

Allianz Aktiengesellschaft Annual Report 2005

At a glance

		2005	Change from previous year in %	2004	Change from previous year in %	2003	Change from previous year in %	Details on page
Gross premiums written	€ mn	4,849	(7.9)	5,265	(4.1)	5,493	(1.9)	8
Retention	in %	68.5		70.4		67.6		
Loss ratio on own account Property/Casualty	in %	62.6		58.2		67.1		9
Cost ratio on own account Property/Casualty	in %	26.9		26.7		28.9		9
Combined Ratio on own account	in %	89.5		84.9		96.0		
Underwriting result	€ mn	(125)		44		(231)		11
Non-underwriting result	€ mn	1,090	(17.6)	1,324	30.9	1,011	(57.0)	10
Earnings before taxes	€ mn	965	(29.4)	1,368	75.3	780	(63.2)	10
Taxes	€ mn	466		335		198		10
Net income	€ mn	1,431	(16.0)	1,703	74.1	978	(58.0)	10
Investments under management	€ mn	77,842	8.3	71,885	(12.1)	81,826	10.5	13
Shareholders' equity	€ mn	29,660	11.0	26,721	4.9	25,483	25.4	21
Shareholders' equity as percent of net premium income	in %	892.5		720.5		686.1		
Insurance reserves	€ mn	15,069	(17.0)	18,147	(3.9)	18,881	(4.1)	21
Dividend per share	€	2.00		1.75		1.50		19
Dividend payment	€ mn	811		674		551		19
Share price at year-end ¹⁾	€	127.94		97.60		100.08		
Market capitalization at year-end ²⁾	€ bn	51.9		35.9		36.7		

¹⁾ Adjusted for capital measures (capital increase)

²⁾ Excluding treasury shares

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Ladies and Gentlemen,

During the entire reporting year, the Supervisory Board observed the duties incumbent upon it in accordance with the law and the Articles of Association. It supervised the conduct of the Company's business, advised the Board of Management with respect to the management of the Company and was directly involved in decisions of fundamental importance.

In the framework of its monitoring and advising activities, the Supervisory Board was regularly provided by the Board of Management with timely and comprehensive information on the economic and financial development of Allianz AG and the Allianz Group, including the risk situation, important business transactions and corporate strategy. At the meetings of the Supervisory Board and on the basis of reporting by the Board of Management, we discussed in detail the business development and important decisions and business transactions and, as far as required by law or the Articles of Association, passed resolutions. In addition, we dealt with the planning of the Board of Management for fiscal year 2006 and medium-term planning. For the past fiscal year, explanations of any deviations from plans and objectives in the course of business were presented to us and taken into account by us.

The Supervisory Board held four meetings during the reporting period. Between meetings, the Board of Management informed us in writing on important matters. In addition, the Chairman of the Supervisory Board was kept up-to-date on major developments and decisions.

Merger of RAS and Allianz AG, change of legal form of Allianz AG into a European Company (SE)

An important topic of our advisory and monitoring activities was the intended merger of Italian Allianz subsidiary Riunione Adriatica di Sicurtà S.p.A. (RAS) into Allianz AG, which we discussed and reviewed using detailed verbal reports by the Board of Management and comprehensive written documentation. We passed a resolution approving the merger. The Board of Management reported to us on the planned transaction structure, which called for the issue of an offer to acquire the outstanding RAS shares and the hive-down of nearly all of the RAS business to a wholly owned subsidiary, followed by the cross-border merger of RAS into Allianz AG with the conversion of Allianz AG into a European Company (Societas Europaea, SE). The Board of Management also reported to us on the financing of the transaction, the corporate valuations of RAS and Allianz AG to determine the exchange ratio with respect to the merger and the business and synergy objectives pursued by the merger. We held extensive discussions on the consequences of the change of legal form for corporate governance, particularly for the employee co-determination in the Supervisory Board. The merger audit was explained to us by the court-appointed merger auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich. The meetings of RAS ordinary and savings shareholders on February 3, 2006 and the extraordinary General Meeting of Allianz AG on February 8, 2006 approved the merger plan. The merger will become effective with its entry in the commercial

register of Allianz AG; at the same time Allianz AG will change its legal form into an SE.

Reorganization of the insurance business in Germany

The Board of Management informed us thoroughly about the reorganization of the insurance business in Germany through the consolidation of German insurance activity under a new holding company, Allianz Deutschland AG. In this context, the Board of Management also informed us about the merger of the Allianz Group companies Frankfurter Versicherungs-AG and Bayerische Versicherungsbank AG into Allianz Versicherungs-AG. The explanations also covered the creation of a joint distribution company for the German insurance business and its future strategic orientation.

Strengthening profitability

The Board of Management gave account to us in all of the meetings of the development of Group sales and profits, developments in the individual business segments and the financial situation, and these were discussed in our meetings. The positive trend of fiscal year 2004 continued in the year under review in spite of the negative effects of hurricanes and other natural catastrophes. We found that operating profitability improved overall. This is also reflected in the encouraging performance of Allianz share prices.

We actively monitored the continued development of Dresdner Bank and in addition to regular reporting, we had the Board of Management make a special report to us on this. We were able to ascertain that it had achieved its objective of earning its capital costs in 2005. The Board of Management explained the introduction of a new, client-oriented business model with two strong divisions: Private & Business Clients and Corporate & Investment Banking. The objective of winning 300,000 new Dresdner Bank customers through the Allianz distribution organisation was even exceeded.

Strengthening our capital base

Allianz Group's capital resources were regularly discussed by the Supervisory Board. The explanations of the Board of Management convinced us that the capital base had been strengthened and that the Group's high rating had been secured. In August 2005 the rating agency Standard & Poor's raised its outlook for Allianz AG to "stable".

Other topics of discussion

We addressed the effects on the results of the hurricanes and other natural catastrophes in 2005 and discussed the consequences for the insurance business of the Allianz Group.

We received a special report by the Board of Management on Allianz Global Investors AG, which is responsible for the Asset Management segment in the Allianz Group.

We dealt with the planned acquisition of a participation in the Industrial and Commercial Bank of China Ltd. (ICBC) by Allianz Group. In January 2006 the respective agreements with ICBC were signed in China.

In the course of reporting on significant legal matters, the Supervisory Board was informed about the fine imposed on Allianz Versicherungs-AG by the Bundeskartellamt (Federal Cartel Office) in the proceedings against a large number of German industry insurers. The company has appealed the decision.

We were unanimous in welcoming the decision by the Board of Management to again offer discounted Allianz share purchases to employees of the Allianz Group in 21 countries.

Corporate Governance and Declaration of Compliance

We were continuously involved in the further development of the corporate governance standards in the Company. Allianz AG is complying with all the recommendations of the German Corporate Governance Code. This is expressed in the Declaration of Compliance, which was passed by the Board of Management and the Supervisory Board in December 2005. Under the new version of the Code dated June 2, 2005, Allianz AG will continue to comply with all the recommendations made by the Government Commission on the German Corporate Governance Code.

As part of the regular efficiency review, we submitted written questions this year to all members of the Supervisory Board on important aspects of the Supervisory Board activities. The major results of these inquiries and the consequent opportunities for improvement were discussed in the December meeting.

Further information on corporate governance within the Allianz Group is contained in the report jointly approved by the Board of Management and the Supervisory Board that can be found in Allianz Group's Annual Report. More information on this subject is also available at the Allianz website at www.allianz.com/corporate-governance.

Activities of the committees

The Supervisory Board formed the Audit Committee, the Standing Committee, the Personnel Committee and the Mediation Committee as called for by the German Co-Determination Act (Mitbestimmungsgesetz). The current composition of the committees can be found in the following list.

Committees of the Supervisory Board of Allianz AG

As of December 31, 2005

Chairman of the Supervisory Board

Dr. Henning Schulte-Noelle

Deputy Chairman of the Supervisory Board

Norbert Blix

Audit Committee

Dr. Manfred Schneider (Chairman)

Dr. Gerhard Cromme

Claudia Eggert-Lehmann

Prof. Dr. Rudolf Hickel

Dr. Henning Schulte-Noelle

Personnel Committee

Dr. Henning Schulte-Noelle (Chairman)

Norbert Blix

Dr. Gerhard Cromme

Standing Committee

Dr. Henning Schulte-Noelle (Chairman)

Norbert Blix

Dr. Gerhard Cromme

Peter Haimerl

Dr. Manfred Schneider

Mediation Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Wulf H. Bernotat

Norbert Blix

Hinrich Feddersen

In the year under review, the Standing Committee held three meetings, dealing mainly with the merger of RAS into Allianz AG, the reorganization of the German insurance business, Group financing, the employee share purchase program, questions of corporate governance and the changes in the remuneration of the Supervisory Board that were approved by the General Meeting on May 4, 2005. The Personnel Committee convened four times. The issues addressed were the personnel issues involved in the change in the Board of Management, individual rules in the Board of Management contracts and the structure and amount of the

remuneration of the Board of Management. There was no need for the Mediation Committee to convene.

The Audit Committee held five meetings in the course of 2005. In the presence of the independent auditor, it discussed the annual financial statements of Allianz AG and of the Allianz Group, the audit reports and the "Form 20-F" filing required in the USA. It also reviewed the quarterly reports and, in the presence of the independent auditor, discussed the inspection by the independent auditor of the consolidated interim financial statements for the first half of 2005 and for the first nine months of 2005. It also dealt with the assignment of the mandate to the independent auditor and the setting of priorities for the audit. Other subjects of deliberation were the measures taken to comply with the requirements of the US Sarbanes-Oxley Act on the effectiveness of internal control systems for financial reporting. The award of contracts to the auditors for non-auditing services was also discussed. The committee received special reports on the main results of internal audits in fiscal years 2004 and 2005.

The Supervisory Board was regularly informed about the work of the committees.

Audit of stand-alone and Group financial statements

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of Allianz AG and the Allianz Group as well as the respective management reports and issued their certification without any reservations. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, the consolidated interim financial statements for the first half of 2005 and for the first nine months of 2005 were reviewed by KPMG and the interim balance sheet of Allianz AG as at September 30, 2005 was audited by KPMG in preparation of the merger of RAS and Allianz AG.

The financial statements and the auditor's reports submitted by KPMG were made available to all members of the Supervisory Board in a timely manner. These documents were discussed by the Audit Committee on March 10, 2006, as well as by the Supervisory Board at a meeting held for that purpose on March 15, 2006. The independent auditors participated in these discussions. They presented the results of the audits and were available to respond to questions and provide supplementary information.

On the basis of our own review of the financial statements of Allianz AG and the Allianz Group, the management report, the Group management report and the recommendation for appropriation of earnings, we made no objections and concurred with the findings of the audit by KPMG. We approved the financial statements of Allianz AG and the Allianz Group prepared by the Board of Management; the individual accounts are thereby adopted. We

consented to the appropriation of earnings as proposed by the Board of Management.

Members of the Supervisory Board and the Board of Management

A number of changes have taken place in the Supervisory Board. On the shareholder representative side, the court appointments of Prof. Dennis J. Snower and Igor Landau as members of the Supervisory Board were confirmed by the General Meeting held on May 4, 2005. Dr. Albrecht Schäfer and Prof. Dr.-Ing. Hermann Schöll have resigned from the Supervisory Board as shareholder representatives with effect from the end of the General Meeting on May 4, 2005. The General Meeting elected Franz Fehrenbach and Dr. Franz B. Humer as new members of the Supervisory Board in their place.

On the employee representative side, Frank Ley ended his service in the Supervisory Board at the end of the General Meeting on May 4, 2005. His seat on the Supervisory Board was taken by Iris Mischlau-Meyrahn as elected substitute member.

We thank the departing members of the Supervisory Board for their valuable work in our body.

The mandates of the members of the Supervisory Board of Allianz AG will end when the merger of RAS into Allianz AG and the accompanying change of legal form into an SE becomes effective. The six shareholder representatives in the Supervisory Board of the future Allianz SE will be appointed under the Statutes of Allianz SE, which form part of the merger plan passed by the General Meeting on 8 February 2006. The shareholder representatives in the first Supervisory Board of Allianz SE will according to this be Prof. Dr. Renate Köcher, Dr. Wulf H. Bernotat, Dr. Gerhard Cromme, Dr. Franz B. Humer, Igor Landau and Dr. Henning Schulte-Noelle. The employee representatives in the Supervisory Board of Allianz SE will be appointed after completion of the negotiations on the involvement of the employees in the SE.

At the end of 2005 Detlev Bremkamp left the Board of Management and retired. The Board of Management mandate of Dr. Reiner Hagemann also ended, at his request, at the end of 2005. The Supervisory Board appointed Dr. Gerhard Rupprecht to be his successor as Personnel Director in accordance with clause 33 of the German Co-Determination Act. The appointment of Dr. Mario Greco was rescinded at his request after he decided to accept a position outside the Allianz Group before assuming office on May 1, 2005.

Effective January 1, 2006 the Supervisory Board appointed Enrico Tomaso Cucchiani, Jean-Philippe Thierry and Clement B. Booth to the Board of Management. Mr. Cucchiani, who is also Chairman of the Board of Directors of Italian Allianz subsidiary Lloyd Adriatico S.p.A., is responsible in the Board of Management for the insurance markets Italy, Spain, Switzerland, Austria,

Portugal, Turkey and Greece, as well as for the sustainability program in property-casualty insurance. Mr. Thierry, who is also Chairman of the Board of Directors of French Group company AGF S.A., has taken over responsibility for the markets in France, Benelux, the Middle East, South America and Africa, for credit insurance, assistance and travel insurance and for the sustainability program in life insurance. The responsibilities of Mr. Booth, formerly Chairman and CEO of Aon Re International in London, includes the UK, Ireland and Australia, the reinsurance business and Allianz Global Risks, Allianz Marine & Aviation and Alternative Risk Transfer.

In our capacity as members of the Supervisory Board, we would like to take this opportunity to thank all members of the Allianz Group companies for their great personal effort and commitment in the past year.

Munich, March 15, 2006

For the Supervisory Board:



Dr. Henning Schulte-Noelle
Chairman

Supervisory Board

Dr. Henning Schulte-Noelle Chairman
Former Chairman of the Board of Management Allianz AG

Norbert Blix Deputy Chairman
Employee, Allianz Versicherungs-AG

Dr. Wulf H. Bernotat
Chairman of the Board of Management E.ON AG

Dr. Diethart Breipohl
Former Member of the Board of Management Allianz AG

Dr. Gerhard Cromme
Chairman of the Supervisory Board ThyssenKrupp AG

Claudia Eggert-Lehmann
Employee, Dresdner Bank AG

Hinrich Feddersen
Former Member of the Board of Management at ver.di

Franz Fehrenbach since May 4, 2005
Chairman Robert Bosch GmbH

Peter Haimerl
Employee, Dresdner Bank AG

Prof. Dr. Rudolf Hickel
Professor of finance, University of Bremen

Dr. Franz B. Humer since May 4, 2005
President of the Board of Directors and
Chief Executive Officer F. Hoffmann-La Roche AG

Prof. Dr. Renate Köcher
Chairman Institut für Demoskopie Allensbach

Igor Landau since January 1, 2005
Member of the Board of Directors Sanofi-Aventis S. A.

Frank Ley until May 4, 2005
Employee, Allianz Lebensversicherungs-AG

Dr. Max Link
Employee, Allianz Versicherungs-AG

Iris Mischlau-Meyrahn since May 4, 2005
Employee, Allianz Lebensversicherungs-AG

Karl Neumeier
Employee, Allianz Versicherungs-AG

Sultan Salam
Employee, Dresdner Bank AG

Dr. Albrecht E. H. Schäfer until May 4, 2005
Corporate Vice President, Head Corporate Personnel World, Siemens AG

Dr. Manfred Schneider
Chairman of the Supervisory Board Bayer AG

Margit Schoffer
Employee, Dresdner Bank AG

Prof. Dr. Hermann Scholl until May 4, 2005
Chairman of the Supervisory Board Robert Bosch GmbH

Prof. Dr. Dennis J. Snower
President Institut für Weltwirtschaft, University of Kiel

Board of Management

Michael Diekmann

Chairman of the Board of Management

Dr. Paul Achleitner

Finance

Clement B. Booth since January 1, 2006

Insurance Anglo Broker Markets, Global Lines

Detlev Bremkamp until December 31, 2005

Europe II, Assistance, Allianz Global Risks, Allianz Marine Aviation, Alternative Risk Transfer, Reinsurance

Jan R. Carendi

Insurance NAFTA

Enrico Tomaso Cucchiani since January 1, 2006

Insurance Europe I

Dr. Joachim Faber

Asset Management

Dr. Reiner Hagemann until December 31, 2005

Europe I, Director responsible for Labour Relations

Dr. Helmut Perlet

Controlling, Reporting, Risk

Dr. Gerhard Rupprecht

Insurance Germany, Director responsible for Labour Relations

Jean-Philippe Thierry since January 1, 2006

Insurance Europe II

Dr. Herbert Walter

Banking

Dr. Werner Zedelius

Insurance Growth Markets

Management Report of Allianz AG

- › Allianz AG is the holding company of the Allianz Group. At the same time it operates under market conditions as the preferred reinsurer for the majority of direct insurers of the Allianz Group.
- › Allianz Group is one of the largest financial service providers in the world. Its four business segments are property/casualty insurance, life/health insurance, banking and asset management.
- › The reinsurance business largely comes from companies that belong to the consolidated group.

Summary of Business Growth

- › Gross premiums eased 7.9 percent to € 4.8 billion.
- › The underwriting result (before equalization reserve) fell to € 265.6 (409.9) million.
- › Profit totaled € 820.0 (852.0) million.
- › It is proposed to increase the dividend per share entitled to dividend from € 1.75 to € 2.00.

Premium Receipts

In fiscal year 2005 gross premiums fell 7.9 percent, to € 4.8 (5.3) billion. At the same time earned premiums for own account eased to € 3.3 (3.7) billion. Although the merger of IRC Luxemburg S.A. into Allianz AG and the optimization of our pooling concept for reinsuring natural disasters had a positive effect on the premiums trend, this increase did not offset the lower premiums resulting from increased deductible for the Sachversicherungsgruppe Deutschland (SGD) and the termination of the quota reinsurance contract by Allianz Lebensversicherungs-AG (Allianz Leben). The following table shows the effects these influences had on total gross premiums.

Gross premiums

	Change over 2004 € mn
Gross premiums 12/31/2004	5,265
Additional optimization of bundling of reinsurance of losses from natural disasters for our group companies	+ 46
Merger of IRC Luxemburg S.A. into Allianz AG as of August 31, 2005 (effective January 1, 2005)	+ 32
Increase in deductible of SGD	(141)
Cancellation of the quota reinsurance contract with Allianz Leben	(472)
General business trend and other effects	+ 119
Gross premiums 12/31/2005	4,849

The share of gross premiums contributed by companies outside Germany increased to 31.1 (25.2) percent. Our branches in Singapore and Labuan achieved premium income of € 393.0 (298.3) million. Another branch in Dubai – opened in 2004 – increased sales to € 65.8 (17.2) million.

Underwriting Result

After an unusually good previous year, characterized by below-average major damage costs, the underwriting result (before equalization reserve) fell to € 265.6 (409.9) million. The following influences determined this result.

- › Unlike the previous year, damage costs were significantly higher due to natural disasters and major damage. In particular, the series of disastrous hurricanes in the United States, the flood disaster in India and a fire in a high-rise block in Madrid caused high damage costs.

- › In the renewal negotiations for fiscal year 2005 we obtained, as in the previous year, prices reflecting risk and attractive reinsurance terms and conditions.
- › Because the underwriting results of the Allianz Group's direct insurers maintained a high level, Allianz AG also achieved a good underwriting result.

Due to the extent of the loss arising from natural disasters, amounting to €154 million, the **loss ratio** on earned premiums for own account for property/casualty reinsurance rose significantly, to 62.6 (58.2) percent.

The **cost ratio** on earned premiums for own account for property/casualty insurance was 26.9 (26.7) percent. This relates primarily to expenses for reinsurance commissions.

After contributing €391.1 (365.8) million to the equalization reserve, there was an underwriting loss of €125.4 million (previous year: profit of €44.1 million).

Non-Underwriting Result

The **results from investments** rose by €265.9 million to €2.5 billion. Earnings from investments increased to €403.1 million, while expenses for investments only rose €137.2 million. The following table shows a breakdown of the developments for the results from investments.

Results from investments

	2005 € mn	2004 € mn	Veränderung € mn
Investment income			
Gains from disposals	1,172.0	238.0	934.1
Income from long-term equity investments	821.2	611.6	209.6
Income from write-ups	195.3	1.4	193.9
Income from profit pooling and profit transfer agreements	2,029.0	2,478.0	(448.9)
Income from other capital investments	755.6	1,241.2	(485.6)
Subtotal	4,973.2	4,570.1	403.1
Expenses for investments			
Write-downs on investments	83.5	500.2	416.6
Expenses for the management of investments, interest expense and other expenses for investments	1,459.3	1,515.1	55.8
Expenses for losses taken over	349.8	134.1	(215.6)
Losses from disposals	553.8	159.8	(394.0)
Subtotal	2,446.4	2,309.2	(137.2)
Total	2,526.8	2,260.9	(265.9)

The sale of shares in MAN AG contributed with €699.8 million to **gains from disposals of investments**. This transaction was handled through the investment holding companies Orpheus GmbH and Regina GmbH. As these companies were merged into Allianz AG retroactively as of January 1, 2005, the respective profit is carried on the books of Allianz AG. The profit realized from the sales of other non-fixed interest securities totaled €243.6 million, while income from the sale of bearer shares, investment fund and bonds equaled €153.9 million.

Since the companies in which we hold equity investment payed higher dividends, **revenue from long term equity investments** increased. The positive trend on the capital markets favored **earnings from write-ups**.

Income from profit-pooling and profit transfer agreements eased, due to the special effect that in 2004 gains from disposal of equity investments increased income from profit-pooling agreements. The decrease in **income from other investments** relates primarily to the redemption of the MILES loan, also a one-time transaction; in the previous year, this income totaled €354.4 million. Because the quota share reinsurance contract with Allianz Leben was cancelled, portfolio management interest income dropped to €203.1 (434.8) million, thereby decreasing income from other investments.

The merger of Regina GmbH into Allianz AG generated a loss from **disposal of investments** of €505.7 million. This loss is offset by the gain from disposal of the shares in MAN AG, Munich. The upward trend on capital markets had a positive impact on **write-downs of investments**.

From the investment result, €199.5 (431.9) million was credited to the underwriting account as technical interest income.

The **other non-underwriting result** decreased to €-1,236.6 (-505.5) million, primarily because €899.7 million was allocated to other reserves. €700.0 million were accrued for potential losses, of which €630.9 million for derivative financial instruments (BITES, Short Forward see page 32).

In total, a **non-underwriting profit** of €1,090.6 (1,323.5) million and an insurance loss of €125.4 million resulted in **earnings before taxes** of €965.2 (1,367.5) million.

Net Income and Profit

Tax proceeds rose to €466.0 (335.2) million because the company's allocations increased within the tax group. **Net income** is therefore €1,431.2 (1,702.8) million, of which €611.2 (850.8) million were allocated to retained earnings, resulting in a profit of €820.0 (852.0) million. At the Shareholders' Meeting on May 3, 2006, shareholders will be asked to approve a €2.00 dividend on each share qualifying for dividends and to appropriate the remaining amount to retained earnings.

Business activity by line of business

- › The fact that the Sachversicherungsgruppe Deutschland (SGD) increased its deductible substantially decreased the premium income from automobile, accident and legal reinsurance as well as from household and homeowner reinsurance.
- › The decreased premium income from life reinsurance can be attributed to termination of a quota share reinsurance contract by Allianz Leben.
- › Substantial damages from natural disasters affected the fire and transportation reinsurance.

The following table shows the gross premiums and the net underwriting result for own account based on reinsurance line of business for fiscal years 2005 and 2004.

	Gross premiums			Net underwriting result	
	2005 € mn	2004 € mn	Change in %	2005 € mn	2004 € mn
Automobile	1,100.8	1,182.0	(6.9)	9.8	46.1
Fire	776.1	615.0	26.2	(57.1)	(47.5)
Liability	424.4	420.8	0.9	(4.8)	78.5
Personal accident	406.0	429.4	(5.4)	15.4	20.4
Engineering	262.8	253.3	3.8	(23.6)	(18.3)
Household and homeowner	207.6	227.4	8.7	5.8	(0.2)
Loss of business profits	28.3	27.9	1.4	4.6	0.9
Marine & Transportation	137.1	145.8	(6.0)	(7.0)	(10.3)
Legal protection	101.1	105.7	(4.3)	1.2	4.6
Life	330.1	878.7	(62.4)	29.3	48.2
Health	49.6	44.4	11.8	(4.2)	1.7
Credit & Guaranty	184.9	186.2	(0.6)	(20.6)	(20.9)
Aviation	332.7	229.5	45.0	(52.9)	(26.8)
Other lines	507.0	519.5	(2.4)	(21.3)	(32.3)
Total	4,848.5	5,265.5	(7.9)	(125.4)	44.1

The premium income in **automobile reinsurance** fell, due in part to the lower SGD turnover. Major claims of direct insurers in Germany and in additional European markets decreased the net underwriting result. Although the contribution of € 19.9 (3.4) million to the equalization reserve was substantially higher than in the previous year, we once again achieved a net underwriting profit.

In **fire reinsurance** premium income grew substantially, primarily from increased business with outside clients and the increased turnover in the Middle East and North Africa. Natural disasters in the USA, Central Europe and Asia substantially increased claims. The tropical hurricane "Katrina" in the USA caused the greatest damage (€ 67 million), followed by flood damage in India (€ 45 million) and storm damage in Northern Europe (€ 9.8 million). The sum of € 88.2 (108.8) million had to be added to the equalization reserve.

Premium income in **liability reinsurance** remained constant at €424.4 (420.8) million. The increase of the reserve for asbestos and environmental claims of €136 million in the USA led to an overall loss. €50.0 (18.4) million were deducted from the equalization reserve.

In **personal accident reinsurance** €1.0 (2.1) million had to be withdrawn from the equalization reserve. This decrease can be attributed to the fact that in the previous year the business relationship with a major German direct insurer was terminated, which had a one-off positive effect, achieved in 2004. Remaining business performed better overall.

Premium growth in the **reinsurance of engineering** lines originated primarily from business in the Middle East, North Africa and Asia-Pacific. Once again, substantial funds of €51.1 (43.9) million, had to be allocated to the equalization reserve. Primarily, higher damage expenses in France and Scandinavia, which could only be balanced in part by improved results in Mexico, increased the net underwriting loss.

Although we had to make considerable contributions of €12.2 (1.6) million to the equalization reserve in **household and homeowner reinsurance**, together these lines of business achieved a positive result.

The deduction of 1 million from the equalization reserve (previous year: addition of €5.3 million) improved the result of **business interruption reinsurance**.

In **marine & transportation reinsurance** growth in Middle East, North Africa and Asia-Pacific could only partially offset premium reduction in Mexico and in business with Allianz Marine & Aviation Insurance AG. The tropical hurricanes “Katrina”, “Rita” and “Wilma” resulted in claims in the USA totaling €13 million. However, the loss was reduced since we only had to add €15.5 (6.8) million to the equalization reserve, and growth of business development in Asia-Pacific was very encouraging.

The net underwriting result of **legal protection reinsurance** decreased, primarily due to developments in our German business. €1.2 (1.9) million were deducted from the equalization reserve.

Allianz Leben’s termination of the quota share reinsurance contract ceded improved earnings on **life reinsurance**; however profits fell, since in the previous year a one-off profit from the sale of a life insurance portfolio was achieved which was higher than the effect of the Allianz Leben contract termination.

The premium income of **health reinsurance** grew, primarily due to a strong increase in Turkey and in business with direct insurers outside the group, which together exceeded the business reduction in Asia-Pacific and in the USA. Due to poor results in the USA this reinsurance line closed with a loss.

In **credit reinsurance**, premium volumes remained stable with €184.9 (186.2) million compared to the previous year’s level. This reinsurance line is still profiting from past reorganisation measures carried out by our clients. Thus losses remained virtually unchanged at €20.6 (20.9) million, although appropriations to the equalization reserve increased to €86.1 (77.5) million.

Turnover in the aviation reinsurance line grew by 45.0 percent to €332.7 (229.4) million, primarily due to increased contributions by Allianz Marine & Aviation Versicherungs-AG. Since we had to substantially contribute to the equalization reserve, €148.5 (63.6) million in the reporting year, losses increased despite good business activity to €52.9 (26.8) million.

In reinsurance of the **remaining lines**, premium volume decreased by €2.4 percent to 507.0 (519.5) million. This included extended coverage reinsurance, where turnover increased by €56.2 (52.7) million as a result of higher contributions by SGD, although its positive development (pre-equalization reserve) weakened. Turnovers in the other business lines sank to €450.8 (466.8) million. With €22.9 million, substantially fewer funds had to be directed to the equalization reserve than in the previous year (€77.3 million); the loss dropped to €21.3 (32.5) million.

Balance Sheet Structure

- › Following the “All-in-One” capital market transaction our capital structure changed as follows (cf. also page 14).
 - _ following the issue of a junior bond, subordinated liabilities grew by € 1.4 billion. We issued an index-linked convertible bond (BITES), the proceeds of which were passed on to Allianz AG via intra-group loans, thus increasing other liabilities by € 1.2 billion.
 - _ at the same time other liabilities decreased by € 2.7 billion since bonds due were repaid.
 - _ in connection with the junior bond, warrants on shares of Allianz AG were offered. The corresponding option premiums of € 173.6 million were placed in the shareholders’ equity.
- › Of the 11.2 million warrants issued as part of the “All-in-One” transaction, 9 million were exercised. The proceeds strengthened the equity base by an additional € 828 million.
- › The planned merger of Riunione Adriatica di Sicurtà S.p.A. (RAS) into Allianz AG also had a considerable influence on our balance sheet structure.
 - _ the group internal purchase of the existing RAS stock – the preparation for the merger – increased intra-group liabilities by € 6.6 billion; correspondingly the book value of investments also grew.
 - _ the purchase of additional RAS shares increased investments by another € 2.7 billion.
 - _ this acquisition was financed using the following measures
 - from authorized funds, capital was increased by € 1.1 billion.
 - a € 1.1 billion loan was assumed whose repayment level is linked to the performance of Allianz AG shares.
- › The termination of the quota share reinsurance contract with Allianz Leben decreased investments and the coverage reserves by € 4.3 billion.

Development of investments

The **book value** of Allianz AG’s **investments** increased by 8.3 percent to € 77.8 (71.9) billion.

The position of **fixed assets** decreased to € 422 (451) million.

The book value of **investments in affiliated companies** grew to € 63.9 (53.9) billion. This included additions of € 9.3 billion derived from the purchase of RAS shares, including approximately € 6.6 billion from an intra-group acquisition. On September 30, 2005 Allianz AG purchased all 372,438,983 common stocks of RAS from Allianz AG’s wholly-owned subsidiary, the sub-holding Allianz Compagnia Italiana Finanziamenti S.p.A., at a price of € 17.61 per share. Additional € 2.7 billion were used for the purchase of RAS shares in connection with our voluntary public cash offer to the minority shareholders of RAS, through which we received 139,719,262 RAS ordinary shares and 328,867 RAS savings shares. In addition, we purchased 625,921 RAS preferred stocks. Upon conclusion of the public cash offer and further purchases of RAS stocks, our RAS share increased to 76.3 percent of the total share capital as of December 31, 2005, against the previous year’s 55.4 percent. Additional information regarding the planned merger of RAS into Allianz AG can be found under “Merger of RAS into Allianz AG, Change of Structure of Allianz AG to create a European Company (SE)” (Page 15).

Additional accruals to investments in affiliated companies resulted from capital increases carried out to further optimize our shareholding structures. This primarily involved a capital increase by means of an investment in kind of € 1.5 billion at Allianz Arges Vermögensverwaltungsgesellschaft mbH, Munich. As part of this transaction shares of the Münchener Rückversicherungs-Gesellschaft AG, Munich, with a market value of € 1.3 billion, were transferred. A capital increase of € 0.6 billion was also carried out at Allianz Argos 27 Vermögensverwaltungsgesellschaft mbH, Munich, primarily in connection with the transfer of shares of BMW AG, Munich.

These additions to investments in affiliated companies are accompanied by disposals of assets in connection with the merger of the asset holdings Orpheus Vermögensverwaltungsgesellschaft mbH and Allianz Quinta Vermögensverwaltungsgesellschaft mbH into Allianz AG. Together these mergers amounted to € 0.7 billion. In addition, Allianz of America repaid a loan of € 0.7 billion.

Other investments grew by € 0.3 billion to € 8.8 billion. The stock of shares decreased by € 0.4 billion and deposits with banks by € 0.9 billion; in comparison, bearer bonds increased by € 1.6 billion.

The market value of real estate holdings, dividend-bearing securities (investments in affiliated and associated enterprises, stock and investment fund units) and bearer bonds totalled to € 94.7 (73.6) billion as of December 31, 2005. The corresponding balance sheet amount was € 70.6 (58.8) billion.

Because Allianz Leben terminated its quota share reinsurance contract, **deposits** retained from reinsurance business decreased to € 4.7 (9.0) billion.

Equity and subordinated liabilities

In addition to the important developments other than the appropriation to earnings were:

	Subscribed capital	Capital reserve
	€ mn	€ mn
Capital increase from subscribed capital	25.9	1,036.4
"All-in-One" capital market (issue of option bond)	-	173.3
Exercise of "All-in-One" option rights	23.0	805.0
Employee shares	2.9	115.9
Total	51.8	2,130.6

On January 26, 2005 we announced our "All-in-One" capital market transaction. This lowered our Equity Gearing, helped reduce our external borrowing and once again reduced the non-strategic investment portfolio of Dresdner Bank.

- Lowering of Equity Gearing: Through Allianz Finance II B.V., Amsterdam, Allianz AG issued a 3-year index-linked convertible bond with a volume of € 1.2 billion in order to further reduce the influence of movements in the share markets on our investment portfolio. The proceeds of the issue were forwarded as an intra-group loan to Allianz AG. The repayment amount of the bond, which operates under the name BITES (Basket Index Tracking Equity-linked Securities), is linked to the performance of the DAX index. During the three-year term of this instrument, issued with a DAX reference value of 4,205.115 points, the Allianz company has the right to pay back the bond with shares either of BMW AG, of Münchener Rückversicherungs-Gesellschaft AG or of Siemens AG. Investors receive an annual outperformance premium of 0.75 percent on the then current DAX value and a repayment premium of 1.75 percent, also linked to the DAX value current at the time of the repayment.
- Reducing external borrowing from a rating standpoint. In order to partially finance two bonds maturing during the fiscal year, totalling € 2.7 billion, Allianz Finance II B.V., Amsterdam issued a junior bond of € 1.4 billion and passed this on to Allianz AG as a subordinated loan. The junior bond is provided with a coupon of 4.375 percent for the first twelve-year term and was issued at a rate of 98.923 percent, which corresponds to an annual yield of 4.493 percent. This is a bond of unlimited duration, and cannot be recalled by Allianz AG until 2017. Attached to the bond are 11.2 million warrants on shares of Allianz AG having a term of three

years. Of these nine million were exercised in 2005; the proceeds from this increased equity by €828 million.

- › Reduction of non-strategic investments of Dresdner Bank: As part of the “All-in-One” transaction, Dresdner Bank sold its stock of 17.2 million Allianz shares at €88.75 per share to the investment bank JP Morgan. JP Morgan then placed these shares on the market in the form of an obligatory convertible bond. This structure enables the Allianz Group to benefit from a portion of Allianz AG’s future share price appreciation.

In the third quarter of 2005, in connection with the purchase of the remaining RAS minority shares, a capital increase of € 1.1 billion was carried out. It took place from authorized capital and involved excluding shareholders’ subscription rights.

Allianz RAS Merger/European Company (SE)

- › **Reducing complexity and increasing profitability and customer service.**

On September 11, 2005, Allianz AG announced its intention to merge Riunione Adriatica di Sicurtà S.p.A. (or “RAS”, and taken together with its subsidiaries, the “RAS Group”) with and into Allianz AG. This merger is part of a comprehensive transaction, resulting in the full acquisition of RAS by Allianz AG. In connection with this transaction Allianz AG will convert into a European Company (Societas Europaea or “SE”) and subsequently adopt the corporate name Allianz SE¹⁾. As a preparatory step, Allianz AG placed a voluntary tender offer to purchase all RAS ordinary shares and RAS savings shares it did not already own. The offer period began on October 20 and the acceptance period closed on November 23, 2005. Through this voluntary tender offer, Allianz AG purchased 139,719,262 RAS ordinary shares at a price of € 19 per share and 328,867 RAS savings shares at a price of € 55 per share. As another preparative step of the merger, RAS will, prior to the effectiveness of the merger, contribute its business with the exception of the participation in certain foreign subsidiaries to a newly incorporated (in October 2005), wholly-owned Italian subsidiary that, subsequently to the merger, will continue the corporate name “RAS S.p.A.”.

On December 15 and 16, 2005, the Board of Management of Allianz AG and the Board of Directors of RAS accomplished the merger plan for the merger of RAS with and into Allianz AG. This

merger plan was notarially certified on December 16, 2005. On February 3, 2006, the extraordinary shareholders’ meetings of holders of RAS ordinary shares and holders of RAS savings shares and on February 8, 2006, the extraordinary shareholders’ meeting of Allianz AG agreed to the merger plan. Against the resolution of the shareholders’ meeting of Allianz AG regarding the agreements to the merger plan and the capital increase to implement the merger, contestation suits have been filed. The entry of the merger in the commercial register of Allianz AG may only take place once the competent court rejects the lawsuits, or if such lawsuits are withdrawn or if the competent court rules finally and conclusively that the lawsuits do not prevent the entry of the merger in the commercial register (so-called “Freigabeverfahren”). We are confident that we will achieve the entry of the merger in the course of such release ruling. As a further prerequisite for the effectiveness of the merger and the accompanying conversion of Allianz AG into an SE, a procedure for the employee involvement in decisions of the Allianz SE must be conducted. We expect the merger to become effective in September 2006 at the earliest.

The exchange ratio for the remaining RAS shares is 3 Allianz AG shares for 19 RAS ordinary shares or 19 RAS savings shares. To implement the merger, the remaining RAS shares will be exchanged for Allianz AG shares through an increase of Allianz AG’s issued capital by up to €64.3 million, which was approved by the extraordinary shareholders’ meeting on February 8, 2006. The capital increase will be accomplished by the issuance of up to 25,123,259 new registered no-par value Allianz AG shares. Allianz AG expects the cost of the entire transaction, including the voluntary tender offer, to be approximately €5.9 billion. However, this amount may vary, depending upon the market price of Allianz AG shares at the time of the share exchange.

Risk Report

Our risk management is targeted at protecting our capital base and supporting our value based management.

- › **As providers of financial services, we consider risk management one of our core competencies. Risk management is therefore an integrated part of our business controlling process.**
- › **Risks arise due to insufficient information concerning possible adverse developments affecting our business targets or plans.**
- › **We identify and measure, aggregate and manage risks. The result of this process determines, among other things, how much capital is allocated to the Allianz Group’s various segments.**

¹⁾ SE is a company structure under European law. It was introduced through implementation of EU Council Regulation (EC) No. 2157/2001 of October 8, 2001, via the European Company Statute (SE Directive). Since Allianz SE will have its headquarters in Germany, the SE regulation, as well as German laws governing joint-stock companies, especially the German Stock Corporation Act (AktG), will be applicable to it.

Risk Governance Structure

In our business, successful risk management means controlling risks in order to protect the financial strength of the Allianz Group and increase its value on a sustainable basis. Therefore, the Board of Management of Allianz AG formulates the business objectives and allocates the capital resources of the Allianz Group according to return on investment and risk criteria.

The Group Risk Committee monitors the capitalization and risk profile of the Allianz Group to ensure a reasonable ratio between these two criteria. Its role is to ensure comprehensive risk awareness within the Allianz Group and to further improve risk control. It also provides timely information to the Board of Management of Allianz AG about risk relevant developments, sets risk limits, and is responsible for recommending and coordinating risk-containment measures. In 2005, we established a Group Insurance Risk Committee to support the Group Risk Committee in matters concerning property-casualty insurance. This committee is responsible for updating our underwriting guidelines and monitoring the development of our property-casualty insurance portfolio.

Group Risk Control, which reports to the Chief Financial Officer, develops methods and processes for risk assessment and control on an Allianz Group-wide basis. An important instrument to assess the Allianz Group's risk profile is our internal risk capital model. In 2005, we also introduced a system for systematic qualitative risk evaluation. On this basis, it forms an overview of local and global risks, derives the risk situation of the Allianz Group, and regularly informs management about the current situation. In addition, Group Risk Control ensures that the risk governance principles of the Allianz Group are fully adhered to and further develops these principles. Group Risk Control is also responsible for the centralized monitoring of accumulation risk over all business lines, in particular with respect to natural disasters, market and credit risks. This structure ensures that we control our local and global risks equally and are not exposed to the danger of overall risk increasing unnoticed.

Within our risk governance policy, local units assume independent responsibility for their own risk control, as ultimately, they have to respond quickly to risk changes in a market-oriented manner. At the same time, this independent responsibility enables operating units to meet the applicable legal requirements at their respective locations. In 2005, local risk monitoring was further accelerated. Our large operating entities have established local risk committees and risk control units managed by the Chief Risk Officer of the respective business unit and monitor local risks.

Investment risk management is implemented jointly with local units as part of a structured investment process. The Allianz Group Finance Committee, which is comprised of the members of the Board of Management of Allianz AG, delegates broad deci-

sion-making authority to the regional Finance Committees, which monitor the activities in their respective regions or countries. These regional Finance Committees compile local investment guidelines for their particular locations. Operational responsibility for investment portfolios lies within the local units.

Insurance, banking and asset management are all heavily influenced by legal factors; legislative changes in particular have a primary influence on our activities. Legal risks also include major litigation and disputes, regulatory proceedings, and contractual clauses that are unclear or construed differently by the courts. Limitation of such legal risks is a major task of our Legal Department, carried out with support from other departments. The objective is to ensure laws are observed, to react appropriately to all impending legislative changes or new court rulings, attend to legal disputes and litigation, and provide legally appropriate solutions for transactions and business processes.

The Trend Assessment Committee is responsible for the early recognition of new risks. Their role is to study and evaluate changes that may have a significant impact on the Allianz Group's risk situation. In 2005, we established a panel of experts consisting of representatives from our insurance, banking and asset management segments, which is examining the possible effects of climate change on our business. Its task is to develop risk management strategies and identify potential opportunities resulting from climate change. We also belong to the Emerging Risk Initiative of the CRO Forum's task force, which examines methods to identify, analyze and manage potential risks. The task force is comprised of representatives from ten international insurance and reinsurance companies.

Independent risk oversight The principle of independent risk oversight is well-established within the Allianz Group. There is a clear distinction between risk assumption (i.e. the responsibility for the business including associated risk management) and independent risk monitoring. The latter also analyzes alternative courses of action and proposes recommendations to the Risk Committee and the Board of Directors or Board of Management of the local operating entity or Allianz AG, respectively.

Risk policies The Group Risk Policy establishes the minimum requirements that are binding for all operating units. Specific minimum risk standards for our insurance, banking and asset management segments translate these requirements into action. In 2005, we supplemented our risk guidelines with standards for addressing natural disaster risks. Such standards are implemented by the operating entities worldwide and are monitored on a regular basis by Group Risk Control through a structured process.

Risk Management Tools

Risk capital We manage our business activities through our respective local entities. The most important parameters used in our risk-oriented controlling process are Economic Value Added (or “EVA”[®]) and risk capital. Risk capital is used to hedge against unexpected economic losses. In 2005, we used our internal risk capital model as input for the value-oriented management framework of our insurance companies and Dresdner Bank. For asset management, we used a model based on a concept developed by the Standard & Poor’s rating agency.

Our internal risk capital model evaluates quantifiable risks within a set timeframe and calculates a potential loss. This model allows us to systematically evaluate internal data using methods based on the theory of probability. This process takes into account the special characteristics of our operating entities as well as the specific nature of their risks. The model is based on the value-at-risk approach. Value-at-risk estimates the maximum loss which cannot be exceeded with a certain probability at a specified confidence level within a set holding period. The capital we allocate to our operating entities in accordance with our internal risk capital model meets the requirements for the one-year target shortfall of an “A” rating from Standard & Poor’s. Diversification effects from balancing portfolio risks result in a capitalization of the Allianz Group equivalent to an “AA” rating from Standard & Poor’s. Risk balancing effects result from the fact that not all potential losses are realized at the same time. With the internal risk capital model, we are able to evaluate risks more precisely and optimize allocation of capital within the Allianz Group.

Our risk capital model quantifies the following risk categories:

- › **Market risks** Possible losses caused by changes in interest rates, exchange rates, share prices and other relevant market prices (such as raw materials);
- › **Credit risks** Possible losses caused by the inability to pay or a downgrade in the credit rating of debtors or counterparties;
- › **Actuarial risks** Unexpected financial losses from the sale of insurance protection; and
- › **Business risks** Cost and lapse risks, as well as operational risks, i.e. risks associated with external events or arising from insufficient or failing internal processes, procedures and systems.

There are certain risks that cannot be quantified in our risk capital model. For these risks, we pursue a systematic approach with regard to identification, analysis, assessment and monitoring. The assessment is based on qualitative criteria or using scenario analyses. For example, these risks include:

- › **Liquidity risks** These are risks that the business is unable to meet its current or future payment obligations in full or on a timely basis. These risks also include risks that, in the event of a liquidity crisis, refinancing funds could only be obtained at higher market rates (refinancing risk) or assets could only be sold at lower market prices (market liquidity risk).
- › **Reputational risks** Unexpected losses due to a loss of reputation of our subsidiaries or the Allianz Group. Reputational risks derive from Allianz Group actions, transactions or products. They may be caused by or result from losses in other risk categories.

Limit System We monitor and manage credit risks with a limit system that is applicable for the entire Allianz Group. The limit system aggregates major risks of Allianz Group-wide significance from credit insurance, lending and our capital investments and serves as the basis for controlling the risk on an Allianz Group-wide basis in detecting credit risks at an early stage. In 2005, this system assisted in identifying critical developments at an early stage and making adjustments accordingly. The number of counterparties monitored by the limit system was significantly increased in 2005, and we also reinforced the automation of our internal reporting on credit risk and improved our procedures (for example, in relation to reducing risks in a crisis situation).

Stress tests In addition to risk capital analyses, we also carry out stress tests, which act as early-warning indicators to secure external capital requirements. This affects capital requirements from the viewpoint of our supervisory authorities and rating agencies.

You will find detailed information about risk management in the insurance, banking and asset management business in the Allianz Group’s attached Report and Accounts for 2005.

Risk Monitoring by Third Parties

Supervisory authorities and rating agencies are additional risk monitoring bodies. Supervisory authorities stipulate the minimum precautions and capital requirements that must be accounted for in individual countries and on an international level. Rating agencies determine the relationship between the required risk capital of a company and the available safeguards. In their evaluation of capital resources, rating agencies include equity shown in the balance sheet, minority interests and other items representing additional securities in times of crisis. At December 31, 2005, this total was at a level that corresponds to our current ratings. At December 31, 2005, the financial strength of the Allianz Group was rated by Standard & Poor's as "AA-" (outlook stable), by A. M. Best as "A+" (outlook stable), and by Moody's as "Aa3" (outlook stable).

Outlook

We will continue to strengthen our risk management system in 2006. For example, we will introduce standards for underwriting large insurance risks and for developing and marketing new products. We will complete the analytical model for our life insurance business and introduce the limit system for natural disaster risks. In addition, we will continue to make progress in our project to evaluate derivatives on the basis of an Allianz Group-wide uniform IT system. We will also strengthen and clarify our guidelines for handling derivatives.

We are monitoring the Solvency II Project to prepare for the anticipated changes to the European insurance solvency requirements. In particular, we are continuously improving the methodology of our internal risk model to meet future requirements on internal models (Solvency II).

In order for the risk management at Dresdner Bank to continue to meet the highest standards, we are continually refining and optimizing our internal bank risk assessment procedures, including data entry and associated processes (Basle II). Dresdner Bank is implementing, on schedule, the supervisory requirements of the Capital Accord of Basel II and the related German implementing regulation, the Solvency Regulation (Solvency Order/SolvV). Dresdner Bank is targeting to implement advanced approaches by applying the Advanced IRB Approach for credit risks and the AMA for operational risks. Dresdner Bank already uses a comparable process for its internal risk management.

Finally, Dresdner Bank will introduce in 2006 a new validation process for its rating process, which will meet growing internal and external demands.

Corporate culture and management principles

The customer orientation, commitment and professionalism of its employees have helped the Allianz Group reach the position it is in today. The personnel work the Allianz Group undertakes helps employees achieve this high standard on two levels. The responsibility for all operational personnel questions lies with local branches. Comprehensive and strategic areas of personnel policy are dealt with through global cooperation, led by the Group Center.

We foster a corporate culture that is just as focused on globalism as it is on performance and client service. This includes identifying future managers within the Group to fill executive and specialist positions and providing them with further systematic training. Only this way will we continue to be an attractive employee for talented individuals both inside and outside Allianz.

In 2003 we created a set of unified global management principles, our "Leadership Values". These are aimed at fostering a management culture and culture of excellence in the case of both clients and employees. Year after year we test to see if these Leadership Values are effective within Allianz, and if so, in what ways. Once again, the improved results from the last questionnaire in October 2005 show that these management principles are serving as effective guidelines to the Allianz Group's executive workforce worldwide. The 3+One Initiatives first addressed in 2005 are being supported and implemented by management over a wide range of areas.

Outlook

As the Group's reinsurer, Allianz AG participates in the premium income and earnings performance of the Group's subsidiaries and affiliates. Since we are currently counting on stable reinsurance conditions, we anticipate that premiums for the business year 2006 will remain stable at the level of the reporting year.

In respect of renewals for 2006, we have had to make adjustments to certain rates and terms as a response to market changes, although these remained passable. We are counting on a substantial, positive underwriting profit for fiscal 2006 (before equalization reserve).

For 2006 we anticipate investment earnings in the amount of the profit returned in fiscal year 2004, if the current positive trend in the financial markets continues. In the reporting year invest-

ment earnings were determined by high-value special items, which means they are of little use as a reliable benchmark for our forecasts.

For information about subsequent events, please refer to the Notes to this Annual Report on page 39. As always, estimates are subject to the following disclaimer.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The company assumes no obligation to update any forward-looking information contained herein.

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the unappropriated earnings of Allianz AG for fiscal 2005 in the amount of € 820,000,000 be appropriated as follows:

- › Distribution of a dividend of €2.00 per eligible share: € 811,231,930; and
- › Allocation of €8,768,070 to other appropriated retained earnings.

The recommendation for appropriation of earnings takes into account own shares held directly or indirectly by the company, which in accordance with the German Stock Corporation Act (clause 71 b AktG) are not entitled to receive a dividend. Further purchases or sales of own shares during the period prior to the Annual General Meeting may increase or decrease the number of shares eligible for dividends. In this case, an amended proposal for the appropriation of profit based upon an unchanged dividend in the amount of € 2.00 per eligible share will be submitted to the Annual General Meeting for ratification.

Munich, February 10, 2005
Allianz Aktiengesellschaft

Balance Sheet as of December 31

ASSETS	Annex Note No.	2005 € thou	2005 € thou	2004 € thou
A. Intangible assets	1		9,229	5,396
B. Investments	1 – 5			
I. Real estate		422,008		451,272
II. Investments in affiliated and associated enterprises		63,928,137		53,949,150
III. Other investments		8,805,548		8,462,702
IV. Funds held by others under reinsurance business assumed		4,686,597		9,021,698
			77,842,290	71,884,822
C. Receivables				
I. Accounts receivable on reinsurance business including from affiliated enterprises: 172,974 (168,597) € thou other enterprises in which long-term equity investments are held ¹⁾ : 6,476 (10,162) € thou		684,820		680,276
II. Other receivables including from affiliated enterprises: 2,229,796 (2,698,354) € thou other enterprises in which significant participations are held ¹⁾ : 10,646 (25,358) € thou	7	2,864,387		3,079,195
			3,549,207	3,759,471
D. Other assets				
I. Tangible fixed assets and inventories		7,799		4,525
II. Cash with banks, checks and cash on hand		59,121		39,726
III. Own shares mathematical: 1,086 (1,086) € thou		30,485		30,485
IV. Miscellaneous assets	8	371,438		183,604
			468,843	258,340
E. Prepaid expenses	9			
I. Accrued interests and rents		135,126		112,602
II. Other prepaid expenses		110,451		139,780
			245,577	252,382
Total assets			82,115,146	76,160,411

¹⁾ Companies in which we hold an interest

EQUITY AND LIABILITIES	Annex Note No.	2005 € thou	2005 € thou	2005 € thou	2004 € thou
A. Shareholders' equity	11				
I. Capital stock			1,039,462		987,584
II. Additional paid-in capital			20,576,431		18,445,831
III. Appropriated retained earnings					
1. Required by law		1,229			1,229
2. For own shares		30,485			30,485
3. Other		7,192,594			6,403,798
			7,224,308		6,435,512
IV. Unappropriated retained earnings			820,000		852,000
				29,660,201	26,720,927
B. Participation certificates	12			441,455	441,455
C. Subordinated liabilities	13, 17			6,672,569	5,206,195
D. Insurance reserves	14				
I. Unearned premiums					
1. Gross		810,722			836,377
2. Less: amounts ceded		210,451			216,136
			600,271		620,241
II. Aggregate reserve					
1. Gross		4,162,262			8,421,721
2. Less: amounts ceded		973,653			961,929
			3,188,609		7,459,792
III. Reserve for loss and loss adjustment expenses					
1. Gross		8,173,074			7,381,045
2. Less: amounts ceded		2,322,343			2,389,172
			5,850,731		4,991,873
IV. Reserve for non-experience-rated premium refunds					
1. Gross		102,210			89,623
2. Less: amounts ceded		40,499			32,998
			61,711		56,625
V. Claims equalization and similar reserves			1,717,565		1,326,500
VI. Other insurance reserves					
1. Gross		102,681			91,502
2. Less: amounts ceded		12,161			13,945
			90,520		77,557
				11,509,407	14,532,588

EQUITY AND LIABILITIES	Annex Note No.	2005 € thou	2005 € thou	2005 € thou	2004 € thou
E. Other accrued liabilities	15			4,805,572	4,250,938
F. Funds held under reinsurance business ceded				1,163,529	1,178,103
G. Other liabilities	16 – 17				
I. Accounts payable on reinsurance business including to affiliated enterprises: 387,174 (395,728) € thou other enterprises in which significant participations are held ^{*)} : 10,582 (14,245) € thou			483,111		533,163
II. Bonds including to affiliated enterprises: 697,204 (681,987) € thou			782,204		766,987
III. Liabilities to banks			1,123,999		–
IV. Miscellaneous liabilities including taxes of: 830 (2,642) € thou including to affiliated enterprises: 24,244,119 (21,025,509) € thou other enterprises in which significant participations are held ^{*)} : 32,912 (681) € thou			25,472,321		22,529,083
				27,861,635	23,829,233
H. Deferred income				778	972
Total equity and liabilities				82,115,146	76,160,411

^{*)} Companies in which we hold an interest

Income Statement for the Period from January 1 to December 31

	Annex Note No.	2005 € thou	2005 € thou	2005 € thou	2004 € thou
I. Underwriting account					
1. Premiums earned – net					
a) Gross premiums written	18	4,848,532			5,265,492
b) Premiums ceded		(1,525,360)			(1,556,680)
			3,323,172		3,708,812
c) Change in unearned premiums – gross		47,055			17,217
d) Change in unearned premiums ceded		(10,417)			(21,311)
			36,638		(4,094)
				3,359,810	3,704,718
2. Allocated interest return – net	19			148,715	380,280
3. Other underwriting income – net				23,155	8,018
4. Loss and loss adjustment expenses – net					
a) Claims paid	20				
aa) Gross		(3,098,122)			(4,048,447)
bb) Amounts ceded in reinsurance		1,000,563			1,457,606
			(2,097,559)		(2,590,841)
b) Change in reserve for loss and loss adjustment expenses					
aa) Gross		28,552			624,662
bb) Amounts ceded in reinsurance		(151,105)			(465,806)
			(122,553)		158,856
				(2,220,112)	(2,431,985)
5. Change in other insurance reserves – net	21			(38,777)	(231,677)
6. Expenses for non-experience-rated premium refunds - net				(15,031)	(21,253)
7. Underwriting expenses – net	22			(950,359)	(881,022)
8. Other underwriting expenses – net				(41,787)	(117,180)
9. Subtotal				265,614	409,899
10. Change in claims equalization and similar reserves				(391,065)	(365,830)
11. Net underwriting result				(125,451)	44,069

	Annex Note No.	2005 € thou	2005 € thou	2005 € thou	2004 € thou
II. Non-underwriting account					
1. Investment income	23	4,973,164			4,570,111
2. Investment expenses	24 – 25	(2,446,412)			(2,309,232)
			2,526,752		2,260,879
3. Allocated interest return			(199,514)		(431,860)
				2,327,238	1,829,019
4. Other income	26		551,397		513,999
5. Other expenses	27		(1,788,018)		(1,019,543)
				(1,236,621)	(505,544)
6. Non-underwriting result				1,090,617	1,323,475
7. Earnings from ordinary activities before taxation				965,166	1,367,544
8. Income taxes	28	(84,738)			(57,200)
less amounts charged to other companies in the Group		552,481			401,646
			467,743		344,446
9. Other taxes			(1,749)		(9,207)
				465,994	335,239
10. Net income	29			1,431,160	1,702,783
11. Allocation to appropriated earnings to other appropriated earnings				(611,160)	(850,783)
12. Unappropriated retained earnings				820,000	852,000

Legal Regulations

The financial statements and Management Report have been prepared in accordance with the regulations contained in the German Commercial Code (HGB), German Stock Corporation Act (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

All amounts in the financial statements are stated in thousands of euros (€ thou).

Accounting, valuation, and calculation methods

Intangible assets

Intangible assets, mainly software, are recorded at their acquisition cost less tax-allowable depreciation.

Real estate, real estate rights and buildings, including buildings on property not owned by Allianz

This is recorded at acquisition or construction cost less accumulated depreciation. Depreciation was calculated at the highest rates allowable for tax purposes using the straight line and declining balance methods.

Investments in affiliated and associated enterprises

These are recorded at cost in accordance with the German Commercial Code (Clause 253 2 (3) HGB).

Other investments

Stocks, bearer bonds, and other fixed and variable income securities, miscellaneous investments

These are normally valued at the lower of share or market value on the balance sheet date, in accordance with the German Commercial Code (Clause 341 b (2) in conjunction with Clause 253 (1, 3) HGB). An average cost has been established where securities of the same kind were purchased at different costs. Stocks continually used for business operations are valued under the rules for fixed assets according to Clause 341 b (2) in conjunction with Clause 253 (1, 2) of the German Commercial Code (HGB) at their acquisition cost or – if permanently lower – at market value.

Investment fund units

Investment fund units are valued according to the German Commercial Code (HGB) clause 341 b (2) in conjunction with Clause 253 (1, 2) under the applicable rules for fixed assets together with their acquisition costs. Amortization will only be carried out if they are permanently impacted.

Debentures, loans, and bank deposits

These have been valued at face value less repayments.

Fixed assets, inventories, and other assets

Intangible assets, inventories, and other assets are recorded at their acquisition cost less tax-allowable depreciation. Assets of low value were written off immediately in full. Some of the other Allianz share options recorded under other assets are valued according to the German Commercial Code (HGB) Clause 341 b (2) in conjunction with Clause 253 (1, 3) at their acquisition cost or the lower share or market value on the balance sheet date. Some of these options are included in hedges of intra-group liabilities in conjunction with the stock-based incentive plans.

Treasury stock

These are valued according to the German Commercial Code (HGB) Clause 341 b (2) in conjunction with Clause 253 (1, 3) with the acquisition cost or the lower share or market value on the balance sheet date. An average acquisition value has been established from various purchase costs of treasury stock.

Other assets

consist of the following:

- _ funds held by others under reinsurance business assumed
- _ accounts payable on reinsurance business
- _ other receivables
- _ cash with banks, checks, and cash on hand
- _ accrued interest and rents

These have been recorded at face value less repayments.

Insurance reserves

consist of the following:

- _ unearned premiums
- _ aggregate policy reserve
- _ reserve for loss and loss adjustment expenses
- _ reserve for premium refunds (non-experience-rated)
- _ other insurance reserves

The insurance reserves were formed according to statutory requirements. Primary goal in all cases is to ensure the ability to satisfy on a continual basis the liabilities entered into under reinsurance contracts.

Contribution carryovers, the **aggregate policy reserve**, the reserve for loss, **loss adjustment expenses** and the reserve for **non-experience-rated premium refunds** are generally formed according to the demands of the ceding insurers. For damage occurring but not yet or not sufficiently reported, the reserves are calculated using actuarial principles.

The equalization reserve, the reserve for nuclear plants, the product liability reserves for major pharmaceutical risks, and risks relating to terror attacks were calculated for the net retention portion according to Clause 341 h of the German Commercial Code in conjunction with Clauses 29 and 30 of the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

Other reserves

The pension accruals are calculated actuarially based on the updated mortality tables 2005G of Prof. Dr. K. Heubeck. The full amount of the liability calculated in this way has been recorded in the financial statements. The other reserves were calculated according to forecast requirements; the reserves for early retirement benefits, employee long-service awards, and phased-in retirement were calculated using actuarial techniques.

Other liabilities

consist of the following:

- _ participation certificates
- _ subordinated liabilities
- _ funds held under reinsurance business ceded
- _ other liabilities

These are evaluated with the amount payable on maturity. Annuities are recorded at their cash value.

Prepaid expenses

Premiums and discounts carried forward as prepaid income and expenses are amortized over the remaining life of the related loans outstanding. In the financial year the method of depreciation in the case of liabilities was switched from a straight line depreciation of the premiums and discounts to depreciation according to the effective interest method.

Currency translation

The assets and liabilities were converted at the rate prevailing on the reporting date in euros.

The valuation of foreign currency shares in affiliated and associated enterprises, loans to associated enterprises, shares, Investment fund units, and other variable- and fixed income securities is based on the amount in euros derived from the value in the original currency and rate on the reporting date. Here the moderated lower value principle is applied to the shares in affiliated and associated enterprises and the investment fund units; otherwise the strict lower value principle is used.

The foreign currency shares and credit liabilities as well as insurance reserves were calculated at the rate prevailing on the reporting date in euros. In order to take account of the higher value or imparity principle on the liabilities side of the balance sheet, unrealized losses in foreign currency loans, credit liabilities and insurance reserves are included with immediate effect. However, unrealized gains from exchange rate fluctuations are not included.

Supplementary Information on Assets

1 Changes under asset headings A., B.I. through B.III. in fiscal year 2005

	Values stated as of 12/31/2004		Additions
	€ thou	%	€ thou
A. Intangible assets			
Other intangible assets	5,396		6,600
B.I. Real estate, real estate rights, and buildings, including buildings on property not owned by Allianz	451,272	0.7	5,282
B.II. Investments in affiliated and associated enterprises			
1. Shares in affiliated and associated enterprises	51,525,581	82.0	20,572,920
2. Loans to affiliated enterprises	2,166,578	3.4	1,079,485
3. Investments in other enterprises	256,991	0.4	443,590
Subtotal B.II.	53,949,150	85.8	22,095,995
B.III. Other investments			
1. Stocks, investment fund units and other variable income securities	1,564,766	2.5	1,354,685
2. Bearer bonds and other fixed-income securities	4,994,447	8.0	10,291,887
3. Bank deposits	1,903,489	3.0	–
Subtotal B.III.	8,462,702	13.5	11,646,572
Subtotal B.I. through B.III.	62,863,124	100.0	33,747,849
Total	62,868,520		33,754,449

Transfers	Disposals	Revaluation	Depreciation	Net Additions (+) Net Disposals (-)	Values stated as of 12/31/2005	
€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	%
-	1,666	-	1,101	+ 3,833	9,229	
-	22,742	7,809	19,613	(29,264)	422,008	0.6
86,211	10,037,720	2,694	690	+ 10,623,415	62,148,996	84.9
-	1,796,722	55,396	1,128	(662,969)	1,503,609	2.1
(86,211)	338,837	-	1	+ 18,541	275,532	0.4
-	12,173,279	58,090	1,819	+ 9,978,987	63,928,137	87.4
-	1,841,005	99,015	-	(387,305)	1,177,461	1.6
-	8,643,653	30,346	62,098	+ 1,616,482	6,610,929	9.0
-	886,331	-	-	(886,331)	1,017,158	1.4
-	11,370,989	129,361	62,098	+ 342,846	8,805,548	12.0
-	23,567,010	195,260	83,530	+ 10,292,569	73,155,693	100.0
-	23,568,676	195,260	84,631	+ 10,296,402	73,164,922	

2 Market value of investments

As of December 31, 2005 the market value of real estate holdings, dividend-bearing stocks (investments in affiliated and associated enterprises, other shares, and investment fund units), and bearer bonds amounted to € 94.7 bn. The corresponding balance sheet valuation of these investments was € 70.6 bn.

The values are subdivided into individual asset categories as follows:

	12/31/2005		
	Book value	Market value	Valuation reserve
	€ bn	€ bn	€ bn
Real estate	0.4	0.6	0.2
Dividend-bearing stocks	63.6	87.4	23.8
Bearer bonds	6.6	6.7	0.1
Total	70.6	94.7	24.1

The following valuation methods have been used to determine the market value:

Real estate

— Land and buildings normally at capitalized earnings value, new buildings at cost, in each case as of December 31, 2005. The capitalized earnings value was calculated in the fiscal year.

Dividend-bearing securities

— Quoted companies at the stock exchange price quoted on the last trading day of 2005. Non-quoted companies at their net worth calculated by the DVFA method or at acquisition cost.

Bearer bonds and other fixed-income securities

— At the stock exchange value quoted on the last trading day of 2005.

3 Real estate (Assets B.I)

The balance sheet value in the context of own properties and buildings used for business activities amounts to € 609,000 (2004: € 634,000).

4 Investments in affiliated and associated enterprises (B.II.)

The increase in the fiscal year is mainly due to the acquisition of shares in the RAS (cf. page 15).

5 Funds held by others under reinsurance business assumed (B.IV.)

This item was reduced mainly due to the redemption of the quota share reinsurance contract with Allianz Leben (cf. page 13).

6 Disclosure of equity investments

The information required by the German Commercial Code (Clause 285 No. 11 HGB) is filed with the Commercial Register at the Municipal Court (Amtsgericht) in Munich and is available on the company's website.

7 Other receivables (Assets C.II.)

The reduction by € 215 mn is essentially due to a reduction in receivables from profit transfer agreements worth € 449 mn and a tax receivable up € 261 mn on last year.

8 Miscellaneous assets (Assets D.IV.)

This position mainly involves options on treasury stock. The increase in the fiscal year is due to the "All-in-One" transaction (cf. page 14) through which options on treasury stock were acquired.

9 Other prepaid expenses (Assets E.II.)

This item includes the premium on loans to affiliated and associated enterprises with € 4,186,000 (2004: 5,032,000), and the discount on other loans and subordinated liabilities with € 103,612,000 (2004: 131,060,000).

10 Collateral

The assets include assets pledged as collateral for a total of € 6,132,675,000 (2004: 5,320,706,000), subject to restricted usage. Allocations to affiliated and associated enterprises account for € 5,351,788,000.

Supplementary Information on Equity and Liabilities

11 Shareholder's Equity (Equity and Liabilities A.I.)

At December 31, 2005 the issued capital registered at the Commercial Register was € 1,016,422,400.00 (not including the pre-emptive rights already exercised under the warrant-linked bond). During the fiscal year 2005 Allianz AG issued 9,000,000 new shares due to exercising the pre-emptive rights under the warrant-linked bond. This led to a further increase in the subscribed capital of € 23,040,000 to € 1,039,462,400.00. This increase was, however, not registered in the Commercial Register until after the fiscal year on January 17, 2006. The subscribed capital of € 1,039,462,400.00 is divided into 406,040,000 registered shares with restricted transfer. The shares have no par value as such but have a mathematical value of 2.56 each as a proportion of the issued capital.

At December 31, 2005, Allianz AG held 424,035 treasury stocks, which are used as security for obligations from the restricted stock units program. At December 31, 2005, other Group companies held 317,568 shares in Allianz AG.

Changes to the number of issued shares outstanding

	2005 Number of shares	2004 Number of shares
As of 1/1/	366,859,799	366,472,698
Additions		
Capital increase	10,116,850	–
Issue of shares based on the exercising of pre-emptive rights under the warrant-linked bond	9,000,000	–
Capital increase for employee shares	1,148,150	1,056,250
Sale of treasury stock by the Dresdner Bank	17,155,008	–
Change in commercial stocks held by subsidiaries	1,018,590	–
Subtotal	405,298,397	367,528,948
Reductions through acquisition of treasury stock		
Acquisition for other purposes	–	(2,861)
Acquisition for the purpose of securities trading	–	(666,288)
As of 12/31/	405,298,397	366,859,799

At December 31, 2005, there was authorized issued capital 2004/I with a nominal principal amount of € 424,100,864.00 (corresponds to 165,664,400 shares), which can be issued at any time up to May 4, 2009. The shareholders generally have subscription rights to newly issued shares. If there are capital increases for a non-cash consideration the subscription rights of shareholders can be excluded. The subscription rights of shareholders to use fractions can also be excluded. If capital is increased for a cash consideration, the subscription rights of shareholders can also be excluded if the issue price is not significantly below the list price and the shares issued under exclusion of the subscription rights according to Clause 186 (3 [iv]) of Stock Corporation Act (AktG) do not exceed 10% of the subscribed capital. Finally, subscription rights can be excluded if creditors are granted the right to exchange debentures in shares. Further authorized unissued capital (authorized unissued capital 2004/II) can be used until May 4, 2009 to issue shares against cash contributions. The shareholders' subscription rights can be excluded in order to issue the new shares to employees of Allianz AG and its Group companies. The amount of the authorized unissued capital 2004/II as of December 31, 2005 amounted to € 4,356,736.00 (corresponds to 1,701,850 shares).

In February 2005 11,200,000 subscription rights to Allianz shares were issued in conjunction with a warrant-linked bond. By December 31, 2005 9,000,000 subscription rights were exercised that were paid from the conditionally authorized 2004 capital, reducing the conditionally authorized capital 2004 to € 226,960,000.00. This reduction could not be registered in the Commercial Register until after the fiscal year had ended.

The Company has received the following announcement on voting rights quotas according to Clauses 21.1 and 41.2 WpHG (German Securities Trading Law):

— Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich, informed us on July 14, 2005 that it holds 4.9% of the voting shares of Allianz AG.

Additional paid-in capital (Equity and Liabilities A.II.)

	€ thou
As of 12/31/2004	18,445,831
+ From capital increases 2005	2,130,600
As of 12/31/2005	20,576,431

Appropriated retained earnings (Equity and Liabilities A.III.)

	As of 12/31/2004	Unappropriated retained earnings 2004	From net Income 2005	As of 12/31/2005
	€ thou	€ thou	€ thou	€ thou
1. Legal reserve	1,229	–	–	1,229
2. For treasury stock	30,485	–	–	30,485
3. Other	6,403,798	177,636	611,160	7,192,594
Total	6,435,512	177,636	611,160	7,224,308

12 Participation certificates (Equity and Liabilities B.)

The item participation certificates shows the guaranteed total redemption price that Allianz AG has to pay when the 6,098,665 profit participation certificates still outstanding are redeemed by their holders. The portions of profit for the year under review attributable to participation certificates are reported under other liabilities.

The General Meeting of May 4, 2005, was authorized, with the agreement of the Supervisory Board, to issue new participation certificates for up to € 25,000,000.00 in order to pay the pre-emptive rights on the participation certificates already issued, if this is necessary according to the conditions of the participation certificates. The holders of participation certificates already issued, in case of a capital increase or the issue of warrant-linked or convertible bonds with subscription rights, will receive subscription rights to new participation certificates under conditions comparable with the standard conditions for shareholders.

The terms and conditions for participation certificates provide for an annual distribution amounting to 240.0% of the dividend paid by the company in respect of one Allianz no-par-value share. In addition, under certain conditions, certificate holders are granted the right to subscribe to new participation certificates; here the pre-emptive rights of shareholders are excluded. Participation certificates do not confer on their holders any voting rights, any rights to conversion into Allianz shares or any rights to liquidation proceeds. They are unsecured and of equal rank to other receivables of unsecured creditors.

Participation certificates are redeemable at the option of their holders every five years, and for the first time as of December 31, 2001, by giving 12 months' notice. Up to now this right of redemption has been exercised for 358 participation certificates. For this eventuality, the conditions guarantee a redemption price equal to the weighted average of the issue price of all the previous issues of participation certificates. The current redemption price per certificate is based on the last issue date of April 2003 and is equal to € 72.39.

The participation certificates are redeemable at the company's option, but no earlier than at the end of 2006, and notice of redemption may be served annually by giving six months notice. In such case, each participation certificate is redeemable at a redemption price equal to 122.9% of the average Allianz share price. Alternatively the company can offer to exchange 10 Allianz shares for eight participation certificates. Allianz AG has consistently stated at Annual General Meetings that there is no legal obligation on the part of Allianz AG to call for redemption of the profit participation certificates by December 31, 2006 or at any other date.

13 Subordinated liabilities (Equity and Liabilities C.)

Subordinated liabilities in the amount of € 6.7 bn result from the issue of subordinated bonds in the amount of € 4.4 bn and USD 500 mn by Allianz Finance II B. V., which has transferred the proceeds from these issues to Allianz AG in the form of subordinated loans, and from a bond of € 1.5 bn issued by Allianz AG. Compare Statement No. 17.

14 Insurance reserves (Equity and Liabilities D.)

Aggregate policy reserve

The aggregate policy reserve was down in the fiscal year by € 4,259 mn. This downturn is mainly due to the termination of the quota share reinsurance contract with Allianz Leben.

Reserve for loss and loss adjustment expenses

The reserve for loss and loss adjustment expenses was up by € 859 mn net. This was mainly due to liability reinsurance.

Equalization reserve and similar reserves

In the fiscal year, € 391 mn was allocated to this item. This included a net allocation of € 383 mn to the equalization reserve. The increase in the equalization reserve is due to comparably positive business developments in the sectors of haulage, the aviation branches, fire, connected residential insurance, transport, TV, credit and other property and casual business. Withdrawals from the equalization reserve were mainly in the area of liability and amounted to € 52 mn.

15 Other reserves (Equity and liabilities E.)

The pension obligations of the companies in Allianz Sachversicherungsgruppe Deutschland, Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG, Vereinte Lebensversicherung AG and Allianz Private Krankenversicherungs-AG and other German Group companies are accrued in the financial statements of Allianz AG because the company has assumed joint liability for the pension obligations and undertaken to fulfill them. In addition to pensions and similar liabilities of € 3,306,214,000 (2004: € 3,186,312,000) and provisions for taxation in the amount of € 237,973,000 (2004: € 560,669,000), other reserves are recorded here that have developed as follows:

	Provision	Use	Revenue from the write-off of other provisions	Allocation	Provision
	12/31/2004	2005	2005	2005	12/31/2005
	€ thou	€ thou	€ thou	€ thou	€ thou
Promissory warranty Fireman's Fund Insurance Company	95,165	15,356	–	115,871	195,680
Anticipated losses	328,604	44,973	12,016	699,756	971,371
Other	80,188	68,079	1,811	84,036	94,334
Total	503,957	128,408	13,827	899,663	1,261,385

The increase in other reserves of € 757,428,000 principally derives from the allocation to reserves for anticipated losses of € 630,910,000 for derivative financial instruments. In addition € 103.4 mn derives from the provision for the formal warranty made in respect of the Fireman's Fund Insurance Company. The remaining € 12.5 mn allocation to this provision relates to currency exchange fluctuations.

16 Other Liabilities (Equity and Liabilities G. IV)

The increase under this item essentially derives from the Group-internal purchase of the existing RAS holding. In order to prepare the merger of RAS into Allianz AG (see page 15) all shares of RAS that were previously held by the wholly-owned direct subsidiary of Allianz AG, the intermediate holding company Allianz Compagnia Italiana Finanziamenti S.p.A., were acquired from this company. This transaction led to an internal Group liability totaling € 6,594 mn. This increase in other liabilities should be seen alongside a reduction of € 3,211 mn from the redemption of loans.

17 Long-term and secured liabilities, external group financing

In the items covering other liabilities, subordinated liabilities and bonds a part of the liabilities is shown totalling € 10,451,585,000 with a residual term of more than five years.

The terms are represented in detail as follows:

	Residual term of up to 5 years		Residual term of more than 5 years		Total	
	2005 € thou	2004 € thou	2005 € thou	2004 € thou	2005 € thou	2004 € thou
Subordinated liabilities (C.)						
Intra-group transmission proceeds from issues	199,771	142,891	4,893,462	3,493,462	5,093,233	3,636,353
Other	79,336	69,842	1,500,000	1,500,000	1,579,336	1,569,842
Subtotal	279,107	212,733	6,393,462	4,993,462	6,672,569	5,206,195
Bonds (G.II)	368,204	352,987	414,000	414,000	782,204	766,987
Miscellaneous liabilities (G.IV)						
Intra-group transmission proceeds from issues	6,774,319	9,357,062	1,120,395	1,371,008	7,894,714	10,728,070
Other intra-group liabilities	13,858,589	8,031,620	2,523,728	2,266,500	16,382,317	10,298,120
Intra-group interim total liabilities to banks and customers	20,632,908	17,388,682	3,644,123	3,637,508	24,277,031	21,026,190
Liabilities to third parties	1,195,290	1,502,893	–	–	1,195,290	1,502,893
Subtotal	21,828,198	18,891,575	3,644,123	3,637,508	25,472,321	22,529,083
Total	22,475,509	19,457,295	10,451,585	9,044,970	32,927,094	28,502,265

The increase in subordinated liabilities with a residual term of more than five years results from the negotiation of a subordinated bond of € 1.4 bn as part of the capital market transaction "All-in- One" (see page 14). The other liabilities were changed essentially through two transactions. Firstly liabilities were derived from the intra-group transmitted proceeds of an issue with a residual term of less than five years with the repayment of € 2.7 bn in bonds due, and secondly intra-group liabilities increased by € 6.6 bn through the intra-group acquisition of the existing RAS holding (see page 15).

From the total other liabilities of € 25.5 bn, € 4.6 bn is secured by the mortgaging of assets and € 248,110,000 in the form of mortgages, annuity land charges and ship mortgages.

Other and subordinated liabilities are principally derived from intra-group loans.

The majority of these intra-group loans of € 12,987,947,000 represent the transmission of issue proceeds from intra-group financing using financial companies in the Netherlands and the US, from which € 5,093,233,000 is allotted to subordinated liabilities and € 7,894,714,000 to other liabilities. These liabilities have the following residual terms:

	Total € thou	Term up to 1 year € thou	Term 1 – 3 years € thou	Term 3 – 5 years € thou	Term 5 – 10 years € thou	Term >10 years € thou
Balance sheet item						
Subordinated liabilities	5,093,233	199,771	–	–	–	4,893,462
Other liabilities	7,894,714	1,441,990	5,332,329	–	1,120,395	–
Total	12,987,947	1,641,761	5,332,329	–	1,120,395	4,893,462

Information about derivative financial instruments

Option dealing in shares and share indices

Class	Nominal € thou	Fair value € thou	Book value € thou	Balance sheet item € thou
Long Call	5,536,979	797,485	423,665	Assets, B.III. 53,167 Assets D.IV. 370,498
Short Call	1,556,740	(367,974)	198,424	Liabilities G.IV.

Options will be valued according to the Black Scholes model if they are exercised in Europe, and according to the binomial model in the case of exercise in America, on the basis of the closing rate on the valuation date. Yield curves derive from the swap rates on the valuation date. The dividend yield is calculated based on the last published dividend proposal. Volatility is calculated based on current traded implicit volatility, taking into account residual term and the ratio between strike price and relevant date price.

Forward contracts in shares and share indices

Class	Nominal € thou	Fair value € thou	Book value € thou	Balance sheet item
Long Forward	434,304	154,372	-	-
Short Forward	2,385,035	(652,030)	629,953	Liabilities E.

The fair value of a forward contract or sale is determined as the difference between the underlying closing price on the valuation date and the discounted future price. The discounting interest rates are calculated from swap rates with identical maturity on the valuation date. If in the lifetime of the futures contract dividend payments accrue which are not balanced by compensation payments, they are also taken into account with their cash values.

Forward contracts in currencies

Class	Nominal € thou	Fair value € thou	Book value € thou	Balance sheet item
Long Forward	153,165	3,354	-	-
Short Forward	11,272	290	-	-

To record the fair value of a currency forward contract a nominal denominated in euros (per date of futures contract) is discounted with a euro interest rate with identical maturity while a nominal numbered in foreign currency (per date of futures contract) is discounted with a foreign currency interest rate with identical maturity. The spot price is converted to euros. The difference with the euro cash value produces the fair value of the futures contract.

Credit derivatives

Class	Nominal € thou	Fair value € thou	Book value € thou	Balance sheet item
Credit Default Swap	625,000	(958)	958	Liabilities E.

The fair value of a credit default swap is recorded as the difference between the cash value of the series of payments based on the agreed spreads and the cash value of the series of payments based on the current spread on the valuation date. The discounting interest rates to be used here are calculated from the swap rates with identical maturity on the valuation date. The assumptions used for the recovery rate are guided by each current underlying standard. Probabilities of survival are based on the loss probabilities published by Moodys.

Category	Item of Allianz AG	Nominal value € thou	Market value € thou	Book value € thou
Currency-related transactions	Foreign currency buyers	153,165	3,354	-
Currency-related transactions	Foreign currency sellers	11,272	290	-
Share/Index-related transactions	Share/Index buyers	5,971,283	951,857	423,665
Share/Index-related transactions	Share/Index sellers	2,385,035	1,020,004	828,377
Other transactions CDS	Credit Protection Buyer	625,000	958	958

Supplementary Information to the Income statement

18 Gross Premiums Written (Income Statement I.1.a)

	2005 € thou	2004 € thou
Property and casualty insurance	4,518,467	4,386,812
Life reinsurance	330,065	878,680
Total	4,848,532	5,265,492

The reduction of € 417 mn in gross premiums written is mainly due to the cancellation of the quota reinsurance contract with Allianz Leben, Stuttgart. The effect from the cancellation of this quota reinsurance contract amounts to € 472 mn.

19 Allocated interest return – (Income Statement I.2.)

The amount of interest income calculated and transferred under this heading from the non-underwriting section to the underwriting section of the insurance statement is in accordance with Clause 38 RechVersV. The reduction in interest income by € 232 mn results from the reduction in receivables related to the cancellation of the quota reinsurance contract with Allianz Leben.

20 Change in expenditure for own-account insurance cases (Income Statement I.4. a)

The reduction in net expenditure for insurance cases by € 651 mn is mainly a result of cancellation of the quota reinsurance contract with Allianz Leben.

21 Change in other insurance net provisions (Income Statement I.5)

Of which € (24,050,000) (2004: € (231,961,000)) accrues to the net actuarial reserve and € (14,727,000) (2004: € 284,000) to other insurance net reserves. The reduction in net actuarial reserve of € 199 mn is a result of cancellation of the quota reinsurance contract with Allianz Leben AG.

22 Expenditure for own-account insurance business (Income Statement I.7.)

The gross expenditure for insurance business of € 1,315,032,000 (2004: € 1,247,637,000) compares with received provisions and profit-sharing from the insurance transaction given as counter-guarantee of € 364,673,000 (2004: € 366,615,000). While the received provisions remain stable compared to the previous year, the provisions paid for positive contract progress, contained within gross expenditure for insurance business, increased by € 67 mn.

23 Investment income (Income Statement II.1.)

	2005 € thou	2005 € thou	2004 € thou
a. Income from long-term equity investments		821,223	611,579
From affiliated companies:			
817,998 (589,833) € thou			
b. Proceeds from other investments			
from affiliated companies:			
290,541 (538,768) € thou			
aa. Proceeds from real estate, real estate rights, and buildings, including buildings on property not owned by Allianz	39,702		19,975
bb. Proceeds from other investments	715,900		1,221,213
		755,602	1,241,188
c. Income from write-ups		195,260	1,401
d. Gains from disposal ¹⁾		1,172,041	237,980
e. Income from profit pooling and profit transfer		2,029,038	2,477,963
Total		4,973,164	4,570,111

¹⁾ The profits from gains from disposal of investments mainly relates to the disposal of shares in affiliated companies and holdings of € 768 mn, as well as shares, investment fund shares and other non-fixed interest-bearing securities of € 244 mn.

24 Investment expenses (Income Statement II.2.)

	2005 € thou	2004 € thou
a. Investment management, interest charges and other investment expenses	1,459,281	1,515,097
b. Depreciation and write-downs on investments	83,530	500,177
c. Losses from disposal ^{*)}	553,813	159,810
d. Expenses for losses taken over	349,788	134,148
Total	2,446,412	2,309,232

^{*)} Included in the losses from disposal of investments is a loss from the merger of Regina GmbH with Allianz AG of € 505.7 mn (see page 10).

25 Write-downs on investments

The write-downs on assets contain extraordinary write-downs in accordance with § 253 Para. 2 Clause 3 HGB of € 11,740,000 on real estate and holdings in affiliated companies as well as write-downs in accordance with § 6B EstG (Income Tax Law) of € 1,263,000.

26 Other income (Income Statement II.4)

Material items are: Refund of expenses in the amount of € 212,543,000 (2004: € 127,491,000) for old age pensions for employees of German group companies, for which the reserves with Allianz AG were created. The increase in refunds of expenses for old age pensions results from three special effects in the year: conversion to updated actuarial tables 2005G of Prof. Dr. K. Heubeck, effect € 46 mn; adjustment of the company pension as of 01/01/2006 in accordance with § 16 BetrAVG (Law on Company-Provided Pensions), effect € 21 mn; and the extension of the 1% pension index-linked increase to other age groups (less the corresponding special effect from 2004), effect € 22 mn.

In addition, revenue accrued from the release of other reserves of € 13,827,000 (2004: € 169,108,000) as well as currency exchange earnings of € 142,710,000 (2004: € 147,409,000).

27 Other expenses (Income Statement II.5)

These are principally: Expenses for old age pensions for employees of German group companies of € 212,543,000 (2004: € 127,491,000). The increase results from special effects in 2005 as described under Other Income. In addition interest and similar expenses totalling € 201,077,000 (2004: € 244,197,000), expenses for the increase in non-insurance reserves

of € 899,663,000 (2004: € 392,170,000) as well as currency exchange losses of € 253,604,000 (2004: € 30,980,000) accrued. The considerably increased expenses for the allocation of non-insurance reserves are mainly due to allocations to the provisions for anticipated losses for derivative financial instruments (BITES and Allianz stock loan) of € 630,910,000.

Fee for the auditor

Expenses of € 8,083,000 were recorded for the year. This is split up as follows:

	€ thou
a. Audit	6,175
b. Other certification and valuation services	1,536
c. Tax advice services	100
d. Other services	272
Total	8,083

28 Taxes (Income Statement II.8 and II.9)

The option of posting deferred taxes as assets for accounting convenience in accordance with § 274 Para. 2 HGB was not used. When calculating the tax amount to be charged to subsequent accounting years the company balanced the anticipated future tax benefits with the anticipated tax burden.

Since the company files a consolidated tax return with most of its German subsidiaries, Allianz AG is liable for a substantial portion of the taxes payable by Sachversicherungsgruppe Deutschland.

29 Net Income (Income Statement II.10.)

	2005 € thou	2004 € thou
Net income	1,431,160	1,702,783
Transfer to appropriated retained earnings – Other appropriated retained earnings	611,160	850,783
Balance sheet profit	820,000	852,000

Other Information

Contingent liabilities, legal proceedings and other financial commitments

As of December 31, 2005 the company had contingent liabilities under guarantees amounting to € 7,561,000, matched by rights of recourse for the same amount.

Guarantee undertakings were delivered for

- _ bonds for € 1.1 bn issued by Allianz B.V, Amsterdam in 1997 and increased in 2000,
- _ bonds issued in 1998 for € 1.6 bn by Allianz Finance B. V., Amsterdam,
- _ bonds issued in 2001 by Allianz Finance II B.V, Amsterdam for € 1.075 bn with option of exchange into shares of RWE AG,
- _ bonds issued in 2002 by Allianz Finance II B. V., Amsterdam, for € 2.0 bn,
- _ subordinated bonds issued in 2002 for € 2.0 bn by Allianz Finance II B. V., Amsterdam,
- _ subordinated bonds issued in 2002 for € 1.0 bn by Allianz Finance II B. V., Amsterdam,
- _ subordinated bonds issued in 2002 for USD 500 mn by Allianz Finance II B. V., Amsterdam,
- _ loan taken out for AUD 100 mn by Allianz Australia Ltd., Sydney,
- _ credit taken out in 2003 by Dresdner Bank AG, Frankfurt, increased in 2005, for € 260 mn,
- _ bonds issued in 2005 by Allianz II B.V., Amsterdam with a repayment dependent on the development of the German share index (DAX), issue volume € 1.262 bn,
- _ subordinated bonds issued in 2005 for € 1.4 bn by Allianz Finance II B. V., Amsterdam,
- _ Letters of Credit for liabilities of Allianz Global Risks Rückversicherungs-AG, Munich, amounting to USD 400 mn, as well as for liabilities of Allianz Marine & Aviation Versicherungs-AG, Munich amounting to € 104 mn. At the beginning of 2006 further letters of credit amounting to USD 82 mn and USD 40 mn were issued by Allianz Marine & Aviation Versicherungs-AG.

Allianz AG is committed to making future capital payments in favor of our North American holding company, Allianz of America, Inc., Wilmington. This will place Allianz of America, Inc., Wilmington, in a position to provide sufficient capital to AGR U.S. Insurance Company, Los Angeles, so that this company can meet its payment obligations for claims received in connection with the attack on the World Trade Center. These future capital payments are limited to USD 198.6 mn and are secured by pledges in securities.

With respect to Fireman's Fund Insurance Co., Novato, there is a conditional commitment to make capital payments, which must, in particular, be made in case of future negative developments of the reserves for the year 2003 and before. They are limited to USD 1.1 bn.

A commitment to make capital payments in the amount of € 27 mn also exists with respect to Allianz Marine & Aviation (France) S. A., Paris.

In connection with the capital increase of the U.S. subsidiaries Allianz Life of North America, Fireman's Fund Insurance Co. and AGR US Insurance Company, guarantees to acquire shares of Allianz Life of North America and Allianz Insurance Company in the amount of USD 650 mn were given. This guarantee expired during the fiscal year.

For Allianz of America, Inc., Wilmington, a guarantee declaration was made for liabilities in connection with the acquisition of PIMCO Advisors L. P. Allianz AG originally acquired from its subsidiary Allianz of America Inc., Wilmington, a stake of 69.5% in PIMCO, whereby minority shareholders had the option to tender their share of Allianz of America Inc., Wilmington. On December 31, 2005 the stake of Pacific Life in PIMCO was still 2.24%, so that the liabilities of Pacific Life as of December 31, 2005 amounted to USD 0.4 bn.

A guarantee declaration was given to Dresdner Bank AG, Frankfurt, amounting to € 50 mn, for the acquisition of receivables from payments for the right to use a name in connection with Allianz Arena.

Guarantee declarations have also been given for deferred annuity agreements signed by Allianz-RAS Seguros y Reaseguros S. A., Madrid.

Since 2003 Allianz AG has guaranteed to Marsh, Inc. the financial stability of particular subsidiaries. These guarantees have an annual term and are not limited in amount.

For the USD Commercial Paper Program a guarantee was given to investors by Allianz Finance Corporation, USA. At the end of the year USD 280 mn in commercial paper was issued as part of the program.

In the context of a Securities Lending Agreement Allianz AG gave a payment guarantee to PIMCO Funds and Abu Dhabi Investment Authority to fulfill financial obligations of Dresdner Bank AG.

There is an agreement between Allianz Risk Transfer Zurich and AZAG regarding a target minimum capitalization in the form of a Net Worth Maintenance Agreement.

There is a conditional commitment to repay dividends received to Allianz Capital Partners GmbH, in order to ensure that company's ability to meet warranty obligations in connection with the disposal of a shareholding.

Rental guarantees were given for a property portfolio of the Dresdner Bank, upon which the future charge on income is limited to € 400 mn.

There are also value asset liabilities of € 75.8 mn for the phased-in retirement liabilities of German Group companies.

In connection with the sale of holdings in individual cases, guarantees were given covering the various bases used to determine purchase prices. These can for example relate to tax risks. In respect of the sale of Allianz of Canada, which took place in 2004, these also relate to additional elements of purchase price fixing and, secondly, to the business insured by AGR U.S. Re Canada branch.

Allianz AG has also provided several subsidiaries and associates with either a standard indemnity guarantee or such guarantee as is required by the supervisory authorities, which cannot be quantified in figures. This includes in particular a deed of general release for Dresdner Bank in accordance with § 5 Para. 10 of the Statute of Deposit Security Arrangement Fund.

Legal obligations to assume any losses arise on account of management control agreements and/or transfer-of-profit agreements with the following companies:

- _ ACM-Compagnie Mercur AG,
- _ Allianz Autowelt GmbH,
- _ Allianz Capital Partners Management GmbH,
- _ Allianz Dresdner Pension Consult GmbH (contract cancelled as of December 31, 2005),
- _ Allianz Finanzbeteiligungs GmbH,
- _ Allianz Global Risks Rückversicherungs-AG,
- _ Allianz Immobilien GmbH,
- _ Allianz Lebensversicherungs-AG (contract cancelled as of December 31, 2005),
- _ Allianz Marine & Aviation Versicherungs-AG,
- _ Allianz Private Equity Partners GmbH,
- _ Allianz ProzessFinanz GmbH,
- _ Allianz Versicherungs-AG (contract cancelled as of December 31, 2005),
- _ AZ-Arges Vermögensverwaltungsgesellschaft mbH,
- _ AZ-Argos 2 Vermögensverwaltungsgesellschaft mbH,
- _ AZ-Argos 3 Vermögensverwaltungsgesellschaft mbH,
- _ AZ-Argos 10 Vermögensverwaltungsgesellschaft mbH,
- _ AZ-Argos 15 AG,

- _ Allianz Deutschland AG,
- _ Bayerische Versicherungsbank AG, (contracted as of January 30, 2006 by merger)
- _ IDS GmbH-Analysis and Reporting Services,
- _ Jota Vermögensverwaltungsgesellschaft mbH (contract cancelled as of December 31, 2005), and
- _ META Finanz-Informationssysteme GmbH.

There are financial commitments in connection with the promise of compensation to holders of rights under stock option programs of Assurances Générales de France.

Financial liabilities of € 129 mn arose in 2005 from advertising agreements.

Potential liabilities amounting to € 380.6 mn were outstanding at the balance sheet date for calls on equity stocks not fully paid up, including € 376.6 mn with respect to affiliated enterprises.

Legal disputes

On November 5, 2001 a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including Allianz Global Risks U.S. Insurance Company. The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. In connection with the terrorist attack of September 11, 2001, in 2001 the Allianz Group assumed a net compensation cost of € 1.5 bn on its books. On December 6, 2004, a New York jury handed down a verdict that the World Trade Center attack constituted two occurrences under the alleged terms of various coverages. This decision has currently had no negative effect on the operating results of Allianz AG as one of the reinsurers of Allianz Group. Allianz Global Risks U.S. Insurance Company has lodged an appeal against the decision. The final implications of it for the Allianz Group will not be determined until further proceedings have concluded.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the AGM of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz AG as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz AG on the basis of an auditor's report and its adequacy was confirmed by a court-appointed auditor. Some of the replaced minority shareholders applied, in a shareholders' compensation claim brought before the Frankfurt District Court, for a determination of an appropriate cash settlement. The opinion of the management is that the cash settlement is appropriate and the application made by the minority shareholders will not meet with success. Should the court set the amount of the cash settlement higher, this increase will have an effect on all the approximately 16 mn shares transferred to Allianz AG.

On February 8, 2006, the extraordinary shareholders' meeting of Allianz AG passed a resolution approving the merger of Riunione Adriatica di Sicurtà S.p.A. (RAS) with and into Allianz AG. The merger will become

effective upon its registration in the commercial register at the registered office of Allianz AG, which is planned for September 2006. Upon registration of the merger, Allianz AG will adopt the legal form of a European Company (Societas Europaea, or SE). In March 2005, certain shareholders of Allianz AG filed contestation suits against the above-mentioned resolution of the shareholders' meeting. The entry of the merger in the commercial register may only take place once the competent court rejects the lawsuits, or if such lawsuits are withdrawn or if the responsible court rules finally and conclusively that the lawsuits do not prevent the entry of the merger in the commercial register (so-called "Freigabeverfahren"). We will initiate such release ruling (Freigabeverfahren) before the competent court.

Tax impact on the financial statements

The year's results were only slightly affected by write-downs based on tax law. The future effects on earnings of valuation adjustments made for tax purposes will be spread over several years and will not be of material effect for any single year.

Events after the balance sheet day

On January 27 2006 the Allianz Group signed a contract to acquire an approx. 2.5% stake in Industrial and Commercial Bank of China Ltd. (ICBC) for approx. € 825 mn. It is expected this acquisition will be made through Dresdner Bank Luxemburg S. A. Allianz AG is the guarantor of the acquisition.

On February 3, the extraordinary shareholders' meetings of both the RAS ordinary shareholders and the RAS preference shareholders agreed the merger plan in relation to the merger of RAS S.p.A. into Allianz AG. On February 8, 2006 the extraordinary shareholders' meeting of Allianz AG likewise agreed the merger plan. Against the resolution of the shareholders' meeting of Allianz AG regarding the agreements to the merger plan and the capital increase to implement the merger, contestation suits have been filed. We are confident that we can achieve the entry of the merger in a release ruling (so-called "Freigabeverfahren"). Following this merger Allianz AG will be converted into a European company (Societas Europaea/SE). Details about this can be found on page 15 of this annual report.

In March 2006 Allianz Finance II B.V. issued a subordinated bond guaranteed by Allianz AG of € 800 mn with an unlimited term and an interest rate of 5.375%. After five years Allianz Finance II B.V. will have the first right to cancel the bond.

Equity incentive plans

Group equity incentive plans

Group equity incentives support the orientation of senior management, and in particular the Board of Management, toward the long-term increase of the company's value.

In 1999 Stock Appreciation Rights, SAR, were introduced into Allianz AG, through which a part of the salary paid is linked directly to price movements of Allianz shares. In 2003 for the first time Restricted Stock Units, RSU, were issued in favor of the relative volumes in SAR.

Senior management of Allianz Group worldwide are entitled to participate in these group equity incentive plans.

They are granted according to group-wide uniform conditions by each company. The definitive allotment price for SAR and RSU used when granting them is calculated from the average of the day's closing price of Allianz shares in Xetra trading for the ten trading sessions following the Annual General Meeting of Allianz AG. The allotment price for 2005 was € 92.87.

The number of SAR and RSU units offered per participating employee is individually set for each one, and is determined on the basis of the allotment price, the economic performance of Allianz AG, and also that of each responsible company, in accordance with the Economic Value Added (EVA) concept of a capital-cost based target performance of Allianz shares and individual factors such as remuneration and performance.

The volume of the rights granted, and thus the potential gain for the participant, depends essentially on the economic performance of the Allianz shares.

Stock Appreciation Rights plans (SAR plans)

Stock appreciation rights may be exercised at any time between the second and the seventh anniversary of the effective date of the relevant plan, provided that

- at least once during the life of the plan the relative price rise in Allianz AG shares exceeds the annually updated reference price, based on the Dow Jones Europe STOXX Price Index (600), over a period of 5 consecutive trading sessions, and
- the Allianz share price outperforms the reference price by at least 20.0% at the time when the rights are exercised. The reference price of the SAR plan is € 92.87. This is the average price of the first 10 trading sessions after May 4, 2005, the day of the Annual General Meeting in 2005.

Under the conditions of the SAR plans, Group companies are obliged to pay, in cash, the difference between the stock market price of Allianz shares on the day the rights are exercised and the reference price as specified in the respective plan. The maximum amount to be paid is limited to 150% of the reference price (Cap). After exercising the SAR, payment is made in the local currency by the company that granted the rights. Stock appreciation rights not exercised by the last day of a plan will be exercised

automatically, provided the necessary conditions have been met. If these conditions are not fulfilled, or a participant in the plan withdraws from the employment relationship before the end of the period, the rights usually lapse. In some special cases exceptional arrangements apply.

On December 31, 2005 another provision of € 11,935,000, posted as an expense, was set up, because the share price of Allianz AG on the balance sheet date exceeded the reference price of the SAR plans of 2003 and 2004.

In order to safeguard future liabilities the corresponding options were acquired.

Restricted stock units plans

In 2003 the Group established a Restricted Stock Unit (RSU) incentive compensation plan for the first time. The RSU plan is designed to increase corporate value and to align shareholders' and managements' interests by linking the remuneration of key personnel to the performance of Allianz AG's Share price. Up to December 31, 2005 three RSU plans were set up, i.e. in 2003, 2004 and 2005. The group companies will exercise the issued rights uniformly for all participants of the plan on the first trading session after expiry of the five-year waiting period. At the date of exercise, any Group company can choose to settle the plan in one of the following ways:

- cash payment to the beneficiaries of an amount equivalent to the closing price of Allianz AG shares on the first trading session after expiry of the waiting period, or
- issuing one Allianz AG share, or other equivalent equity instrument(s) per RSU, to the beneficiaries.

Another provision of € 9,504,000, posted as an expense, was set up on December 31, 2005.

Payments

For the Group Equity Incentive Plans there were payments amounting to € 1 mn in total up to December 31, 2005.

Personal expenses

Board of Management Salaries

As of December 31, 2005 the Board consisted of 10 (2004: 10) members, for whose work the expenditure listed below was made.

The remuneration of the board consists of a fixed component of the basic salary as well as a variable component of an annual bonus and a medium-term 3 year bonus. Other components consist of Group equity incentives in the form of stock appreciation rights (SAR) and restricted stock units (RSU).

Board remuneration

	2005 € thou	2004 € thou
Fixed remuneration	5,513	5,305
Variable remuneration ^{*)}	10,851	16,224
Fixed und variable remuneration total	16,364	21,529
Group Equity Incentive (At time of granting)	13,093	9,440

^{*)} Included in this are € 0.7 mn revenue from previous year's special effects.

Fixed remuneration

In the reporting year, fixed remuneration of the Board of Management amounted to € 5.5 mn. The percentage of fixed remuneration with respect to total fixed and variable remuneration was 34% (2004: 25%).

Variable remuneration

Variable emoluments amounting to € 11.4 mn were paid for the services rendered in fiscal 2004. Of this € 2.9 mn (2004: € 3.1 mn) accrued to allocation to the provision for the medium-term 3-year bonus. Whether the amounts set aside are actually paid to the Members of the Board of Management upon expiration of the 3-year period depends on whether the objectives for the entire underlying 3-year period have been reached.

Equity Remuneration Plan

At Allianz Group Equity Incentives are paid in in the form of Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU).

The granting price of the Group equity incentive programs for 2005 was € 92.87 (average share closing price of the Allianz share in Xetra trading on the 10 trading days following the Annual General Meeting on May 4, 2004).

The mathematical value of the rights granted in the reporting year was € 13.1 mn at the date of grant. Of this total, € 4.9 mn corresponds to the mathematical value of the stock appreciation rights (SAR) granted and € 8.2 mn to the value of the restricted stock units (RSU) granted. The intrinsic value of the rights granted in the reporting year stood at € 19.1 mn at year-end. Of this total, € 6.6 mn corresponds to the intrinsic value of stock appreciation rights (SAR) granted and € 12.5 mn to the intrinsic value of restricted stock units (RSU) granted.

No payments were made from the SAR and RSU granted in the previous year. In 2005 expenses of € 5.5 mn (2004: € 3.7 mn) were made from group equity incentives.

The portfolio of Group Equity Incentives is calculated on a quarterly basis and updated on the internet.

Miscellaneous

Income-equivalent ancillary benefits vary with the function and position of the recipient and are subject to personal income tax. They essentially include insurance coverage generally granted in the industry and the use of a company car. In this year monetary benefits from non-cash remuneration of € 0.2 mn (2004: € 0.2 mn) were paid.

Pensions and similar benefits

€ 2.4 mn (2004: € 1.7 mn) was spent on the increase in pension provisions and provisions for similar services of the active board members. As of December 31, 2005 the pensions provisions and provisions for similar services for the board members active on that date was € 20.1 mn (2004: € 16.7 mn).

Retired board members

In 2005 pensions and other payments made on behalf of board members who have retired and their surviving dependants amounted to € 3.2 mn (2004: € 3.0 mn). Reserves for current and future pension benefits of former members of the Board of Management and their beneficiaries amount to € 32.0 mn (2004: € 32.3 mn).

Remuneration of the Supervisory Board

In fiscal 2005, remuneration for the members of the Supervisory Board amounted to € 2.6 mn. This body has 20 members, 10 of which are elected by the shareholders and 10 by the employees.

Breakdown of remuneration:

	€	%
Fixed remuneration	1,087,500	42.6
Variable remuneration	1,044,000	40.9
Committee remuneration	382,500	15.0
Sessional per diem allowance	38,500	1.5
Total	2,553,000	100

The names of the members of the Supervisory Board and the Board of Management are listed on page 6 and 7. Information relating to their membership in supervisory boards and similar supervisory bodies is found on pages 44 to 47.

Employees as of December 31, 2005 (annual average)

(Excluding members of the Board of Management, trainees, interns and employees on maternity/paternity leave or doing basic military training/community service)

	2005	2004
Full-time staff	918	776
Part-time staff	82	77
Total	1,000	853

Staff expenses

	2005 € thou	2004 € thou
1. Wages and salaries	114,941	99,370
2. Statutory welfare contributions and expenses for optional support payments	11,100	9,472
3. Expenses for pensions and other post-retirement benefits	14,543	12,607
4. Total expenses	140,584	121,449

Declaration of Compliance with the German Corporate Governance Code

On December 15, 2005 the Board of Management and the Supervisory Board of Allianz AG issued the Declaration of Compliance required by Clause 161 AktG, and made it permanently available to shareholders on the company's website.

Munich, February 10, 2006
Allianz Aktiengesellschaft

Der Vorstand

Diekmann	Dr. Achleitner
Booth	Carendi
Cucchiani	Dr. Faber
Dr. Perlet	Dr. Rupprecht
Thierry	Dr. Walter
Dr. Zedelius	

Auditor's Report

We have audited the Annual Financial Statements, including the accounting records and Management Report, of Allianz AG, Munich for the fiscal year from January 1 to December 31, 2005. The Board of Management of the company is responsible for the accounting policies and the preparation of the Annual Financial Statements and Management Report in accordance with German commercial law and the supplementary provisions laid down in the company's statutes. It is our task, on the basis of the audit carried out by us, to make a judgement on the Annual Financial Statements including the accounting policies and Management Report.

We conducted our audit of the Annual Financial Statements in accordance with Clause 317 German Commercial Code (HGB) and with the generally accepted German auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Accordingly the audit is intended to be planned and executed so that, in accordance with the principles of correct accounting, errors that affect the picture of the asset, financial and revenues situation of the Annual Financial Statement can be recognised with sufficient certainty. When fixing procedures for the audit our knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors were taken into account. In the context of the audit the effectiveness of the accounting-related internal control system as well as proof of the information in the accounting, Annual Financial Statement and Management Report was mainly assessed by the random sample method. The audit also includes an assessment of the significant estimates and judgments made by the Board of Management of the company, and whether its accounting policies are appropriate to the Group's circumstances. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Financial Statements and Management Report. We believe that the audit we have conducted provides an adequate basis for the formation of our opinion.

Our audit has not led us to make any objections.

According to our assessment, and on the basis of the knowledge gained from the audit, the Annual Financial Statement corresponds to legal requirements and the supplementary provisions of the Articles of Incorporation, and takes account of the principles of correct accounting in recording a picture of the asset, financial and revenue position of the company that corresponds to its actual position. The Management Report matches the Annual Financial Statement, reporting in all an appropriate picture of the company's position, and adequately represents the opportunities and risks of future development.

Munich, March 2, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gottfried Wohlmannstetter
Chartered Accountant

Dr. Frank Pfaffenzeller
Chartered Accountant

Mandates of the members of the Supervisory Board

Dr. Henning Schulte-Noelle

Membership in other statutory supervisory boards in Germany
E.ON AG, Siemens AG, ThyssenKrupp AG

Norbert Blix

Membership in other statutory supervisory boards in Germany
Allianz Versorgungskasse VVaG (Deputy Chairman)

Dr. Wulf H. Bernotat

Membership in other statutory supervisory boards in Germany
METRO AG, RAG AG (Chairman)

Membership in Group bodies E.ON Energie AG (Chairman),
E.ON Ruhrgas AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies E.ON Nordic AB (Chairman),
E.ON Sverige AB (Chairman), E.ON UK plc (Chairman), E.ON US Invest-
ments Corp. (Chairman)

Dr. Diethart Breipohl

Membership in other statutory supervisory boards in Germany
Continental AG, KarstadtQuelle AG, KM Europa Metal AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Assurances Générales de France, Atos Origin S. A., Crédit Lyonnais,
Euler Hermes S. A.

Dr. Gerhard Cromme

Membership in other statutory supervisory boards in Germany
Axel Springer AG, Deutsche Lufthansa AG, E.ON AG, Hochtief AG (until
May 10, 2006), Siemens AG, ThyssenKrupp AG (Chairman), Volkswagen
AG (until May 3, 2006)

Membership in comparable^{*)} supervisory bodies

BNP PARIBAS S. A., Compagnie de Saint-Gobain S. A., Suez S. A.

Claudia Eggert-Lehmann

Membership in other statutory supervisory boards in Germany
Dresdner Bank AG

Hinrich Feddersen

Membership in other statutory supervisory boards in Germany
Basler Versicherung Beteiligungsgesellschaft mbH (until March 3, 2006),
Deutscher Ring Lebensversicherungs-AG (until March 3, 2006)

Franz Fehrenbach since May 4, 2005

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Robert Bosch Corporation

Peter Haimerl

Membership in other statutory supervisory boards in Germany
Dresdner Bank AG (Deputy Chairman)

Prof. Dr. Rudolf Hickel

Membership in other statutory supervisory boards in Germany
GEWOBA AG Wohnen und Bauen in Bremen, Howaldtswerke Deutsche
Werft AG, Salzgitter AG Stahl und Technologie

Dr. Franz B. Humer since May 4, 2005

Membership in other statutory supervisory boards in Germany
Membership in Group bodies Hoffmann-La Roche AG (Chairman),
Roche Deutschland Holding GmbH (Chairman), Roche Diagnostics
GmbH (Chairman)

Membership in comparable^{*)} supervisory bodies

DIAGEO plc London

Membership in Group bodies Chugai Pharmaceutical Co. Ltd. Tokio,
Roche Holding AG Basel (Chairman)

Prof. Dr. Renate Köcher

Membership in other statutory supervisory boards in Germany
BASF AG, Infineon Technologies AG, MAN AG

Igor Landau since January 1, 2005

Membership in other statutory supervisory boards in Germany
adidas-Salomon AG, Dresdner Bank AG

Membership in comparable^{*)} supervisory bodies

Essilor S. A., HSBC France, Sanofi-Aventis S. A.

As of December 31, 2005 or (with members who resigned) day of resignation.

^{*)} We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Frank Ley until May 4, 2005

Dr. Max Link

Iris Mischlau-Meyrahn since May 4, 2005

Karl Neumeier

Sultan Salam

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG

Dr. Albrecht E. H. Schäfer until May 4, 2005

Dr. Manfred Schneider

Membership in other statutory supervisory boards in Germany

Bayer AG (Chairman), DaimlerChrysler AG, Linde AG (Chairman),
METRO AG, RWE AG, TUI AG

Margit Schoffer

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG

Prof. Dr. Hermann Scholl until May 4, 2005

Membership in other statutory supervisory boards in Germany

BASF AG, Robert Bosch GmbH (Chairman)

Membership in comparable^{*)} supervisory bodies

Robert Bosch Corporation, Robert Bosch Internationale Beteiligungen AG,
Sanofi-Aventis S. A.

Prof. Dr. Dennis J. Snower

As of December 31, 2005 or (with members who resigned) day of resignation.

^{*)} We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Mandates of the members of the Board of Management

Michael Diekmann

Membership in other statutory supervisory boards in Germany
BASF AG, Linde AG (Deputy Chairman), Deutsche Lufthansa AG

Membership in Group bodies Allianz Deutschland AG (Chairman), Allianz Global Investors AG (Chairman), Allianz Lebensversicherungs-AG (Chairman) (until December 31, 2005), Allianz Versicherungs-AG (Chairman) (until December 31, 2005), Dresdner Bank AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Assurances Générales de France (Vice President), Riunione Adriatica di Sicurtà S.p.A. (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards in Germany
Bayer AG, RWE AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Investors AG, Allianz Immobilien GmbH (Chairman) (until January 31, 2006)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG, Allianz Elementar Versicherungs-AG, Allianz Investmentbank AG

Clement B. Booth since January 1, 2006

Membership in other statutory supervisory boards in Germany

Membership in Group bodies Allianz Global Risks Rückversicherungs-AG (Chairman), Allianz Marine & Aviation Versicherungs-AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Allianz Australia Ltd., Allianz Cornhill Insurance plc, Allianz Irish Life plc, Euler Hermes S. A.

Detlev Bremkamp until December 31, 2005

Membership in other statutory supervisory boards in Germany
ABB AG (Germany), Hochtief AG

Membership in Group bodies Allianz Global Risks Rückversicherungs-AG (Chairman) (until December 31, 2005), Allianz Marine & Aviation Versicherungs-AG

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Allianz Compañia de Seguros y Reaseguros S. A. (Chairman) (until December 31, 2005), Allianz Nederland Groep N. V. (until December 31, 2005), Assurances Générales de France (until December 31, 2005), Companhia de Seguros Allianz Portugal S. A. (until December 31, 2005), Elmonda, Lloyd Adriatico S.p.A. (until December 31, 2005), Riunione Adriatica di Sicurtà S.p.A. (until December 31, 2005)

Jan R. Carendi

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Allianz Life Insurance Company of North America (Chairman), Fireman's Fund Insurance Company (Chairman)

Enrico Tomaso Cucchiani since January 1, 2006

Membership in comparable^{*)} supervisory bodies

ACEGAS-APS S.p.A., Banca Antonveneta

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG, Allianz Elementar Versicherungs-AG, Companhia de Seguros Allianz Portugal S. A., Koc Allianz Hayat ve Emeklilik A. S., Koc Allianz Sigorta A. S., Lloyd Adriatico S.p.A. (Chairman), Riunione Adriatica di Sicurtà S.p.A.

Dr. Joachim Faber

Membership in other statutory supervisory boards in Germany
Bayerische Börse AG, Infineon Technologies AG (until February 16, 2006)

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG, DEGI Deutsche Gesellschaft für Immobilienfonds mbH (Chairman) (until December 31, 2005), Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Assurances Générales de France, Riunione Adriatica di Sicurtà S.p.A.

As of December 31, 2005 or (with members who resigned) day of resignation.

^{*)} We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Dr. Reiner Hagemann until December 31, 2005

Membership in other statutory supervisory boards in Germany
E.ON Energie AG, Schering AG

Membership in Group bodies (until December 31, 2005) Allianz Global Risks Rückversicherungs-AG, Allianz Private Krankenversicherungs-AG (Chairman), Bayerische Versicherungsbank AG (Chairman), Euler Hermes Kreditversicherungs-AG (Chairman), Frankfurter Versicherungs-AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies (until December 31, 2005) Allianz Cornhill Insurance plc, Allianz Elementar Lebensversicherungs-AG (Vice Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG, Allianz Irish Life, Allianz Suisse Lebensversicherungs-AG, Allianz Suisse Versicherungs-AG, Euler Hermes S. A.

Dr. Helmut Perlet

Membership in other statutory supervisory boards in Germany
GEA-Group AG

Membership in Group bodies Allianz Deutschland AG (Vice Chairman), Allianz Global Investors AG, Allianz Global Risks Rückversicherungs-AG (Deputy Chairman), Allianz Marine & Aviation Versicherungs-AG (Vice Chairman), Dresdner Bank AG

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Fireman's Fund Insurance Company, Lloyd Adriatico S.p.A., Riunione Adriatica di Sicurtà S.p.A.

Dr. Gerhard Rupprecht

Membership in other statutory supervisory boards in Germany
Fresenius AG, Heidelberger Druckmaschinen AG, Quelle GmbH, Thyssen-Krupp Automotive AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Chairman), Allianz Lebensversicherungs-AG (Chairman), Allianz Private Krankenversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman)

Membership in comparable^{*)} supervisory bodies

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman) (until January 16, 2006), Allianz Elementar Versicherungs-AG (until January 16, 2006), Allianz Life Insurance Co. Ltd. Seoul

Jean-Philippe Thierry since January 1, 2006

Membership in other statutory supervisory boards in Germany
Membership in Group bodies Allianz Global Risks Rückversicherungs-AG

Membership in comparable^{*)} supervisory bodies

Baron Philippe de Rothschild, Compagnie Financière Saint-Honoré, Eurazeo, Paris Orléans, Société Financière et Foncière de participation
Membership in Group bodies Allianz Compañía de Seguros y Reaseguros S. A., Allianz Nederland Groep N.V., Euler Hermes S. A. (Chairman), Mondial Assistance AG (Chairman)

Dr. Herbert Walter**Membership in other statutory supervisory boards in Germany**

Deutsche Börse AG, TSV München von 1860 GmbH & Co. KG aA
Membership in Group bodies Allianz Beratungs- und Vertriebs-AG

Membership in comparable^{*)} supervisory bodies

Banco Popular Español S. A., Banco Portugues de Investimento S. A.

Dr. Werner Zedelius**Membership in comparable^{*)} supervisory bodies**

Rosno (Vice Chairman)
Membership in Group bodies Allianz Australia Ltd. (until December 31, 2005), Allianz Hungária Biztosító Rt. (Chairman), Allianz pojistovna a. s. (Chairman), Allianz-Slovenska poistovna a. s. (Chairman), T. U. Allianz Polska S. A. (Chairman), T. U. Allianz Zycie Polska S. A. (Chairman)

As of December 31, 2005 or (with members who resigned) day of resignation.

^{*)} We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

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Photography:
Dr. Henning Schulte-Noelle: Andreas Pohlmann

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