,759)	(18,706)	947
Previous year claims (run-off)	652	456	196
Claims and insurance benefits incurred (net)	(17,107)	(18,250)	1,143
Operating acquisition and administrative expenses (net)	(6,834)	(6,909)	75
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds) ¹	(139)	(154)	15
Underwriting result	1,540	717	823

1_ Consists of the underwriting-related part (aggregate policy reserves and other insurance reserves) of "change in reserves for insurance and investment contracts (net)". For further information, please refer to [note 24](#) to the condensed consolidated interim financial statements.

Our **accident year loss ratio**⁸ stood at 69.3% – a 2.5 percentage point improvement compared to the first half of the previous year, which was mainly due to COVID-19-related losses in that period. On the other hand, we recorded higher losses from natural catastrophes, which increased their impact on our combined ratio by 0.8 percentage points: from 2.3% to 3.1%.

Without these losses from natural catastrophes, our accident year loss ratio would have improved by 3.3 percentage points to 66.2%.

6_We comment on the development of our total revenues on an internal basis, which means figures have been adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

7_Based on the average exchange rates in 2021 compared to 2020.

8_Represents claims and insurance benefits incurred (net) less previous year claims (run-off), divided by premiums earned (net).

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

AGCS: 2.2 percentage points. This was driven by underlying improvements and a severe impact of COVID-19 in the first six months of 2020, mostly on the Entertainment line of business.

Reinsurance: 0.8 percentage points. The improvement resulted almost exclusively from the fact that the COVID-19 pandemic had affected the previous year's result; it was partially offset by higher claims from natural catastrophes.

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

Italy: 0.3 percentage points. The deterioration resulted from a lower claims frequency in our motor insurance business in the first half-year of 2020 due to COVID-19.

Germany: 0.3 percentage points. This increase was due to higher claims from natural catastrophes and large losses, partially offset by underlying improvements, considering COVID-19 effects in the prior year.

Our positive run-off result was € 652 mn, translating into a **run-off ratio** of 2.5% – compared to € 456 mn and 1.8% in the first half-year of 2020. Most of our operations contributed positively to our run-off result.

Operating acquisition and administrative expenses amounted to € 6,834 mn in the first six months of 2021, compared to € 6,909 mn in the same period of 2020. Our **expense ratio** increased slightly by 0.1 percentage points to 26.7%.

Operating investment income (net)

€ mn

Six months ended 30 June	2021	2020	Delta
Interest and similar income (net of interest expenses)	1,527	1,517	10
Operating income from financial assets and liabilities carried at fair value through income (net)	(28)	(59)	32
Operating realized gains (net)	105	58	47
Operating impairments of investments (net)	(4)	(117)	113
Investment expenses	(216)	(201)	(14)
Expenses for premiums refunds (net) ¹	(60)	90	(150)
Operating investment income (net)²	1,324	1,287	37

1 Refers to policyholder participation, mainly from APR business (accident insurance with premium refunds), reported within "change in reserves for insurance and investment contracts (net)". For further information, please refer to [note 24](#) to the condensed consolidated interim financial statements.

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

Our **operating investment income (net)** increased slightly in the first half-year of 2021. All line items except investment expenses and expenses for premium refunds (net) contributed to that development.

Other result

€ mn

Six months ended 30 June	2021	2020	Delta
Fee and commission income	860	851	9
Other income	1	150	(149)
Fee and commission expenses	(848)	(830)	(18)
Other expenses	(6)	-	(6)
Other result	7	171	(164)

Our **other result** decreased, mainly because the previous year's result had benefited from the sale of an owner-occupied property in Germany.

Net income

We registered a distinct increase in our **net income** in the first six months of 2021 by € 1,169 mn. Apart from the increase in our operating profit, this outcome was owed to an improvement of our non-operating investment result. The overall effect was only partially offset by higher income taxes.

LIFE/HEALTH INSURANCE OPERATIONS

KEY FIGURES

Key figures Life/Health¹

Six months ended 30 June		2021	2020	Delta
Statutory premiums ²	€ mn	38,536	36,356	2,180
Operating profit	€ mn	2,495	1,810	685
Net income	€ mn	1,947	1,802	145
Return on equity ³	%	13.0	12.8	0.2 %-p

Statutory premiums⁴

On a nominal basis, **statutory premiums** increased by 6.0% in the first half-year of 2021. This includes unfavorable foreign currency translation effects of € 876 mn as well as negative (de-)consolidation effects of € 53 mn. On an internal basis⁴, statutory premiums grew by € 3,109 mn – or 8.6% – to € 39,412 mn.

In the **German** life business, statutory premiums dropped to € 11,829 mn, or by 14.2% on an internal basis, as single premium sales decreased in our business with capital-efficient products and for our product Parkdepot. In the German health business, statutory premiums reached € 1,941 mn, a 4.1% increase on an internal basis, largely attributable to the acquisition of new customers both in supplementary and comprehensive healthcare coverage as well as premium adjustments in the comprehensive healthcare coverage.

In the **United States**, statutory premiums increased to € 5,789 mn, up 30.2% on an internal basis. It was due to recovered sales in most lines of business.

In **Italy**, statutory premiums went up to € 7,390 mn, a 41.8% increase on an internal basis. This resulted mainly from stronger sales in our business with unit-linked products.

In **France**, statutory premiums grew to € 3,771 mn. Most of this increase – 17.6% on an internal basis – was due to higher sales for our new multi support product.

In the **Asia-Pacific** region, statutory premiums grew to € 3,375 mn. The rise – 19.1% on an internal basis – was mainly driven by a sales increase in unit-linked products in Indonesia and in the Philippines.

Present value of new business premiums (PVNBP)⁵

Our **PVNBP** increased by € 10,175 mn to reach € 41,444 mn. This was predominantly driven by higher sales for unit-linked products in Italy, capital-efficient products in the United States and Germany as well as protection & health products in Germany. Further contributing factors included an ongoing product transfer action in France and a back-book renegotiation impact in Italy. We saw an overall recovery compared to the first half-year of 2020, which was burdened by COVID-19 restrictions.

Present value of new business premiums by lines of business

Six months ended 30 June	2021	2020	Delta
Guaranteed savings & annuities	14.5	12.2	2.3
Protection & health	19.0	20.3	(1.3)
Unit-linked without guarantee	25.9	22.3	3.6
Capital-efficient products	40.5	45.2	(4.6)
Total	100.0	100.0	-

Operating profit

OPERATING PROFIT BY PROFIT SOURCES⁶

Operating profit by profit sources

Six months ended 30 June	2021	2020	Delta
Loadings and fees	3,387	3,257	130
Investment margin	2,129	1,602	527
Expenses	(3,791)	(3,674)	(117)
Technical margin	637	688	(51)
Impact of changes in DAC	134	(63)	197
Operating profit	2,495	1,810	685

Our **operating profit** increased, largely because favorable market developments led to the recovery of the investment margin – driven mainly by the United States, Germany and France. Additional factors included higher unit-linked management fees, mainly in Italy, and increased loadings from reserves in the German and the U.S. life business. A higher capitalization of DAC, resulting from recovered sales, was partly offset by higher acquisition expenses.

1_For further information on Life/Health figures, please refer to [note 4](#) to the condensed consolidated interim financial statements.

2_Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

3_Represents the annualized ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning and at the end of the period. Annualized figures are not a forecast for full year numbers. For 2020, the return on equity for the full year is shown.

4_Our comments in the following section on the development of our statutory gross premiums written refer to figures determined "on an internal basis", i.e. adjusted for foreign currency translation and (de-)consolidation effects, in order to provide more comparable information.

5_PVNBP before non-controlling interests.

6_The purpose of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.

LOADINGS AND FEES¹

Loadings and fees

€ mn

Six months ended 30 June	2021	2020	Delta
Loadings from premiums	2,098	2,094	4
Loadings from reserves	864	818	47
Unit-linked management fees	424	346	79
Loadings and fees	3,387	3,257	130
Loadings from premiums as % of statutory premiums	5.4	5.8	(0.3)
Loadings from reserves as % of average reserves ^{2,3}	0.1	0.1	-
Unit-linked management fees as % of average unit-linked reserves ^{2,3}	0.3	0.2	-

1_Aggregate policy reserves and unit-linked reserves.

2_Yields are pro rata.

3_Unit-linked management fees, excluding asset management fees, divided by unit-linked reserves.

Loadings from premiums remained stable. Loadings from reserves increased, most of which was driven by higher reserve volumes mainly in Germany and in the United States, and were stable in relation to reserves. Unit-linked management fees went up, primarily because of an increase in assets under management and higher performance fees in Italy and Slovakia.

INVESTMENT MARGIN²

Investment margin

€ mn

Six months ended 30 June	2021	2020	Delta
Interest and similar income	9,493	9,130	363
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,970)	(2,159)	189
Operating realized gains/losses (net)	4,271	4,791	(520)
Interest expenses	(71)	(52)	(19)
Operating impairments of investments (net)	(202)	(3,557)	3,355
Investment expenses	(903)	(787)	(116)
Other ¹	(677)	(205)	(472)
Technical interest	(4,514)	(4,588)	75
Policyholder participation	(3,298)	(970)	(2,327)
Investment margin	2,129	1,602	527
Investment margin in basis points ^{2,3}	42.4	32.8	9.6

1_“Other” comprises the delta of out-of-scope entities, on the one hand, which are added here with their respective operating profit, and different line item definitions compared to the financial statements, such as interest paid on deposits for reinsurance, fee and commission income, and expenses excluding unit-linked management fees, on the other hand.

2_Investment margin divided by the average of current end-of-period and previous end-of-period aggregate policy reserves.

3_Yields are pro rata.

Our investment margin increased. In the United States, favorable market developments led to a higher investment income mainly from our business with traditional and non-traditional variable annuities. In Germany and France, we saw lower impairments, mostly for equities – compared to the high level we had recorded in the first half-year of 2020. Another contributing factor was the disposal of our participation in Thailand. These positive effects were partly offset by higher policyholder participations and lower realizations.

EXPENSES³

Expenses

€ mn

Six months ended 30 June	2021	2020	Delta
Acquisition expenses and commissions	(2,802)	(2,722)	(80)
Administrative and other expenses	(990)	(952)	(38)
Expenses	(3,791)	(3,674)	(117)
Acquisition expenses and commissions as % of PVNBP ¹	(6.8)	(8.7)	1.9
Administrative and other expenses as % of average reserves ^{2,3}	(0.2)	(0.2)	-

1_PVNBP before non-controlling interests.

2_Aggregate policy reserves and unit-linked reserves.

3_Yields are pro rata.

Our acquisition expenses and commissions increased. Much of this was due to higher sales for protection & health products, fixed indexed and non-traditional variable annuities in the United States and unit-linked products in Italy. The trend was partly offset by lower sales volumes in our German life business. Administrative and other expenses went up, largely caused by a reallocation between acquisition and administrative expenses as well as higher restructuring and IT expenses in Germany.

TECHNICAL MARGIN⁴

Our technical margin worsened, mainly because in the first half-year of 2020 the risk margin had benefited from a release of claim reserves in France.

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

2_The investment margin is defined as IFRS investment income net of expenses, less interest credited to IFRS reserves and policyholder participation (including policyholder participation beyond contractual and regulatory requirements mainly for the German life business).

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

4_The technical margin comprises risk result (risk premiums less benefits in excess of reserves less policyholder participation), lapse result (surrender charges and commission clawbacks) and reinsurance result.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)¹

Impact of change in DAC

€ mn

Six months ended 30 June	2021	2020	Delta
Capitalization of DAC	987	831	156
Amortization, unlocking and true-up of DAC	(852)	(894)	42
Impact of change in DAC	134	(63)	197

The **impact of change in DAC** turned positive. The higher capitalization was largely driven by recovered sales in our business with protection & health, fixed indexed and non-traditional variable annuity products in the United States. Additional drivers included strong unit-linked product sales in Italy and higher deferrable costs in France. Decreased amortization mainly resulted from true-ups, most of which occurred in our non-traditional variable-annuities business in the United States.

OPERATING PROFIT BY LINES OF BUSINESS

Operating profit by lines of business

€ mn

Six months ended 30 June	2021	2020	Delta
Guaranteed savings & annuities	991	783	207
Protection & health	497	443	54
Unit-linked without guarantee	319	220	99
Capital-efficient products	688	364	325
Operating profit	2,495	1,810	685

An increase in our operating profit in the **guaranteed savings & annuities** line of business was largely due to an improved investment margin in the traditional variable-annuities business in the United States, driven by the positive market developments. Another key factor was the disposal of our participation in Thailand. A higher operating profit in our **protection & health** line of business was mainly a consequence of the recovered investment margin in the German health business. Operating profit growth in our **unit-linked without guarantee** line of business primarily resulted from increased unit-linked management fees in Italy, higher loadings from reserves in France and the developments in our business in Taiwan. The increase in the operating profit in our **capital-efficient products** line of business was largely owed to improved market conditions in our non-traditional variable-annuities business in the United States, as well as growth in our German life business.

¹ "Impact of change in DAC" includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA). It represents the net impact of deferral and amortization of acquisition costs as well as of front-end loadings on operating profit, and therefore differs from the figures reported in our IFRS financial statements.

Net income

Our **net income** grew by € 145 mn driven by the increase in the operating profit that was only partly offset by a lower non-operating result. The latter was largely due to lower realizations, compared to the first half-year of 2020, where the disposal of Allianz Popular S.L. in Spain had resulted in a high figure.

Return on equity

Our **return on equity** went up slightly by 0.2 percentage points to 13.0% as a result of the increase in the net income.

ASSET MANAGEMENT

KEY FIGURES

Key figures Asset Management¹

Six months ended 30 June		2021	2020	Delta
Operating revenues	€ mn	3,835	3,493	342
Operating profit	€ mn	1,572	1,319	253
Cost-income ratio ²	%	59.0	62.2	(3.2) %-p
Net income	€ mn	1,216	906	310
Total assets under management as of 30 June ³	€ bn	2,488	2,389	99
thereof: Third-party assets under management as of 30 June ³	€ bn	1,830	1,712	118

Assets under management

Composition of total assets under management

€ bn

Type of asset class	As of 30 June 2021	As of 31 December 2020	Delta
Fixed income	1,872	1,848	24
Equities	214	181	33
Multi-assets ¹	200	178	22
Alternatives	202	182	20
Total	2,488	2,389	99

1_The term "multi-assets" refers to a combination of several asset classes (e.g. bonds, stocks, cash and real property) used as an investment. Multi-asset class investments increase the diversification of an overall portfolio by distributing investments over several asset classes.

Net inflows⁴ of total assets under management (AuM) amounted to € 59.0 bn for the first half-year of 2021, driven by third-party AuM net inflows of € 63.8 bn. Both PIMCO and AllianzGI contributed nearly equally to this development (PIMCO: € 28.5 bn total/€ 34.4 bn third-party; AllianzGI: € 30.4 bn total/€ 29.3 bn third-party).

Overall positive effects from market and dividends⁵ totaled € 5.4 bn. Of these, positive effects of € 22.2 bn came from AllianzGI and were mainly related to equity, while € 16.8 bn negative effects stemmed from PIMCO and were attributable mostly to fixed-income assets.

Negative effects from consolidation, deconsolidation, and other adjustments amounted to € 6.5 bn. This amount is mainly made up of € 5.8 bn of third-party AuM transferred from AllianzGI to the new strategic partner Virtus Investment Advisers in the first quarter of 2021.

Favorable foreign currency translation effects summed up to € 41.6 bn and were mainly related to PIMCO.

Third-party assets under management

		As of 30 June 2021	As of 31 December 2020	Delta
Third-party assets under management	€ bn	1,830	1,712	6.9 %
Business units' share				
PIMCO	%	76.7	78.1	(1.4) %-p
AllianzGI	%	23.3	21.9	1.4 %-p
Asset classes split				
Fixed income	%	76.0	78.3	(2.3) %-p
Equities	%	10.6	9.5	1.0 %-p
Multi-assets	%	10.2	9.4	0.7 %-p
Alternatives	%	3.2	2.7	0.5 %-p
Investment vehicle split¹				
Mutual funds	%	58.6	57.9	0.7 %-p
Separate accounts	%	41.4	42.1	(0.7) %-p
Regional allocation²				
America	%	54.3	54.8	(0.5) %-p
Europe	%	33.2	32.8	0.4 %-p
Asia-Pacific	%	12.5	12.4	0.0 %-p
Overall three-year rolling investment outperformance³	%	91	79	12 %-p

1_Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).

2_Based on the location of the asset management company.

3_Three-year rolling investment outperformance reflects the mandate-based and volume-weighted three-year investment success of all third-party assets that are managed by Allianz Asset Management's portfolio-management units. For separate accounts and mutual funds, the investment success (valued on the basis of the closing prices) is compared with the investment success prior to cost deduction of the respective benchmark, based on various metrics. For some mutual funds, the investment success, reduced by fees, is compared with the investment success of the median of the respective Morningstar peer group (a position in the first and second quartile is equivalent to outperformance).

The overall three-year rolling investment outperformance has significantly improved after the COVID-19-driven material market dislocations and is now on a very high level.

1_For further information on Asset Management figures, please refer [note 4](#) to the condensed consolidated interim financial statements.

2_Represents operating expenses divided by operating revenues.

3_2020 figure as of 31 December 2020.

4_Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment – withdrawals of assets from, and termination of, client accounts and distributions to investors.

5_"Market and dividends" represents current income earned on the securities held in client accounts, as well as changes in the fair value of these securities. This also includes dividends from net investment income and from net realized capital gains to investors of both open-ended mutual funds and closed-end funds.

Operating revenues

Our **operating revenues** increased by 9.8 % on a nominal basis. This development was driven by higher average third-party AuM – at both AllianzGI and PIMCO – due to strong net inflows, favorable foreign currency translation effects as well as overall positive market effects. On an internal basis¹ operating revenues increased by 15.7 %.

We recorded higher **performance fees** – mainly at PIMCO – after a challenging performance environment in the first half-year of 2020 due to COVID-19.

Other net fee and commission income rose, driven by increased average third-party AuM.

Operating profit

Our **operating profit** increased by 19.2 % on a nominal basis, as growth in operating revenues by far exceeded an increase in operating expenses. On an internal basis¹, our operating profit went up by 26.5 %, which was predominantly due to higher average third-party AuM.

The nominal increase in **administrative expenses** was driven by PIMCO, where a positive business development led to higher personnel expenses. Also AllianzGI contributed to the increase to a minor extent due to investments in business growth.

Our **cost-income ratio** went down as a consequence of stronger growth in operating revenues and a lower increase in operating expenses, compared to the previous half-year.

Asset Management business segment information

€ mn

Six months ended 30 June	2021	2020	Delta
Performance fees	180	72	108
Other net fee and commission income	3,656	3,423	233
Other operating revenues	(1)	(2)	1
Operating revenues	3,835	3,493	342
Operating administrative expenses (net)	(2,263)	(2,174)	(89)
Operating expenses	(2,263)	(2,174)	(89)
Operating profit	1,572	1,319	253

Net income

The increase in our **net income** was mainly driven by the increase in operating profit. In addition, we also recorded a higher non-operating result due to higher realized gains as well as lower restructuring expenses.

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

CORPORATE AND OTHER

KEY FIGURES

Key figures Corporate and Other¹

€ mn

Six months ended 30 June	2021	2020	Delta
Operating revenues	1,603	1,402	202
Operating expenses	(1,882)	(1,833)	(48)
Operating result	(278)	(432)	153
Net loss	(214)	(535)	321

Earnings summary

Our **operating result** improved substantially, compared to the first six months of the previous year, mainly due to a higher operating investment result and lower operating administrative expenses.

Our **net loss** decreased strongly, mainly driven by the improvement of our operating result as well as an increase in our non-operating investment result, which benefited from higher non-operating realized gains and losses (net).

¹ For further information on Corporate and Other figures, please refer to [note 4](#) to the condensed consolidated interim financial statements.

OUTLOOK

Economic outlook¹

The triad of vaccination, reopening and ongoing policy support is likely to drive global growth to new heights in 2021: We expect global GDP (gross domestic product) to expand by 5.5% in 2021, which is slightly above our forecast at the beginning of the year.

Globally, growth in 2021 will be led by the United States, bolstered by unprecedented fiscal stimuli, as well as China, which managed to get out of the COVID-19 crisis as early as last year: Growth rates for these two economies will be around 6.3% and 8.2%, respectively. Europe is lagging behind these two, as a late start of vaccination campaigns has delayed the reopening of the economy. As a consequence, Europe will feel the pinch of supply bottlenecks more than other markets. We expect the eurozone GDP to increase by 4.2% in 2021.

Fiscal and monetary policy will remain expansionary for the time being. We expect the leading central banks in the United States, Japan, and Europe to remain patient before hiking rates in 2023. As a result, there is only limited upside potential for long-term yields, which will likely continue to remain at current levels. This policy stance encourages risk-taking in the markets, as they benefit from ample liquidity injections. At the same time, however, the risk and magnitude of a market correction are increasing along with growing imbalances.

Downside risk that might affect these forecasts include the emergence and spread of new COVID-19 virus variants, financial market instabilities, and increasing political risks on both the international and national arenas, triggered by factors including the United States-China rivalry and growing social unrest in the wake of COVID-19.

Insurance industry outlook

Our outlook for 2021 remains largely unchanged, although we are a little more optimistic now than we felt at the start of the year: The stronger global recovery, heightened risk awareness, and the increasing importance of digital products and sales channels all support top-line growth. On the other hand, increased market volatility and suppressed yields continue to put pressure on investment income.

In the **property-casualty sector**, premium growth is driven not least by the ongoing market hardening in commercial lines. Emerging markets – including China – are set to outperform advanced markets by a wide margin.

Premium growth in the **life sector**, having contracted in 2020, is expected to rebound rather strongly in 2021. Both segments, risk protection and savings products, are likely to benefit from higher risk awareness and “excess savings” in the aftermath of COVID-19, which will both support demand.

Asset management industry outlook

The industry's profitability remains under pressure from continuous flows into passive products and the associated margin compression, as well as from the increased cost to navigate a complex regulatory environment.

Several themes that were already underway have clearly gained momentum as a result of the COVID-19 pandemic. For example, the trend toward using technology to grow and support digital distribution channels is likely to grow even stronger in the future. On the operations side, work and customer service models that combine remote working and on-site presence may well turn into permanent solutions. To remain competitive, firms must leverage advanced data and analytics and create a scalable operating set-up.

While passive funds and alternative investments are continuing to grow, active investments still make up a major share of AuM at a global scale. Alternative investments, above all, are perceived as an opportunity to achieve above-market profitability growth; further opportunities exist in traditional public-equity and fixed-income products, as they will continue to be a source of capital and lending. Last but not least, asset managers who convincingly base their investment decisions on environmental, social and governance (ESG) considerations will achieve credible differentiation and above-average growth.

Outlook for the Allianz Group

At the end of the first half-year of 2021 the Allianz Group operating profit amounted to €6.7 bn. Even after considering the natural catastrophe events in July, we now expect to achieve an operating profit for the full year in the upper half of the outlook range of €12.0 bn, plus or minus €1.0 bn.

As always, natural catastrophes and adverse developments in the capital markets, as well as factors stated in our cautionary note regarding forward-looking statements may severely affect the operating profit and/or net income of our operations and the results of the Allianz Group.

Cautionary note regarding forward-looking statements

This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward-looking statements.

Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz's core business and core markets, (ii) the performance of financial markets (in particular market volatility,

¹The information presented in the sections “Economic Outlook”, “Insurance Industry Outlook” and “Asset Management Industry Outlook” is based on our own estimates.

liquidity, and credit events), (iii) adverse publicity, regulatory actions or litigation with respect to the Allianz Group, other well-known companies and the financial services industry generally, (iv) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (v) mortality and morbidity levels and trends, (vi) persistency levels, (vii) the extent of credit defaults, (viii) interest rate levels, (ix) currency exchange rates, most notably the EUR/USD exchange rate, (x) changes in laws and regulations, including tax regulations, (xi) the impact of acquisitions including and related integration issues and reorganization measures, and (xii) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

No duty to update

Allianz assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose by law.

BALANCE SHEET REVIEW

Shareholders' equity¹

Shareholders' equity

€ mn

	As of 30 June 2021	As of 31 December 2020	Delta
Shareholders' equity			
Paid-in capital	28,902	28,928	(26)
Undated subordinated bonds	2,304	2,259	46
Retained earnings	32,313	31,371	942
Foreign currency translation adjustments	(3,833)	(4,384)	551
Unrealized gains and losses (net)	18,013	22,648	(4,635)
Total	77,699	80,821	(3,123)

The decrease in **shareholders' equity** was attributable to the dividend payout in May 2021 (€ 4.0 bn) and a reduction of the unrealized gains and losses (net) of € 4.6 bn. The net income attributable to shareholders amounting to € 4.8 bn and an increase in foreign currency translation adjustments of € 0.6 bn partly offset these effects.

Regulatory capital adequacy

The Allianz Group's own funds and capital requirements are based on the market value balance sheet approach as the major economic principle of Solvency II rules.² Our regulatory capitalization is shown in the following table.

Solvency II regulatory capital adequacy

		As of 30 June 2021	As of 31 December 2020	Delta
Eligible own funds	€ bn	85.6	84.9	0.7
Capital requirement	€ bn	41.5	40.9	0.6
Capitalization ratio	%	206	207	(1) %-p

Our **Solvency II capitalization ratio** decreased by one percentage point from 207% to 206%³ over the first six months of 2021. The decrease was predominantly driven by capital and management actions, the reduction of the ultimate forward rate and other effects such as taxes. Strong capital generation and favorable market developments partially offset these negative effects on the capitalization ratio.

1_This does not include non-controlling interests of € 3,692 mn and € 3,773 mn as of 30 June 2021 and 31 December 2020, respectively. For further information, please refer to [note 17](#) to the condensed consolidated interim financial statements.

2_Own funds are calculated under consideration of volatility adjustment and yield curve extension, as described on page 92 in the Allianz Group Annual Report 2020.

3_Eligible own funds excluding the application of transitional measures for technical provisions. Including the application of transitional measures for technical provisions, the own funds amounted to € 98.0 bn; and a Solvency II ratio of 236 % as of 30 June 2021.

Total assets and total liabilities

As of 30 June 2021, total assets amounted to € 1,078.3 bn (up € 18.3 bn compared to year-end 2020). Total liabilities were € 997.0 bn, representing a rise of € 21.5 bn compared to year-end 2020.

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

Asset allocation and fixed-income portfolio overview

Type of investment	As of 30 June 2021	As of 31 December 2020	Delta	As of 30 June 2021	As of 31 December 2020	Delta
	€ bn	€ bn	€ bn	%	%	%-p
Debt instruments; thereof:	670.4	682.4	(12.0)	84.6	86.3	(1.8)
Government bonds	244.9	258.5	(13.6)	36.5	37.9	(1.4)
Covered bonds	60.5	66.7	(6.2)	9.0	9.8	(0.8)
Corporate bonds	254.2	249.5	4.7	37.9	36.6	1.4
Banks	35.6	35.9	(0.3)	5.3	5.3	-
Other	75.3	71.8	3.5	11.2	10.5	0.7
Equities	85.7	73.1	12.6	10.8	9.3	1.6
Real estate	14.6	14.3	0.3	1.8	1.8	-
Cash, cash equivalents, and other	21.9	20.5	1.5	2.8	2.6	0.2
Total	792.7	790.3	2.4	100.0	100.0	-

Compared to year-end 2020, our overall asset portfolio stayed stable, with an increase in our equity investments.

Our well-diversified exposure to **debt instruments** decreased compared to year-end 2020, mainly due to market movements. About 92 % of the debt portfolio was invested in investment-grade bonds and loans.¹ Our **government bonds** portfolio contained bonds from France, Germany, United States and Italy that represented 15.9 %, 13.2 %, 8.2 % and 8.0 % of our portfolio shares. Our **corporate bonds** portfolio contained bonds from the United States, eurozone, and Europe excl. eurozone. They represented 40.9 %, 30.3 % and 12.2 % of our portfolio shares.

Our exposure to **equities** increased due to market movements.

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

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

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 30 June 2021, the business segment's gross reserves for loss and loss adjustment expenses as well as discounted loss reserves amounted to € 74.9 bn, compared to € 72.8 bn at year-end 2020. On a net basis, our reserves, including discounted loss reserves, increased from € 62.0 bn to € 64.0 bn.²

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts increased by € 4.1 bn to € 600.2 bn over the first six months of 2021. The € 11.9 bn increase in aggregate policy reserves (before foreign currency translation effects) was mainly driven by our operations in Germany (€ 6.5 bn). Reserves for premium refunds decreased by € 11.1 bn (before foreign currency translation effects) and foreign currency translation effects increased the balance sheet value by € 3.3 bn.

¹ Excluding self-originated German private retail mortgage loans. For 3 %, no ratings were available.

² For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to [note 13](#) to the condensed consolidated interim financial statements.

RECONCILIATIONS

The analysis in the previous chapters is based on our condensed consolidated interim financial statements and should be read in conjunction with them. In addition to our figures stated in accordance with the International Financial Reporting Standards (IFRSs), the Allianz Group uses operating profit and internal growth to enhance the understanding of our results. These additional measures should be viewed as complementary to, rather than a substitute for, our figures determined according to IFRSs.

For further information, please refer to [note 4](#) to the condensed consolidated interim financial statements.

Composition of total revenues

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

Composition of total revenues

€ mn

Six months ended 30 June	2021	2020
PROPERTY-CASUALTY		
Total revenues	33,610	33,785
consisting of:		
Gross premiums written	32,750	32,933
Fee and commission income	860	851
LIFE/HEALTH		
Statutory premiums	38,536	36,356
ASSET MANAGEMENT		
Operating revenues	3,835	3,493
consisting of:		
Net fee and commission income	3,836	3,495
Net interest and similar income	(3)	(8)
Income from financial assets and liabilities carried at fair value through income (net)	2	5
CORPORATE AND OTHER		
thereof: Total revenues (Banking)	131	111
consisting of:		
Interest and similar income	30	34
Income from financial assets and liabilities carried at fair value through income (net) ¹	1	1
Fee and commission income	325	265
Interest expenses, excluding interest expenses from external debt	(12)	(10)
Fee and commission expenses	(214)	(179)
CONSOLIDATION	(364)	(250)
Allianz Group total revenues	75,749	73,495

¹ Includes trading income.

Composition of total revenue growth

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

Reconciliation of nominal total revenue growth to internal total revenue growth

%

Six months ended 30 June 2021	Internal Growth	Changes in scope of consolidation	Foreign currency translation	Nominal Growth
Property-Casualty	0.5	1.2	(2.2)	(0.5)
Life/Health	8.6	(0.1)	(2.4)	6.0
Asset Management	15.7	2.4	(8.2)	9.8
Corporate and Other	18.0	-	-	18.0
Allianz Group	5.2	0.5	(2.6)	3.1

Life/Health insurance operations

OPERATING PROFIT

The reconciling item **scope** comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 23 entities – comprising the vast majority of Life/Health total statutory premiums – are in scope.

EXPENSES

Expenses comprise acquisition expenses and commissions as well as administrative and other expenses.

The delta shown as **definitions** in acquisition expenses and commissions represents commission clawbacks, which are allocated to the technical margin. The delta shown as **definitions** in administrative and other expenses mainly represents restructuring charges, which are stated in a separate line item in the Group income statement.

Acquisition, administrative, capitalization, and amortization of DAC

€ mn

Six months ended 30 June	2021	2020
Acquisition expenses and commissions ¹	(2,802)	(2,722)
Definitions	8	6
Scope	(68)	(68)
Acquisition costs incurred	(2,862)	(2,783)
Capitalization of DAC ¹	987	831
Definition: URR capitalized	349	319
Definition: policyholder participation ²	530	527
Scope	24	17
Capitalization of DAC	1,890	1,694
Amortization, unlocking, and true-up of DAC ¹	(852)	(894)
Definition: URR amortized	(129)	(45)
Definition: policyholder participation ²	(704)	(543)
Scope	(17)	(19)
Amortization, unlocking, and true-up of DAC	(1,702)	(1,501)
Commissions and profit received on reinsurance business ceded	65	59
Acquisition costs³	(2,610)	(2,531)
Administrative and other expenses ¹	(990)	(952)
Definitions	93	79
Scope	(78)	(78)
Administrative expenses on reinsurance business ceded	5	4
Administrative expenses³	(971)	(947)

1 _As per Interim Group Management Report.

2 _For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.

3 _As per notes to the condensed consolidated interim financial statements.

Reconciliation to Notes

€ mn

Six months ended 30 June	2021	2020
Acquisition expenses and commissions ¹	(2,802)	(2,722)
Administrative and other expenses ¹	(990)	(952)
Capitalization of DAC ¹	987	831
Amortization, unlocking, and true-up of DAC ¹	(852)	(894)
Acquisition and administrative expenses	(3,657)	(3,737)
Definitions	146	343
Scope	(138)	(148)
Commissions and profit received on reinsurance business ceded	65	59
Administrative expenses on reinsurance business ceded	5	4
Acquisition and administrative expenses (net)²	(3,580)	(3,478)

1 _As per Interim Group Management Report.

2 _As per notes to the condensed consolidated interim financial statements.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)

“Impact of change in DAC” includes effects of change in DAC, unearned revenue reserves (URR), and value of business acquired (VOBA), and is the net impact of the deferral and amortization of acquisition costs and front-end loadings on operating profit.

URR capitalized: Capitalization amount of unearned revenue reserves (URR) and deferred profit liabilities (DPL) for FAS 97 LP.

URR amortized: Total amount of URR amortized includes scheduled URR amortization, true-up, and unlocking.

Both capitalization and amortization are included in the line item premiums earned (net) in the Group income statement.

Policyholder participation is included within “change in our reserves for insurance and investment contracts (net)” in the Group income statement.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

B

CONSOLIDATED BALANCE SHEET

Consolidated balance sheet

€ mn

	Note	As of 30 June 2021	As of 31 December 2020
ASSETS			
Cash and cash equivalents		24,150	22,443
Financial assets carried at fair value through income	5	21,605	21,191
Investments	6	654,901	656,522
Loans and advances to banks and customers	7	119,122	116,576
Financial assets for unit-linked contracts		148,392	137,307
Reinsurance assets	8	21,601	20,170
Deferred acquisition costs	9	23,949	21,830
Deferred tax assets		921	1,006
Other assets	10	47,978	45,573
Non-current assets and assets of disposal groups classified as held for sale	3	321	1,790
Intangible assets	11	15,407	15,604
Total assets		1,078,347	1,060,012
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income ¹		24,644	24,079
Liabilities to banks and customers	12	15,348	14,722
Unearned premiums		30,058	25,341
Reserves for loss and loss adjustment expenses	13	83,375	80,897
Reserves for insurance and investment contracts	14	615,122	611,096
Financial liabilities for unit-linked contracts		148,392	137,307
Deferred tax liabilities		6,578	8,595
Other liabilities	15	52,216	49,005
Liabilities of disposal groups classified as held for sale	3	10	1,134
Certificated liabilities	16	9,222	9,206
Subordinated liabilities	16	11,992	14,034
Total liabilities		996,956	975,417
Shareholders' equity		77,699	80,821
Non-controlling interests		3,692	3,773
Total equity	17	81,390	84,594
Total liabilities and equity		1,078,347	1,060,012

¹ Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement

Six months ended 30 June	Note	2021	2020
Gross premiums written		45,569	45,660
Ceded premiums written		(4,355)	(4,012)
Change in unearned premiums (net)		(3,333)	(3,578)
Premiums earned (net)	18	37,881	38,071
Interest and similar income	19	11,229	10,808
Income from financial assets and liabilities carried at fair value through income (net)	20	(1,961)	(2,341)
Realized gains/losses (net)	21	4,973	5,555
Fee and commission income	22	6,500	5,881
Other income		3	160
Total income		58,625	58,135
Claims and insurance benefits incurred (gross)		(29,225)	(31,199)
Claims and insurance benefits incurred (ceded)		1,752	2,774
Claims and insurance benefits incurred (net)	23	(27,473)	(28,424)
Change in reserves for insurance and investment contracts (net)	24	(6,941)	(4,374)
Interest expenses	25	(485)	(491)
Loan loss provisions		(3)	(4)
Impairments of investments (net)	26	(313)	(4,319)
Investment expenses	27	(899)	(782)
Acquisition and administrative expenses (net)	28	(13,174)	(13,161)
Fee and commission expenses	29	(2,325)	(2,062)
Amortization of intangible assets		(155)	(105)
Restructuring and integration expenses		(239)	(288)
Other expenses		(6)	-
Total expenses		(52,012)	(54,011)
Income before income taxes		6,614	4,124
Income taxes	30	(1,573)	(1,023)
Net income		5,040	3,101
Net income attributable to:			
Non-controlling interests		249	174
Shareholders		4,791	2,927
Basic earnings per share (€)		11.47	7.07
Diluted earnings per share (€)		11.42	6.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income

Six months ended 30 June	2021	2020
Net income	5,040	3,101
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	-	(16)
Changes arising during the period	573	(761)
Subtotal	573	(776)
Available-for-sale investments		
Reclassifications to net income	(960)	436
Changes arising during the period	(3,620)	243
Subtotal	(4,579)	679
Cash flow hedges		
Reclassifications to net income	(36)	(27)
Changes arising during the period	(107)	141
Subtotal	(143)	114
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	-	-
Changes arising during the period	41	(96)
Subtotal	41	(96)
Miscellaneous		
Reclassifications to net income	-	-
Changes arising during the period	65	85
Subtotal	65	85
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	163	(155)
Total other comprehensive income	(3,881)	(149)
Total comprehensive income	1,159	2,952
Total comprehensive income attributable to:		
Non-controlling interests	151	112
Shareholders	1,008	2,840

For further details concerning income taxes on components of the other comprehensive income, please see [note 30](#).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

€ mn

	Paid-in capital	Undated subordinated bonds	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2020	28,928	-	29,577	(2,195)	17,691	74,002	3,363	77,364
Total comprehensive income ¹	-	-	2,782	(742)	800	2,840	112	2,952
Paid-in capital	-	-	-	-	-	-	-	-
Treasury shares	-	-	(760)	-	-	(760)	-	(760)
Transactions between equity holders	-	-	6	-	-	6	(126)	(120)
Dividends paid	-	-	(3,952)	-	-	(3,952)	(121)	(4,073)
Balance as of 30 June 2020	28,928	-	27,654	(2,937)	18,491	72,136	3,228	75,363
Balance as of 1 January 2021	28,928	2,259	31,371	(4,384)	22,648	80,821	3,773	84,594
Total comprehensive income ¹	-	-	5,060	583	(4,635)	1,008	151	1,159
Paid-in capital	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-
Transactions between equity holders	(26)	-	(119)	-	-	(145)	(28)	(172)
Undated subordinated bonds	-	46	(44)	(32)	-	(31)	-	(31)
Dividends paid	-	-	(3,956)	-	-	(3,956)	(205)	(4,161)
Balance as of 30 June 2021	28,902	2,304	32,313	(3,833)	18,013	77,699	3,692	81,390

1_ Total comprehensive income in shareholders' equity for the six months ended 30 June 2021 comprises net income attributable to shareholders of € 4,791 mn (2021: €2,927 mn).

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows

€ mn

Six months ended 30 June	2021	2020
SUMMARY		
Net cash flow provided by operating activities	15,669	14,401
Net cash flow used in investing activities	(8,061)	(9,591)
Net cash flow provided by/used in financing activities	(5,985)	(2,958)
Effect of exchange rate changes on cash and cash equivalents	84	(249)
Change in cash and cash equivalents	1,707	1,604
Cash and cash equivalents at beginning of period	22,443	21,075
Cash and cash equivalents reclassified to assets of disposal groups held for sale and disposed of in 2020	-	309
Cash and cash equivalents at end of period	24,150	22,987
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	5,040	3,101
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(116)	(174)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers, non-current assets and disposal groups classified as held for sale	(4,660)	(1,378)
Other investments, mainly financial assets held for trading and designated at fair value through income	4,156	1,560
Depreciation and amortization	1,158	1,064
Loan loss provisions	3	4
Interest credited to policyholder accounts	3,411	2,143
Other non-cash income/expenses	(1,851)	1,224
Net change in:		
Financial assets and liabilities held for trading	(3,198)	(593)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(324)	(1,082)
Repurchase agreements and collateral received from securities lending transactions	(106)	618
Reinsurance assets	(950)	(2,313)
Deferred acquisition costs	(528)	(334)
Unearned premiums	4,517	4,410
Reserves for loss and loss adjustment expenses	2,046	2,982
Reserves for insurance and investment contracts	7,527	5,698
Deferred tax assets/liabilities	(14)	561
Other (net)	(442)	(3,091)
Subtotal	10,629	11,300
Net cash flow provided by operating activities	15,669	14,401
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	2,126	1,797
Available-for-sale investments	95,298	89,030
Held-to-maturity investments	10	157
Investments in associates and joint ventures	529	264
Non-current assets and disposal groups classified as held for sale	279	345
Real estate held for investment	66	112
Loans and advances to banks and customers (purchased loans)	2,978	2,044
Property and equipment	57	63
Subtotal	101,343	93,812

CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

Consolidated statement of cash flows

Six months ended 30 June	2021	2020
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(2,181)	(1,783)
Available-for-sale investments	(100,482)	(94,915)
Held-to-maturity investments	(55)	(115)
Investments in associates and joint ventures	(963)	(1,244)
Non-current assets and disposal groups classified as held for sale	-	(66)
Real estate held for investment	(371)	(422)
Fixed assets from alternative investments	(14)	(5)
Loans and advances to banks and customers (purchased loans)	(1,049)	(1,142)
Property and equipment	(557)	(632)
Subtotal	(105,673)	(100,325)
Business combinations (note 3):		
Proceeds from sale of subsidiaries, net of cash disposed	-	470
Change in other loans and advances to banks and customers (originated loans)	(3,432)	(3,051)
Other (net)	(299)	(496)
Net cash flow used in investing activities	(8,061)	(9,591)
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	670	479
Proceeds from the issuance of certificated liabilities and subordinated liabilities	1,675	4,169
Repayments of certificated liabilities and subordinated liabilities	(3,817)	(2,562)
Proceeds from the issuance of undated subordinated bonds classified as shareholders' equity	-	-
Net change in lease liabilities	(171)	(188)
Transactions between equity holders	(172)	31
Dividends paid to shareholders	(4,161)	(4,073)
Net cash from sale or purchase of treasury shares	-	(760)
Other (net)	(10)	(54)
Net cash flow provided by/used in financing activities	(5,985)	(2,958)
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS		
Income taxes paid (from operating activities)	(1,680)	(1,360)
Dividends received (from operating activities)	1,608	1,059
Interest received (from operating activities)	9,159	9,465
Interest paid (from operating activities)	(438)	(465)

Changes in liabilities arising from financing activities

€ mn	Liabilities to banks and customers	Certificated and subordinated liabilities	Lease liabilities	Total
As of 1 January 2020	8,894	22,448	2,791	34,132
Net cash flows	479	1,608	(188)	1,898
Non-cash transactions				
Changes in the consolidated subsidiaries of the Allianz Group	34	-	-	34
Foreign currency translation adjustments	(26)	(4)	(20)	(49)
Fair value and other changes	2	(53)	165	114
As of 30 June 2020	9,383	23,999	2,748	36,129
As of 1 January 2021	9,559	23,241	2,725	35,525
Net cash flows	670	(2,141)	(171)	(1,643)
Non-cash transactions				
Changes in the consolidated subsidiaries of the Allianz Group	1	-	-	1
Foreign currency translation adjustments	(1)	4	28	31
Fair value and other changes	(1)	110	178	287
As of 30 June 2021	10,228	21,214	2,759	34,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL INFORMATION

1 _ Basis of presentation

The Allianz Group's condensed consolidated interim financial statements are presented in accordance with the requirements of IAS 34 and have been prepared in conformity with International Financial Reporting Standards (IFRSs) applicable to interim financial reporting, as adopted under European Union regulations.

For existing and unchanged IFRSs, the condensed consolidated interim financial statements use the same accounting policies for recognition, measurement, consolidation and presentation as applied in the consolidated financial statements for the year ended 31 December 2020. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

In accordance with the provisions of IFRS 4, insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

Amounts are rounded to millions of euro (€ mn), unless otherwise stated.

These condensed consolidated interim financial statements of the Allianz Group were authorized for issue by the Board of Management on 5 August 2021.

2 _ Recently adopted accounting pronouncements (effective 1 January 2021)

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2021:

- IFRS 9, IAS 39, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform (Phase 2),
- IFRS 4, Extension of the Temporary Exemption from Applying IFRS 9.

These changes had no material impact on the Allianz Group's condensed consolidated interim financial statements for the first half-year of 2021.

3 _ Consolidation and classification as held for sale

SIGNIFICANT BUSINESS COMBINATIONS AFTER THE END OF THE REPORTING PERIOD

WESTPAC GENERAL INSURANCE, SYDNEY

On 2 December 2020, the Allianz Group has concluded an agreement to acquire Westpac's general insurance business and to enter into a new 20-year exclusive agreement for the distribution of general insurance products to Westpac customers in consideration for AUD 725 mn. Additional future payments are contemplated in the agreement including AUD 25 mn expected in the second half-year of 2021 subject to integration milestones and future payments dependent on the achievement of certain targets. The transaction was completed on 1 July 2021.

On completion, the new distribution arrangement with Westpac allows the Allianz Group to increase its share in the Australian consumer insurance market by providing a wider range of Allianz general insurance products to Westpac customers.

The Allianz Group acquired approximately € 0.8 bn assets and € 0.5 bn liabilities. At the time the condensed consolidated interim financial statements of the Allianz Group were authorized for issue, the initial accounting for the business combination is incomplete. Specifically, the initial valuation of identifiable intangible assets and the fair value measurement of the consideration transferred is pending in accordance with customary procedures. Therefore, detailed disclosures of the amounts to be recognized as of the acquisition date for major classes of identifiable assets acquired and liabilities assumed including goodwill cannot be made at this stage. Furthermore, the impact on revenue and net income of the consolidated income statement of the Allianz Group had the acquiree been consolidated from 1 January 2021 cannot be reliably disclosed.

AVIVA ITALY, MILAN

On 4 March 2021, the Allianz Group has concluded an agreement to acquire Aviva Italia S.p.A., the non-life insurance company of the Aviva Group in Italy, in consideration for a purchase price of € 330 mn. Conditional on the receipt of the regulatory approvals, the transaction is expected to complete at the beginning of the fourth quarter of 2021.

Aviva Italia S.p.A. comprises a non-life insurance portfolio, equally split between motor and non-motor business segments, with annual gross premiums of around € 400 mn. In total, nearly 500 agents will join Allianz Group alongside with their customer base and related employees. Upon completion, the market share of Allianz Group in the Italian non-life market is expected to grow by approximately 1 percentage point, consolidating its position as the third largest player in the non-life insurance market in Italy.

BUSINESS OPERATIONS OF AVIVA GROUP POLAND

On 26 March 2021, the Allianz Group has concluded an agreement to purchase the life and non-life insurance operations, as well as pension and asset management business in Poland from the Aviva Group and to acquire each 51 percent stake in Aviva's life and nonlife bancassurance joint ventures with Santander in consideration for a net purchase price of € 2.5 bn. Subject to receipt of required regulatory approvals, the transaction is expected to complete before year-end 2021.

Through the acquisition, Allianz will double its revenues in the attractive Polish insurance market and achieve a well-balanced business mix between property/casualty and life insurance. In addition, the strong tied agents' network and the long-term bancassurance joint venture with Santander will bolster Allianz's distribution footprint and market position.

CLASSIFICATION AS HELD FOR SALE

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

€ mn

	As of 30 June 2021	As of 31 December 2020
Assets of disposal groups classified as held for sale		
Closed book portfolio of Allianz Benelux	-	1,377
Other disposal groups	15	15
Subtotal	15	1,392
Non-current assets classified as held for sale		
Real estate held for investment	305	397
Associates and joint ventures	1	1
Subtotal	306	398
Total	321	1,790
Liabilities of disposal groups classified as held for sale		
Closed book portfolio of Allianz Benelux	-	1,125
Other disposal groups	10	10
Total	10	1,134

CLOSED BOOK PORTFOLIO OF ALLIANZ BENELUX S.A., BRUSSELS

Effective 1 April 2021, the Allianz Group disposed of a closed book portfolio covering classical life retail insurances together with mortgage loans of Allianz Benelux S.A., Brussels, allocated to the reportable segment Western & Southern Europe and Asia Pacific (Life/Health). This portfolio had been classified as held for sale since 31 December 2020. Until its disposal on 1 April 2021, no impairment loss had been recognized in connection with this transaction. Upon closing of the sale, the Allianz Group recognized a loss of € 46 mn, included in the line realized gains/losses (net) of the consolidated income statement.

PORTFOLIO TRANSACTION AFTER THE END OF THE REPORTING PERIOD

As part of its Life strategy to move to modern capital light insurance products, the Allianz Group has been considering the cession of a closed book of classical life insurance products within the reportable segment Western and Southern Europe and Asia Pacific (Life/Health).

The transaction includes a portfolio consisting of technical provisions of about € 2 bn as well as corresponding assets (mainly financial instruments) of approximately the same amount. The Allianz Group is pursuing this transaction as an opportunity to further reduce operational complexity and strengthen its already solid financial position.

The Allianz Group accelerated discussions with a potential buyer since beginning of the year and reached an agreement during July 2021, with the objective to execute the transaction before year-end 2021. The closing of the transaction is still subject to regulatory approvals.

The requirements to present the closed book portfolio as a disposal group held for sale were not cumulatively met as of 30 June 2021, but were met before the condensed consolidated interim financial statements were authorized for issue.

4 _ Segment reporting

The business activities of the Allianz Group, the business segments as well as the products and services from which the reportable segments derive their revenues are consistent with those described in the consolidated financial statements for the year ended 31 December 2020. The statement contained therein regarding general segment reporting information is still applicable and valid.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

Effective 1 January 2021, the Allianz Group has amended its operating profit definition by excluding income taxes related incidental benefits/expenses and litigation expenses. Both items are not attendant to the Allianz Group's sustainable performance. Therefore, the Allianz Group believes that the amended definition of operating profit provides more relevant information for investors with respect to Allianz Group's long-term profitability and its comparability over time. This amendment has no material impact on the Allianz Group's condensed consolidated interim financial statements for the first half-year of 2021.

RECENT ORGANIZATIONAL CHANGES

Only minor reallocations between the reportable segments have been made.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

Business segment information – consolidated balance sheets

	Property-Casualty		Life/Health	
	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020
ASSETS				
Cash and cash equivalents	5,186	4,961	12,295	10,907
Financial assets carried at fair value through income	986	754	20,358	20,320
Investments	112,194	109,040	525,079	526,165
Loans and advances to banks and customers	11,571	10,987	107,486	105,209
Financial assets for unit-linked contracts	-	-	148,392	137,307
Reinsurance assets	13,913	12,713	7,762	7,535
Deferred acquisition costs	5,247	4,876	18,702	16,953
Deferred tax assets	1,017	886	796	744
Other assets	30,627	29,670	18,794	21,282
Non-current assets and assets of disposal groups classified as held for sale	80	85	226	1,701
Intangible assets	5,433	5,531	2,424	2,599
Total assets	186,254	179,502	862,315	850,722

	Property-Casualty		Life/Health	
	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	464	140	24,132	23,858
Liabilities to banks and customers	1,213	1,252	5,583	5,209
Unearned premiums	24,005	19,681	6,071	5,679
Reserves for loss and loss adjustment expenses	70,182	68,171	13,229	12,763
Reserves for insurance and investment contracts	15,202	15,263	600,174	596,074
Financial liabilities for unit-linked contracts	-	-	148,392	137,307
Deferred tax liabilities	2,635	3,011	5,396	6,807
Other liabilities	22,704	23,562	18,162	17,797
Liabilities of disposal groups classified as held for sale	10	10	-	1,125
Certificated liabilities	-	-	-	-
Subordinated liabilities	47	12	65	68
Total liabilities	136,463	131,102	821,205	806,686

Asset Management		Corporate and Other		Consolidation		Group	
As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020
999	953	5,805	5,791	(136)	(170)	24,150	22,443
65	65	674	460	(479)	(409)	21,605	21,191
100	76	109,583	111,997	(92,054)	(90,756)	654,901	656,522
25	51	5,968	6,014	(5,929)	(5,685)	119,122	116,576
-	-	-	-	-	-	148,392	137,307
-	-	-	-	(75)	(77)	21,601	20,170
-	-	-	-	-	-	23,949	21,830
201	166	712	782	(1,805)	(1,571)	921	1,006
5,658	5,011	6,453	8,033	(13,554)	(18,422)	47,978	45,573
1	1	15	4	-	-	321	1,790
7,384	7,301	165	172	-	-	15,407	15,604
14,434	13,624	129,374	133,253	(114,031)	(117,089)	1,078,347	1,060,012

Asset Management		Corporate and Other		Consolidation		Group	
As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020
-	-	547	490	(499)	(409)	24,644	24,079
-	43	11,680	11,129	(3,128)	(2,910)	15,348	14,722
-	-	-	-	(18)	(18)	30,058	25,341
-	-	-	-	(37)	(37)	83,375	80,897
-	-	(112)	(98)	(142)	(144)	615,122	611,096
-	-	-	-	-	-	148,392	137,307
36	22	316	325	(1,805)	(1,571)	6,578	8,595
4,787	4,453	28,390	29,140	(21,827)	(25,947)	52,216	49,005
-	-	-	-	-	-	10	1,134
-	-	11,899	11,883	(2,677)	(2,677)	9,222	9,206
-	-	11,900	13,974	(20)	(20)	11,992	14,034
4,822	4,518	64,619	66,843	(30,153)	(33,732)	996,956	975,417
Total equity						81,390	84,594
Total liabilities and equity						1,078,347	1,060,012

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

Business segment information – total revenues and reconciliation of operating profit (loss) to net income (loss)

€ mn

Six months ended 30 June	Property-Casualty		Life/Health	
	2021	2020	2021	2020
Total revenues¹	33,610	33,785	38,536	36,356
Premiums earned (net)	25,620	26,030	12,261	12,041
Operating investment result				
Interest and similar income	1,597	1,577	9,493	9,130
Operating income from financial assets and liabilities carried at fair value through income (net)	(28)	(59)	(1,970)	(2,159)
Operating realized gains/losses (net)	105	58	4,271	4,791
Interest expenses, excluding interest expenses from external debt	(70)	(60)	(71)	(52)
Operating impairments of investments (net)	(4)	(117)	(202)	(3,557)
Investment expenses	(216)	(201)	(903)	(787)
Subtotal	1,384	1,197	10,618	7,366
Fee and commission income	860	851	852	742
Other income	1	150	-	10
Claims and insurance benefits incurred (net)	(17,107)	(18,250)	(10,365)	(10,174)
Operating change in reserves for insurance and investment contracts (net) ²	(199)	(64)	(6,854)	(4,326)
Loan loss provisions	-	-	-	-
Operating acquisition and administrative expenses (net)	(6,834)	(6,909)	(3,580)	(3,478)
Fee and commission expenses	(848)	(830)	(396)	(354)
Operating amortization of intangible assets	-	-	(10)	(10)
Operating restructuring and integration expenses	-	-	(12)	(6)
Other expenses	(6)	-	-	-
Reclassifications	-	-	(18)	-
Operating profit (loss)	2,871	2,175	2,495	1,810
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(69)	(3)	121	(19)
Non-operating realized gains/losses (net)	271	(31)	(10)	586
Non-operating impairments of investments (net)	(40)	(463)	(26)	(118)
Subtotal	162	(497)	85	449
Non-operating change in reserves for insurance and investment contracts (net)	-	-	97	27
Interest expenses from external debt	-	-	-	-
Non-operating acquisition and administrative expenses (net) ³	-	-	(18)	-
Non-operating amortization of intangible assets	(106)	(55)	(19)	(23)
Non-operating restructuring and integration expenses	(144)	(133)	(28)	(28)
Reclassifications	-	-	18	-
Non-operating items	(88)	(685)	136	425
Income (loss) before income taxes	2,783	1,490	2,631	2,236
Income taxes	(688)	(563)	(684)	(433)
Net income (loss)	2,095	926	1,947	1,802
Net income (loss) attributable to:				
Non-controlling interests	59	54	112	79
Shareholders	2,036	872	1,835	1,724

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

2. For the six months ended 30 June 2021, includes expenses for premium refunds (net) in Property-Casualty of € (60) mn (2020: € 90 mn).

3. Include, if applicable, acquisition-related expenses, income taxes related incidental benefits/expenses and litigation expenses. Until 2020, income taxes related incidental benefits/expenses and litigation expenses were shown within operating acquisition and administrative expenses (net).

Asset Management		Corporate and Other		Consolidation		Group	
2021	2020	2021	2020	2021	2020	2021	2020
3,835	3,493	131	111	(364)	(250)	75,749	73,495
-	-	-	-	-	-	37,881	38,071
7	6	200	188	(67)	(93)	11,229	10,808
2	5	10	(34)	2	(3)	(1,985)	(2,250)
-	-	-	-	(24)	4	4,352	4,853
(10)	(14)	(61)	(98)	64	96	(149)	(128)
-	-	-	-	-	-	(206)	(3,674)
-	-	(52)	(52)	272	259	(899)	(782)
(1)	(3)	97	4	246	263	12,343	8,827
4,910	4,396	1,394	1,248	(1,516)	(1,357)	6,500	5,881
-	-	-	-	1	-	3	160
-	-	-	-	-	-	(27,473)	(28,424)
-	-	-	-	15	(11)	(7,038)	(4,401)
-	-	(3)	(4)	-	-	(3)	(4)
(2,263)	(2,174)	(512)	(586)	1	(14)	(13,188)	(13,161)
(1,074)	(901)	(1,254)	(1,093)	1,248	1,115	(2,325)	(2,062)
-	-	-	-	-	-	(10)	(10)
-	-	-	-	-	-	(12)	(6)
-	-	-	-	-	-	(6)	-
-	-	-	-	-	-	(18)	-
1,572	1,319	(278)	(432)	(6)	(3)	6,655	4,869
3	(2)	(28)	(65)	(2)	(2)	24	(90)
85	-	268	141	6	6	621	702
-	-	(40)	(64)	-	-	(106)	(645)
88	(2)	200	13	4	4	538	(33)
-	-	-	-	-	-	97	27
-	-	(336)	(362)	-	-	(336)	(362)
-	-	32	-	-	-	14	-
(10)	(8)	(10)	(9)	-	-	(145)	(95)
(30)	(86)	(26)	(36)	-	-	(227)	(282)
-	-	-	-	-	-	18	-
49	(96)	(141)	(394)	4	4	(41)	(745)
1,621	1,223	(419)	(825)	(2)	1	6,614	4,124
(405)	(317)	204	290	(1)	1	(1,573)	(1,023)
1,216	906	(214)	(535)	(3)	2	5,040	3,101
73	53	5	(12)	-	-	249	174
1,144	853	(219)	(523)	(3)	2	4,791	2,927

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

Reconciliation of reportable segments to Allianz Group figures

Six months ended 30 June	Total revenues		Operating profit (loss)		Net income (loss)	
	2021	2020	2021	2020	2021	2020
German Speaking Countries and Central & Eastern Europe	9,943	9,935	803	877	647	438
Western & Southern Europe and Asia Pacific	6,313	6,356	812	910	606	475
Iberia & Latin America and Allianz Partners	6,380	6,207	370	373	192	227
Global Insurance Lines & Anglo Markets, Middle East and Africa	14,226	15,433	886	14	650	(213)
Consolidation	(3,251)	(4,146)	-	1	-	-
Total Property-Casualty	33,610	33,785	2,871	2,175	2,095	926
German Speaking Countries and Central & Eastern Europe	15,717	17,563	867	753	596	515
Western & Southern Europe and Asia Pacific	16,001	12,856	918	775	675	561
Iberia & Latin America	710	679	78	72	53	542
USA	5,789	4,863	629	216	534	243
Global Insurance Lines & Anglo Markets, Middle East and Africa	563	573	25	19	107	(40)
Consolidation and Other	(242)	(178)	(22)	(24)	(18)	(19)
Total Life/Health	38,536	36,356	2,495	1,810	1,947	1,802
Asset Management	3,835	3,493	1,572	1,319	1,216	906
Corporate and Other	131	111	(278)	(432)	(214)	(535)
Consolidation	(364)	(250)	(6)	(3)	(3)	2
Group	75,749	73,495	6,655	4,869	5,040	3,101

NOTES TO THE CONSOLIDATED BALANCE SHEET

5 _ Financial assets carried at fair value through income

Financial assets carried at fair value through income

€ mn

	As of 30 June 2021	As of 31 December 2020
Financial assets held for trading		
Debt securities	651	599
Equity securities	48	45
Derivative financial instruments	15,205	15,463
Subtotal	15,904	16,107
Financial assets designated at fair value through income		
Debt securities	2,739	2,569
Equity securities	2,861	2,418
Loans	100	97
Subtotal	5,700	5,084
Total	21,605	21,191

Investments

€ mn

	As of 30 June 2021	As of 31 December 2020
Available-for-sale investments	619,069	621,777
Held-to-maturity investments	2,638	2,563
Funds held by others under reinsurance contracts assumed	780	770
Investments in associates and joint ventures	15,292	14,570
Real estate held for investment	14,637	14,294
Fixed assets from alternative investments	2,484	2,548
Total	654,901	656,522

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

€ mn

	As of 30 June 2021				As of 31 December 2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	258,397	22,662	(1,102)	279,957	253,234	29,655	(238)	282,651
Government and government agency bonds ¹	203,594	29,383	(2,090)	230,887	199,267	44,740	(187)	243,820
MBS/ABS	26,871	1,179	(89)	27,960	26,654	1,466	(98)	28,023
Other	8,165	1,719	(61)	9,823	7,542	1,279	(82)	8,740
Subtotal	497,027	54,942	(3,341)	548,628	486,697	77,141	(604)	563,234
Equity securities	48,992	21,745	(295)	70,441	43,053	15,891	(400)	58,543
Total	546,018	76,687	(3,636)	619,069	529,750	93,031	(1,004)	621,777

¹As of 30 June 2021, fair value and amortized costs of bonds from countries with a rating below AA amounted to € 93,760 mn (31 December 2020: € 95,096 mn) and € 85,424 mn (31 December 2020: € 82,202 mn), respectively.

7 _ Loans and advances to banks and customers

Loans and advances to banks and customers

€ mn

	As of 30 June 2021	As of 31 December 2020
Short-term investments and certificates of deposit	2,162	1,824
Loans	112,952	111,100
Other	4,076	3,720
Subtotal	119,191	116,644
Loan loss allowance	(68)	(67)
Total	119,122	116,576

8 _ Reinsurance assets

Reinsurance assets

€ mn

	As of 30 June 2021	As of 31 December 2020
Unearned premiums	2,981	1,810
Reserves for loss and loss adjustment expenses	11,339	11,274
Aggregate policy reserves	7,096	6,917
Other insurance reserves	184	169
Total	21,601	20,170

9 _ Deferred acquisition costs

Deferred acquisition costs

€ mn

	As of 30 June 2021	As of 31 December 2020
Deferred acquisition costs		
Property-Casualty	5,247	4,876
Life/Health	18,297	16,550
Subtotal	23,544	21,426
Deferred sales inducements	201	190
Present value of future profits	204	213
Total	23,949	21,830

10 _ Other assets

Other assets

€ mn

	As of 30 June 2021	As of 31 December 2020
Receivables		
Policyholders	7,528	7,214
Agents	5,008	4,592
Reinsurance	5,025	3,604
Other	7,024	6,092
Less allowances for doubtful accounts	(786)	(788)
Subtotal	23,799	20,715
Tax receivables		
Income taxes	2,156	1,986
Other taxes	2,018	2,310
Subtotal	4,173	4,296
Accrued dividends, interest and rent	5,489	5,955
Prepaid expenses	1,038	793
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	375	1,134
Property and equipment		
Real estate held for own use	2,927	2,914
Software	3,351	3,340
Equipment	1,184	1,240
Right-of-use assets	2,325	2,332
Subtotal	9,787	9,827
Other assets	3,316	2,853
Total	47,978	45,573

11 _ Intangible assets

Intangible Assets

€ mn

	As of 30 June 2021	As of 31 December 2020
Goodwill	13,585	13,489
Distribution agreements ¹	932	995
Other ²	891	1,120
Total	15,407	15,604

1_Primarily includes the long-term distribution agreements with Banco Bilbao Vizcaya Argentaria S.A.

2_Primarily include acquired business portfolios, customer relationships, and brand names.

12 _ Liabilities to banks and customers

Liabilities to banks and customers

€ mn

	As of 30 June 2021	As of 31 December 2020
Payables on demand and other deposits	1,284	1,263
Repurchase agreements and collateral received from securities lending transactions and derivatives	5,121	5,164
Other	8,944	8,296
Total	15,348	14,722

14 _ Reserves for insurance and investment contracts

Reserves for insurance and investment contracts

€ mn

	As of 30 June 2021	As of 31 December 2020
Aggregate policy reserves	522,452	507,184
Reserves for premium refunds	91,983	103,170
Other insurance reserves	686	741
Total	615,122	611,096

13 _ Reserves for loss and loss adjustment expenses

As of 30 June 2021, the reserves for loss and loss adjustment expenses of the Allianz Group totaled € 83,375 mn (31 December 2020: € 80,897 mn). The following table reconciles the beginning and ending reserves of the Property-Casualty business segment for the half-years ended 30 June 2021 and 2020.

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

€ mn

	2021	2020
As of 1 January	68,171	65,414
Balance carry forward of discounted loss reserves	4,603	4,552
Subtotal	72,775	69,965
Loss and loss adjustment expenses incurred		
Current year	19,517	21,248
Prior years	(992)	(494)
Subtotal	18,525	20,754
Loss and loss adjustment expenses paid		
Current year	(6,415)	(6,448)
Prior years	(10,866)	(11,635)
Subtotal	(17,281)	(18,083)
Foreign currency translation adjustments and other changes	836	(760)
Changes in the consolidated subsidiaries of the Allianz Group	20	-
Subtotal	74,875	71,876
Ending balance of discounted loss reserves	(4,693)	(4,575)
As of 30 June	70,182	67,301

15 _ Other liabilities

Other liabilities

€ mn

	As of 30 June 2021	As of 31 December 2020
Payables		
Policyholders	4,453	4,741
Reinsurance	4,233	2,846
Agents	2,339	2,055
Subtotal	11,025	9,642
Payables for social security	381	397
Tax payables		
Income taxes	1,898	1,812
Other taxes	2,221	1,983
Subtotal	4,119	3,795
Accrued interest and rent	536	457
Unearned income	675	551
Provisions		
Pensions and similar obligations	10,402	10,725
Employee related	2,779	2,774
Share-based compensation plans	309	367
Restructuring plans	264	306
Other provisions	2,008	2,040
Subtotal	15,761	16,211
Deposits retained for reinsurance ceded	3,898	3,903
Derivative financial instruments used for hedging, that meet the criteria for hedge accounting, and firm commitments	517	245
Financial liabilities for puttable financial instruments	2,469	2,072
Lease liabilities	2,759	2,725
Other liabilities	10,076	9,005
Total	52,216	49,005

16 _ Certificated and subordinated liabilities

Certificated and subordinated liabilities

€ mn

	As of 30 June 2021	As of 31 December 2020
Senior bonds	8,075	8,036
Money market securities	1,147	1,170
Total certificated liabilities	9,222	9,206
Subordinated bonds ¹	11,947	13,989
Hybrid equity ²	45	45
Total subordinated liabilities	11,992	14,034

1_Change due to the redemption of two subordinated bonds with a nominal value of USD 1.0 bn and € 0.8 bn and the repurchase of a € 0.5 bn convertible bond in the first half-year of 2021.

2_Relates to hybrid equity issued by subsidiaries.

Bonds outstanding as of 30 June 2021

mn

	ISIN	Year of issue	Currency	Notional amount	Coupon in %	Maturity date	
Certificated liabilities							
Allianz Finance II B.V., Amsterdam	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022	
	DE000A19S4U8	2017	EUR	750	0.250	6 June 2023	
	DE000A28RSQ8	2020	EUR	500	Non-interest bearing	14 January 2025	
	DE000A2RWAX4	2019	EUR	750	0.875	15 January 2026	
	DE000A19S4V6	2017	EUR	750	0.875	6 December 2027	
	DE000A1HG1K6	2013	EUR	750	3.000	13 March 2028	
	DE000A2RWAY2	2019	EUR	750	1.500	15 January 2030	
	DE000A28RSR6	2020	EUR	750	0.500	14 January 2031	
	DE000A180B80	2016	EUR	750	1.375	21 April 2031	
	DE000A1HG1L4	2013	GBP	750	4.500	13 March 2043	
Subordinated liabilities							
Allianz SE, Munich	DE000A1RE1Q3	2012	EUR	1,500	5.625	17 October 2042	
	DE000A14J9N8	2015	EUR	1,500	2.241	7 July 2045	
	DE000A2DAH6	2017	EUR	1,000	3.099	6 July 2047	
	XS1556937891	2017	USD	600	5.100	30 January 2049	
	DE000A2YPFA1	2019	EUR	1,000	1.301	25 September 2049	
	DE000A254TM8	2020	EUR	1,000	2.121	8 July 2050	
	DE000A1YQC29	2013	EUR	1,500	4.750	Perpetual bond	
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual bond	
	XS1485742438	2016	USD	1,500	3.875	Perpetual bond	
	DE000A289FK7	2020	EUR	1,250	2.625	Perpetual bond	
	US018820AA81/ USX10001AA78	2020	USD	1,250	3.500	Perpetual bond	
	Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	1,096	5.750	8 July 2041

17 _ Equity

Equity

€ mn

	As of 30 June 2021	As of 31 December 2020
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,732	27,758
Undated subordinated bonds	2,304	2,259
Retained earnings ¹	32,313	31,371
Foreign currency translation adjustments	(3,833)	(4,384)
Unrealized gains and losses (net) ²	18,013	22,648
Subtotal	77,699	80,821
Non-controlling interests	3,692	3,773
Total	81,390	84,594

1_As of 30 June 2021, include € (30) mn (31 December 2020: € (30) mn) related to treasury shares.

2_As of 30 June 2021, include € 355 mn (31 December 2020: € 494 mn) related to cash flow hedges.

DIVIDENDS

In the second quarter of 2021, a total dividend of € 3,956 mn (2020: € 3,952 mn) or € 9.60 (2020: € 9.60) per qualifying share was paid to the shareholders.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

18 _ Premiums earned (net)

Premiums earned (net)

€ mn

Six months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
2021				
Premiums written				
Gross	32,750	12,870	(52)	45,569
Ceded	(4,039)	(368)	52	(4,355)
Net	28,712	12,503	-	41,214
Change in unearned premiums (net)	(3,091)	(242)	-	(3,333)
Premiums earned (net)	25,620	12,261	-	37,881
2020				
Premiums written				
Gross	32,933	12,779	(52)	45,660
Ceded	(3,651)	(412)	52	(4,012)
Net	29,282	12,367	-	41,649
Change in unearned premiums (net)	(3,252)	(326)	-	(3,578)
Premiums earned (net)	26,030	12,041	-	38,071

19 _ Interest and similar income

Interest and similar income

€ mn

Six months ended 30 June	2021	2020
Dividends from available-for-sale investments	1,630	1,063
Interest from available-for-sale investments	6,781	6,816
Interest from loans to banks and customers	1,798	1,857
Rent from real estate held for investment	543	497
Other	477	575
Total	11,229	10,808

20 _ Income from financial assets and liabilities carried at fair value through income (net)

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

€ mn

Six months ended 30 June	2021	2020
Income from financial assets and liabilities held for trading (net)	(4,247)	(1,290)
Income from financial assets and liabilities designated at fair value through income (net)	378	(10)
Income from financial liabilities for puttable equity instruments (net)	(179)	(15)
Foreign currency gains and losses (net) ¹	2,087	(1,026)
Total	(1,961)	(2,341)

¹ These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items and not measured at fair value through income.

21 _ Realized gains/losses (net)

Realized gains/losses (net)

€ mn

Six months ended 30 June	2021	2020
REALIZED GAINS		
Available-for-sale investments		
Equity securities	1,715	2,533
Debt securities	3,390	4,244
Subtotal	5,105	6,778
Other	680	757
Subtotal	5,785	7,534
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(132)	(1,480)
Debt securities	(566)	(469)
Subtotal	(698)	(1,949)
Other	(114)	(30)
Subtotal	(812)	(1,979)
Total	4,973	5,555

22 _ Fee and commission income

Fee and commission income

€ mn

Six months ended 30 June	2021	2020
PROPERTY-CASUALTY		
Fees from credit and assistance business	635	661
Service agreements	225	191
Subtotal	860	851
LIFE/HEALTH		
Investment advisory	772	660
Service agreements	81	82
Subtotal	852	742
ASSET MANAGEMENT		
Management and advisory fees	4,536	4,091
Loading and exit fees	175	199
Performance fees	180	72
Other	18	34
Subtotal	4,910	4,396
CORPORATE AND OTHER		
Service agreements	1,069	910
Investment advisory and banking activities	325	338
Subtotal	1,394	1,248
CONSOLIDATION		
	(1,516)	(1,357)
Total	6,500	5,881

23 _ Claims and insurance benefits incurred (net)

Claims and insurance benefits incurred (net)

€ mn

Six months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
2021				
Gross	(18,525)	(10,727)	27	(29,225)
Ceded	1,418	362	(27)	1,752
Net	(17,107)	(10,365)	-	(27,473)
2020				
Gross	(20,754)	(10,479)	34	(31,199)
Ceded	2,504	305	(34)	2,774
Net	(18,250)	(10,174)	-	(28,424)

24 _ Change in reserves for insurance and investment contracts (net)

Change in reserves for insurance and investment contracts (net)

€ mn

Six months ended 30 June	Property-Casualty	Life/Health	Consolidation	Group
2021				
Gross	(185)	(6,834)	15	(7,004)
Ceded	(14)	77	-	63
Net	(199)	(6,757)	15	(6,941)
2020				
Gross	(75)	(4,428)	(11)	(4,513)
Ceded	11	128	-	139
Net	(64)	(4,299)	(11)	(4,374)

25 _ Interest expenses

Interest expenses

€ mn

Six months ended 30 June	2021	2020
Liabilities to banks and customers	(61)	(37)
Deposits retained for reinsurance ceded	(40)	(42)
Certificated liabilities	(81)	(80)
Subordinated liabilities	(257)	(280)
Other	(46)	(52)
Total	(485)	(491)

26 _ Impairments of investments (net)

Impairments of investments (net)

€ mn

Six months ended 30 June	2021	2020
Impairments		
Available-for-sale investments		
Equity securities	(303)	(3,694)
Debt securities	(17)	(511)
Subtotal	(320)	(4,205)
Other	(12)	(115)
Non-current assets and assets of disposal groups classified as held for sale	-	-
Subtotal	(332)	(4,320)
Reversals of impairments	19	1
Total	(313)	(4,319)

27 _ Investment expenses

Investment expenses

€ mn	2021	2020
Six months ended 30 June		
Investment management expenses	(479)	(436)
Expenses from real estate held for investment	(268)	(205)
Expenses from fixed assets from alternative investments	(152)	(141)
Total	(899)	(782)

28 _ Acquisition and administrative expenses (net)

Acquisition and administrative expenses (net)

€ mn	2021	2020
Six months ended 30 June		
PROPERTY-CASUALTY		
Acquisition costs ¹	(5,016)	(5,177)
Administrative expenses	(1,818)	(1,731)
Subtotal	(6,834)	(6,909)
LIFE/HEALTH		
Acquisition costs	(2,610)	(2,531)
Administrative expenses	(988)	(947)
Subtotal	(3,598)	(3,478)
ASSET MANAGEMENT		
Personnel expenses	(1,408)	(1,348)
Non-personnel expenses	(854)	(826)
Subtotal	(2,263)	(2,174)
CORPORATE AND OTHER		
Administrative expenses	(480)	(586)
Subtotal	(480)	(586)
CONSOLIDATION	1	(14)
Total	(13,174)	(13,161)

¹ Include € 523 mn (2020: € 457 mn) ceded acquisition costs.

29 _ Fee and commission expenses

Fee and commission expenses

€ mn	2021	2020
Six months ended 30 June		
PROPERTY-CASUALTY		
Fees from credit and assistance business	(647)	(652)
Service agreements	(201)	(178)
Subtotal	(848)	(830)
LIFE/HEALTH		
Investment advisory	(340)	(299)
Service agreements	(56)	(55)
Subtotal	(396)	(354)
ASSET MANAGEMENT		
Commissions	(1,066)	(883)
Other	(8)	(18)
Subtotal	(1,074)	(901)
CORPORATE AND OTHER		
Service agreements	(1,044)	(917)
Investment advisory and banking activities	(211)	(176)
Subtotal	(1,254)	(1,093)
CONSOLIDATION	1,248	1,115
Total	(2,325)	(2,062)

30 _ Income taxes

Income taxes

€ mn	2021	2020
Six months ended 30 June		
Current income taxes	(1,600)	(564)
Deferred income taxes	26	(459)
Total	(1,573)	(1,023)

For the six months ended 30 June 2021 and 2020, the income taxes on components of other comprehensive income consist of the following:

Income taxes on components of other comprehensive income

€ mn	2021	2020
Six months ended 30 June		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	62	10
Available-for-sale investments	1,814	(533)
Cash flow hedges	56	(29)
Share of other comprehensive income of associates and joint ventures	2	(24)
Miscellaneous	47	35
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(30)	74
Total	1,951	(467)

OTHER INFORMATION

31 _ Fair values and carrying amounts of financial instruments

FAIR VALUES AND CARRYING AMOUNTS

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

Fair values and carrying amounts of financial instruments

	As of 30 June 2021		As of 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	24,150	24,150	22,443	22,443
Financial assets held for trading	15,904	15,904	16,107	16,107
Financial assets designated at fair value through income	5,700	5,700	5,084	5,084
Available-for-sale investments	619,069	619,069	621,777	621,777
Held-to-maturity investments	2,638	2,871	2,563	2,884
Investments in associates and joint ventures	15,292	19,085	14,570	17,706
Real estate held for investment	14,637	25,403	14,294	25,094
Loans and advances to banks and customers	119,122	136,145	116,576	138,198
Financial assets for unit-linked contracts	148,392	148,392	137,307	137,307
FINANCIAL LIABILITIES				
Financial liabilities held for trading	24,644	24,644	24,079	24,079
Liabilities to banks and customers	15,348	15,378	14,722	14,768
Financial liabilities for unit-linked contracts	148,392	148,392	137,307	137,307
Financial liabilities for puttable financial instruments	2,469	2,469	2,072	2,072
Certificated liabilities	9,222	10,176	9,206	10,409
Subordinated liabilities	11,992	12,861	14,034	15,039

As of 30 June 2021, fair values could not be reliably measured for equity investments whose carrying amounts totaled € 158 mn (31 December 2020: € 98 mn). These investments are primarily investments in privately held corporations and partnerships.

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

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

- financial assets and liabilities held for trading,
- financial assets and liabilities designated at fair value through income,
- available-for-sale investments,
- financial assets and liabilities for unit-linked contracts, and
- financial liabilities for puttable financial instruments.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 30 June 2021 and 31 December 2020:

Fair value hierarchy (items carried at fair value)

€ mn

	As of 30 June 2021				As of 31 December 2020			
	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total
FINANCIAL ASSETS								
Financial assets carried at fair value through income								
Financial assets held for trading	1,246	14,616	43	15,904	1,029	15,070	8	16,107
Financial assets designated at fair value through income	4,479	807	415	5,700	3,983	798	303	5,084
Subtotal	5,724	15,423	457	21,605	5,012	15,868	311	21,190
Available-for-sale investments								
Corporate bonds	12,510	236,422	31,025	279,957	12,986	240,154	29,511	282,651
Government and government agency bonds	15,813	214,162	912	230,887	15,431	227,551	839	243,820
MBS/ABS	33	27,390	537	27,960	35	27,703	284	28,023
Other	453	899	8,470	9,823	569	973	7,197	8,740
Equity securities	43,033	395	27,014	70,441	36,483	433	21,628	58,543
Subtotal	71,842	479,269	67,958	619,069	65,504	496,814	59,459	621,777
Financial assets for unit-linked contracts	112,401	34,622	1,369	148,392	103,746	32,260	1,302	137,307
Total	189,967	529,314	69,785	789,066	174,262	544,941	61,071	780,274
FINANCIAL LIABILITIES								
Financial liabilities carried at fair value through income								
	355	11,982	12,307	24,644	202	11,573	12,304	24,079
Financial liabilities for unit-linked contracts	112,401	34,622	1,369	148,392	103,746	32,260	1,302	137,307
Financial liabilities for puttable equity instruments	2,070	89	310	2,469	1,662	106	305	2,072
Total	114,826	46,693	13,987	175,505	105,609	43,939	13,910	163,458

1_ Quoted prices in active markets.

2_ Market observable inputs.

3_ Non-market observable inputs.

The valuation methodologies used for financial instruments carried at fair value, the policy for determining the levels within the fair value hierarchy, and the significant level-3 portfolios, including the respective narratives and sensitivities, are described in the Allianz Group's Annual Report 2020. No material changes have occurred since this report was published.

SIGNIFICANT TRANSFERS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

Transfers into/out of level 3 may occur due to a reassessment of the input parameters.

Reconciliation of level-3 financial instruments

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

Reconciliation of level-3 financial assets

	Financial assets carried at fair value through income	Available-for-sale investments – Debt securities ¹	Available-for-sale investments – Equity securities	Financial assets for unit-linked contracts	Total
Carrying value (fair value) as of 1 January 2021	311	37,831	21,628	1,302	61,071
Additions through purchases and issues	114	3,778	3,858	172	7,922
Net transfers into (out of) level 3	3	(60)	(108)	(23)	(188)
Disposal through sales and settlements	(146)	(1,267)	(1,015)	(99)	(2,527)
Net gains (losses) recognized in consolidated income statement	172	148	22	17	358
Net gains (losses) recognized in other comprehensive income	-	(235)	2,969	-	2,734
Impairments	-	(4)	(154)	-	(158)
Foreign currency translation adjustments	4	502	54	-	560
Changes in the consolidated subsidiaries of the Allianz Group	1	252	(240)	1	13
Carrying value (fair value) as of 30 June 2021	457	40,945	27,014	1,369	69,785
Net gains (losses) recognized in consolidated income statement held at the reporting date	42	153	(1)	16	210

¹ Primarily include corporate bonds.

Reconciliation of level-3 financial liabilities

	Financial liabilities carried at fair value through income	Financial liabilities for unit-linked contracts	Financial liabilities for puttable equity instruments	Total
Carrying value (fair value) as of 1 January 2021	12,304	1,302	305	13,910
Additions through purchases and issues	263	172	5	441
Net transfers into (out of) level 3	-	(23)	-	(23)
Disposal through sales and settlements	(698)	(99)	-	(796)
Net losses (gains) recognized in consolidated income statement	53	17	-	70
Net losses (gains) recognized in other comprehensive income	-	-	-	-
Impairments	-	-	-	-
Foreign currency translation adjustments	385	-	-	384
Changes in the consolidated subsidiaries of the Allianz Group	-	1	-	1
Carrying value (fair value) as of 30 June 2021	12,307	1,369	310	13,987
Net losses (gains) recognized in consolidated income statement held at the reporting date	(232)	16	-	(216)

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable. If financial assets are measured at fair value on a non-recurring basis at the time of impairment, or if fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in [note 26](#).

32 _ Other information

LITIGATION

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States. Such proceedings arise in the ordinary course of business, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. While it is not feasible to predict or determine the ultimate outcome of such proceedings, they may result in substantial damages or other payments or penalties or result in adverse publicity and damage to the Allianz Group's reputation. As a result, such proceedings could have an adverse effect on the Allianz Group's business, financial condition and results of operations. Apart from the proceedings discussed below, Allianz SE is not aware of any threatened or pending legal, regulatory or arbitration proceedings which may have, or have had in the recent past, significant effects on its and/or the Allianz Group's financial position or profitability. Material proceedings in which Allianz Group companies are involved are in particular the following:

In September 2015 and in January 2017, two separate putative class action complaints were filed against Allianz Life Insurance Company of North America ("Allianz Life") making allegations similar to those made in prior class actions regarding the sale of Allianz Life's annuity products, including allegations of breach of contract and violation of California unfair competition law. In one matter, the Court denied class certification. The case, which continued as an individual action, was settled between the parties with no effect on Allianz Group's financial position. The ultimate outcome of the remaining case cannot yet be determined.

Since July 2020, multiple complaints have been filed in U.S. Federal Courts and also in certain U.S. State Courts against Allianz Global Investors U.S. LLC ("AllianzGI U.S.") and in certain complaints, against certain of AllianzGI U.S.'s affiliates, including Allianz SE and Allianz Asset Management GmbH ("Affiliate Allianz Defendants"), in connection with losses suffered by investors in AllianzGI U.S.'s Structured Alpha funds ("Funds") during the COVID-19 related market downturn. The actions brought to date have included institutional investor plaintiffs and individual plaintiffs, with certain plaintiffs asserting claims on behalf of putative classes. An investment consultant has also asserted third-party claims against AllianzGI U.S. Plaintiffs in the currently pending 25 actions have alleged losses of approximately USD 6 billion. In addition to the complaints filed to date, other investors in the Funds, or other third parties, may bring similar actions. Allianz intends to defend vigorously against the allegations contained in the complaints.

Upon request from the U.S. Securities and Exchange Commission ("SEC"), AllianzGI U.S. has also provided substantial information to the SEC in connection with an SEC investigation of the Funds, and Allianz is fully cooperating with the SEC's investigation.

Subsequent to the foregoing, the U.S. Department of Justice ("DOJ") has begun an investigation concerning the Funds, and AllianzGI U.S. has received a voluntary request for documents and information from the DOJ. The DOJ has also requested information from certain current and former AllianzGI U.S. employees. Allianz is also fully cooperating with the DOJ in the investigation and has immediately started its own review of this matter.

As already announced by Ad-hoc disclosure, in light of the DOJ investigation and based on information currently available to Allianz, the Board of Management of Allianz SE has reassessed the matter and has come to the conclusion that there is a relevant risk that the matters relating to the Funds could materially impact future financial results of Allianz Group. However, it is currently neither feasible to predict how the SEC and DOJ investigations and the pending court proceedings may be resolved nor the timing of any such resolution. It is in particular not feasible to reliably estimate the amount of any possible resolution including potential fines. Therefore, in line with IAS 37.26, no provision has been recognized in the financial statements as of 30 June 2021.

CONTINGENT LIABILITIES AND COMMITMENTS

The following table shows the composition of commitments as of 30 June 2021:

Commitments

€ mn

	As of 30 June 2021	As of 31 December 2020
Commitments to acquire interests in associates and available-for-sale investments	27,545	25,017
Debt investments	6,794	7,067
Other	7,584	5,416
Total	41,923	37,500

Any material contingent liabilities resulting from litigation matters are captured in the litigation section above. All other contingent liabilities and commitments had no significant changes compared to the consolidated financial statements for the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associates are set on an arm's length basis.

Due to reinsurance agreements with the joint venture Enhanced Reinsurance Ltd., Allianz SE recognized reinsurance assets and deposits retained for reinsurance ceded amounting to each € 2.3 bn in the first half-year of 2021.

33 _ Subsequent events

FLOODING CATASTROPHES

In July 2021, Central Europe was hit by several flooding catastrophes. In Germany, the low-pressure system "Bernd" caused very severe damages. As of today, the Allianz Group expects net losses after reinsurance and including reinstatement premiums from these events of approximately € 0.4 bn.

SHARE BUY-BACK PROGRAM

On 5 August 2021, Allianz SE decided to start a new share buy-back program with a volume of up to € 750 mn. The program shall be finalized by 31 December 2021. Allianz SE will cancel all repurchased shares.

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FURTHER INFORMATION



RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Munich, 5 August 2021

Allianz SE
The Board of Management



Oliver Bäte



Sergio Balbinot



Jacqueline Hunt



Dr. Barbara Karuth-Zelle



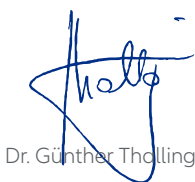
Dr. Klaus-Peter Röhler



Ivan de la Sota



Giulio Terzariol



Dr. Günther Thallinger



Christopher Townsend



Renate Wagner

REVIEW REPORT

To Allianz SE, Munich

We have reviewed the condensed consolidated interim financial statements - comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and selected explanatory notes – and the interim group management report of Allianz SE, Munich, for the period from 1 January to 30 June 2021 which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Munich, 5 August 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Richard Burger
Wirtschaftsprüfer
(German Public Auditor)

Clemens Koch
Wirtschaftsprüfer
(German Public Auditor)

Financial calendar

Important dates for shareholders and analysts¹

Financial Results 3Q	10 November 2021
Financial Results 2021	18 February 2022
Annual Report 2021	4 March 2022
Annual General Meeting	4 May 2022
Financial Results 1Q	12 May 2022
Financial Results 2Q/Interim Report 6M	5 August 2022
Financial Results 3Q	10 November 2022

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

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Interim Report on the internet: www.allianz.com/interim-report – Date of publication: 6 August 2021

This is a translation of the German Interim Report of Allianz Group. In case of any divergences, the German original is legally binding.