



Dear Shareholder,

For those of you who would prefer to skip this introductory part, and perhaps jump ahead to the section showing the individual remuneration breakdown for the Board of Management, which appears this year for the first time (and incidentally can be found on page 16), take this piece of news with you: In 2004, Allianz took a significant step towards long-term profitable growth. Today, with profits standing at €2.2 billion, the company is considerably stronger than it was a year ago, and is in an ideal position to drive forward its goals. As a result, we are proposing to pay out a dividend of €1.75 per share to our shareholders. Compared to the previous year, this increase comes up to 16.7%. Here ends the abridged version.

Allow me now to take you back to the last Annual General Meeting. At this meeting, I informed you that we expected Dresdner Bank to report positive net income for 2004 before restructuring costs. I announced improvements in the combined ratio of the property insurance business of our French insurer AGF and reported that our representatives in Germany were to undergo specialist training in preparation for the offering of banking services and banking products to their clients. All in all, I presented Allianz as a company not content to simply comply with standards, but as a company that is constantly striving to outperform the market and its own business plans.

These pronouncements have now become reality. We have, in point of fact, surpassed our promises. For instance, Dresdner Bank was in the black even after restructuring costs had been accounted for. The AGF achieved its target of pushing the combined ratio below 100 %, hitting 98.4 %. In Germany, we pushed our “integrated financial services provider” concept up to the next level. In 2004, our representatives completed the necessary professional training and will, during the current fiscal year, offer clients a comprehensive range of banking services and products. Our aim in pursuing this sales channel is to gain no fewer than 300,000 new Dresdner Bank clients. Overall, all four business segments made significant operating improvements, demonstrating clear purpose-driven determination. Your Allianz is therefore clearly back on course again, moving ever closer to its goal of becoming one of the world’s leading financial services providers and a company people can trust.

We made some great achievements in 2004, but we’re not finished yet. This year, we are raising the bar for our “3+One” program by aiming to further increase capital efficiency and profitability while continuing to reduce complexity. As a result, work on the first three program components of “3+One” is continuing relentlessly. Our goal is to generate better returns for you, our shareholders. And we have not forgotten our promises with regard to the “+One” concept either; i. e. to increase our competitive strength and value over the long term – and we will continue to put every effort into achieving this in 2005.

Alongside our successes, 2004 did of course see a few setbacks. Over the year as a whole, development of the Allianz share price was disappointing, despite a sharp upturn in the final quarter. Since my first Letter to the Shareholder, there have been continued improvements in the development of our business. This development was acknowledged by the media and financial analysts, but was only moderately rewarded on the stock exchange. This causes me deep regret for I am fully aware that you have invested your hard-earned money in the future of Allianz. Although Allianz is managed on your behalf to promote long-term, predictable and sustainable revenue growth, I believe that in the past fiscal year you, our shareholders, certainly deserved to see a more positive market reaction to our future business outlook. Why then, did the share price fail to reflect our business successes?

In discussions with financial analysts and investors, we have gone to great lengths to explain and discuss our results and our plans for the future. Over the past year, we have been in direct contact with many Allianz shareholders and taken their opinions on board. Therefore, the share price cannot have been adversely affected by a lack of transparency or accessibility. Perhaps, following the shocks of recent years, there is not yet sufficient trust in our “3+One” program that runs until 2006 performing as promised and taking Allianz to the Number One position. It is clear that in order to maintain this trust we have to deliver, without fail, on all our promises. The positive development in the share price after publication of our 2004 third quarter figures served to support my conviction that you are prepared to follow us if our work stands the test of time.

However, it may also be the case that the development of the Allianz share price suffered as a result of our evident failure to resolve certain critical issues. One criticism leveled at us was that our equity allocation is still too high, and that our earnings are consequently still too dependent on equity market fluctuations. The question of whether or not we should also consider selling large operating units in the foreseeable future also became the object of lively public discussion, as did the future of our investment bank Dresdner Kleinwort Wasserstein. And the media and analysts called for us to have an even more focused strategic business direction.

I would like to take this opportunity to respond to all this.

With respect to equity allocation, we have meanwhile brought down the equity quota of our investment portfolio to an acceptable level: 14.2%. The transaction that was announced at the end of January 2005 will at the same time reduce the equity quota, significantly improve our borrowing structure and strengthen our equity base. Although this combination of different measures will marginally dilute voting stock, it should have minimal economic impact due to the fact that lower debt service costs and a broader capital base increase profitability and should therefore not have any negative repercussions for our earnings per share.

We have only ever considered selling companies if we were fully convinced that the unit in question would not be capable, under reasonable conditions, of adding value for clients or shareholders, even over the medium term. On this basis, we divested a number of non-strategic obligations in the past two years, including some that were particularly substantial. Please note that I am referring here only to peripheral activities, and not to our really significant subsidiary companies. We have put in hard work for these companies, returning them as far as necessary to the path of profitable growth, day by day, product by product, client by client. Selling one of these larger companies would have been by far the worse option compared to the value that we can generate from them.

During the course of last year, I was also questioned about our strategic objectives. Is there, in reality, such a lack of visibility surrounding these – as has been criticized? Just in case I have not expressed myself clearly enough in the past, I would like to reiterate what our team stands for. **Our objective is to be the international financial services provider that is trusted because we deliver on, or surpass, all of our promises.** From the outset, our aim has been to put all our energy into pursuing this objective and self-assigned undertaking, and into making it a reality.

However, we still have some way to go before we can achieve this. You may be wondering if this undertaking will spur on the Allianz share price over 2005. Common sense – not to mention the advice of our legal department – prevent me from making any predictions. Instead I can offer you the next best thing: an outline of the initiatives we intend to introduce to accelerate the profitable growth of your company and increase its competitiveness and value on a sustainable basis.

The key word is trust. You may feel like you've heard this over and over – but that's a good thing. Trust is all important to Allianz. If people trust us to always deliver on, or surpass, our promises, there'll be enormous potential for our business. We sell financial products that satisfy the basic human requirement of financial security and a decent financial livelihood. Trust is fundamental to this. However, trust cannot be bought; it must be earned, little by little. We have a three-stage model to help us get there. Number one: We state what can be expected of us. Number two: We live up to these expectations or, better still, surpass them. Number three: We keep repeating the first two steps and, as a result, keep on getting better and better.

As an enterprise, if you want to achieve extraordinary growth, you need to ensure that the entire organization is fully behind you. That is why, one and a half years ago, we introduced new leadership values, outlining the exact areas we want to focus on, the way we work with our clients and the way we work together as a team. This is a set of guiding principles that provide the highest professional management benchmarks for the implementation of our strategy and our program.

We have no intention of fostering a culture that only sees the good news. Our leadership values therefore call for us to speak honestly and openly with one another, to learn from our mistakes and to subsequently put everything we have learnt into practice. However, a corporate culture doesn't spring up overnight; it needs time to grow. Our regular employee questionnaires regarding the extent to which these principles are being followed indicate that this process takes time. Nevertheless, the corporate culture is gaining momentum and impact, which in my opinion is great news for you, the shareholder.

Firstly, having a corporate image helps us to overcome what I call the "silo syndrome" – a mentality whereby employees work within the narrow confines of their department walls and do not feel part of a whole. If I were to single out just one aspect of our corporate culture that I want every employee to have in mind, it is this: I work for an international corporation – not a national division, and not a department. A silo mentality leads to redundancies and inefficiency, and potentially prevents the best of our Group's business ideas and methods from reaching clients in other markets. It means that we, unnecessarily, fail to get the most out of our strengths and, as a result, give away competitive advantages.

Secondly, the leadership values are also important for making sure the entire organization is focused on delivering on promises. It forces every individual to put the customer's interests first. The customer is the boss. His success is our business. If we do the job well and our products, services and approaches live up to customer expectations, customers will be prepared to pay a premium for services that are relevant to them and cannot be found elsewhere.

All of the above is helping us to win over new customers and give customers the incentive to approach us on their own volition when they require new financial services which, ultimately, will lead to an increase in our revenue per customer. By striving towards excellence and reliability we are putting our faith in long-lasting customer relations – a lifelong partnership based on mutual benefit. As an investor, you can expect a more stable and predictable long-term flow of profitable revenue as a result of this.

What is our agenda for fiscal 2005? We are driving forward two comprehensive programs that will increase the competitive strength and sustainable value of your company over the long term.

The first program on the agenda is our sustainability program. For this, our best specialists seek out outstanding successes within your company worldwide from our range of products, services and operating implementation for the property and casualty and life insurance business. Best solutions featuring a number of components are then drawn up as compulsory catalogues for those companies not yet working at the same pitch. In this way we achieve the sustainability that is enshrined in our “+One” concept.

The second program is a group-wide project aimed at rapidly promoting an even more passionate customer orientation. A key criterion for ascertaining whether Allianz has the decisive edge is the willingness of our customers to recommend us to others. We will therefore be gradually introducing this criterion into the performance measurement and bonus calculations for our entire management team.

We expect both these approaches to increase our long-term competitive strength and add value to Allianz – value that will justify your confidence in the future of Allianz.

I also believe that all the positive effects that our company can have, such as serving customers, creating competitive jobs and apprentice places, having a positive impact on society, showing corporate citizenship, are only possible if we are able to create value for you, our shareholders. To me, social responsibility is not simply an empty word; it is an inherent part of a modern company's philosophy – a concrete management responsibility that I hold close to my heart. That is why our foundations are continuing to champion disadvantaged people, the environment, and for culture. That is also why I am so proud that our employees, on their own volition, donated € 1 million for the victims of the Asian tsunami. In collaboration with our subsidiaries, we managed to raise this sum to €2.7 million. I am convinced that we are also successful because we are doing something within an appropriate framework for our social environment. That, too, is a form of sustainability.

Dear Shareholders, we are still facing many challenges, but do not forget that Allianz already has a lot going for it. I am speaking here primarily about our 162,200 employees and about the representatives and sales agents in our team. I am extremely proud of their achievements, their tenacity and their determination to bring success both for Allianz and for our customers. In 2004, they showed me just how good it feels when all expectations are surpassed. It helped me affirm that the business approach we have chosen is the right one and, at the same time, also showed just what class they have. I believe they deserve your thanks; I personally would like to express my gratitude to them for their extraordinary commitment and dedication on behalf of you, our shareholders.

Fiscal 2005 will test our abilities to drive our "3+One" program even further and raise our potential. We will do that. Our management team is united and our employees are well motivated. Business is strong again and becoming stronger quarter by quarter. This all fills me with optimism, but it is the company itself and its pace of change that is making me particularly optimistic. Nevertheless, what counts in the end is that you are content with your investment. And we will do our utmost to deliver on our promises.

Sincerely yours,



Michael Diekmann
Chairman of the Board of Management