Allianz Group

Investor Relations Release

Allianz Group – Performance during the First Nine Months of 2003: Positive Trend in Operating Business Continues – Profit of 421 Million Euros in the First Nine Months – Perlet: Allianz Back on Track for Profitability

Total premium income up by 9.1 percent, adjusted for currency effects and consolidation – Strong premium growth in life insurance business is sustained – Expense ratio falls in all areas – Combined ratio improves to 96.9 percent

The Allianz Group succeeded in continuing the positive trend in operating business during the third quarter and achieved a profit amounting to 372 million euros. The first nine months of fiscal year 2003 closed with the positive result of 421 million euros. "Our 3 Plus 1 Program is paying off more and more. We anticipate that the positive trend in operating business will continue until the close of the fiscal year," commented Helmut Perlet, responsible for controlling on the Allianz Board of Management. "It is likely that we will also be able to report the proceeds arising from the sale of the stake in Beiersdorf already during the fourth quarter. We will continue to drive restructuring forward at full speed and force the pace of reducing risk weighted assets at Dresdner Bank. That shows: We are gaining momentum and are back on track for profitability."

The expense ratio was significantly reduced in all areas of business. The combined ratio in Property and Casualty was 96.9 percent on September 30, 2003. Premium growth continues to be strong in Life and Health at 13.3 percent (adjusted for currency effects and consolidation).

The turnaround programs at Dresdner Bank, Allianz Global Risks, AGF und Fireman's Fund made good progress. Banking showed a significant improvement in operating result from minus 1.5 billion euros (after the first nine months of 2002) to minus 69 million euros. Loan-loss provisions were eased back significantly. Risk-weighted assets came down at Dresdner Bank – primarily as a result of the successful activity of the Institutional Restructuring Unit – from 142.8 billion euros at the start of the year to 121.9 billion euros.

Write-downs on investments available for sale at the Group again totaled 0.7 billion euros in the third quarter. This contrasted with write-ups amounting to 0.5 billion euros on securities written down in previous accounting periods. The balance of write-ups/write-downs was minus 2.3 billion euros in the first nine months.

Total **gross premium income in insurance** business went up during the first nine months of 2003 (compared with the equivalent period for 2002) by 4.5 percent to 64.2 billion euros. Exchange rate effects amounting to 3.1 billion euros impacted negatively on premium income. Adjusted for exchange rate effects and consolidation, premium income demonstrated growth of 9.1 percent.

Premium income in **Property and Casualty** rose by 0.6 billion euros to 34.2 billion euros compared with the equivalent year-earlier period. Growth was generated primarily in Europe – in particular Germany, France and Spain. Adjusted for consolidation and exchange rate effects, premium income increased by 5.2 percent.

The **claims ratio** improved by 7.6 percentage points to 71.7 percent compared with the equivalent period for 2002. Restructuring undertaken on the portfolios in France and the USA, the reduction in claims arising from natural forces, and the more favorable situation for major claims contributed to this result. The expense ratio fell from 27.4 to 25.2 percent. The **combined ratio** continued to improve and was 96.9 percent after the first nine months of 2003.

Significant progress was made in all turnaround cases. The combined ratio in ongoing business at Fireman's Fund was 92.0 percent. At Allianz Global Risks, i.e. business with international industrial customers, the ratio of claims and expenses to premiums earned was improved since the start of the year from 126.3 to 94.5 percent. French AGF Group achieved a combined ratio of 103.5 percent in the P/C business, coming very close to the goal of 103 percent for the year.

After amortization of goodwill, taxes and minority interests, **earnings** in Property and Casualty came to 1.3 billion euros.

The Allianz Group succeeded in continuing growth in **Life and Health**, and after adjustment for consolidation and exchange rate effects, total sales increased by 13.3 percent to 30.6 billion euros. 51.9 percent of this figure originated from unit-linked life insurance and other investment oriented products. Premium income in the IFRS account increased by 0.3 percent to 14.7 billion euros.

In Germany, Allianz continued to benefit from the Group's financial strength. Allianz Leben succeeded in expanding new business during the first nine months by 16.4 percent to 2.2 billion euros. Sustained strong growth was also posted in Italy and the US (in the national currency). In order to counteract the effects of the decrease in interest rates, Allianz Life temporarily suspended sales of certain products, lowered the profit share and reduced commissions in the US.

Consistent cost management was reflected in the improvement in **expense ratio** from 19.5 to 16.7 percent. Investment income went up slightly from 6.2 to 6.5 billion euros, fuelled by the recovery in the capital markets. After amortization of goodwill, taxes and minority interests, **earnings** of 254 million euros were achieved in the Life and Health segment in the first nine months.

Banking was largely determined by performance of Dresdner Bank, and **operating revenues** went down. The total of net interest income and net fee and commission income together with net trading income was at 5.2 billion euros, 9.1 percent below the value for 2002. The reduction in interest income is principally due to deconsolidation of Deutsche Hyp and the strategic reduction of the loan portfolio. Net fee and commission income at 172 million euros fell back moderately against the background of a sustained difficult situation in the capital markets. By contrast, net trading income nearly doubled.

Administrative expenses were reduced by 16.0 percent to 4.6 billion euros by comparison with the equivalent period for the previous year. This furnishes evidence that the measures implemented in the extensive restructuring program at the bank are taking effect. The operating cost-income ratio fell from 94.8 to 87.7 percent. Expenditure on **loan-loss provisions** came down from 1.8 billion euros to 715 million euros. The banking segment concluded overall with an **operating loss** of 69 million euros (following on from minus 1.5 billion euros in the comparable previous period).

After amortization of goodwill, taxes and minority interests, banking posted a negative **contribution to earnings** amounting to 454 million euros.

Operating profit in the **Asset Management** segment amounted to 528 million euros and was significantly above the year-earlier figure of 369 million euros. Enhanced cost management contributed toward improving the cost-income ratio from 79.0 percent in the third quarter of 2002 to 68.2 percent. A loss of 226 million euros resulted for the first nine months of the year after deducting loyalty and retention payments for the management and employees of the PIMCO Group and Nicholas Applegate, amortization of goodwill, taxes and minority interests.

After-tax earnings of the asset management business will be negatively impacted by a **modification of the accounting treatment** which Allianz has undertaken in agreement with its auditors, KPMG, concerning the deferred acquisition of certain interests held by PIMCO management. To date, elements of the purchase have been treated as acquisition cost, and from now on it will be accounted for in accordance with Financial Accounting Standard FAS 123. For the years 2000, 2001, and 2002 this will result in a non-cash retroactive after tax adjustment in the amount of 112 million euros in total. The expense after tax for the first nine months of fiscal 2003 was charged pro rata to Allianz' results for the first nine months in the amount of 80 million euros. In future years it is expected that this non-cash charge will be equivalent to a reduction of future goodwill.

Assets under Management at the Allianz Group increased to 1,016 billion euros by September 30, 2003. Compared with the year-end figure for 2002 this represents an increase of 27 billion euros. Compared to year-end 2002, the Group's own investments underwent a slight increase by 11 billion euros to 414 billion euros. Investments for third parties also increased by 10 billion euros to 571 billion euros.

The earnings of the Allianz Group in the **fourth quarter 2003** are likely to be shaped by the following developments:

The **positive trend in operating business** looks set to continue, leading to further sustained improvements by comparison with the previous year. Assuming that there will be no excessive burdens resulting from natural catastrophes or major claims before the end of 2003, the combined ratio for the entire year should remain below 98 percent.

A retroactive **change in tax treatment** for losses and write-downs on funds for life and health insurers could lead to additional charges. On the basis of current decisions, this would lead to an additional tax expense in the order of around 600 million euros. It will probably not be possible to compensate for the full amount of this expense by taking other measures. In this case, a net charge in the order of 150 million euros should be anticipated for consolidated earnings in the fourth quarter of 2003.

A further accelerated **reduction in risk-weighted assets** from the non-strategic portfolio at Dresdner Bank (Institutional Restructuring Unit) could trigger additional charges that may lead to the bank posting a negative operating result for the entire year. Substantial reductions in costs mean that ongoing business areas look set to close with a profit.

The **sale of the Beiersdorf shareholding** is likely to be effective already in the fourth quarter.

Against this background, Allianz expects a clear positive result for the entire **fiscal year 2003**.

Munich, November 14, 2003

You can find this announcement as well as the pdf file of the interim report for the first three quarters of 2003 on the Internet at www.allianzgroup.com/investor-relations. In addition the interim report will automatically be sent to all persons on our distribution list by the end of November at the latest.

We would like to again remind you of our conference call which will take place at 2.30 p.m. CET / 1.30 p.m. UK time today. The presentation charts will be available to you in the Internet at www.allianzgroup.com/investor-relations.

These assessments are, as always, subject to the disclaimer provided below.

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

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