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# 3+one

**Analysts' Conference**
**March 2005**

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# Agenda

Michael Diekmann, CEO

# 3+one

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# 2004 at a glance: a successful year

- Strong growth of operating profit
- Improved quality of result
- $RoRAC_N$-goal of 15% achieved[1]
- Dividend increased by 16.7%
- Optimization and growth initiatives launched

**Further profit potential**

1) 16.2% $RoRAC_N$ of operating units before RAC diversification and costs/revenues at Allianz AG level

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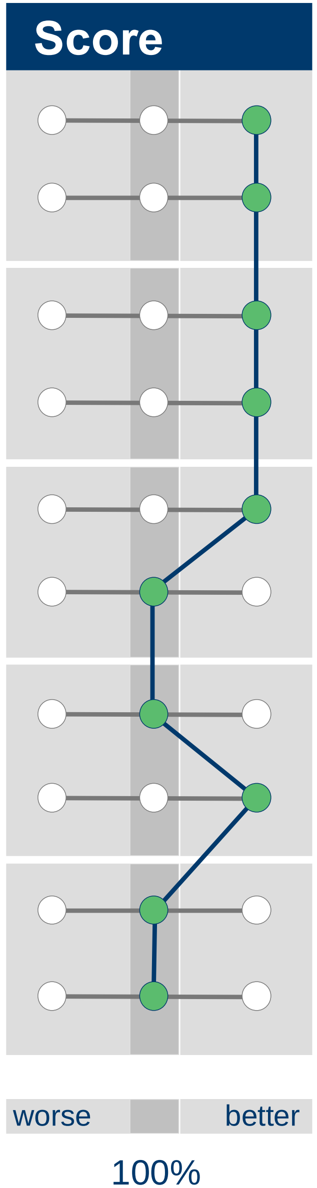
# 2004 at a glance: over-delivered on most financial targets

| Segment | Lever | Target[1] | Achieved |
|---|---|---|---|
| P/C | Combined ratio Group | ~ 97% | 92.9% |
| | Combined ratio AGF | < 100% | 98.5% |
| L/H | Operating profit | 1,383m[2] | 1,418m |
| | Reach critical mass in VA[3] | 2005 | 2004 |
| Banking | Profit in EUR m [rc = restructuring costs] | 0m before rc | 142m after rc |
| | RAC below EUR 8bn | 2005 | 2004[4] |
| Asset Management | 3rd party AuM growth | 10 - 15% | 11.3%[5] |
| | CIR | 65% | 62.9% |
| Group | RoRAC$_N$ of operating units | 15% | 16.2% |
| | Equity gearing | < 1 | < 1[6] |




1) Most targets can be found in Michael Diekmann's presentation given in London on 6 October 2004
2) Operating profit 2003 plus 50% of gap to target of EUR 1.5bn in 2005
3) Assets under management in variable annuity business of AZ Life: USD 10bn targeted in 2005, USD 13.6bn achieved in 2004
4) EUR 7.9bn before diversification end of 2004
5) Adjusted for F/X effect and changes in Group consolidation
6) After „All in one" transaction

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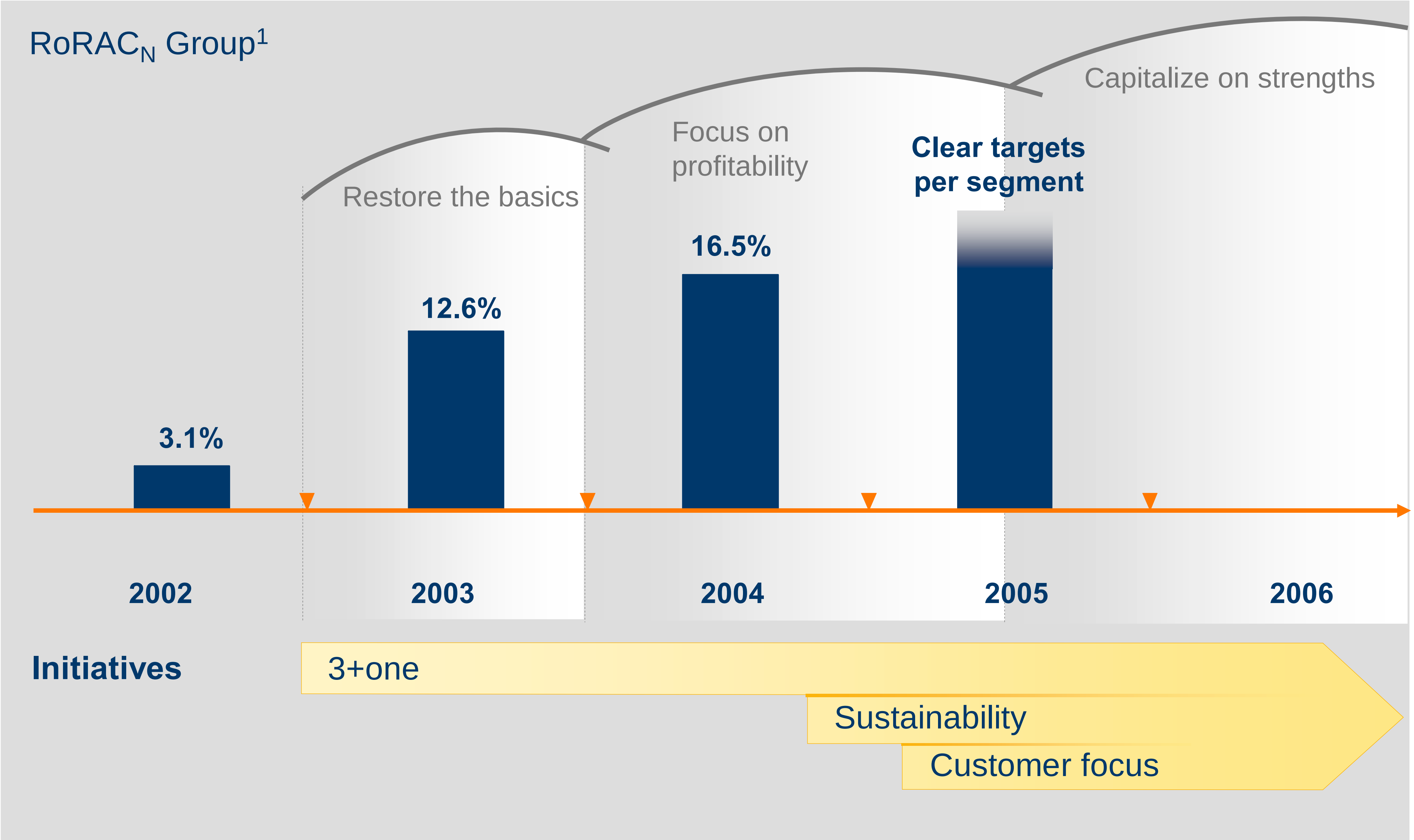
# Where do we stand today?




1) Normalized profit after tax / average risk-adjusted capital; after minorities, corporate effects and diversification. RAC is determined in a stochastic process which will replace the S&P capital adequacy model. Numbers for 2002 and 2003 are approximated

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# "3+one" recap

| | |
|---|---|
| 1 | Protect and enhance capital base |
| 2 | Substantially strengthen operating profitability |
| 3 | Reduce complexity |
| 3+one | Increase sustainable competitiveness and shareholder value |

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# 1 Capital base enhanced

## Achievements 2004

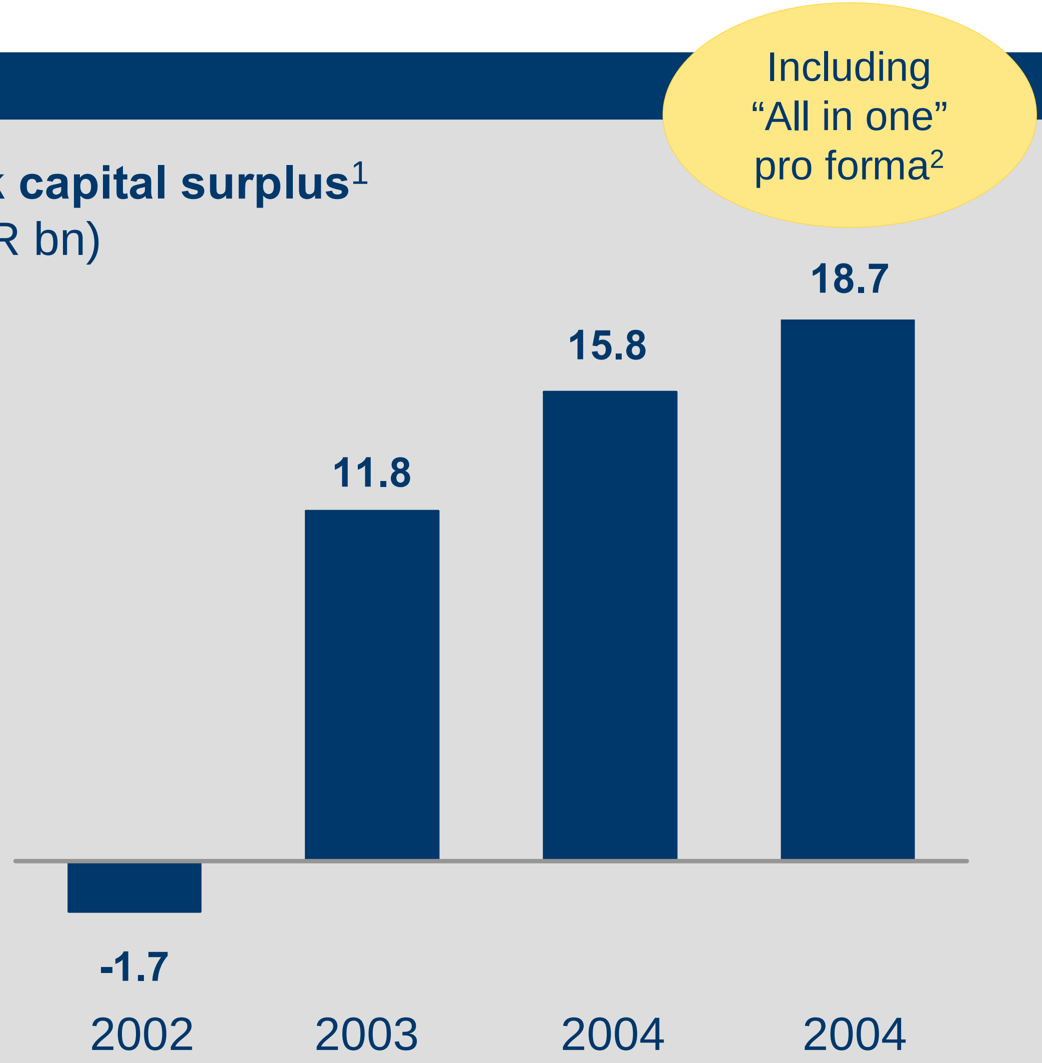
### Capital strengthened

- Successful launch of “All in one” transaction
  - Improved debt structure
  - Sound capital base

### Risks reduced

- Lower equity gearing
- Less equity cluster risks
- Reduced risk-weighted assets in banking

**Risk capital surplus**[1]
(EUR bn)




1) Based on internal risk capital model
2) For details of “All in one” transaction see page C 11

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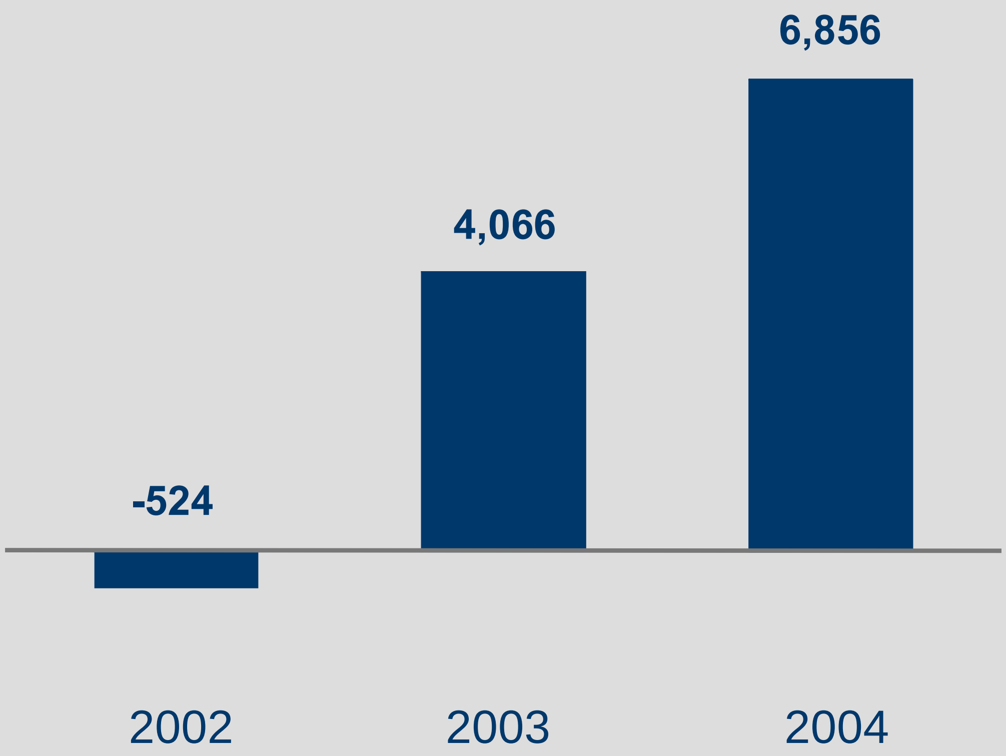
# Operating profitability substantially strengthened

## Achievements 2004

- Operating profit up 68.6% to EUR 6.9bn
- Sustainable improvement:
  - cost reductions
  - underwriting discipline
  - risk profile of bank portfolio
- Target of 15% $RoRAC_N$ reached[2]

**Operating profit**[1]
(EUR m)




1) Operating profit is a measure which we believe highlights the underlying profitability of our operation. For a description on how we measure operating profit and a reconciliation to profit before taxes and minorities, see "Glossary"
2) 16.2% $RoRAC_N$ of operating units before RAC diversification and costs/revenues at Allianz AG level

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3

# Complexity reduced

## Selected initiatives

| | |
|---|---|
| **IRU** | Ongoing reduction of non-strategic loan portfolio |
| **Divestments** | Sale of sub-critical subsidiaries, e.g. AZ Canada, AZ President, ZA Verzekeringen, Cornhill Life |
| **"All in one"** | Significant reduction of Dresdner Bank's non-strategic equity portfolio |
| **Sustainability** | Business optimization driven by CEOs instead of head office |

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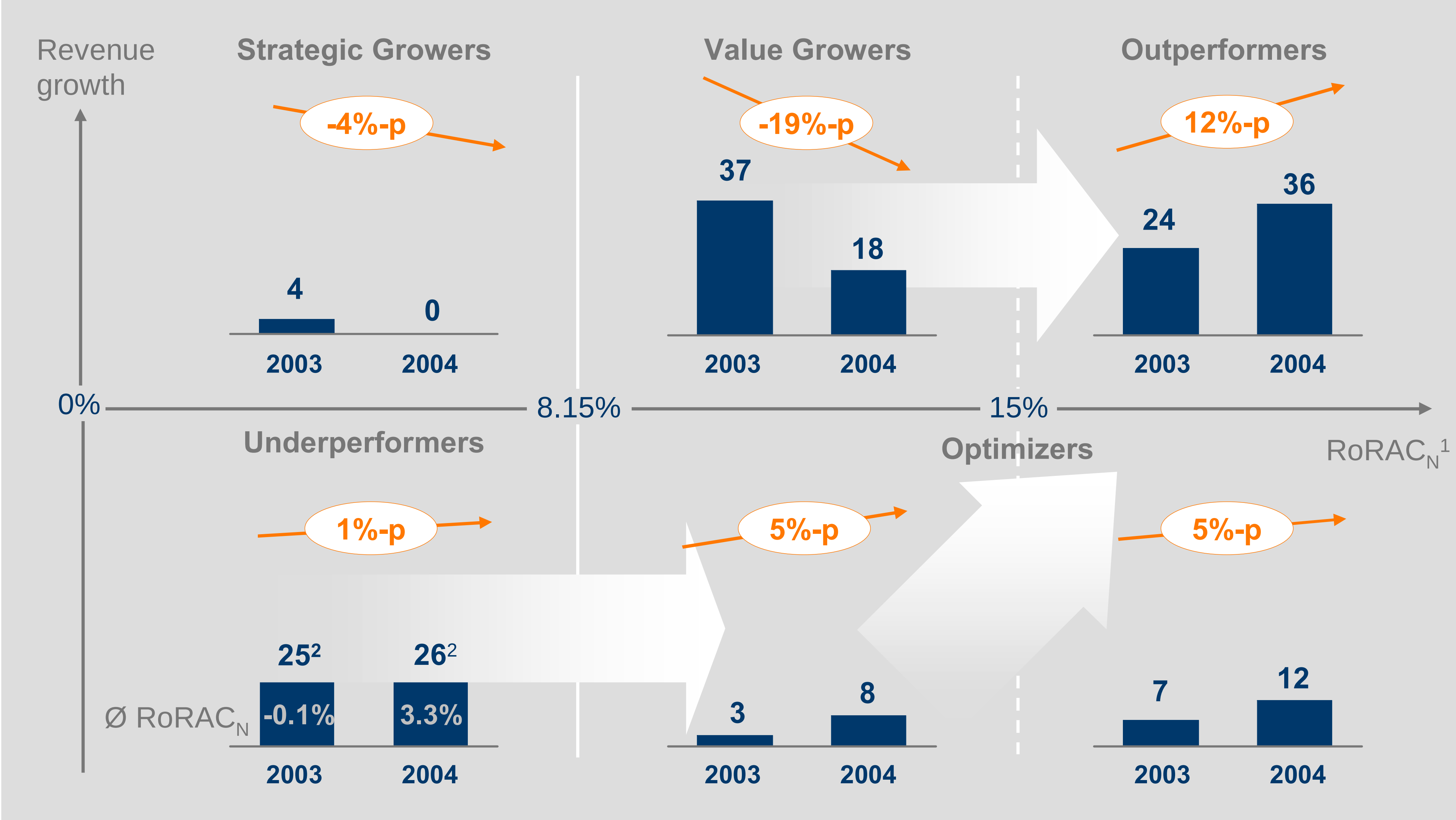
# 3+one Return on capital improved

## 2004, in % of average risk-adjusted capital




1) Based on internal UOP (= underlying operating profit). Normalized profit after tax/risk-adjusted capital; all figures before minorities
2) Thereof 22%-p Dresdner Bank. Cost of capital for banking = 8.85%

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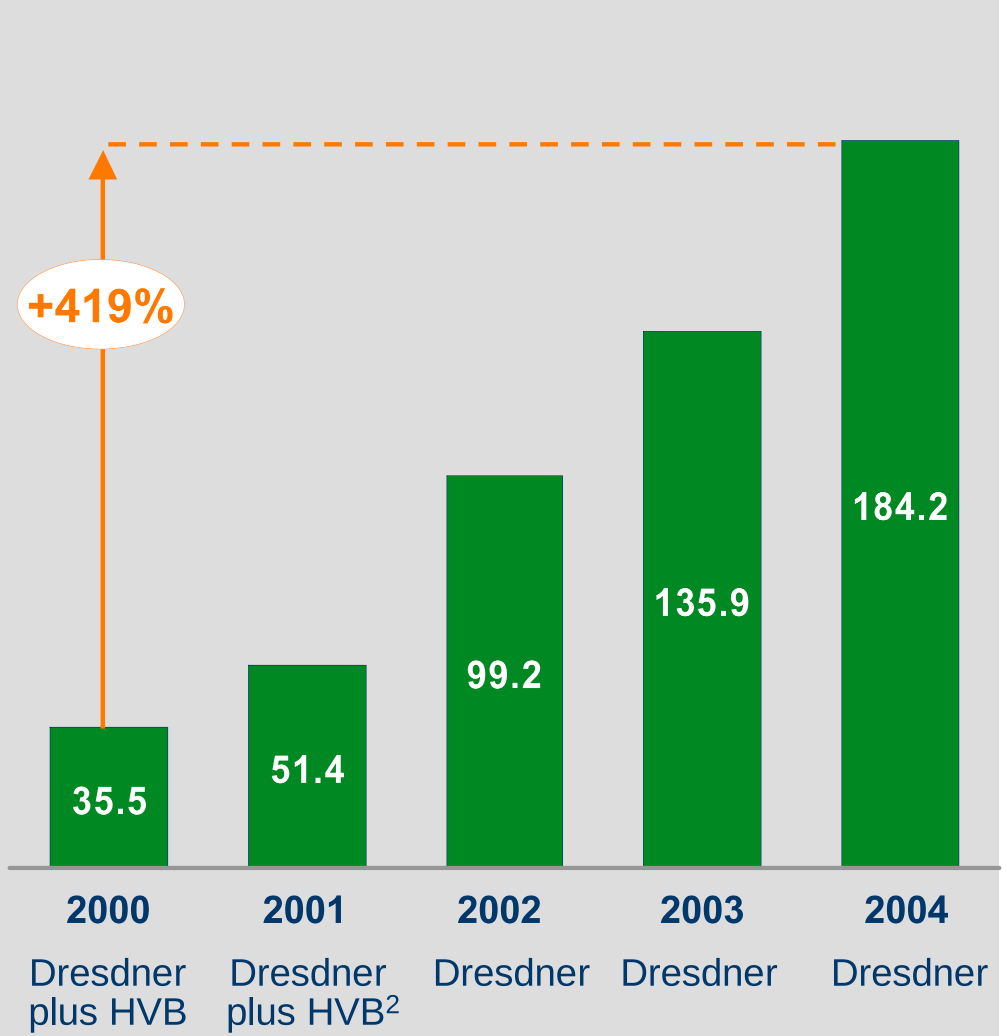
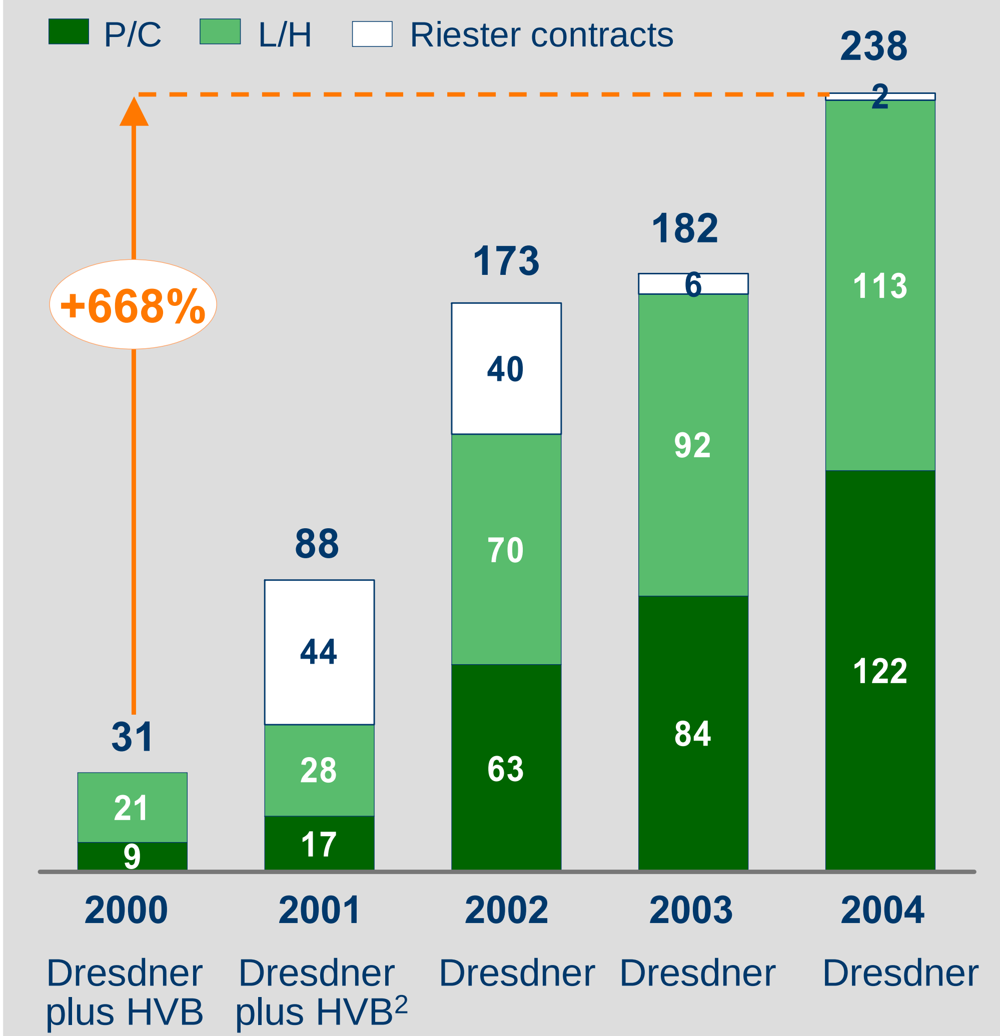
# IFSP: insurance sales via bank branches continue to grow

## New business life plus non-life

### Annual business value (EUR m)[1]




### Number of contracts ('000)




1) Abstract internal valuation figure that makes different lines and insurance products comparable; almost similar to annual premium volume of new business

2) HVB included until end of cooperation in 07/2001

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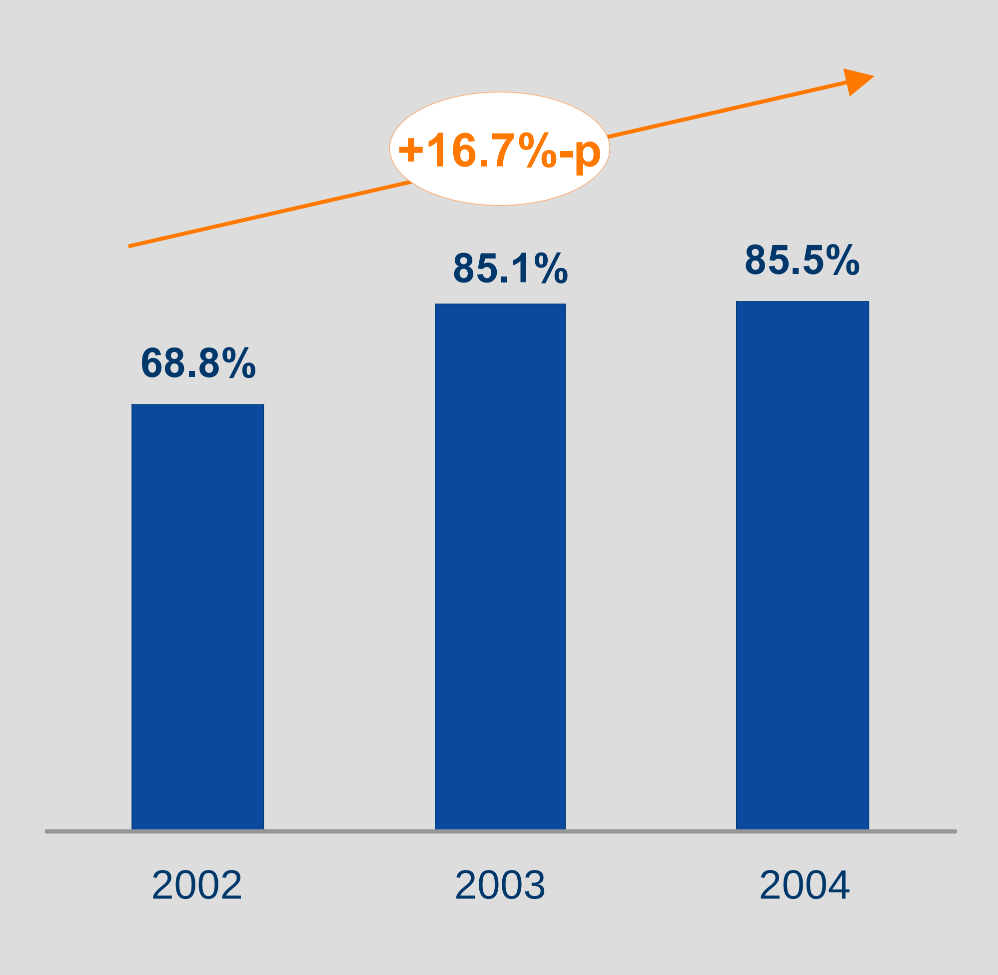
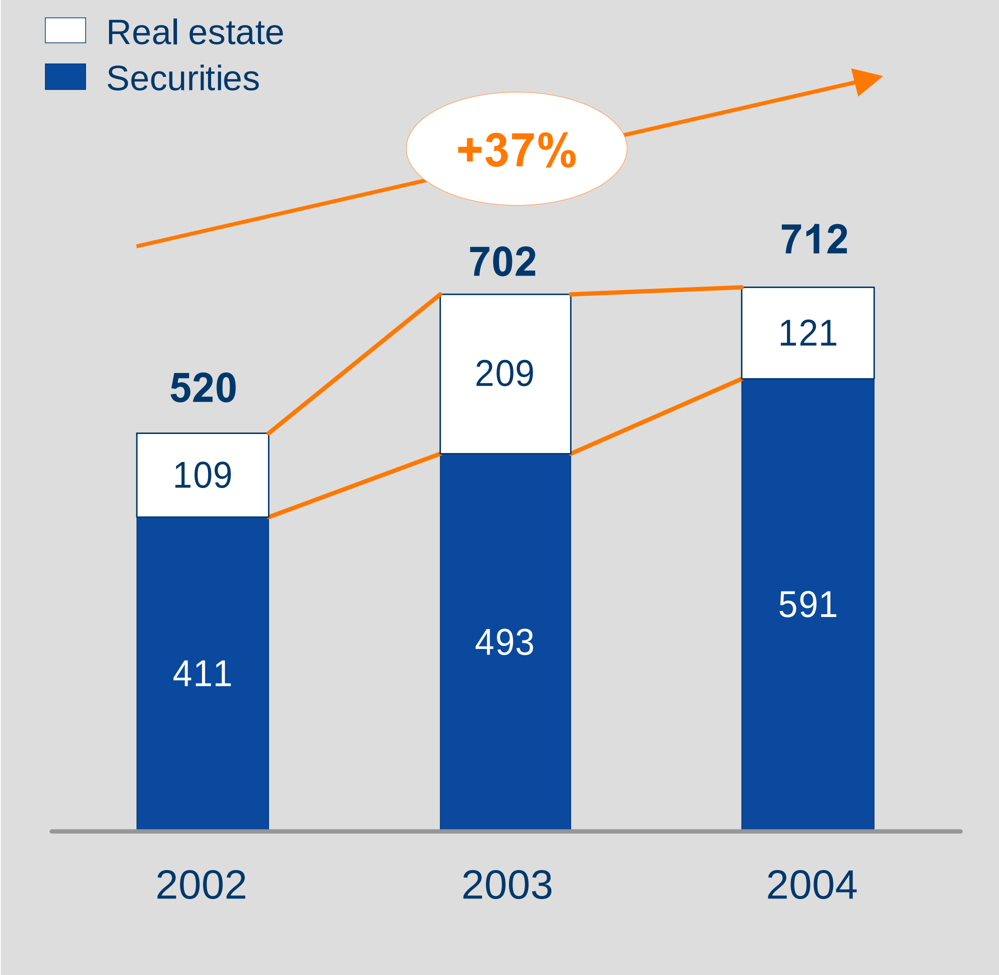
# IFSP: tied agents sustainable channel for mutual fund distribution

## In % of Allianz agents active in mutual fund business[1]




## Net inflows from Allianz distribution (EUR m)




1) > 5,000 EUR of invested funds per agent

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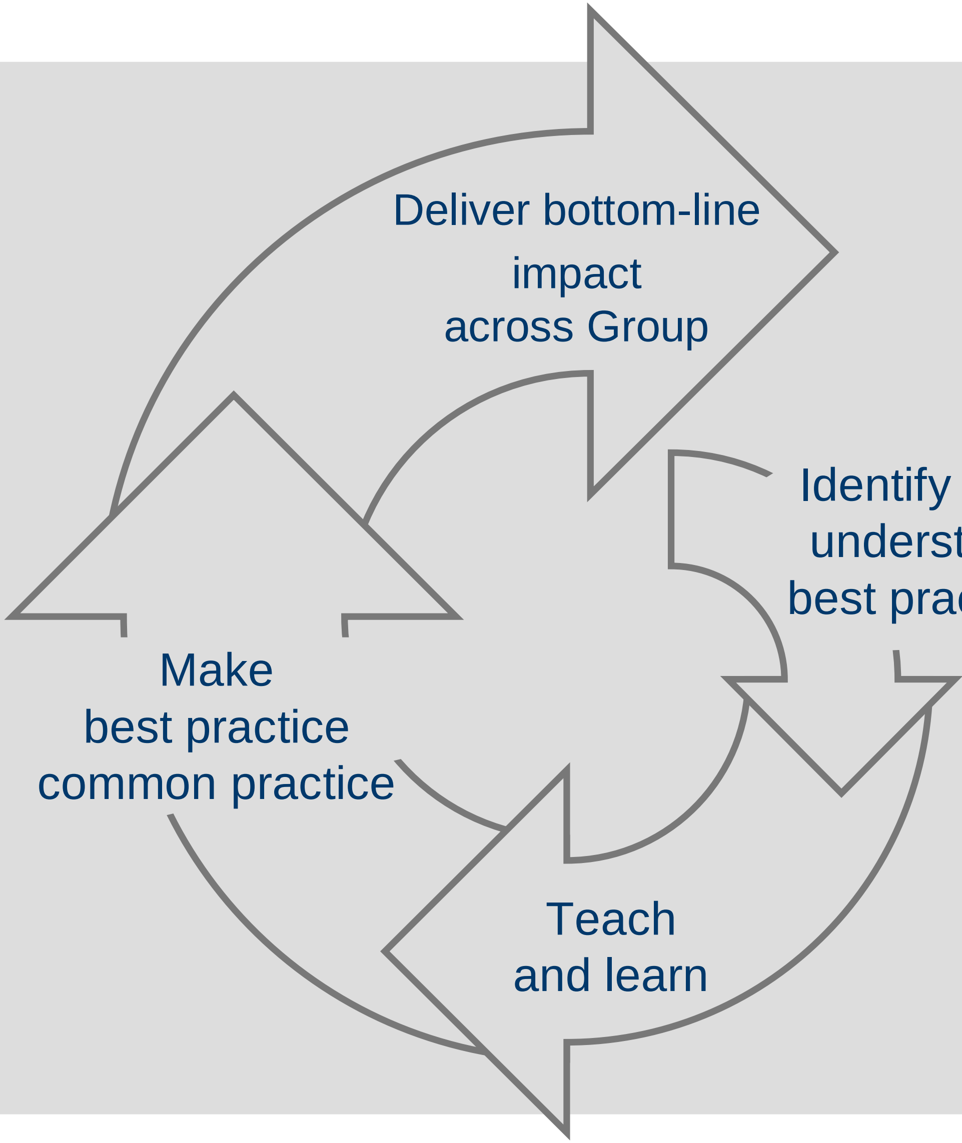
# Sustainability: further enhancement of “3+one”




**Target:**
Sustainable operational excellence and superior operating profitability

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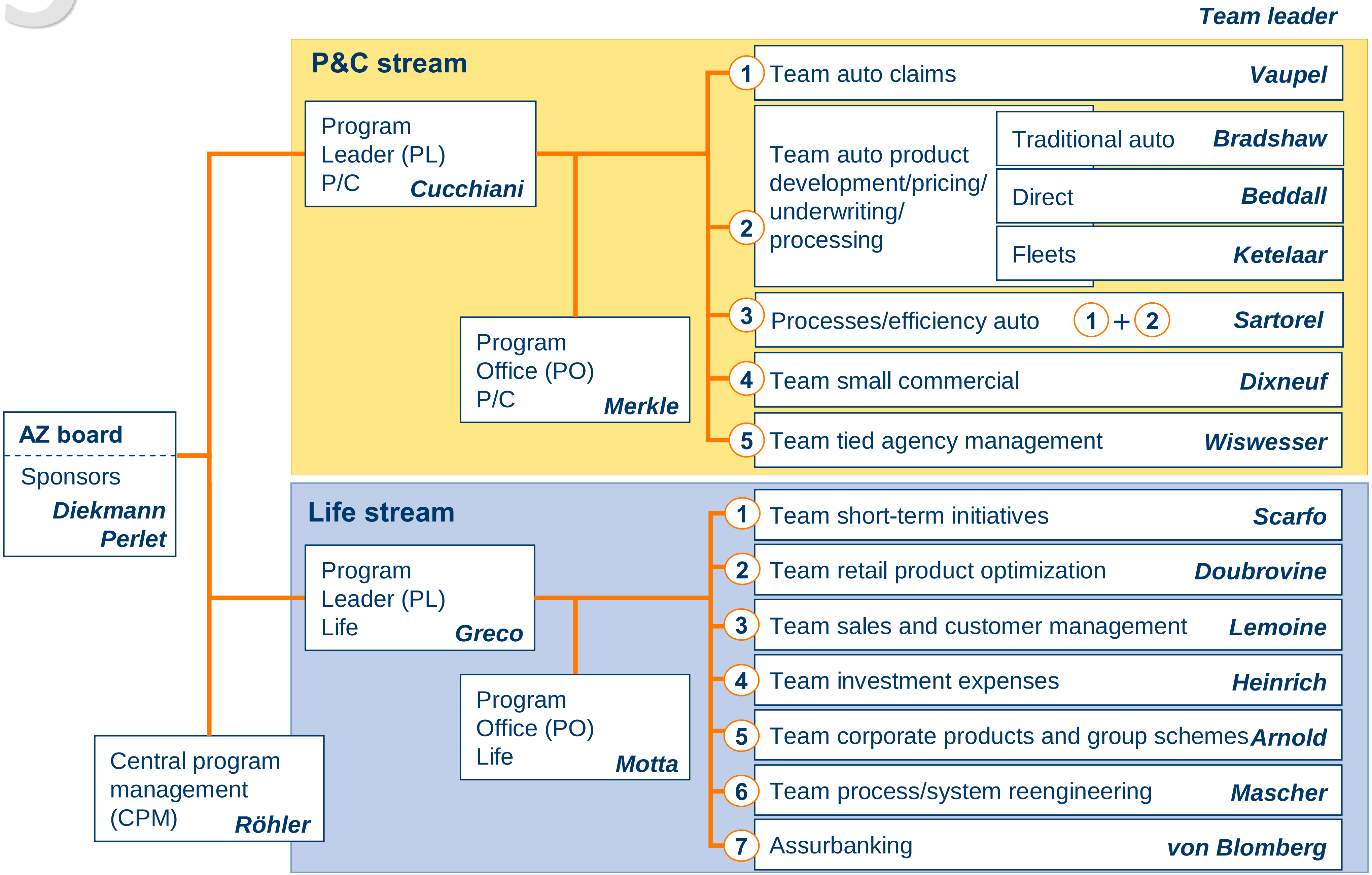
# Sustainability: more than lip service



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# Customer focus: further enhancement of “3+one”

**Target:** Increase customer market share

## Customer focus initiative (CFI)

| | | |
|---|---|---|
| Sustainable competitive advantage | → | Protect customer base |
| High customer loyalty | → | Maximize life-time value |
| Customers referring our products | → | Obtain new customers |

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# Customer Focus: more than lip service

I. Set targets

II. Measure performance

III. Reward delivery

## Examples for key performance indicators

| | |
|---|---|
| **1. Advice and quotation** | ▪ Speed of quotation<br>▪ Call abandonment rate<br>▪ % of offers sent out within customer expected limit<br>▪ Conversion rate |
| **2. Claims management** | ▪ % response on validity of claim within customer expectation (e.g. 2 days)<br>▪ % claims settled within customer expected limit (e.g. 7 days)<br>▪ % of lost calls on claims by agent or call center |
| **3. Policy handling** | ▪ Processing productivity rate<br>▪ Renewal rate<br>▪ Backlog rate<br>▪ % of policies and offers with complaints and/or reiterations<br>▪ Turnaround speed |

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# 3+one Going forward

## Management focus

- Capital allocation / efficiency
- Operational excellence
- Customer focus
- Investment performance
- Risk management

## Growth focus

- Internal growth
- Pension business in Europe and the US
- CEEMA
- Russia, India, China
- Products per customer

## Deliverables for 2005

- **Revenues:**
  growth in line with 2004
- **P/C:**
  combined ratio < 95%[1]
- **L/H:**
  operating profit > EUR 1.5bn
- **Banking:**
  earning 8.85% CoC on ø RAC
- **Asset Management:**
  operating profit 2004 +10%[2]

1) According to current calculation

2) Based on stable F/X rates

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# Today's presentations

| | |
|---|---|
| 1 | Protect and enhance capital base |
| 2 | Substantially strengthen operating profitability |
| 3 | Reduce complexity |
| 3+one | Increase sustainable competitiveness and shareholder value |

**Michael Diekmann**
3+one

**Helmut Perlet**
Group financial results 2004

**Paul Achleitner**
Capital efficiency

**Joachim Faber**
Allianz Global Investors

**Maximilian Zimmerer**
Allianz Leben: new opportunities for profitable growth

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Helmut Perlet - CFO Allianz AG

# Group financial results 2004

**Analysts' Conference**

**March 2005**

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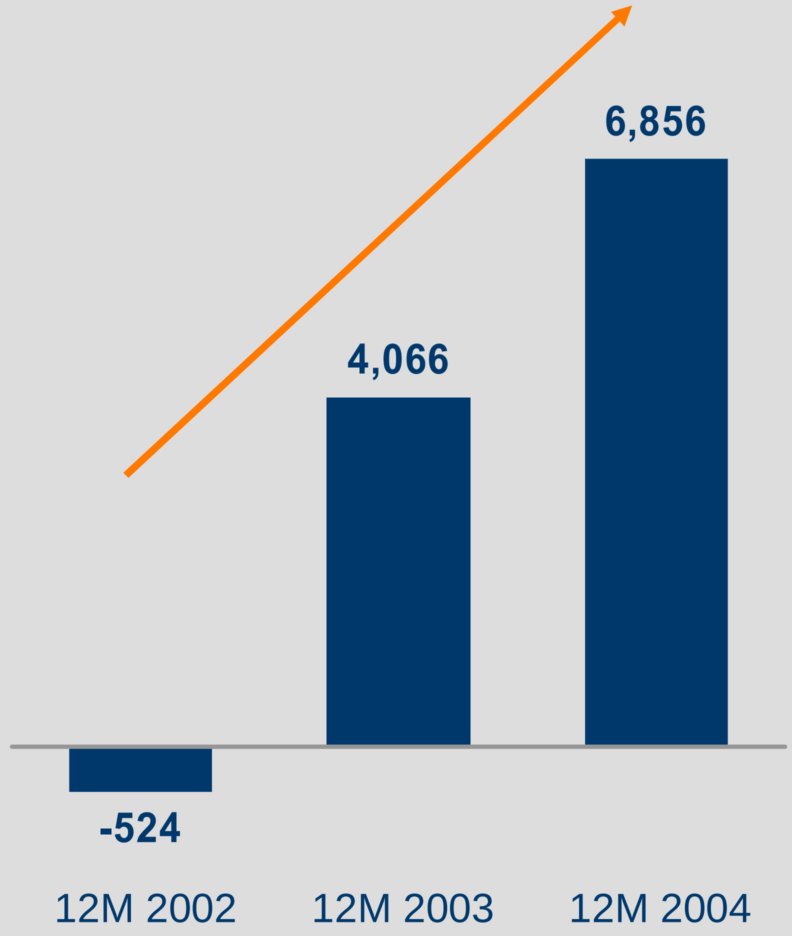
# "3+one": goals 2004 achieved

## Highlights 2004

- **Managed growth:**
  dynamic expansion in L/H and AM, selective growth in P/C, stabilized at Dresdner Bank
- **Operational discipline:**
  reduction of expenses, improvement of underwriting results and lower net loan loss provisions
- **Strengthened earnings power:**
  strong operating profit growth to EUR 6.9bn (+69%) and
  net income improved to EUR 2.2bn (+16%)

## Operating profit evolution




**Operating profit**[1] (EUR m)

1) Operating profit is a measure which we believe highlights the underlying profitability of our operation. For a description on how we measure operating profit and a reconciliation to profit before taxes and minorities, see section "Additional information" (page 44)

# Agenda: where do we stand

## I. Substantially strengthen operating profitability

- **Group**
- P/C
- L/H
- Banking
- Asset Management
- Investment income

## II. Protect and enhance capital base

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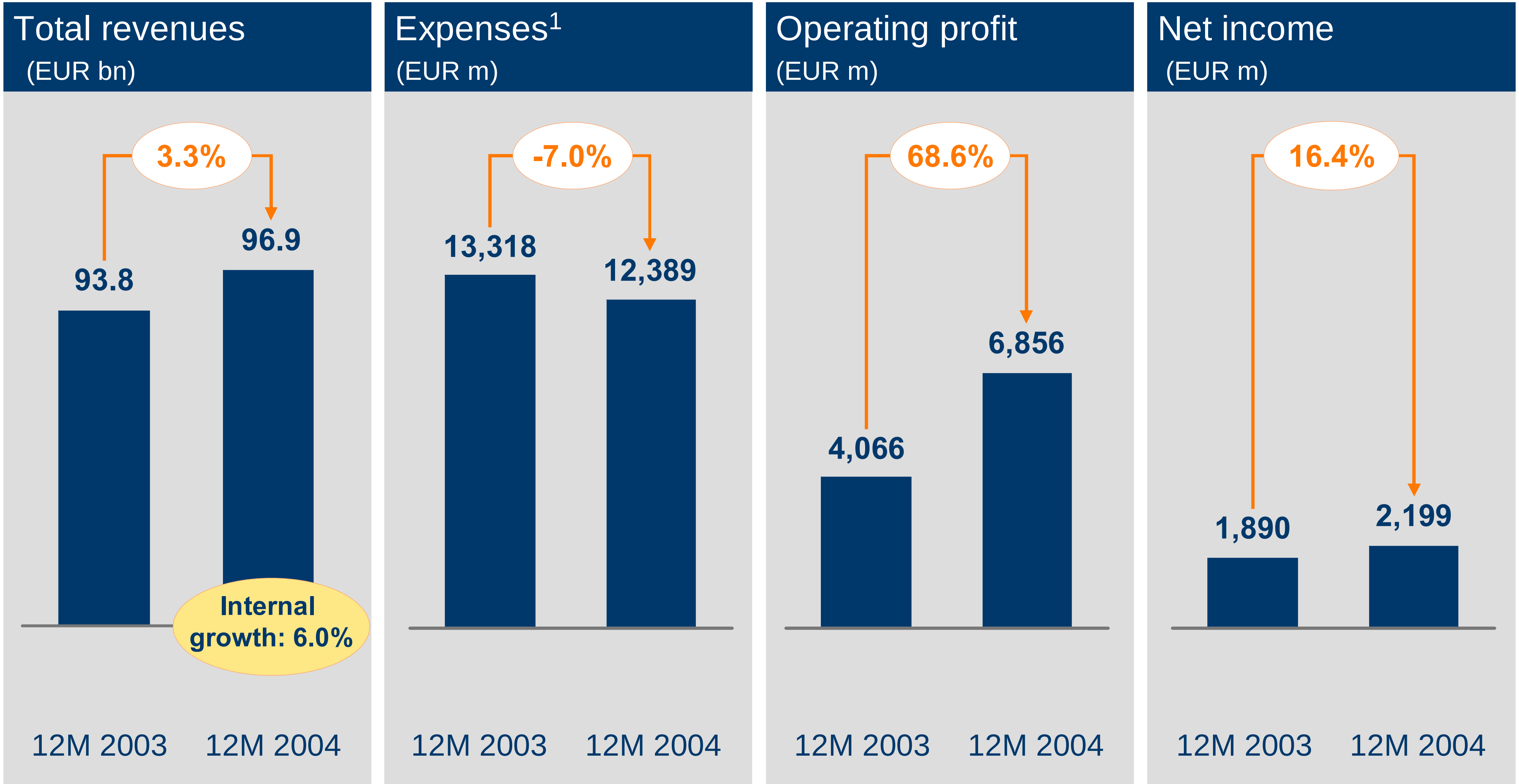
# Key financials: all improved




1) Administrative expenses and expenses for investments

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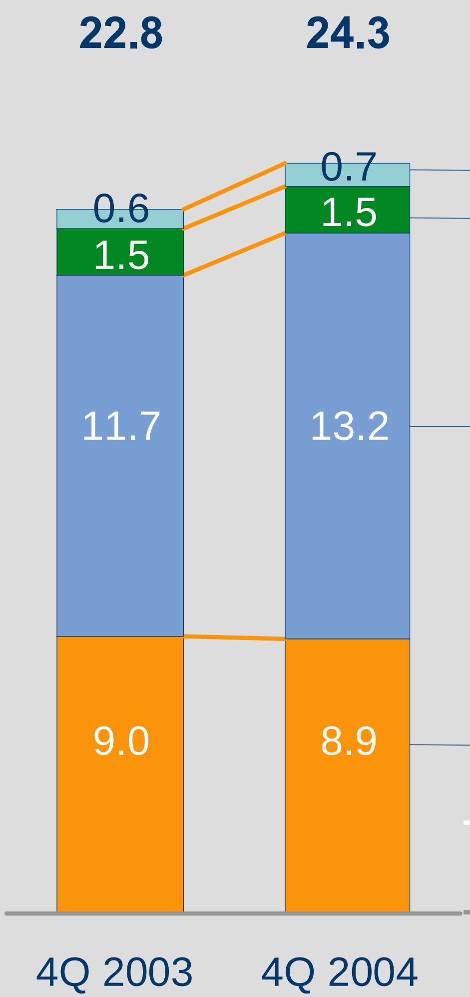
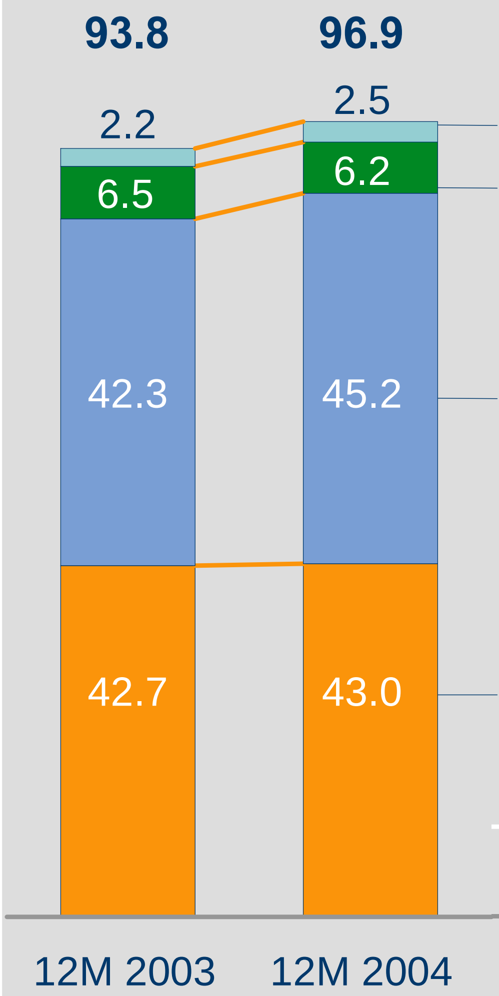
# Revenue development: managed growth

## 4Q total revenues[1] (EUR bn)




| | Total growth (%) | Internal growth[2] (%) |
|---|---|---|
| AM | 18.2 | 33.7 |
| Banking | -1.6 | 4.3 |
| L/H | 12.6 | 15.3 |
| P/C | -1.5 | -0.3 |
| **Total** | **6.2** | **8.9** |

## 12M total revenues[1] (EUR bn)




| | Total growth (%) | Internal growth[2] (%) |
|---|---|---|
| AM | 12.4 | 22.7 |
| Banking | -4.5 | 0.3 |
| L/H | 6.8 | 10.0 |
| P/C | 0.6 | 2.1 |
| **Total** | **3.3** | **6.0** |

1) All figures fully consolidated; revenues comprise gross premiums written in P/C, statutory premiums in L/H and operating revenues in Banking and Asset Management

2) Adjusted for F/X effects and changes in Group consolidation

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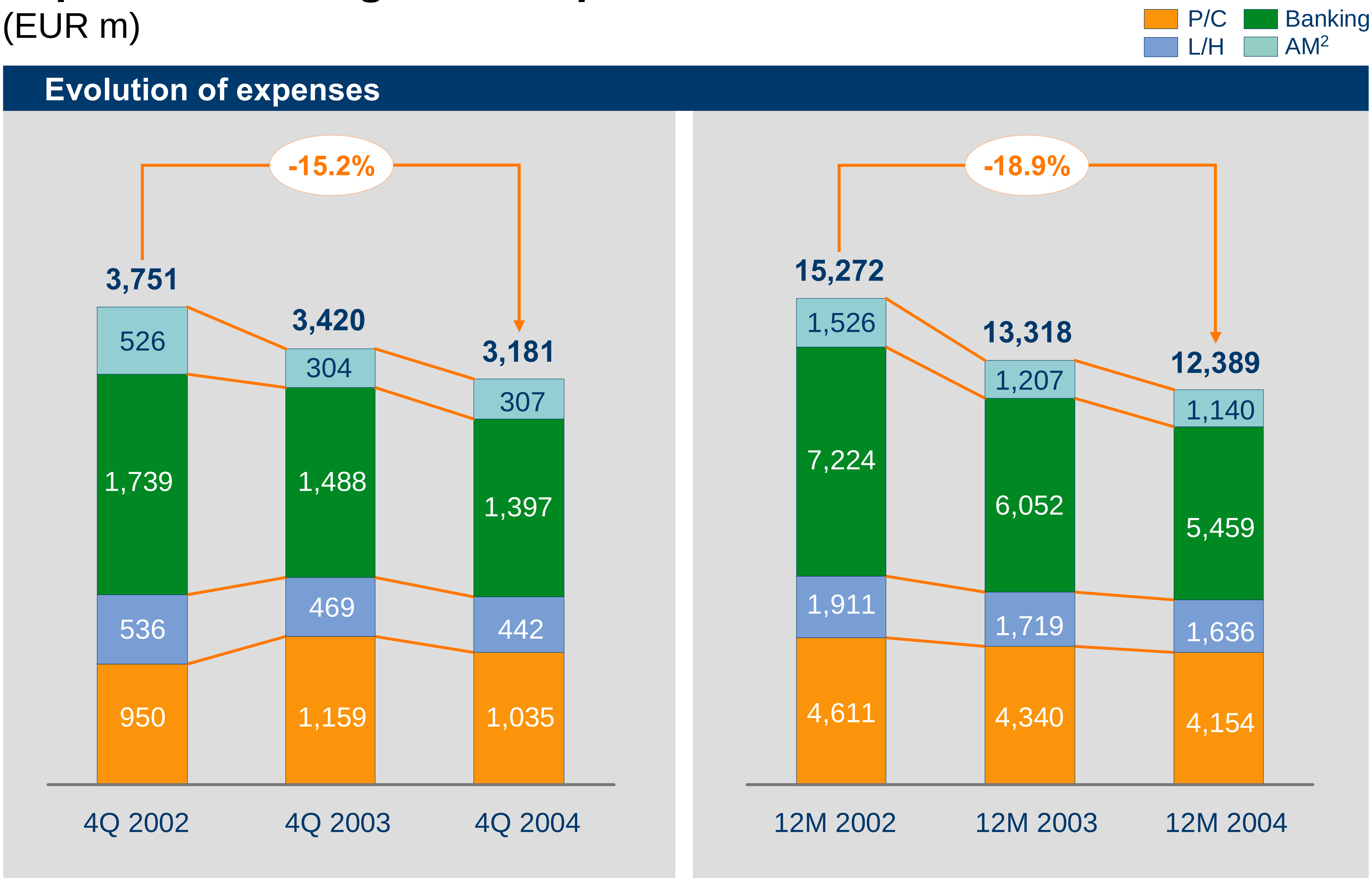
# Expenses[1]: all segments improve

(EUR m)

## Evolution of expenses




1) Administrative expenses and expenses for investments; all figures fully consolidated

2) Excluding acquisition related expenses

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# Operating profit[1]: all segments improve

(EUR m)

| | 4Q 2004 | Δ4Q 04/03 | 12M 2004 | Δ12M 04/03 | Comments 12M 04 |
|---|---|---|---|---|---|
| **P/C** | 1,081 | 528 | 3,979 | 1,542 | Combined ratio down 4.1%-p to 92.9% |
| **L/H** | 370 | -13 | 1,418 | 153 | 12% improvement as operating CIR[2] decreases 0.3% to 95.5% |
| **Banking** | 30 | 277 | 603 | 972 | Cost & risk profile improved |
| **AM** | 278 | 73 | 856 | 123 | CIR significantly lowered by 4.3%-p to 62.9% |
| **Group** | **1,759** | **865** | **6,856** | **2,790** | |

1) Operating profit is a measure which we believe highlights the underlying profitability of our operation. For a description on how we measure operating profit and a reconciliation to profit before taxes and minorities, see section “Additional information” (page 44); segment operating profits; Intra-group dividends received by L/H companies are consolidated

2) Definition “L/H operating CIR” see page 18

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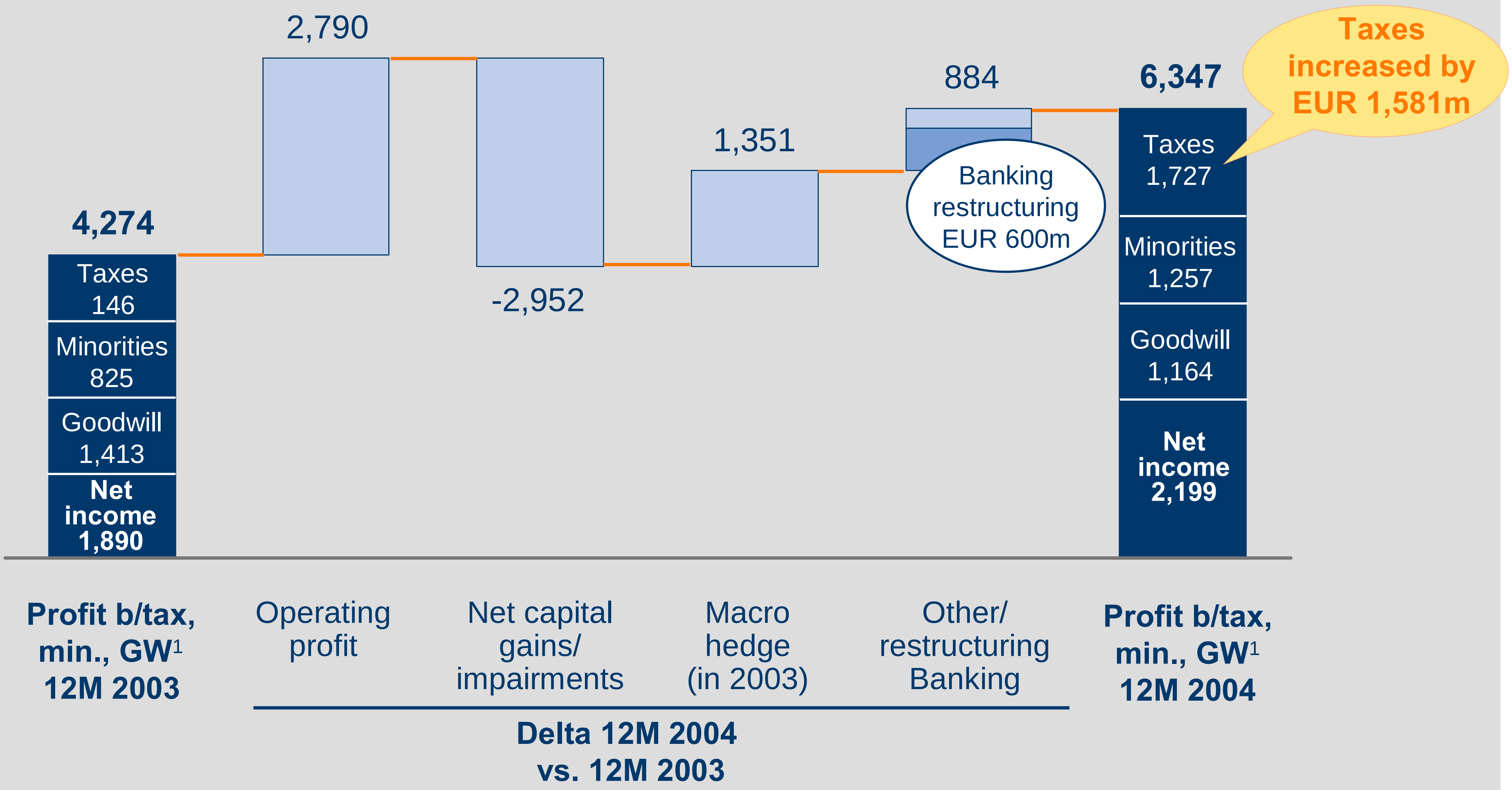
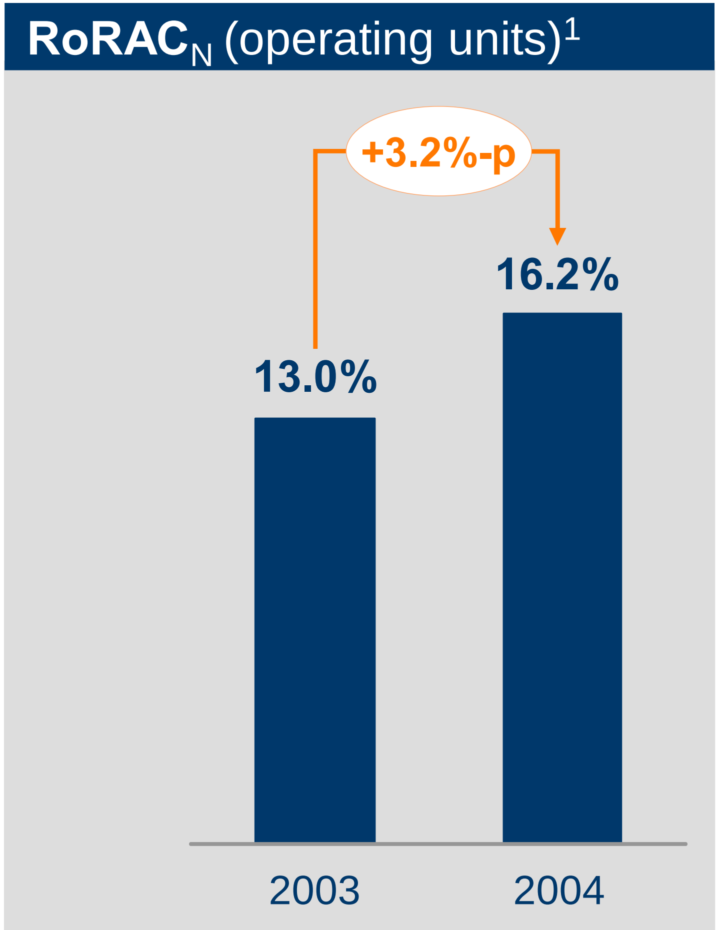
# Better quality of result
(EUR m)

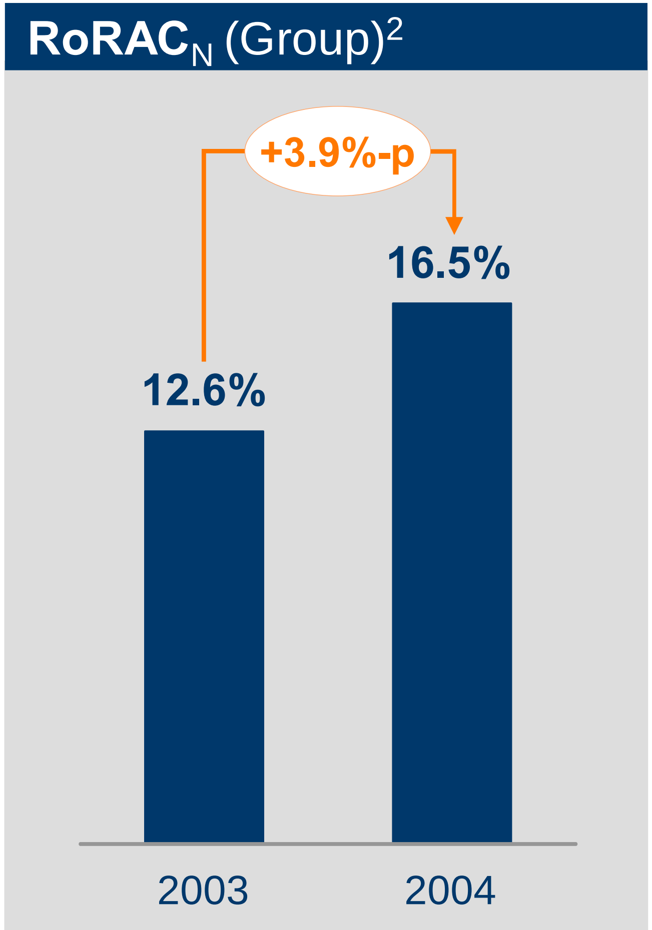
## Evolution of income b/ taxes, minorities and goodwill amortization

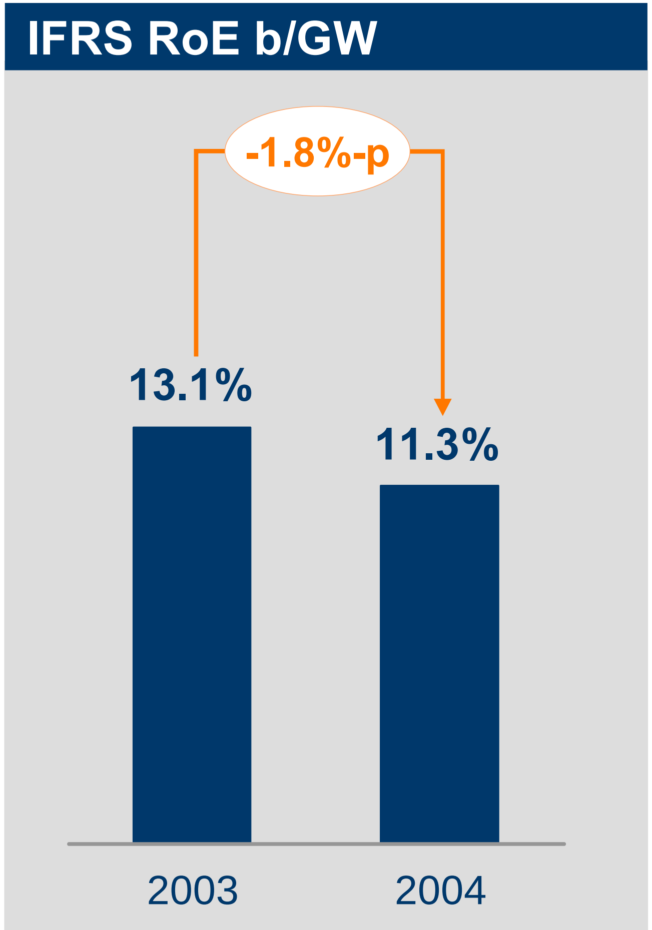



1) Profit before taxes, minorities and goodwill amortization

# We achieved our goals...




| | RoRAC$_N$ (operating units) 2003 | RoRAC$_N$ (operating units) 2004 | RoRAC$_N$ (Group) 2003 | RoRAC$_N$ (Group) 2004 | IFRS RoE b/GW 2003 | IFRS RoE b/GW 2004 |
|---|---|---|---|---|---|---|
| ∅ **Capital** (EUR bn) | **36.3** | **34.4** | **32.6** | **31.2** | **25.1** | **29.7** |

1) RoRAC$_N$ of operating units is before effects of risk-adjusted capital (RAC) diversification and cost/revenues at Holding level

2) Normalized return on RAC (Group) = (Normalized profit after tax (NOPAT), after minorities, after corporate effects) / (RAC, after Group diversification). RAC is determined in a stochastic process (internal process). Numbers for 2003 are approximated

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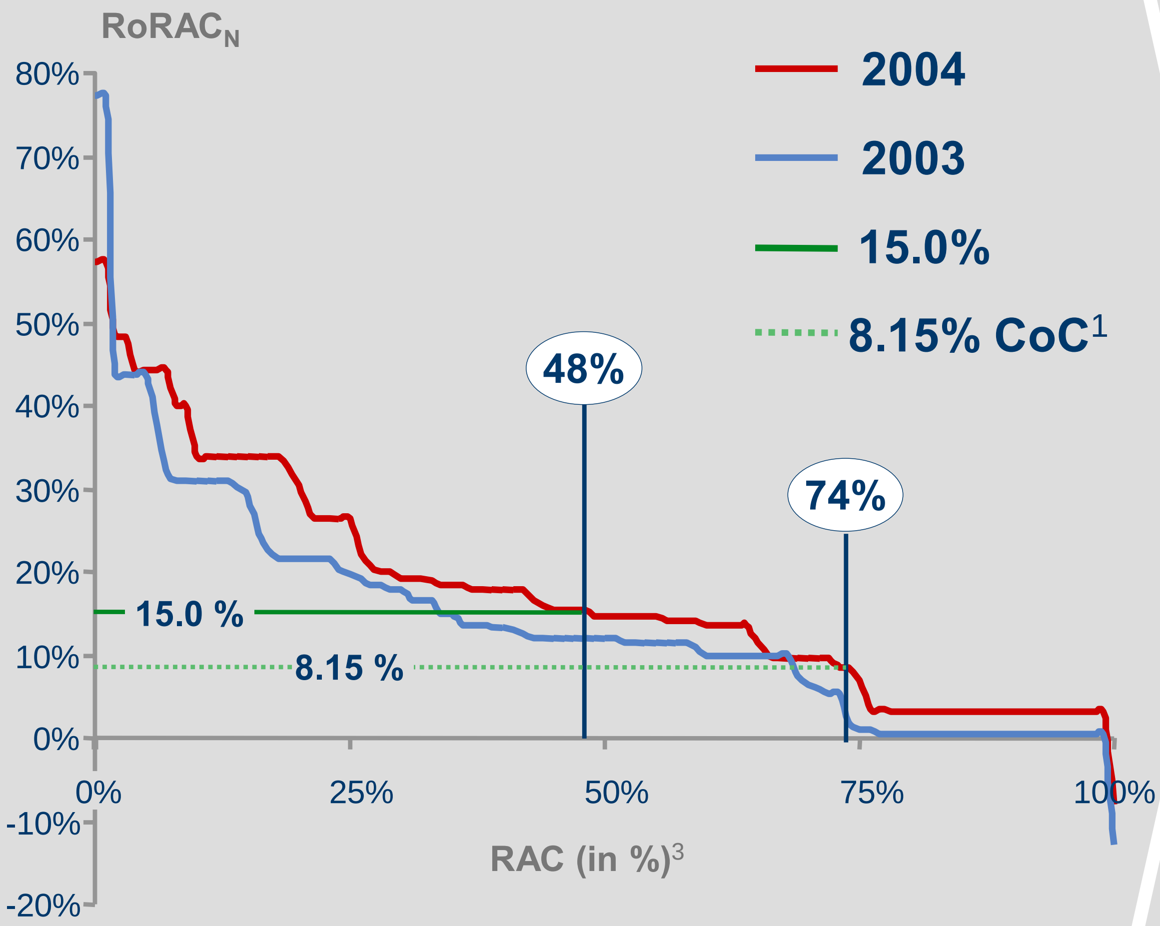
# ...but for numerous companies, 15% $RoRAC_N$ still remains a goal to achieve[1]

## $RAC$ and $RoRAC_N$[2]




- Clear progress against 2003
- 74% of RAC earn cost of capital
- 48% of RAC exceed 15% $RoRAC_N$ target
- However, profitability for half of our invested capital still has to improve

1) CoC = Cost of capital. For insurance segments and Asset Management CoC amount to 8.15% in Europe and US, banking segment 8.85%
2) $RoRAC_N$= NOPAT / RAC, all measures before minorities
3) Prior years values (2003) are not based on RAC, but on assigned capital according to S&P model

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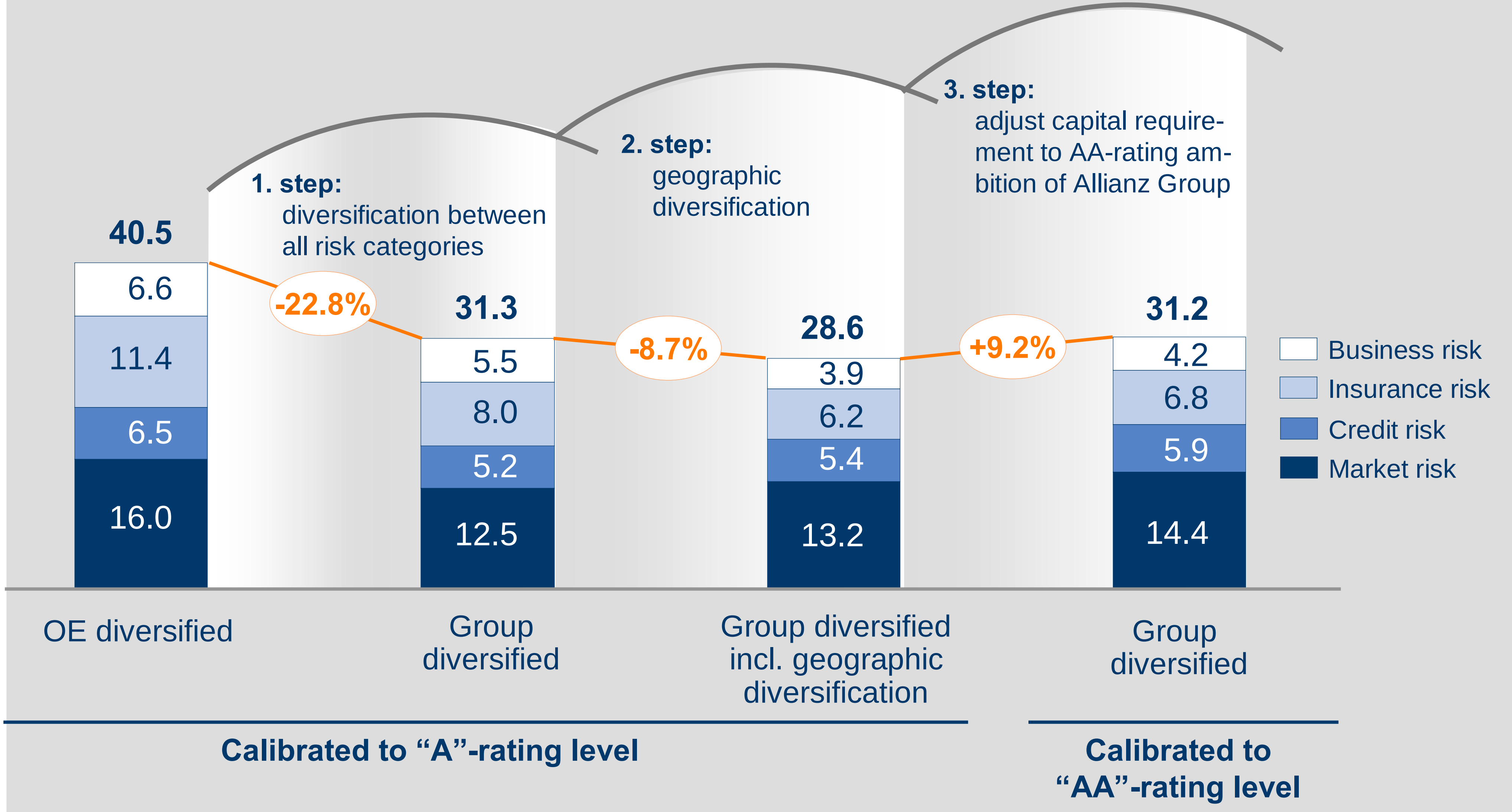
# Diversified business mix improves capital efficiency

(EUR bn, average risk capital)

**Steps of diversification** (2004, a/ minorities)



# Agenda: where do we stand

**I. Substantially strengthen operating profitability**

- Group
- **P/C**
- L/H
- Banking
- Asset Management
- Investment income

**II. Protect and enhance capital base**

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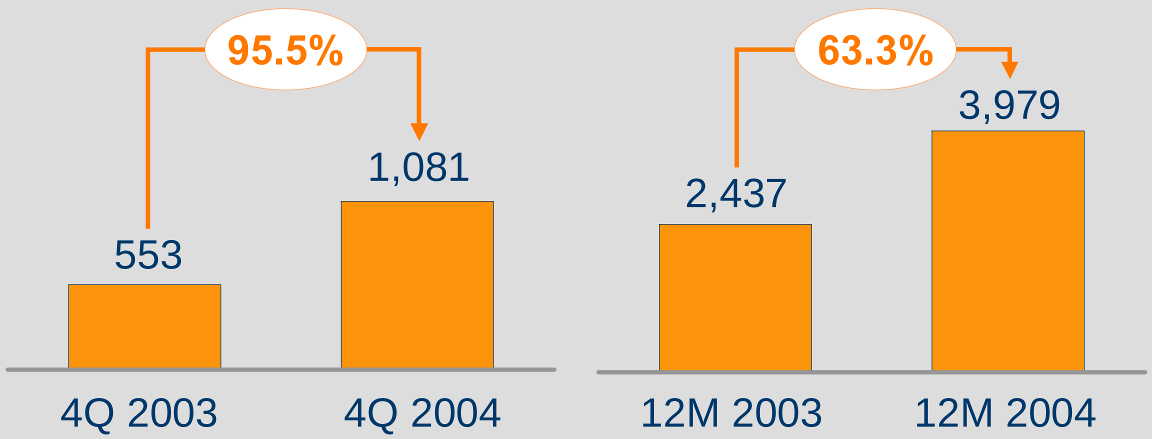
# P/C overview: focus on underwriting profitability pays off
(EUR m)

## Drivers

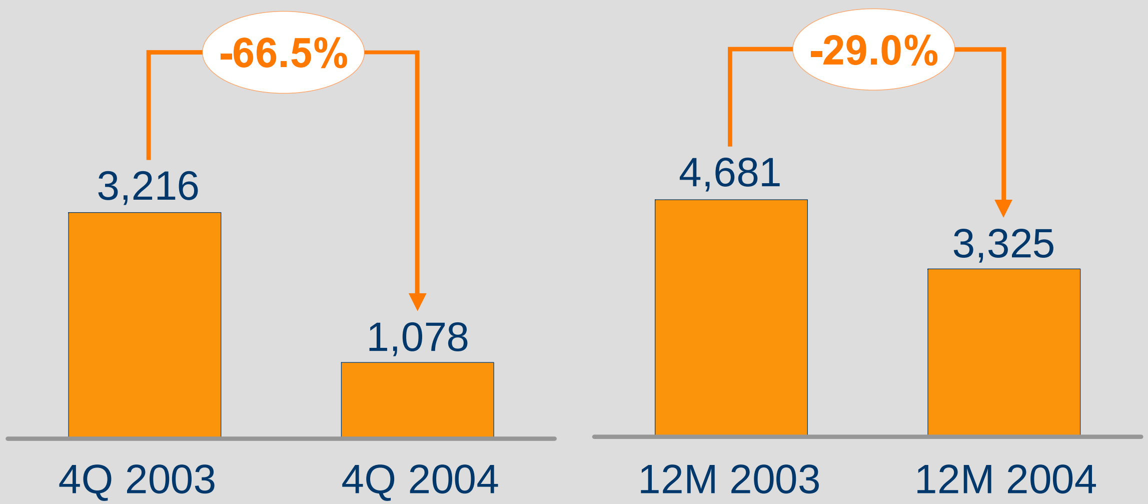
- Strong combined ratio of 92.9% (12M 03: 97.0%) reflects:
  - selective growth in profitable markets or segments
  - strict underwriting guidelines encouraging adequate risk-adjusted pricing

- Net income 2004: besides improved operating result (EUR +1.5bn) decrease against previous year was driven by non-operating effects in 2003:
  - net capital gains/impairments (EUR -3.9bn)
  - macro hedge 2003 (EUR +1.4bn)
  - intra-group dividends (EUR +1.5bn)
  - tax/minorities impact (EUR -1.6bn)

## Operating profit




## Net income



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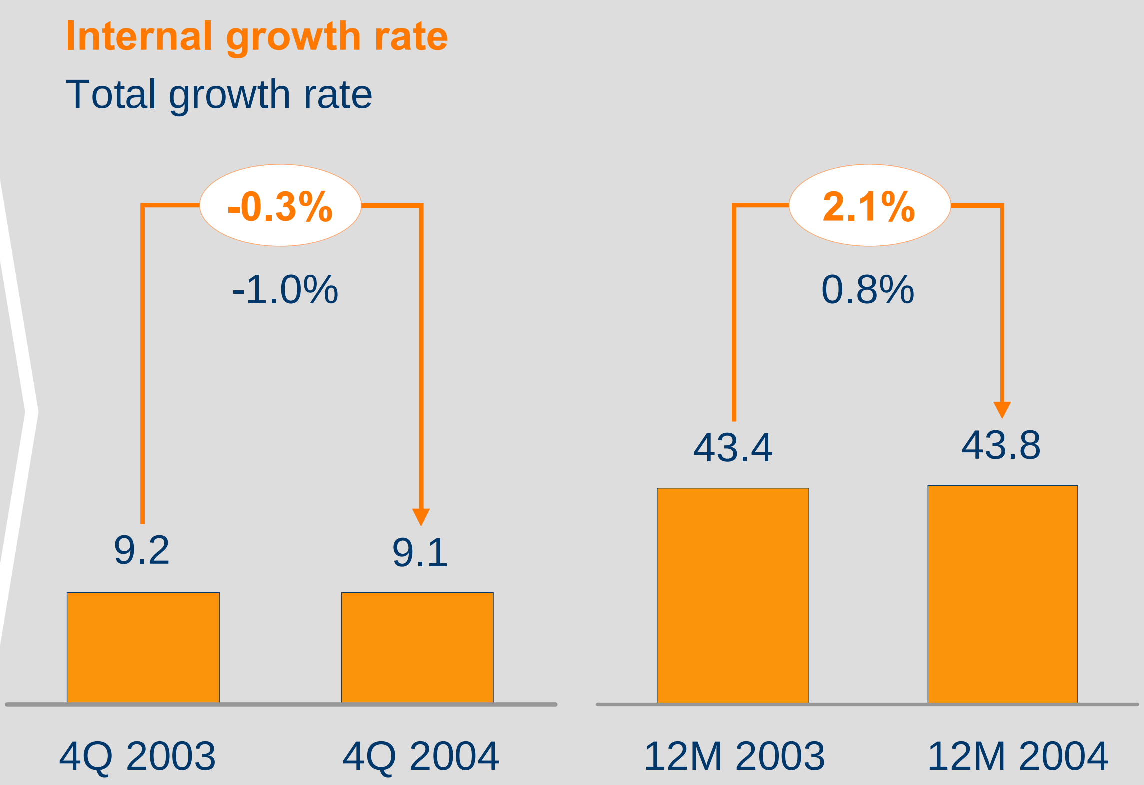
# P/C: strict underwriting policy...

## GPW drivers

**Focus on profitability has varying implications in different markets[1]:**

- Growth in both price and volume (e.g. Spain +4.9%, Switzerland[2] +3.3%, Australia +3.2%)
- Price increases over-compensate decrease in volume (e.g. Germany[3] +0.5%, Austria +2.2%, Italy +3.0%)
- Strict underwriting policy requires concessions to volume (e.g. France -1.6%)
- Cycle management (e.g. Cornhill (UK) +1.4%, AGR US -11.5%)

## Gross premiums written (EUR bn)




1) All growth figures refer to internal growth, adjusted for F/X and consolidation effects
2) Excluding Allianz Risk Transfer (ART)
3) SGD (German P/C Group)

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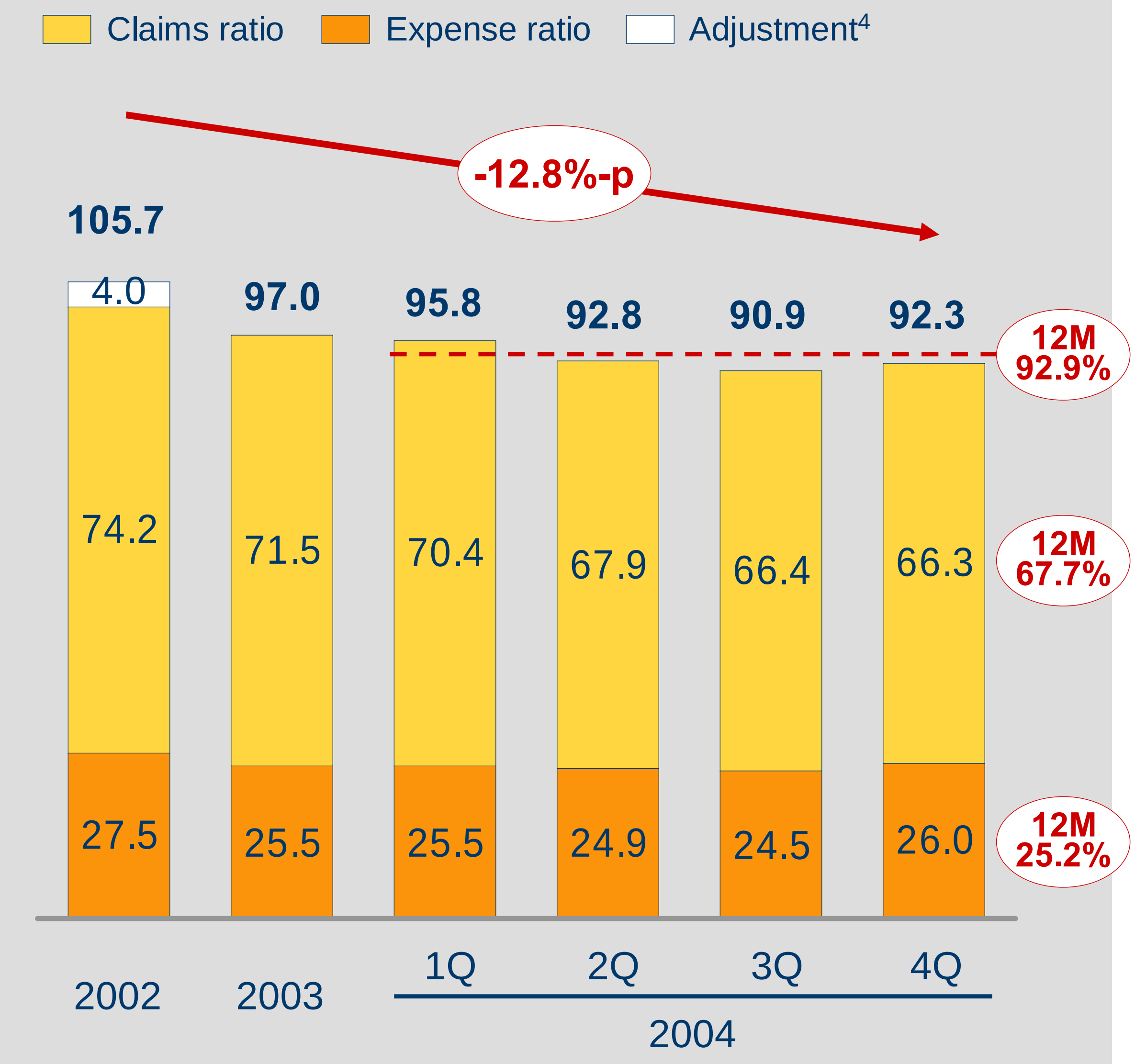
# P/C: ...leads to strongly improved combined ratio
(in %)

| Combined ratio | 12M 03 | 12M 04 |
|---|---|---|
| SGD (German P/C Group) | 93.0 | 88.2 |
| Allianz AG[1] | 100.2 | 87.1 |
| AGF[2] | 102.8 | 98.5 |
| RAS Group Italy | 97.0 | 95.7 |
| Lloyd Adriatico | 84.8 | 75.9 |
| Allianz Cornhill | 95.6 | 92.3 |
| Allianz Spain | 95.5 | 91.0 |
| Allianz Suisse ex. ART | 99.0 | 96.7 |
| Allianz Austria | 98.6 | 96.5 |
| Allianz Australia | 95.6 | 97.1 |
| Credit Insurance | 82.0 | 69.0 |
| Allianz Global Risks[3] | 93.8 | 92.9 |
| Fireman's Fund | 99.4 | 95.5 |

## Combined ratio




1) Excluding L/H reinsurance and head office costs
2) Non-Life excluding health business
3) AGR virtual business unit (incl. industrial business not ceded to AGR Re)
4) Impact of Central European floods and A+E reserve strengthening

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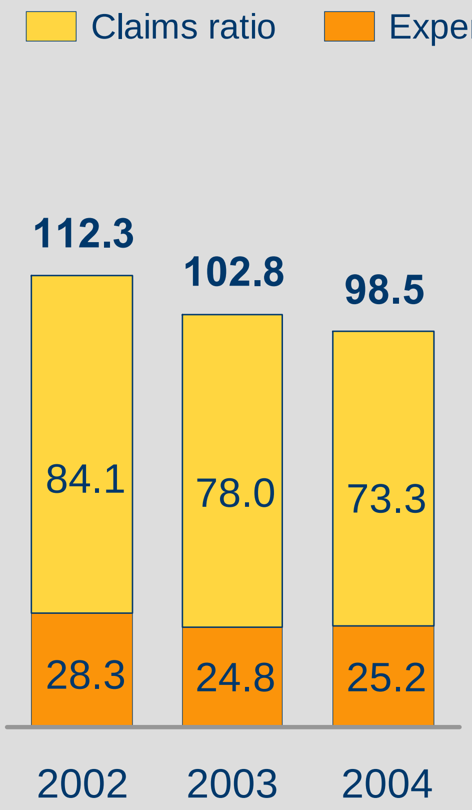
# AGF: target achieved

## Evolution of combined ratio (in %)




| | |
|---|---|
| 1Q/2003: | 105.4 |
| 2Q/2003: | 102.8 |
| 3Q/2003: | 102.3 |
| 4Q/2003: | 100.8 |
| 1Q/2004: | 100.6 |
| 2Q/2004: | 98.1 |
| 3Q/2004: | 98.5 |
| 4Q/2004: | 96.9 |

**Target 2004:**
**Combined ratio <100%**

## Outlook

- Sustained technical profitability
- Stabilization of motor portfolio
- Strengthening of customer focus
- Increase agents' sales efficiency through cross-selling
- Continued streamlining of administrative processes
- Optimization of claims handling

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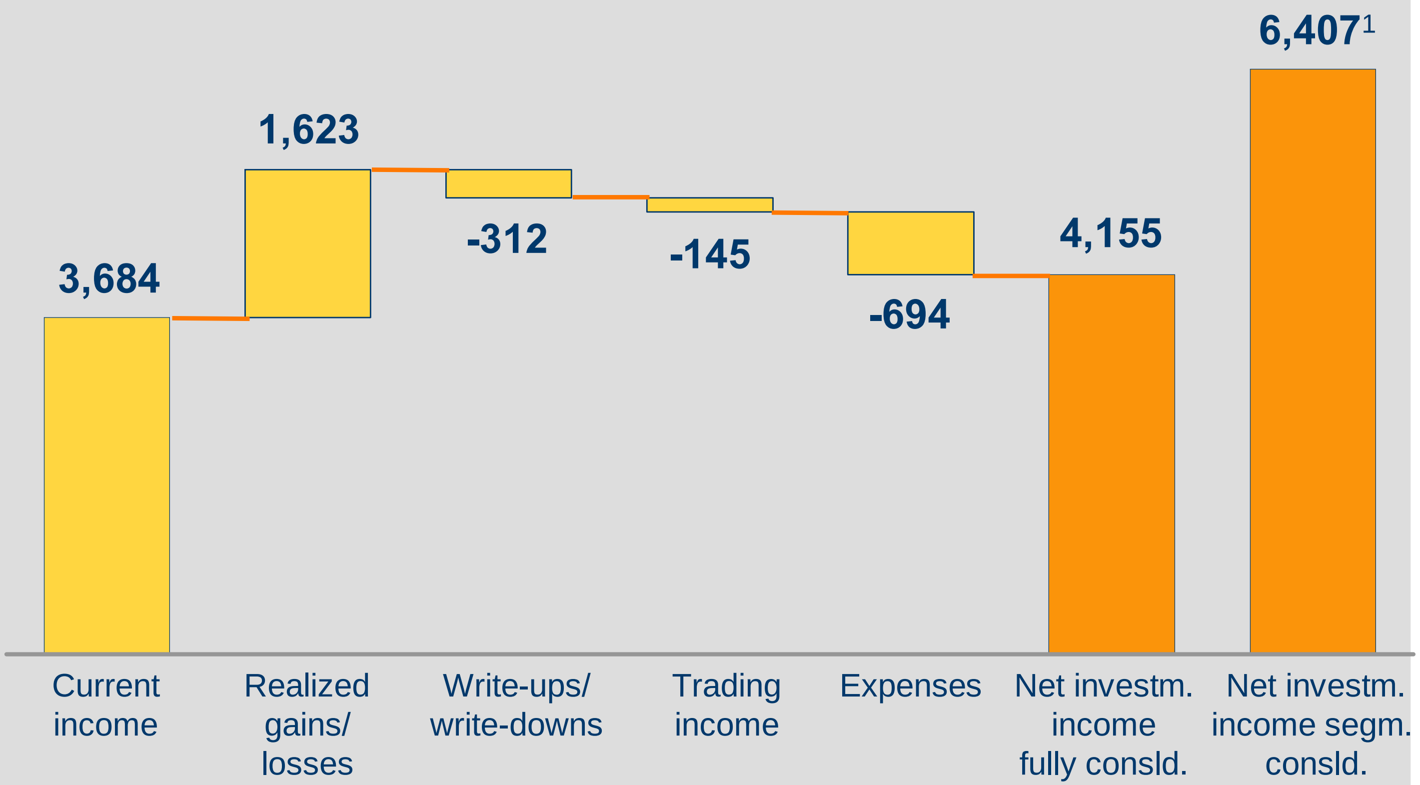
# P/C: significantly reduced net capital gains

(EUR m)




| | Current income | Realized gains/ losses | Write-ups/ write-downs | Trading income | Expenses | Net investm. income fully consld. | Net investm. income segm. consld. |
|---|---|---|---|---|---|---|---|
| 12M 2004 | 3,684 | 1,623 | -312 | -145 | -694 | 4,155 | 6,407 |
| 12M 2003 | 3,634 | 5,933 | -1,311 | -1,385 | -885 | 5,985 | 6,715 |
| **Change** | **50** | **-4,310** | **999** | **1,240** | **191** | **-1,830** | **-309** |

## Inv. result drivers

- Current yield[2]:
  - F/I: 4.2% (-0.3%-p)
  - Equity: 3.0% (+0.5%-p)
- Harvesting rate[2,3] 6.3% on equity portfolio value (12M 03: 19.6%)

1) Reconciliation to fully consolidated net investment income: intra-group dividends EUR 1.9bn, intra-group gains/losses EUR 0.1bn, intra-group interests EUR 0.3bn

2) 12M 2004 (vs. 12M 2003)

3) Definition harvesting rate: (realized gains + write-ups - realized losses - write-downs - premium refund of sale of Messer Griesheim) ÷ average investments at book values (excl. trading)

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# Agenda: where do we stand

**I. Substantially strengthen operating profitability**

- Group
- P/C
- **L/H**
- Banking
- Asset Management
- Investment income

**II. Protect and enhance capital base**

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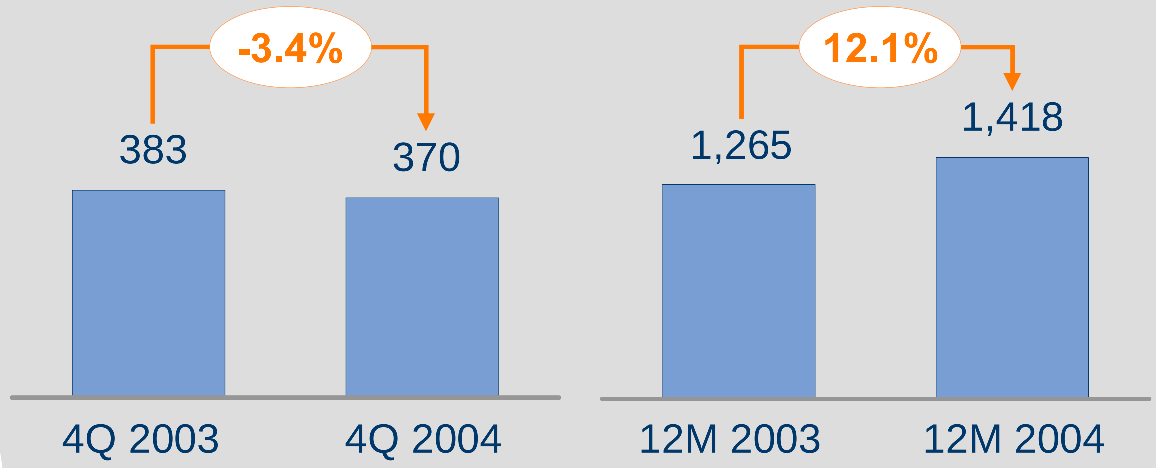
# L/H overview: ongoing profitable growth
(EUR m)

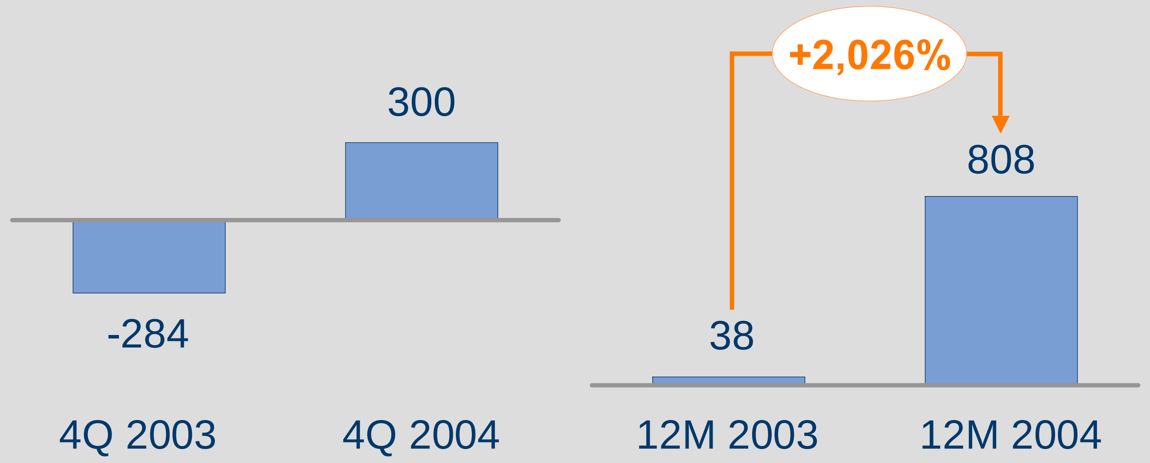
## Drivers

- Operating CIR[1] improved by 0.3%-p to 95.5%, driven especially by:
  - increased asset base
  - pricing of new business
  - efficiency gains
  - reduction of policyholder bonus
- Net income 2003 contained EUR 224m goodwill impairment for Korea
- Korea 2004: net loss of EUR 38m in 2004. Turnaround ongoing

## Operating profit




## Net income




1) Definition: Operating CIR (simplified, details see glossary): (benefits + expenses) ÷ (net premiums earned + current investment income)

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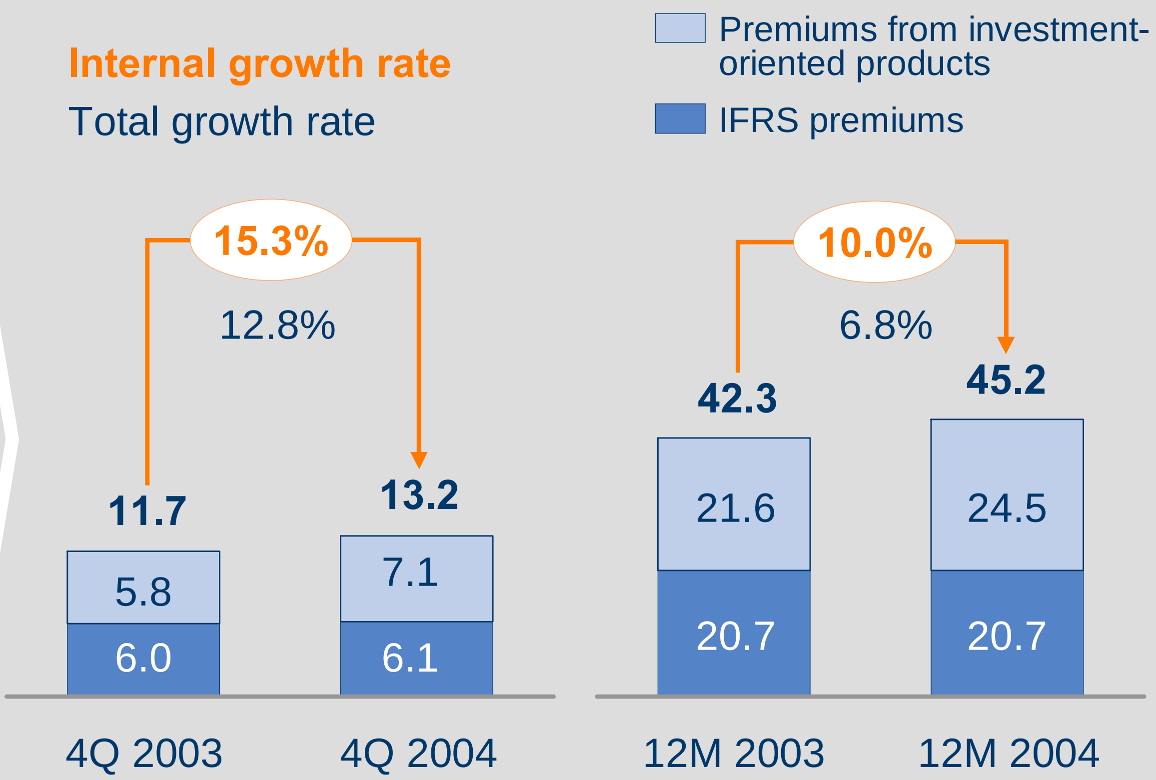
# L/H: double digit growth

## Statutory premium drivers[1]

- AZ Life: profitable growth of 43%. Market leader in equity-indexed products
- "Last-call" effect in Germany: 4Q 04 new business[2] +54% (12M 04: new business +23%)
- Sound growth in most core markets (e.g. France +6.3%, Spain +10.7%)
- Partially compensated by Italy -5.0% (record bancassurance market in 2003 did not continue in 2004)

## Statutory premiums (EUR bn)




1) All growth figures refer to internal growth, adjusted for F/X and consolidation effects 2) Measure: number of new policies (risks) sold

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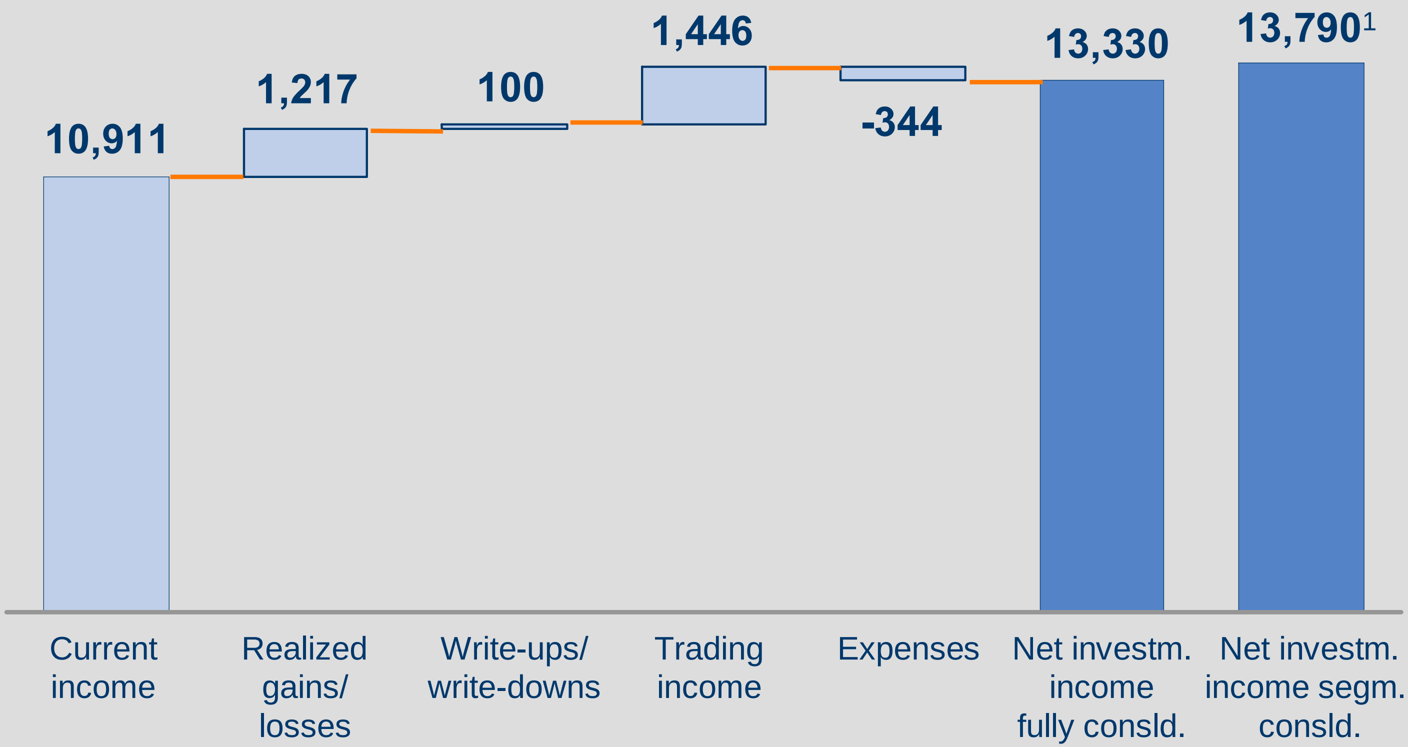
# L/H: investment income strengthened

## Before policyholder participation (EUR m)




| | Current income | Realized gains/ losses | Write-ups/ write-downs | Trading income | Expenses | Net investm. income fully consld. | Net investm. income segm. consld. |
|---|---|---|---|---|---|---|---|
| 12M 2004 | 10,911 | 1,217 | 100 | 1,446[4] | -344 | 13,330 | 13,790 |
| 12M 2003 | 10,843 | -200 | -1,065 | 112 | -390 | 9,300 | 10,141 |
| **Change** | **68** | **1,417** | **1,165** | **1,334** | **46** | **4,030** | **3,649** |

## Inv. result drivers

- Current yield[2]:
  - F/I: 4.8% (-0.3%-p)
  - Equity: 2.9% (-0.2%-p)
- Harvesting rate[2,3] 3.7% on equity portfolio value (12M 03: -7.4%)

1) Reconciliation to fully consolidated net investment income: intra-group dividends EUR 0.2bn, intra-group interests EUR 0.3bn 2) 12M 2004 (vs. 12M 2003)
3) Definition „harvesting rate“: (realized gains + write-ups - realized losses - write-downs) ÷ average investments at book values (excluding trading)
4) Accounting change leads to reclassification of unit-linked investments from separate account assets to trading assets (EUR 1.3bn)

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# Agenda: where do we stand

I. **Substantially strengthen operating profitability**

- Group
- P/C
- L/H
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- Asset management
- Investment income

II. **Protect and enhance capital base**

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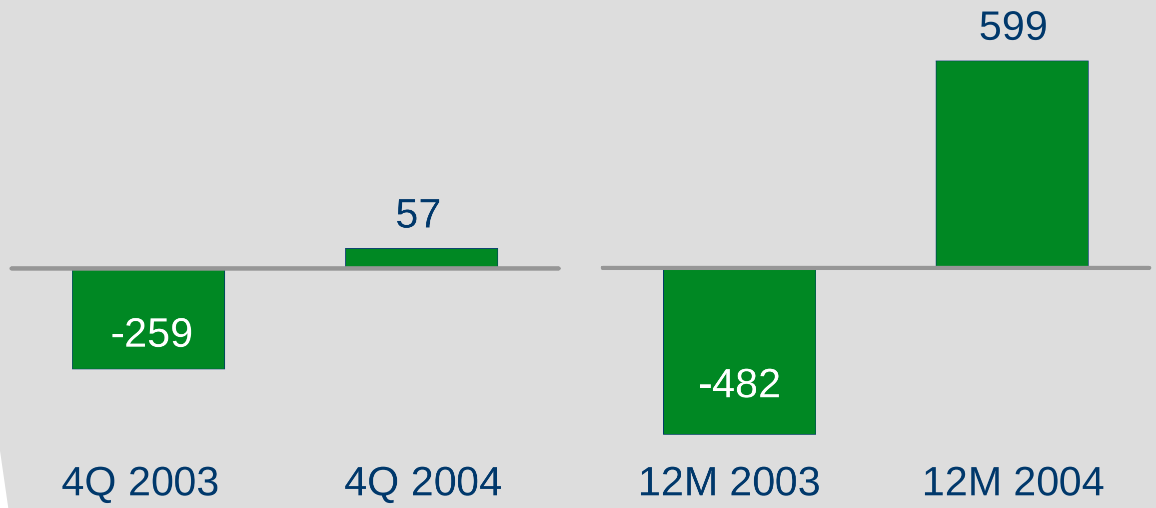
# Dresdner Bank[1] overview: back on track

(EUR m)

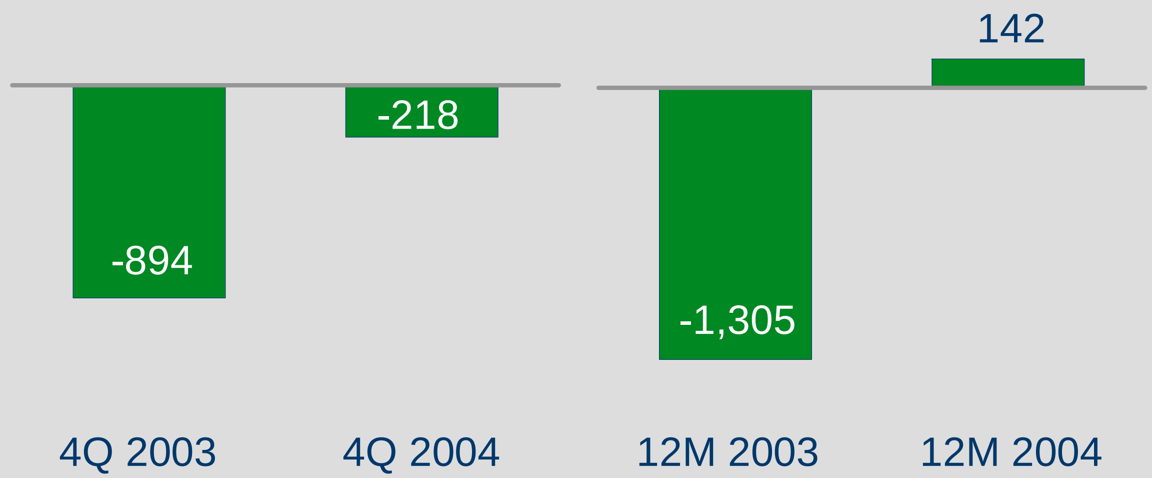
## Drivers

- Operating profit improved by EUR 1.1bn to EUR 0.6bn
- Net income **after** restructuring costs EUR 142m; target over-achieved
- Net loss in 4Q 04 due to accelerated exit of non-strategic business and additional restructuring provisions

## Operating profit (loss)




## Net income




1) Dresdner Bank contribution to Allianz' Banking segment

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# Dresdner Bank[1]: revenues stabilized

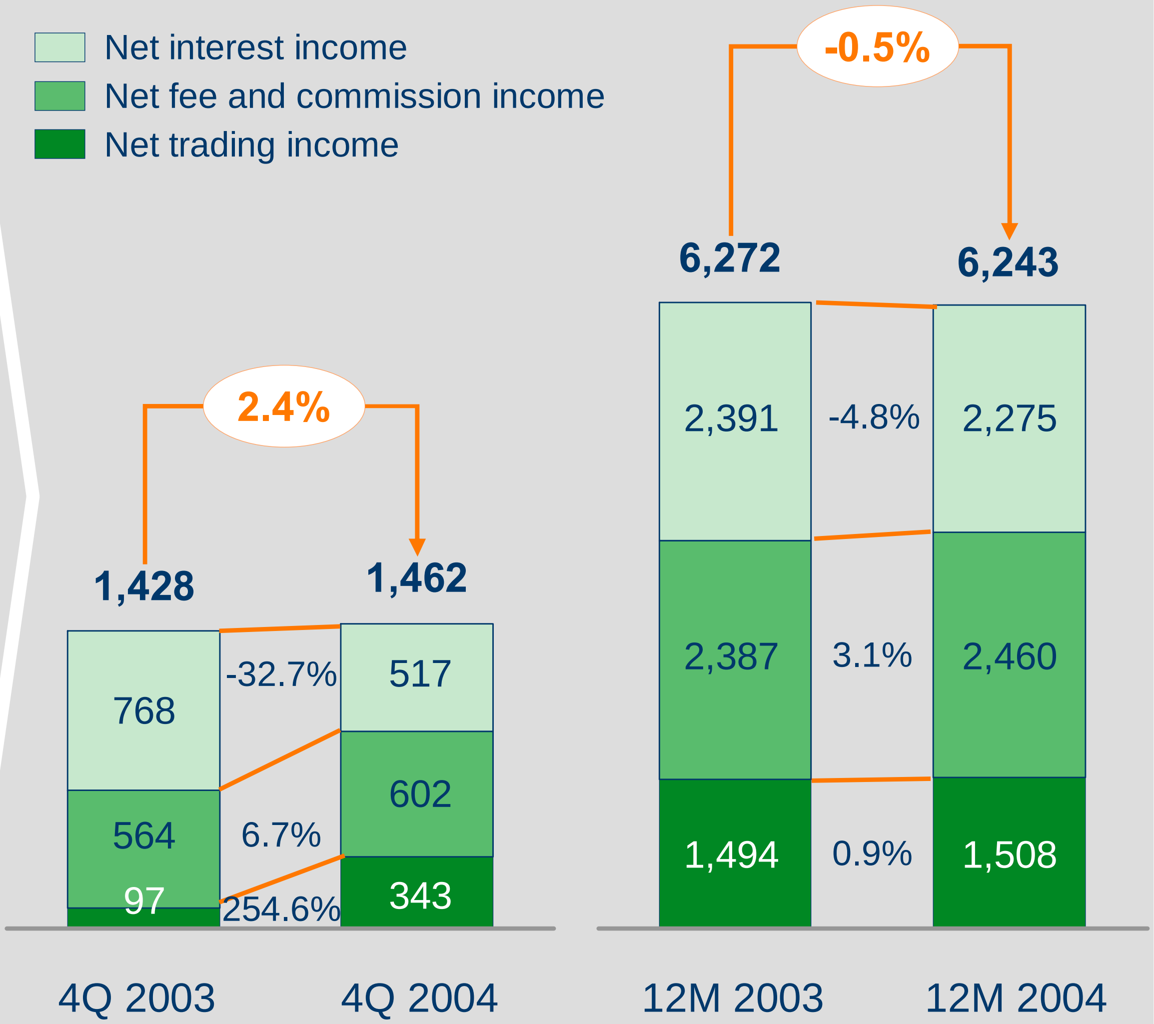
(EUR m)

## Operating revenue drivers

- Net interest income slightly below 2003 due to reduced non-strategic RWA. Net interest margin improved
- Commission income improved
- Stable trading income despite difficult market conditions and reduced risk profile

| IAS39 effect | 4Q 2003 | 4Q 2004 | 12M 2003 | 12M 2004 |
|---|---|---|---|---|
| Net interest income | -40 | -102 | -365 | -324 |
| Net trading income | -46 | 136 | 161 | 340 |
| **Total** | **-86** | **33** | **-204** | **16** |

## Operating revenues




1) Dresdner Bank contribution to Allianz' Banking segment

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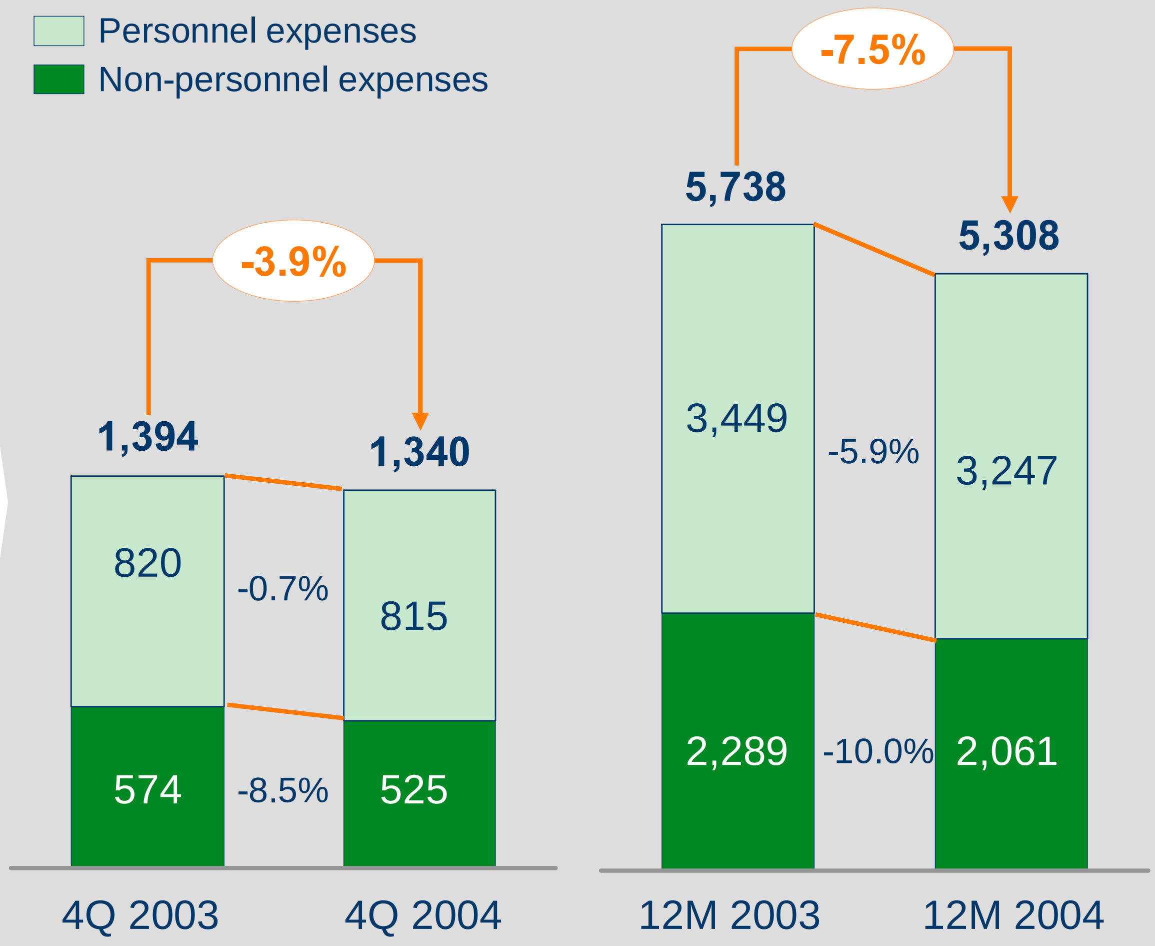
# Dresdner Bank[1]: strict cost containment

(EUR m)

## Administrative expense drivers

- Continuous cost savings in personnel as well as operating costs across all divisions
- FTE reduction according to “New Dresdner” program largely completed

## Administrative expenses




| 4Q 2003 | 4Q 2004 | 12M 2003 | 12M 2004 |
|---|---|---|---|
| 97.6% | 91.6% | 91.5% | 85.0% |

**Operating cost-income ratio**

1) Dresdner Bank contribution to Allianz’ Banking segment

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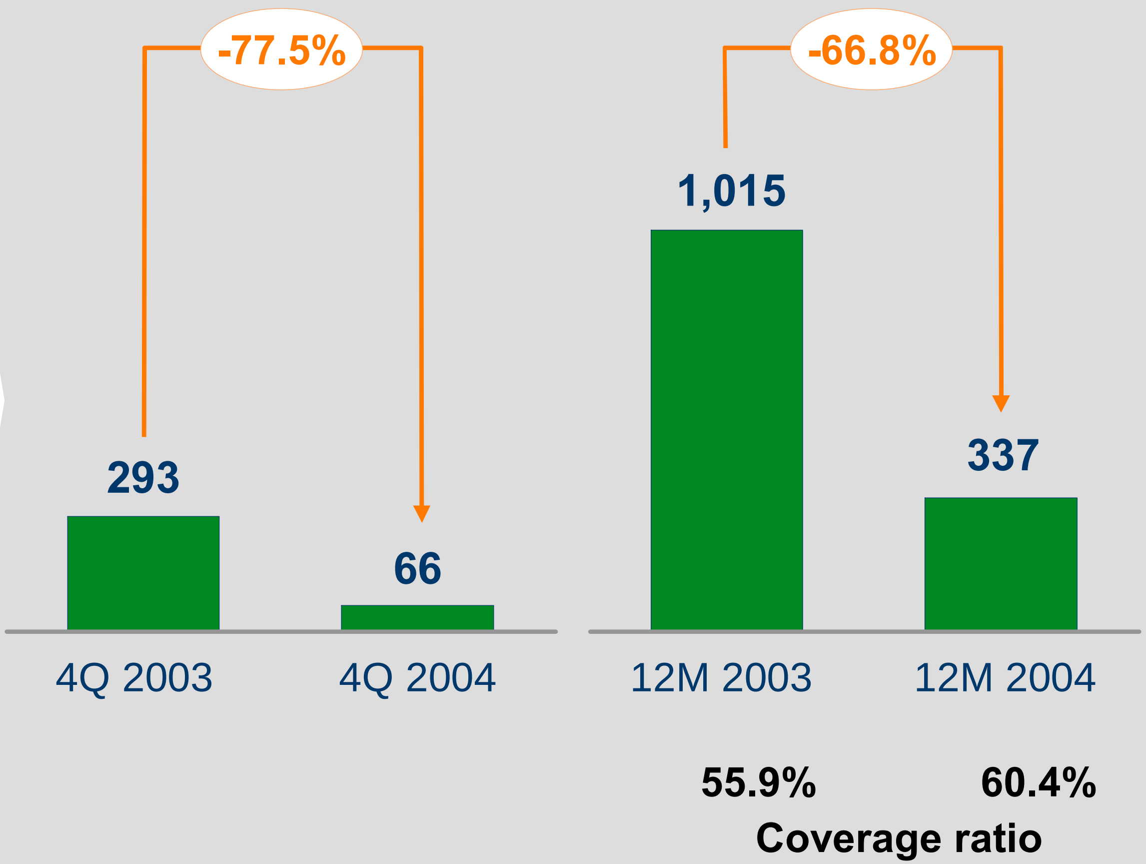
# Dresdner Bank[1]: risk profile improved

## Net loan loss provision drivers

- Significant reduction of required loan loss provision
- Coverage ratio[2] further improved to 60.4%
- Total risk elements[3] down 31.1% to EUR 7.3bn
- Loan loss provisions already contain accelerated exit from non-strategic IRU book

## Net loan loss provisions (EUR m)




1) Dresdner Bank contribution to Allianz' Banking segment
2) Coverage ratio = total LLP / total risk elements; as coverage ratio is based on eop-values, the ratio is identical for the 12M- and 4Q-period
3) Total risk elements according to SEC Guide 3 (non-performing loans + potential problem loans); 12/2004 vs. 12/2003

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# Dresdner Bank[1]: comprehensive restructuring measures influence non-operating result

## Drivers of non-operating result

- Net capital gains from e.g. Telecinco (2Q 04) and Conti (3Q 04) more than compensated by write-downs/impairments of selected assets
- Restructuring charges:
  - Originally targeted programs, predominantly "New Dresdner": EUR 151m
  - Additional measures for PeB, DBLA and DrKW: EUR 139m

## Non-operating result (EUR m)

| | 2003 | 2004 |
|---|---|---|
| **Total** | **-1,893** | **-678** |
| Amortization of goodwill | -270 | -244 |
| Restructuring charges | -840 | -290 |
| Net capital gains/ impairments and other non-operating income/expenses | -783 | -143 |

1) Dresdner Bank contribution to Allianz' Banking segment

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# Dresdner Bank[1]: EUR 676m operating profit contribution from ongoing business (EUR m)

| Operating profit drivers | 4Q 2004 | Δ 04/03[3] | 12M 2004 | Δ 04/03[3] |
|---|---|---|---|---|
| PeB: strong commission and fee income (securities, insurance), costs reduced | -26 | **0** | 75 | **144** |
| PBB: comm. income (securit., insurance) further improved | 62 | **-22** | 335 | **52** |
| CB: margins improved, lower LLP | 140 | **1** | 505 | **59** |
| DrKW: risk profile adjusted to difficult market environment | 30 | **22** | 247 | **-96** |
| Corp. Other[2]: costs reduced, no material IAS39 impact | -144 | **20** | -486 | **317** |
| **Dresdner Bank ex IRU** | **61** | **22** | **676** | **477** |
| IRU: significantly reduced LLP, run-down accelerated, sale transactions successfully executed | -5 | **293** | -78 | **604** |
| **Total** | **57** | **315** | **599** | **1,081** |

1) Dresdner Bank contribution to Allianz' Banking segment
2) Includes corporate items, corporate functions, corporate investments and consolidations
3) Previous year's figures adjusted for structural changes

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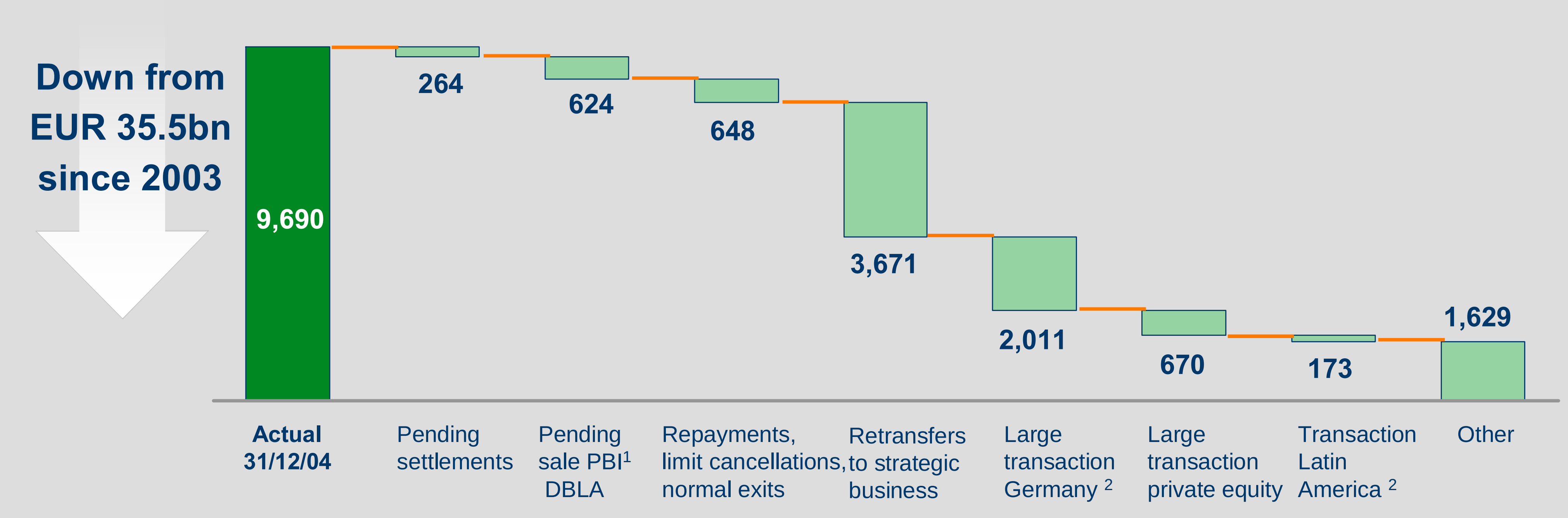
# Dresdner Bank – IRU: wind down will be accomplished by agreed and initiated transactions (EUR m)

## Exposure




| | Actual 31/12/04 | Pending settlements | Pending sale PBI[1] DBLA | Repayments, limit cancellations, normal exits | Retransfers to strategic business | Large transaction Germany [2] | Large transaction private equity | Transaction Latin America [2] | Other |
|---|---|---|---|---|---|---|---|---|---|
| **RWA** | **4,220** | 153 | 284 | 277 | 1,739 | 738 | 569 | 96 | 364 |
| **Risk capital[3]** | **871** | 27 | 21 | 81 | 165 | 159 | 291 | 31 | 96 |

1) Private Banking International 2) Transaction German and DBLA Portfolio with Lone Star / Merrill Lynch 3) Excludes diversification effect EUR -82m

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# Agenda: where do we stand

**I. Substantially strengthen operating profitability**

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- Investment income

**II. Protect and enhance capital base**

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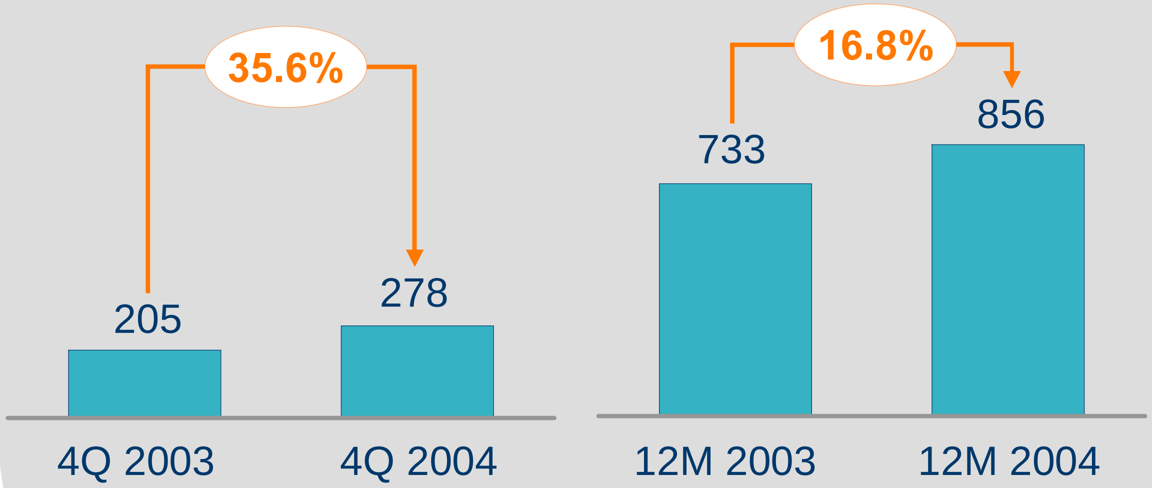
# Asset Management overview: profitable growth continues

(EUR m)

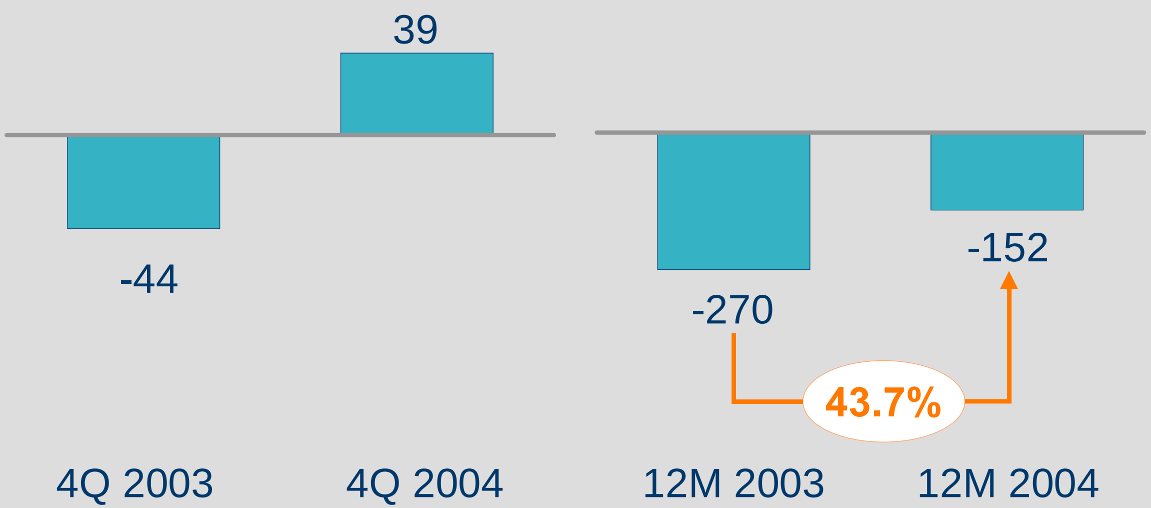
## Drivers

- Profitability improved for 3rd consecutive year; 4Q first quarter with positive net income
- Strong net inflows due to superior performance in fixed income products
- Continued significant efficiency gains

## Operating profit

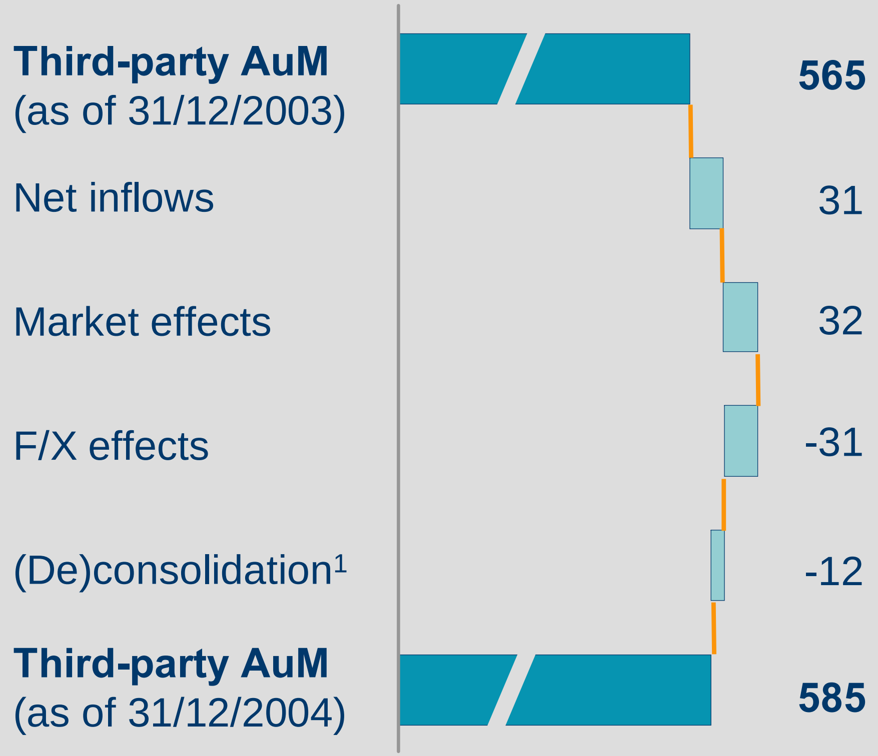



## Net income



# Asset Management: continued strong net inflows

## **Third-party AuM** (EUR bn)




## Client and asset mix

Third-party AuM (as of 31/12/2004 = EUR 585bn)

| | Retail | Institutional | Σ |
|---|---|---|---|
| Equity | 12% | 11% | **23%** |
| Fixed income | 27% | 48% | **75%** |
| Other | 2% | 0% | **2%** |
| Σ | **41%** | **59%** | **100%** |

1) Retreat from joint venture with Meiji Life in Japan, effective in 3Q 2004

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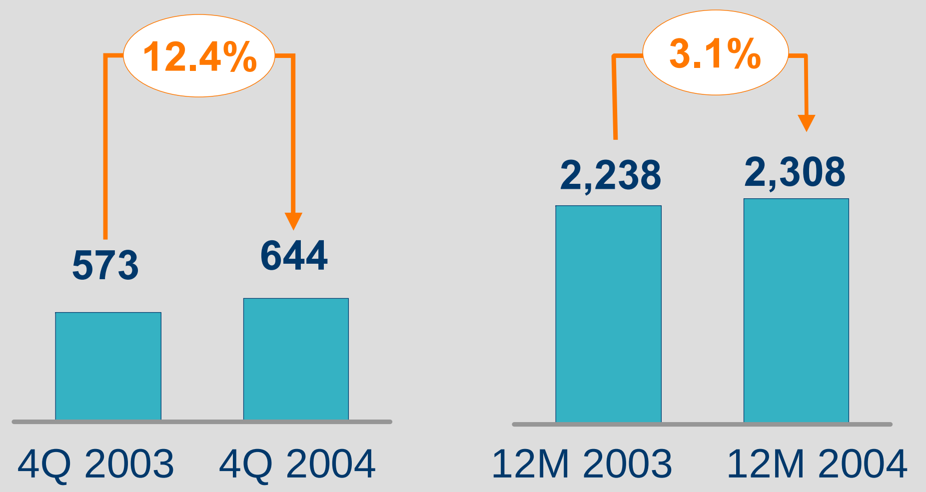
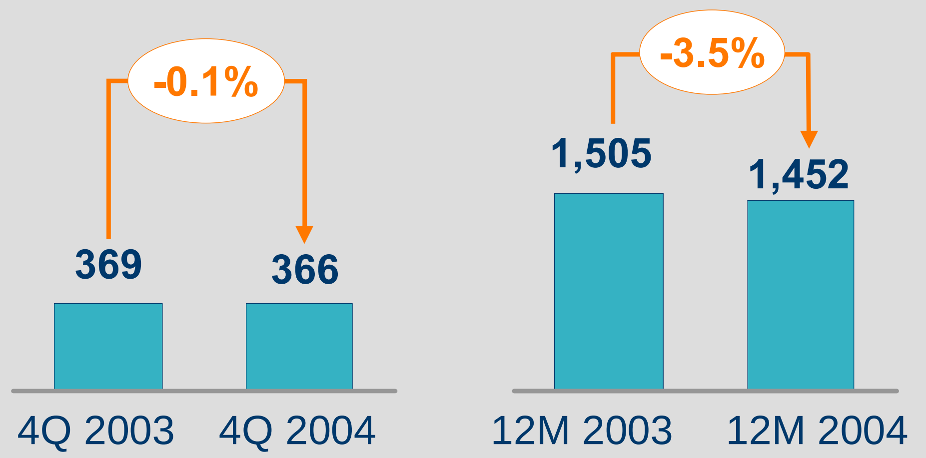
# Asset Management: revenue growth and cost control pay off (EUR m)

## Drivers

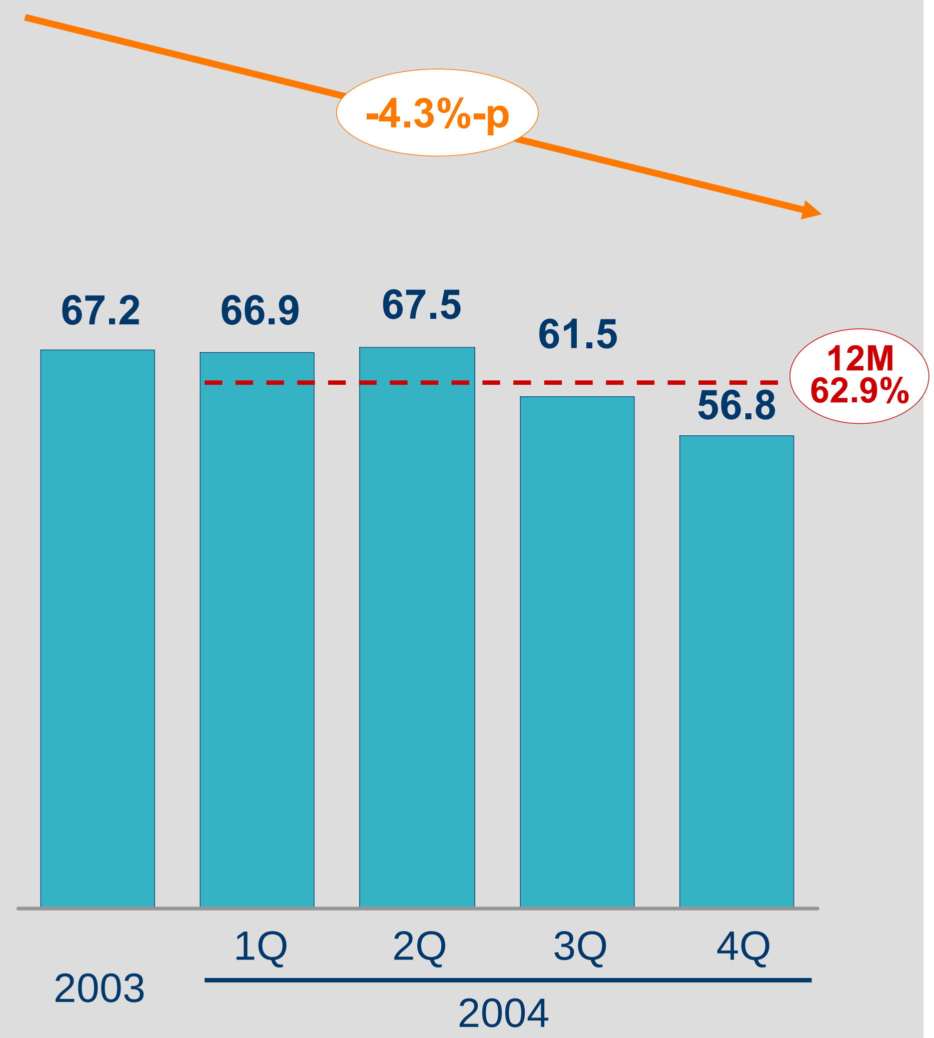
### Operating revenues




### Operating expenses




## Operating cost-income ratio (in %)



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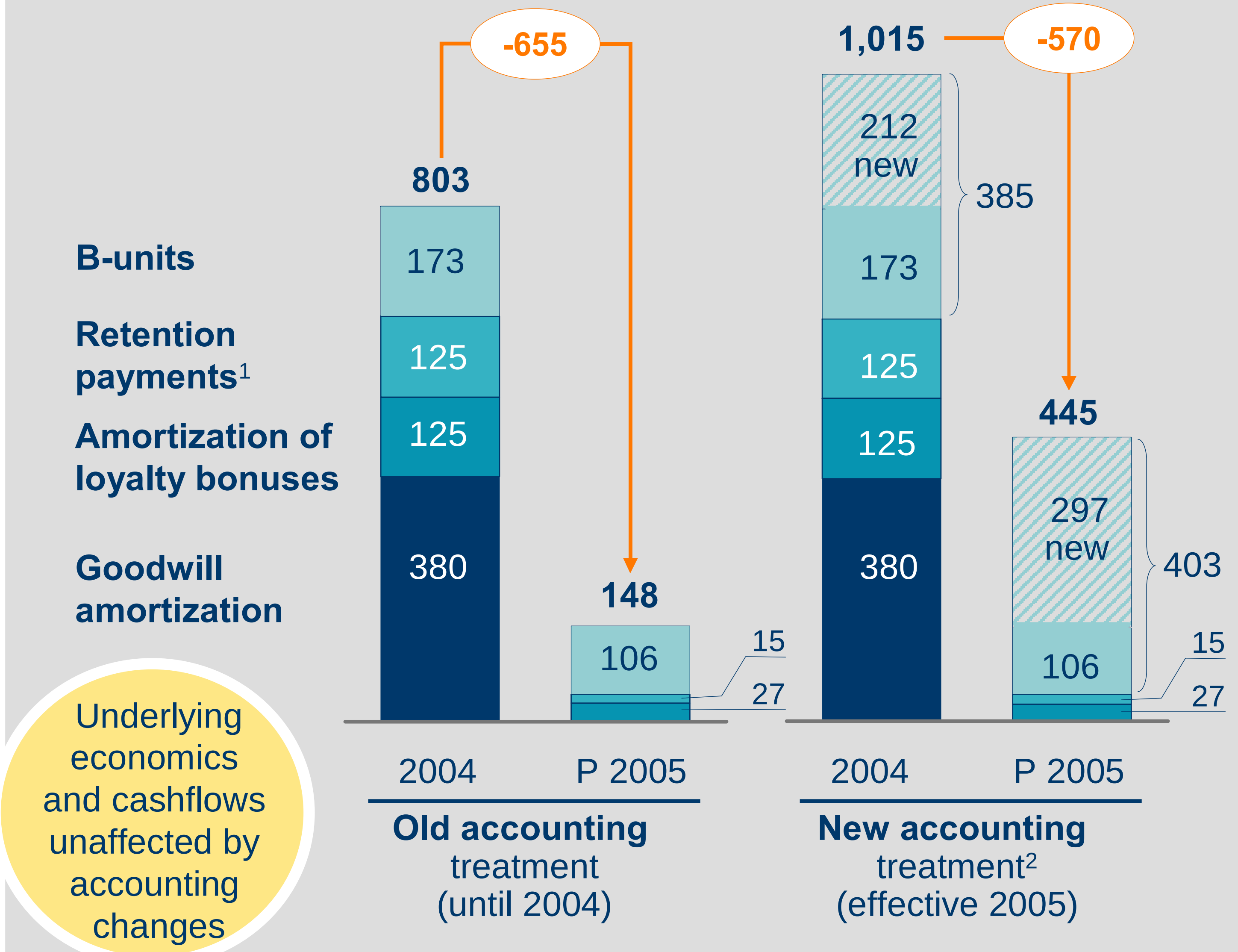
# Asset Management: acquisition-related expenses clearly decrease from 2005 onwards

## Acquisition related expenses (before taxes, EUR m)




## Comment

- Due to IFRS 3, goodwill amortization has been abandoned after 2004
- Due to IFRS 2, B-units have to be reclassified as cash-settled plan (to be applied retro-spective). Expenses for B-units increase, expected to peak in 2005[3]
- Pro forma net income 2004: EUR -276m[4]

1) Includes depreciations for brandname "dit" of EUR 5m in 2003 and 2004 2) Includes impact from IFRS 2 and IFRS 3 3) The accounting treatment causing the IFRS 2 impact is currently under reconsideration by the IASB 4) Stated IFRS result 2004 adjusted for B-unit accounting changes (effective 2005)

# Agenda: where do we stand

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II. **Protect and enhance capital base**

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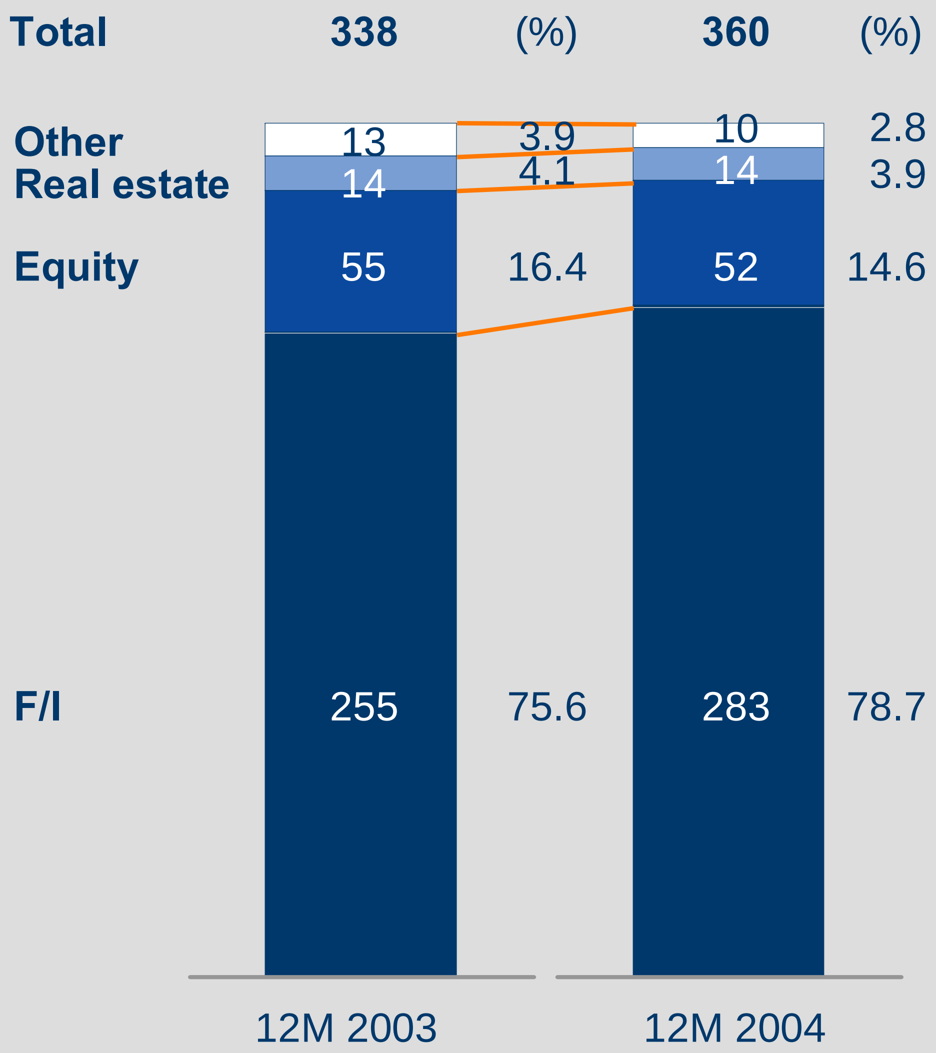
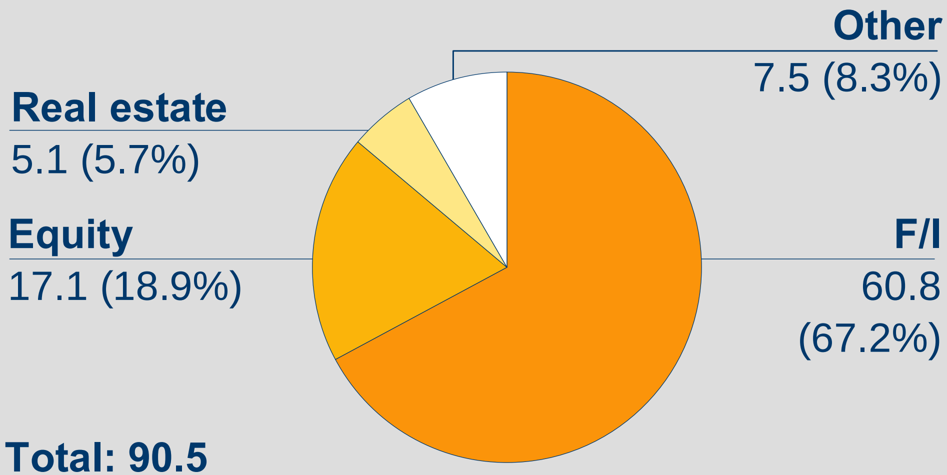
# Asset allocation[1]: equity exposure decreases

## Group asset allocation (EUR bn)

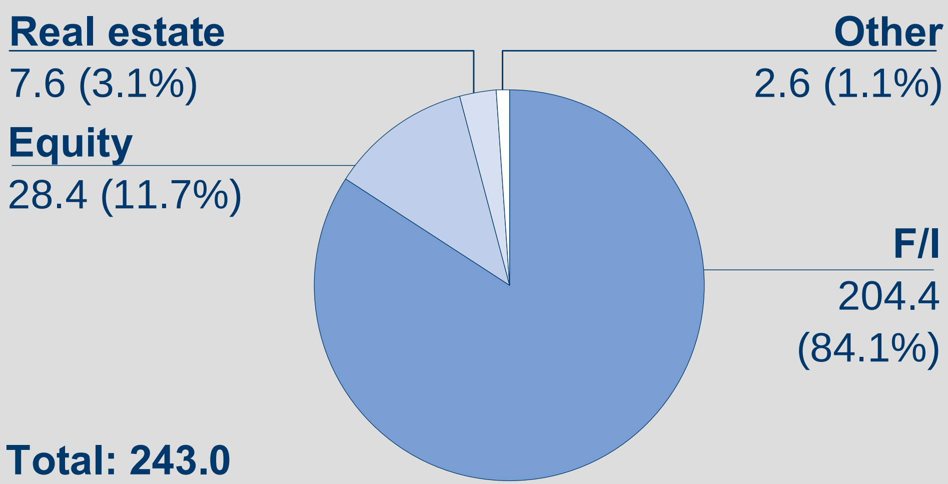



## Asset allocation P/C (EUR bn, in %, 12M 2004)




**Total: 90.5**

## Asset allocation L/H (EUR bn, in %, 12M 2004)




**Total: 243.0**

1) All figures fully consolidated; excluding trading

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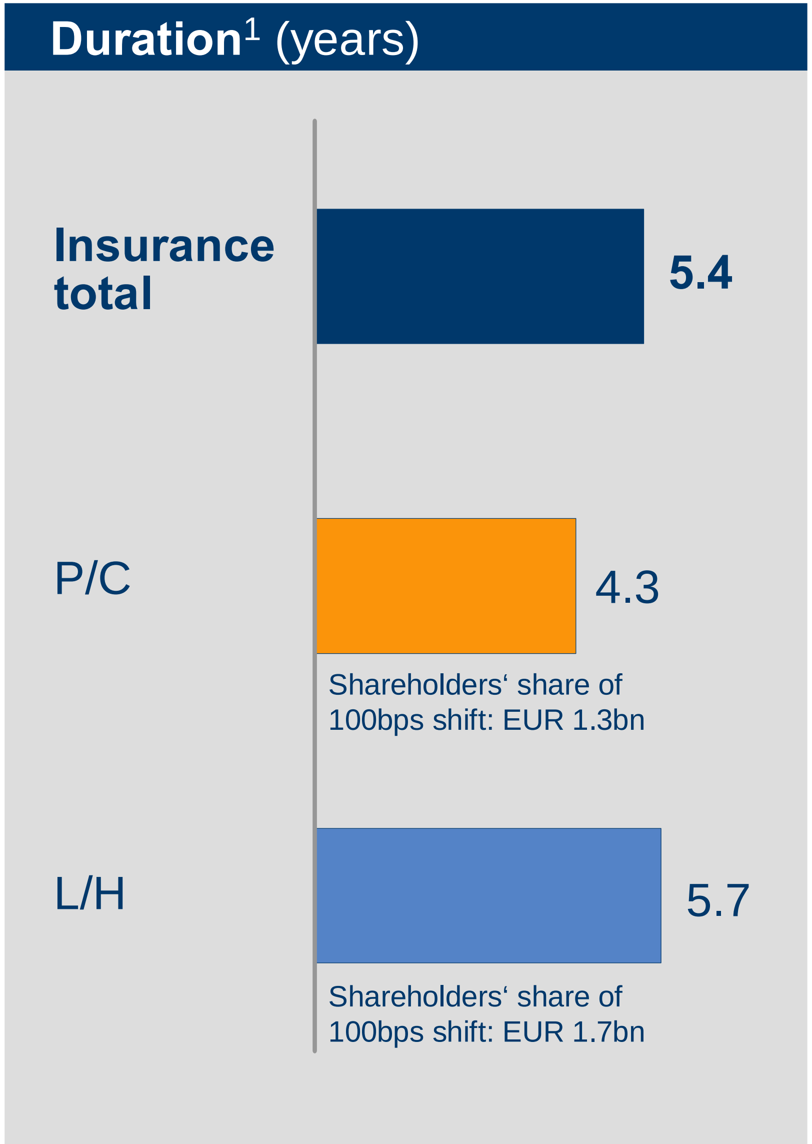
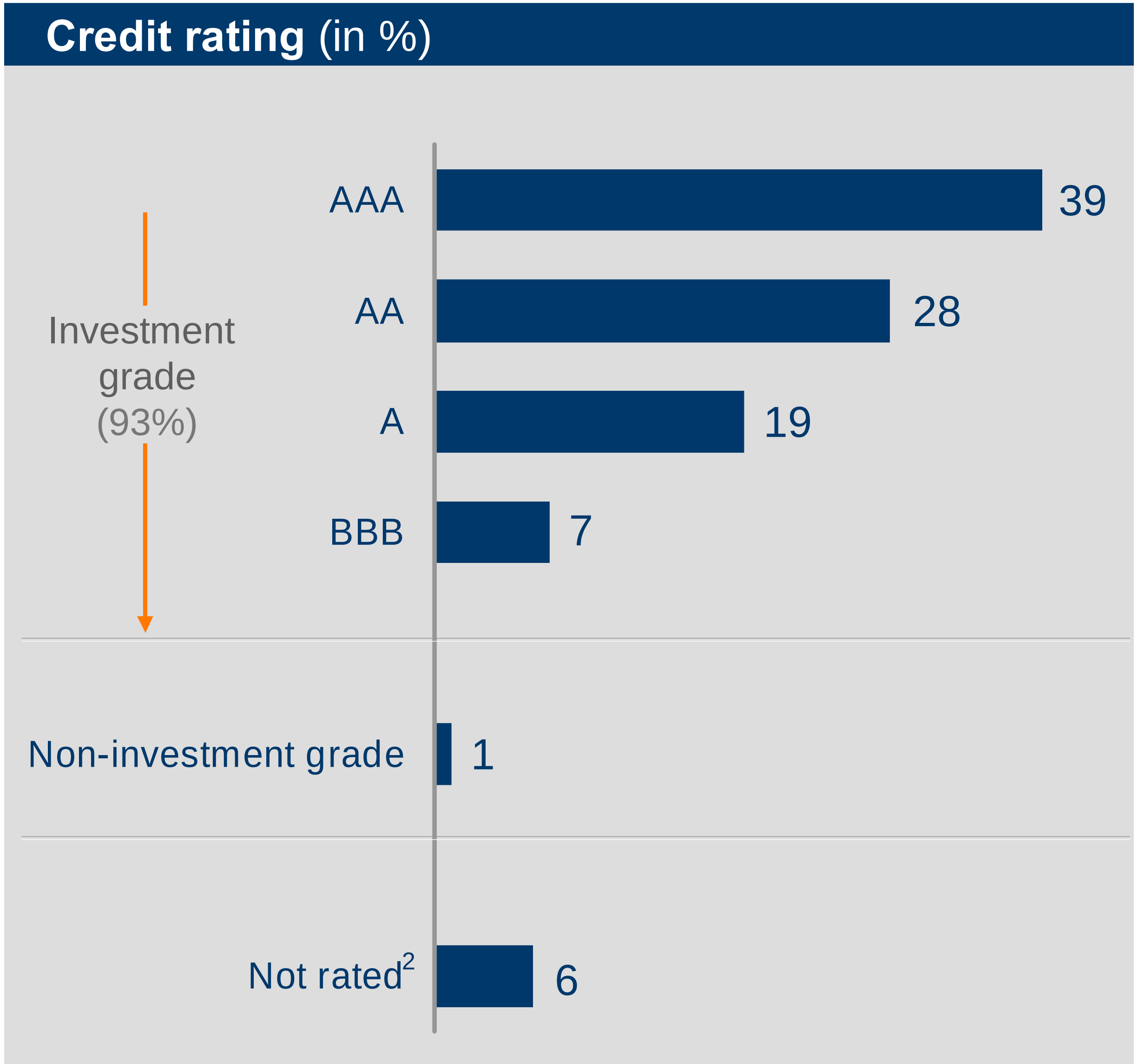
# Insurance fixed-income portfolio with strong credit rating




1) Includes only duration for "available for sale" investments; Definition: duration is a measure of the average (cash-weighted) term-to-maturity of bonds
2) Investments for which no individual rating information is available. The majority of the not rated fixed income investments consists of asset/mortgage-backed securities (e.g. Pfandbriefe) and loans to banks/customers

# Agenda: where do we stand

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- P/C
- L/H
- Banking
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- Investment income

**II. Protect and enhance capital base**

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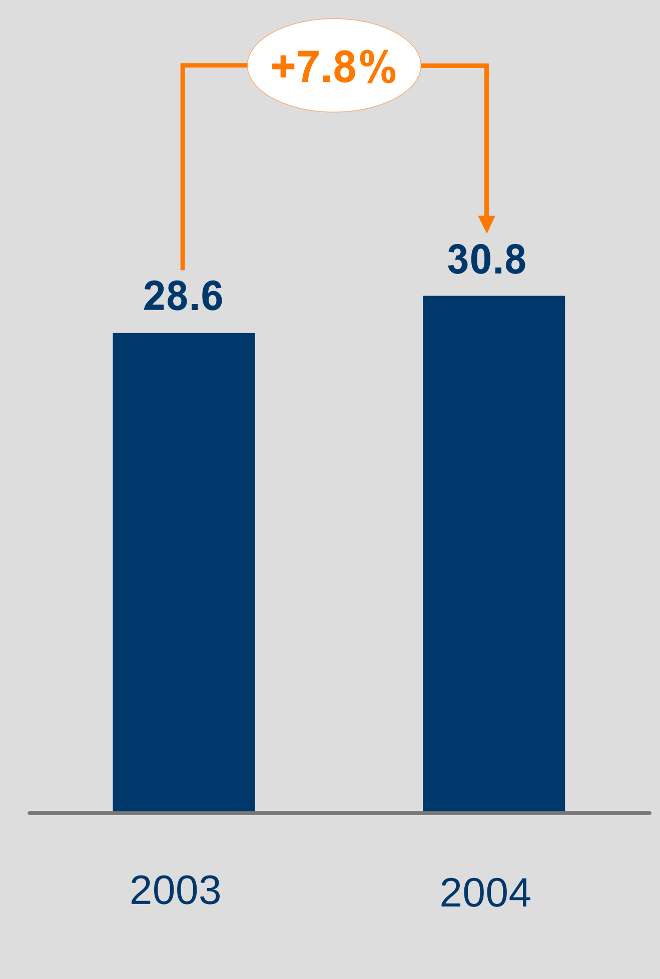
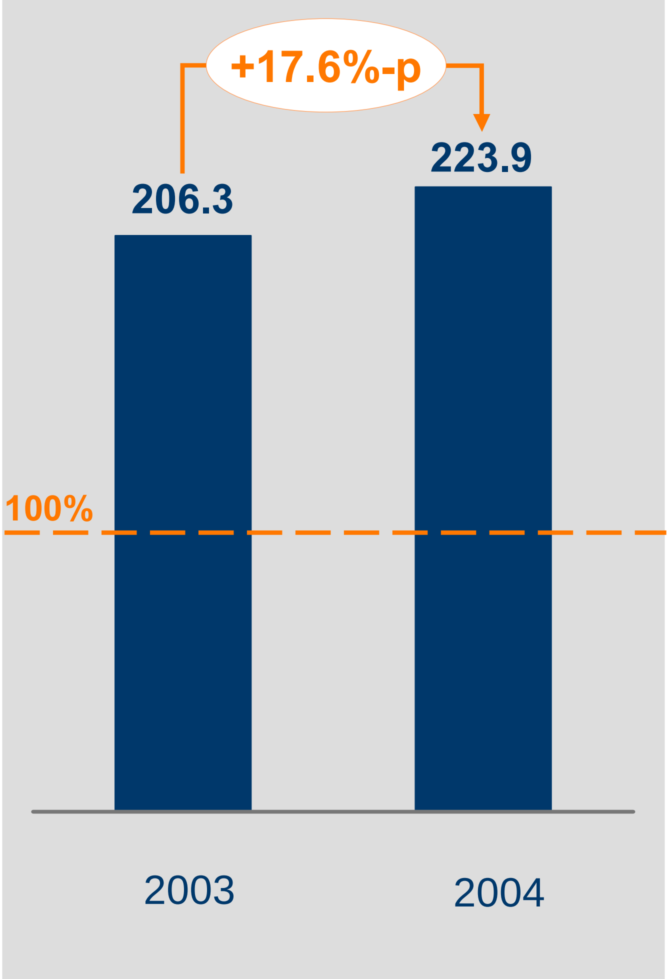
# Capital base: further strengthened

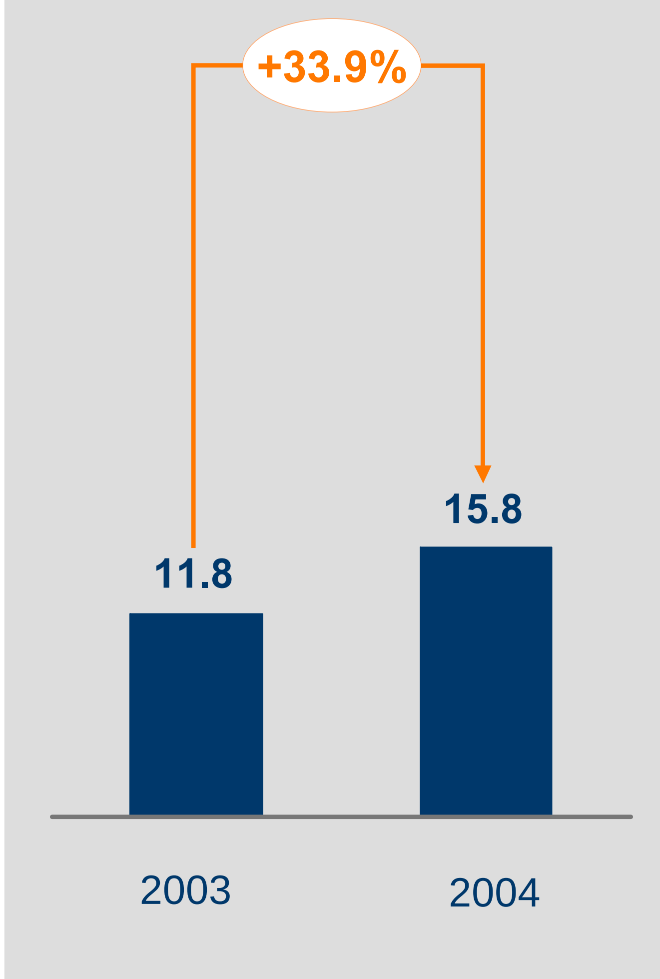
**IFRS equity** (EUR bn)




**Group solvency** (in %)




**Risk capital surplus**[1] (EUR bn)




**Capital significantly strengthened**

**Solvency margin reflects strong capital base**

**Comfortable risk buffer established**

1) According to internal risk capital model

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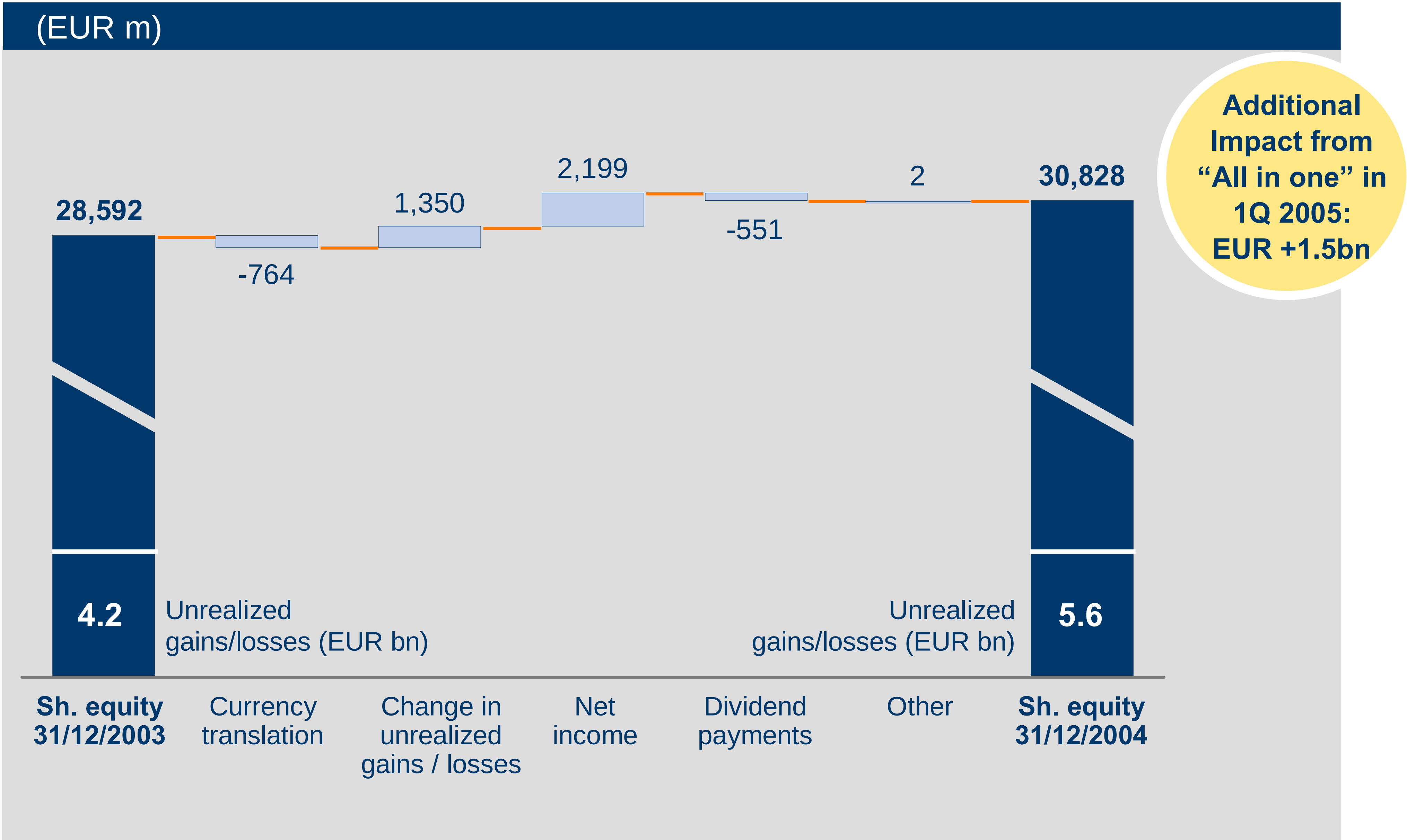
# Strong result and unrealized gains drive shareholders' equity



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# Summary: we delivered what we promised

**“All targets 2004 achieved”**

- Operating profitability substantially strengthened across all segments:
  - P/C: combined ratio of 92.9%
  - L/H: operating profit of EUR 1.4bn
  - Dresdner Bank: bottom-line profit
  - AM: CIR down to 62.9%
- Higher result with lower risk
- $RoRAC_N$ goal of 15% achieved
- Capital basis further enhanced

**Much achieved, but still high ambitions**

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# Accounting changes 2005

| Topic | Explanation |
|---|---|
| **IFRS2** Share-based compensation | Cash-settled plans to be adjusted from intrinsic valuation to fair valuation; PIMCO B-Units to be reclassified from equity-settled plan to cash-settled plan (put option included). Effects[1]: equity EUR -0.3bn, P/L EUR -120m |
| **IFRS3** Goodwill accounting | „Impairment only“ approach as of 1st January 2005, no retrospective application. Effect[1] on P/L EUR +1.1bn |
| **IFRS4** | In principle, accounting of insurance contracts unchanged |
| **IAS32** (revised) | Extended liability definition results in reclassification of put-able instruments (e.g. minorities in special funds) |
| **IAS39** (revised) | Reversal of impairments on equity securities no longer allowed. Stricter impairment rules. Reclassification of securities. No impact on equity |

1) Impact on opening balance 2005 and net income 2005

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# Targets 2005

**Focus on profitable and sustainable growth:**
**Group-wide revenue increase in line with 2004**

| P/C | L/H | Banking | Asset Mgmt. |
|---|---|---|---|
| Strong combined ratio below 95% | Operating profit of at least EUR 1.5bn | Earn cost of capital | 10% increase in operating profit[1] |

**Caveats**, e.g.:

- Nat Cat development unpredictable
- Capital market risks

1) Before F/X effect

# Additional information

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# Group: result by segment

(EUR m)

| | P/C | | L/H[1] | | Banking | | Asset Mgmt. | | Con-solidation | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12M 2003 | 12M 2004 | 12M 2003 | 12M 2004 | 12M 2003 | 12M 2004 | 12M 2003 | 12M 2004 | 12M 2003 | 12M 2004 | 12M 2003 | 12M 2004 |
| **Total revenues** (EUR bn) | **43.4** | **43.8** | **42.3** | **45.2** | **6.7** | **6.5** | **2.2** | **2.3** | **0.9** | **0.8** | **93.8** | **96.9** |
| **Operating profit**[2] | **2,437** | **3,979** | **1,265** | **1,418** | **-369** | **603** | **733** | **856** | **-** | **-** | **4,066** | **6,856** |
| + Net capital gains[3] | 4,960 | 1,433 | 169 | 253 | 240 | 472 | 0 | 0 | -593 | -238 | 4,776 | 1,920 |
| - Net impairments | -1,129 | -195 | -283 | -29 | -437 | -356 | 0 | 0 | 14 | 0 | -1,835 | -580 |
| ± Other non-operating[4] | -156 | 1,100 | 103 | 163 | -1,371 | -557 | -467 | -422 | -842 | -2,133 | -2,733 | -1,849 |
| **= Profit b/ tax, min.,GW** | **6,112** | **6,317** | **1,254** | **1,805** | **-1,937** | **162** | **266** | **434** | **-1,421** | **-2,371** | **4,274** | **6,347** |
| - Goodwill amortization | -383 | -381 | -398 | -159 | -263 | -244 | -369 | -380 | 0 | 0 | -1,413 | -1,164 |
| - Taxes | -641 | -1,490 | -583 | -469 | 1,025 | 287 | 16 | -35 | 37 | -20 | -146 | -1,727 |
| - Minorities | -407 | -1,121 | -235 | -369 | -104 | -101 | -183 | -171 | 104 | 505 | -825 | -1,257 |
| **= Net income** | **4,681** | **3,325** | **38** | **808** | **-1,279** | **104** | **-270** | **-152** | **-1,280** | **-1,886** | **1,890** | **2,199** |

1) After gains/losses attributable to policyholders 2) Operating profit: intra-group dividends received by L/H companies are consolidated 3) Includes non-operating trading income 4) E.g. intra-group dividends (EUR 2,154m) and interest for Holding finance (EUR 863m); Asset Management: acquisition-related expenses, e.g. B-units (EUR 173m), retention payments (EUR 109m), restructuring costs Dresdner Bank (EUR 290m)

We evaluate the results of our property-casualty, life/health insurance, banking and Asset Management segments using a financial performance measure we refer to as “operating profit”. We define our segment operating profit as earnings from ordinary activities before taxation, excluding, as applicable for each respective segment, either all or some of the following items: net capital gains and impairments on investments, net trading income, intra-Allianz Group dividends and profit transfer, interest expense on external debt, restructuring charges, other non-operating income/(expense), acquisition-related expenses and amortization of goodwill. While these excluded items are significant components in understanding and assessing our consolidated financial performance, we believe that the presentation of operating results enhances the understanding and comparability of the performance of our operating segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of our businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments on investment securities, as these are largely dependent on market cycles or issuer specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion. Operating profit is not a substitute for earnings from ordinary activities before taxation or net income as determined in accordance with IFRS. Our definition of operating profit may differ from similar measures used by other companies, and may change over time.

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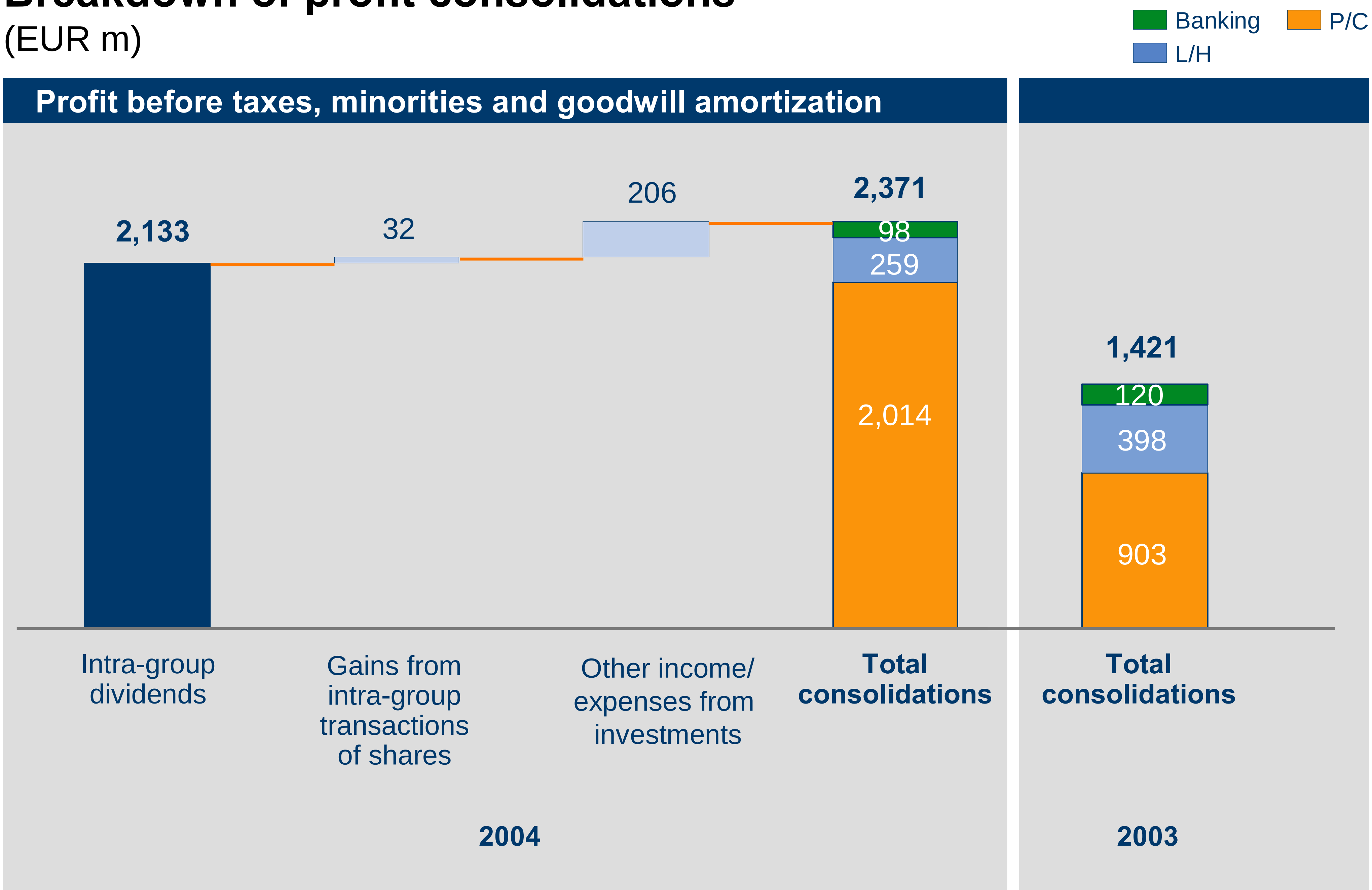
# Breakdown of profit consolidations
(EUR m)




1) Profit before taxes, minorities and goodwill amortization

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# Group: key figures per quarter

(EUR m)

| | 1Q 03 | 2Q 03 | 3Q 03 | 4Q 03 | 1Q 04 | 2Q 04 | 3Q 04 | **4Q 04** | **Δ4Q 04/03** |
|---|---|---|---|---|---|---|---|---|---|
| **Total revenues**[1] (EUR bn) | **27.5** | **21.9** | **21.6** | **22.8** | **27.2** | **22.2** | **23.1** | **24.3** | **1.5** |
| **Operating profit** | **839** | **1,395** | **938** | **894** | **1,228** | **1,994** | **1,875** | **1,759** | **865** |
| Net capital gains[2] | 849 | -167 | 286 | 3,808 | 753 | 547 | 321 | 299 | -3,509 |
| Net impairments | -1,179 | -72 | 139 | -723 | 7 | -388 | -187 | -12 | 711 |
| Other | -364 | -824 | -281 | -1,264 | -310 | -555 | -434 | -550 | 714 |
| **Profit b/ GW amortization, taxes and minorities** | **145** | **332** | **1,082** | **2,715** | **1,678** | **1,598** | **1,575** | **1,496** | **-1,219** |
| Goodwill amortization | -305 | -294 | -296 | -518 | -294 | -294 | -297 | -279 | 239 |
| Taxes | -233 | 866 | 20 | -799 | -375 | -368 | -498 | -486 | 313 |
| Minorities | -123 | -242 | -220 | -240 | -334 | -322 | -241 | -360 | -120 |
| **Net income** | **-516** | **662** | **586** | **1,158** | **675** | **614** | **539** | **371** | **-787** |

1) Fully consolidated; total revenues = total premiums from insurance business + (net interest income + net fee and commission income + trading income) from Banking and Asset Management

2) Including non-operating trading income

Allianz Group

# P/C: key figures and ratios per quarter

(EUR m)

| | 1Q 03 | 2Q 03 | 3Q 03 | 4Q 03 | 1Q 04 | 2Q 04 | 3Q 04 | 4Q 04 | ∆4Q 04/03 |
|---|---|---|---|---|---|---|---|---|---|
| **Total revenues** (EUR bn) | **14.6** | **9.5** | **10.1** | **9.2** | **14.4** | **9.8** | **10.4** | **9.1** | **-0.1** |
| **Operating profit**[1] | **282** | **962** | **640** | **553** | **497** | **1,263** | **1,138** | **1,081** | **528** |
| Net capital gains[2] | 745 | -219 | 397 | 4,037 | 613 | 356 | 143 | 321 | -3,716 |
| Net impairments | -646 | -6 | 16 | -493 | 18 | -174 | -93 | 54 | 547 |
| Other | -166 | 41 | -175 | 144 | -106 | 699 | -102 | 609 | 465 |
| **Profit b/GW amortization, taxes and minorities** | **215** | **778** | **878** | **4,241** | **1,022** | **2,144** | **1,086** | **2,065** | **-2,176** |
| Goodwill amortization | -94 | -99 | -97 | -93 | -95 | -96 | -96 | -94 | -1 |
| Taxes | -41 | 228 | -46 | -782 | -192 | -396 | -444 | -458 | 324 |
| Minorities | -38 | -125 | -94 | -150 | -177 | -378 | -131 | -435 | -285 |
| **Net income** | **42** | **782** | **641** | **3,216** | **558** | **1,274** | **415** | **1,078** | **-2,138** |
| Combined ratio (%) | 97.7 | 96.4 | 96.5 | 97.5 | 95.8 | 92.8 | 90.9 | 92.3 | -5.2%-p |
| Assets under management[3] (EUR bn) | 86 | 92 | 91 | 91 | 93 | 91 | 92 | 91 | 0 |

1) Operating profit: intra-group dividends received by L/H companies are consolidated

2) Includes non-operating trading income

3) Group own assets (incl. trading), fully consolidated (at market value)

Allianz Group

# L/H: key figures and ratios per quarter

(EUR m)

| | 1Q 03 | 2Q 03 | 3Q 03 | 4Q 03 | 1Q 04 | 2Q 04 | 3Q 04 | 4Q 04 | ∆4Q 04/03 |
|---|---|---|---|---|---|---|---|---|---|
| **Total revenues** (EUR bn) | **10.7** | **10.4** | **9.5** | **11.7** | **10.8** | **10.3** | **10.8** | **13.2** | **1.5** |
| **Operating profit** | **455** | **292** | **135** | **383** | **372** | **298** | **378** | **370** | **-13** |
| Net capital gains[1] | 17 | 7 | 22 | 123 | 151 | 13 | 59 | 30 | -93 |
| Net impairments | -295 | 25 | 19 | -32 | 12 | -9 | -36 | 4 | 36 |
| Other | 4 | 44 | 0 | 55 | 10 | 56 | 1 | 96 | 41 |
| **Profit b/GW amortization, taxes and minorities** | **181** | **368** | **176** | **529** | **545** | **358** | **402** | **500** | **-29** |
| Goodwill amortization | -43 | -44 | -45 | -266 | -40 | -39 | -40 | -40 | 226 |
| Taxes | -93 | -11 | 14 | -493 | -178 | -69 | -180 | -42 | 451 |
| Minorities | -43 | -82 | -56 | -54 | -80 | -111 | -60 | -118 | -64 |
| **Net income** | **2** | **231** | **89** | **-284** | **247** | **139** | **122** | **300** | **584** |
| Statutory expense ratio (%) | 9.7 | 5.5 | 6.9 | 7.9 | 9.2 | 9.2 | 10.1 | 7.9 | 0.0%-p |
| Assets under management[2] (EUR bn) | 212 | 222 | 223 | 221 | 229 | 237 | 242 | 269 | 48 |

1) Including non-operating trading income  2) Group own assets (incl. trading), fully consolidated (at market value)

Allianz Group

# Dresdner Bank[1]: key figures and ratios per quarter

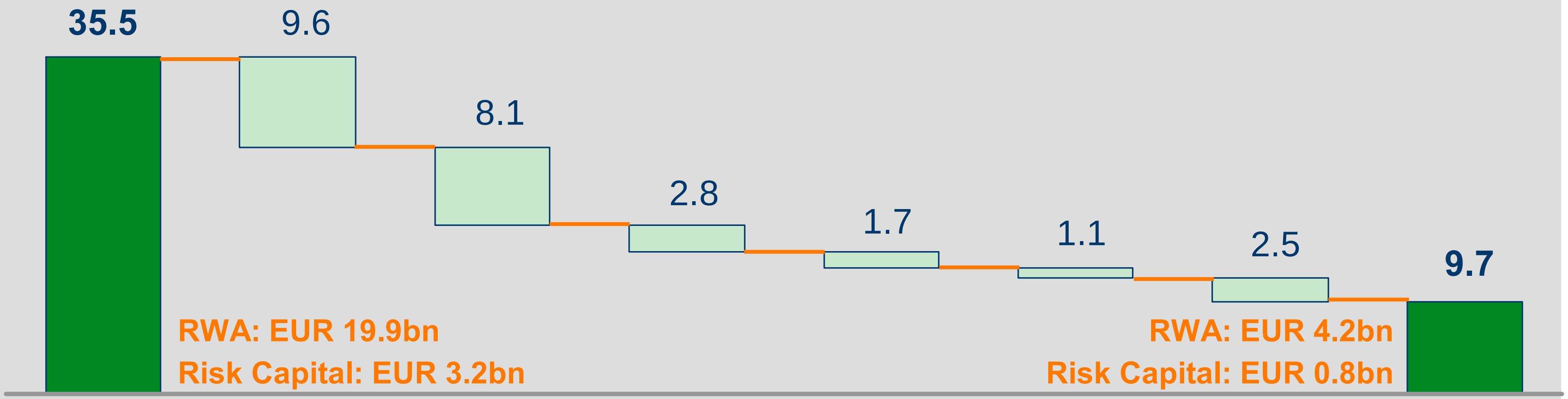
(EUR m)

| | 1Q 03 | 2Q 03 | 3Q 03 | 4Q 03 | 1Q 04 | 2Q 04 | 3Q 04 | 4Q 04 | Δ4Q 04/03 |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income[2] | 506 | 628 | 489 | 768 | 517 | 584 | 658 | 517 | -251 |
| Net fee and commission income | 671 | 573 | 579 | 564 | 708 | 582 | 569 | 602 | 38 |
| Net trading income | 611 | 466 | 320 | 97 | 440 | 472 | 253 | 343 | 247 |
| **Operating revenues** | **1,787** | **1,668** | **1,388** | **1,428** | **1,664** | **1,638** | **1,480** | **1,462** | **34** |
| Administrative expenses | -1,479 | -1,382 | -1,484 | -1,394 | -1,354 | -1,321 | -1,292 | -1,340 | 54 |
| Net loan loss provisions | -351 | -348 | -24 | -293 | -135 | -82 | -54 | -66 | 227 |
| **Operating profit (loss)** | **-42** | **-61** | **-120** | **-259** | **174** | **234** | **133** | **57** | **315** |
| Other non operating income/ (expenses) (net) | 26 | -296 | -18 | -325 | 14 | -76 | -120 | -94 | 231 |
| Net capital gains and impairments on investments | -159 | -44 | 151 | -119 | 3 | 59 | 83 | -11 | 108 |
| Restructuring charges | -19 | -204 | -60 | -558 | -12 | -104 | -10 | -163 | 394 |
| Amortization of goodwill | -79 | -60 | -58 | -73 | -67 | -62 | -65 | -51 | 22 |
| **Earnings fr. ordinary activities b/t.** | **-273** | **-665** | **-104** | **-1,333** | **112** | **50** | **20** | **-262** | **1,071** |
| Taxes | -93 | 632 | 80 | 455 | 9 | 97 | 127 | 48 | -407 |
| Minority interests in earnings | 13 | -1 | -2 | -16 | -20 | -18 | -18 | -4 | 12 |
| **Net income** | **-353** | **-33** | **-25** | **-894** | **102** | **129** | **129** | **-218** | **676** |
| RWA EoP (BIS) (EUR bn) | 134.1 | 132.5 | 121.9 | 111.7 | 108.1 | 106.8 | 104.9 | 104.9 | -6.8 |
| Operating cost-income ratio (in %) | 82.7 | 82.8 | 106.9 | 97.6 | 81.4 | 80.7 | 87.3 | 91.6 | -6.0%-p |

1) Dresdner Bank contribution to Allianz' Banking segment
2) From 2004 onwards, the "result from associated enterprises" is reported as part of the "net interest income" (until 2003, reported within "net capital gains and impairments on investments"); the figures for the previous year were adjusted accordingly

# Dresdner Bank – IRU: exits/remaining exposure
(EUR bn)

## Exposure




| | Setup[1] | Early/ regular repayments | Sales | Limit cancellations | Currency effects | Retransfer to strategic business | Other | Today 31/12/04 |
|---|---|---|---|---|---|---|---|---|
| **Selected assets** | **24.9** | 8.2 | 6.9 | 0.6 | 0.8 | 0.8 | 2.3 | **5.3** |
| - Domestic | 9.2 | 2.6 | 0.8 | 0.1 | 0.0 | 0.5 | 1.7 | 3.5 |
| - International | 15.7 | 5.6 | 6.1 | 0.5 | 0.8 | 0.3 | 0.6 | 1.8 |
| **Corporate restructuring** | **10.6** | 1.4 | 1.2 | 2.2 | 0.9 | 0.3 | 0.2 | **4.4** |
| therein major deals | | | 4.3 | | | | | |

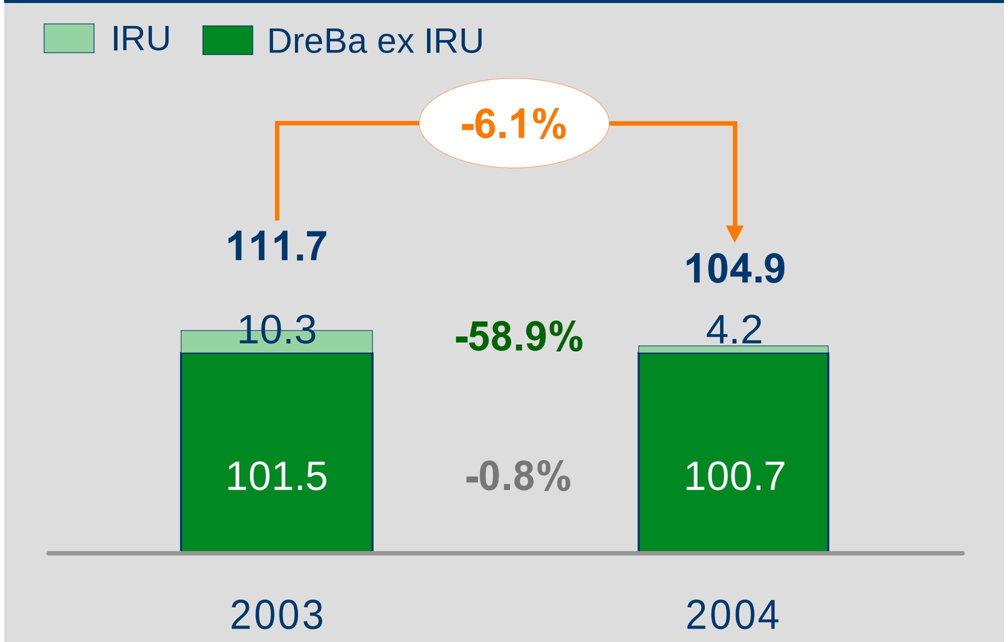
1) According to final scope IRU

Allianz Group

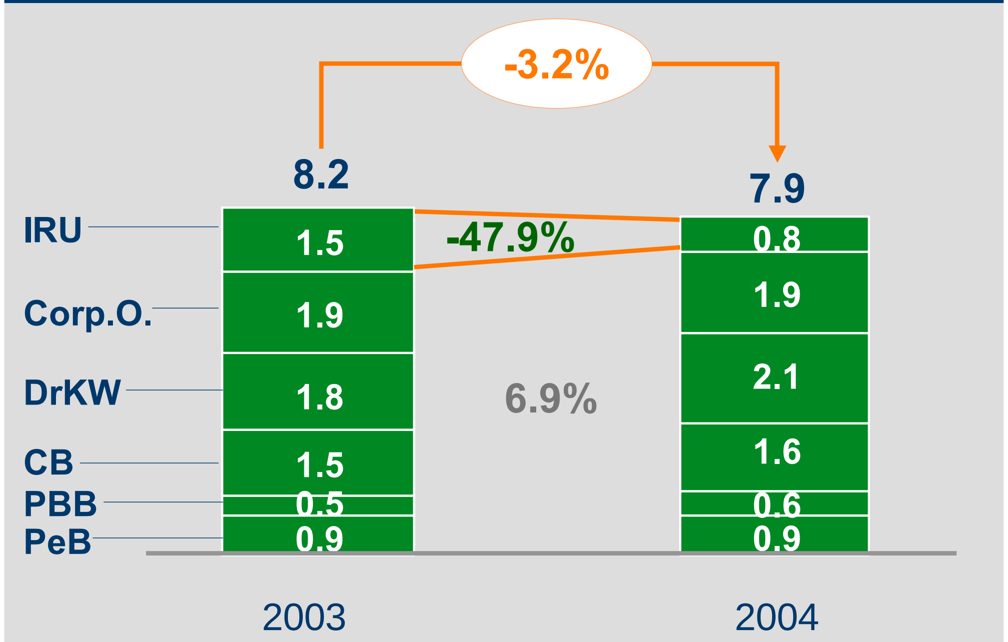
# Dresdner Bank: RWA, risk capital and capital ratios

(EUR bn)

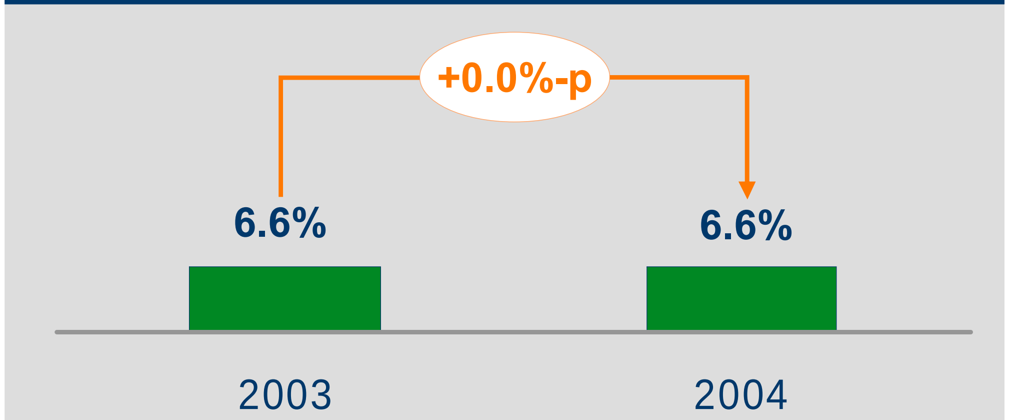
## Risk-weighted assets (BIS)[1]



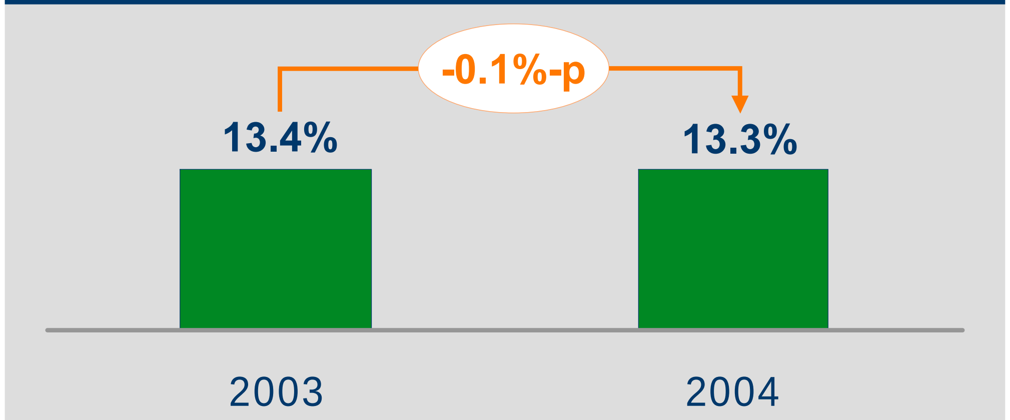

## Risk capital[1,2]




## Core capital ratio[3]




## Total capital ratio[3]




1) Dresdner Bank Banking (end of period)
3) Dresdner Bank Group; capital ratios according to BIS standard
2) Due to shift to more conservative risk capital model in 2004, stated risk capital reduction lower than evolution on comparable basis

Allianz Group

# Asset Management: key figures and ratios per quarter
(EUR m)

| | 1Q 03 | 2Q 03 | 3Q 03 | 4Q 03 | 1Q 04 | 2Q 04 | 3Q 04 | **4Q 04** | **Δ4Q 04/03** |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | 488 | 544 | 632 | 573 | 544 | 556 | 564 | 644 | 70 |
| Operating expenses | -351 | -361 | -424 | -369 | -364 | -375 | -347 | -366 | 3 |
| **Operating profit** | **137** | **183** | **208** | **205** | **180** | **181** | **217** | **278** | **73** |
| Goodwill amortization & other acquisition-related exp. | -212 | -209 | -212 | -203 | -212 | -214 | -211 | -165 | 38 |
| Taxes | 18 | 5 | -1 | -6 | -1 | -4 | -3 | -27 | -21 |
| Minorities | -54 | -51 | -38 | -40 | -40 | -42 | -42 | -47 | -7 |
| **Net income** | **-111** | **-72** | **-43** | **-44** | **-73** | **-79** | **-39** | **39** | **83** |
| Cost-income ratio (%) | 71.9 | 66.4 | 67.1 | 64.3 | 66.9 | 67.5 | 61.5 | 56.8 | -7.5%-p |
| Third-party AuM (EUR bn) | 553 | 571 | 571 | 565 | 598 | 599 | 592 | 585 | 20 |

Allianz Group

# Group asset allocation[1]: breakdown per segment

(EUR bn)

| 12M 2004 | Total | in % | P/C | in % | L/H | in % | Bank | in % | AM | in % |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity | 52.3 | 14.6 | 17.1 | 18.9 | 28.4 | 11.7 | 6.8 | 26.5 | 0.1 | 10.0 |
| Fixed income | 282.9 | 78.7 | 60.8 | 67.2 | 204.4 | 84.1 | 17.3 | 67.7 | 0.5 | 88.8 |
| Real estate | 14.2 | 3.9 | 5.1 | 5.7 | 7.6 | 3.1 | 1.5 | 5.8 | 0 | 0.3 |
| Others | 10.1 | 2.8 | 7.5 | 8.3 | 2.6 | 1.1 | 0 | 0 | 0 | 0.8 |
| **Subtotal** | **359.5** | **100.0** | **90.5** | **100.0** | **243.0** | **100.0** | **25.5** | **100.0** | **0.5** | **100.0** |
| Trading | 117.9 | | 0.3 | | 25.6[2] | | 91.8 | | 0.1 | |
| **Group assets** | **477.4** | | **90.8** | | **268.7** | | **117.3** | | **0.7** | |

1) Group own assets, fully consolidated 2) Accounting change leads to reclassification of unit-linked investments from separate account assets to trading assets

Allianz Group

# Investment result[1]: breakdown per segment

(EUR m)

| | Total | | P/C | | L/H | | Banking | | AM | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12M03 | 12M04 | 12M03 | 12M04 | 12M03 | 12M04 | 12M03 | 12M04 | 12M03 | 12M04 |
| Current income | 15,510 | 15,590 | 3,634 | 3,684 | 10,843 | 10,911 | 1,021 | 988 | 13 | 7 |
| Realized gains/losses | 5,955 | 3,174 | 5,933 | 1,623 | -200 | 1,217 | 202 | 318 | 20 | 16 |
| Write-ups/write-downs | -2,835 | -579 | -1,311 | -312 | -1,065 | 100 | -460 | -368 | 0 | 1 |
| Expenses | -1,288 | -1,046 | -885 | -694 | -390 | -344 | 1 | 0 | -14 | -8 |
| Subtotal | 17,342 | 17,139 | 7,371 | 4,301 | 9,188 | 11,884 | 763 | 939 | 19 | 16 |
| Trading income | 243 | 2,813 | -1,385 | -145 | 112 | 1,446 | 1,485 | 1,502 | 31 | 11 |
| **Contribution to group net investment income** | **17,584** | **19,953** | **5,985** | **4,155** | **9,300** | **13,330** | **2,249** | **2,441** | **50** | **26** |
| **Segment net investment income[2]** | | | **6,715** | **6,407** | **10,141** | **13,790** | **2,370** | **2,647** | **64** | **34** |

1) All figures fully consolidated; figures before policyholder participation
2) Segment consolidated

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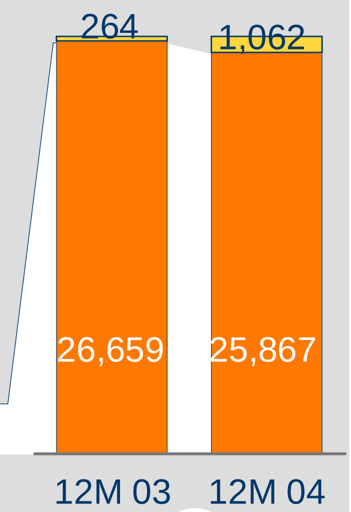
# Reconciliation of P/C and L/H ratios

## P/C

### Claims ratio

**8.[1] Benefits payable to policy holders** (EUR m) **26,923** **26,929**

- Change in aggregate policy and other reserves
- Expenses for premium refund
- Claims incurred

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**1.[1] Net premiums earned** (EUR m): **37,277** **38,193**

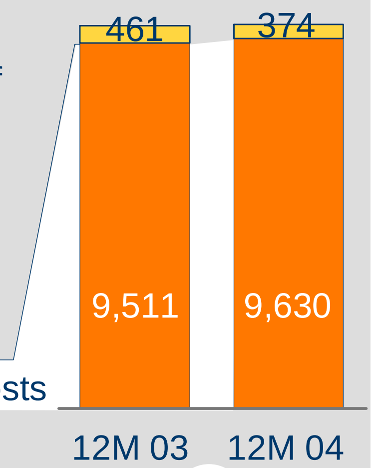
=

**Claims ratio:** **71.5%** **67.7%**

### Expense ratio

**12.[1] Acquisition costs & administrative expenses** (EUR m) **9,972** **10,004**

- Expenses for management of investments
- Underwriting costs

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**1.[1] Net premiums earned** (EUR m): **37,277** **38,193**

=

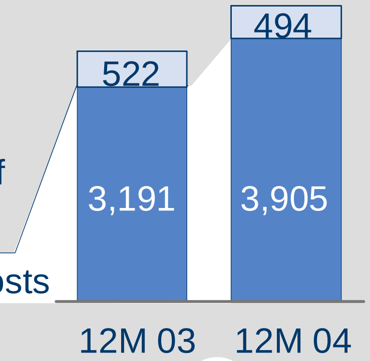
**Expense ratio:** **25.5%** **25.2%**

## L/H

### Expense ratio (statutory)

**12.[1] Acquisition costs & administrative expenses** (EUR m) **3,713** **4,399**

- Expenses for management of investments
- Underwriting costs

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**1.[1] Net premiums earned** (EUR m): **18,702** **18,595**

+

**Premiums from inv. oriented products** (EUR m): **21,630** **24,435**

=

**Statutory exp. ratio:** **7.9%** **9.1%**

1) P/L line item

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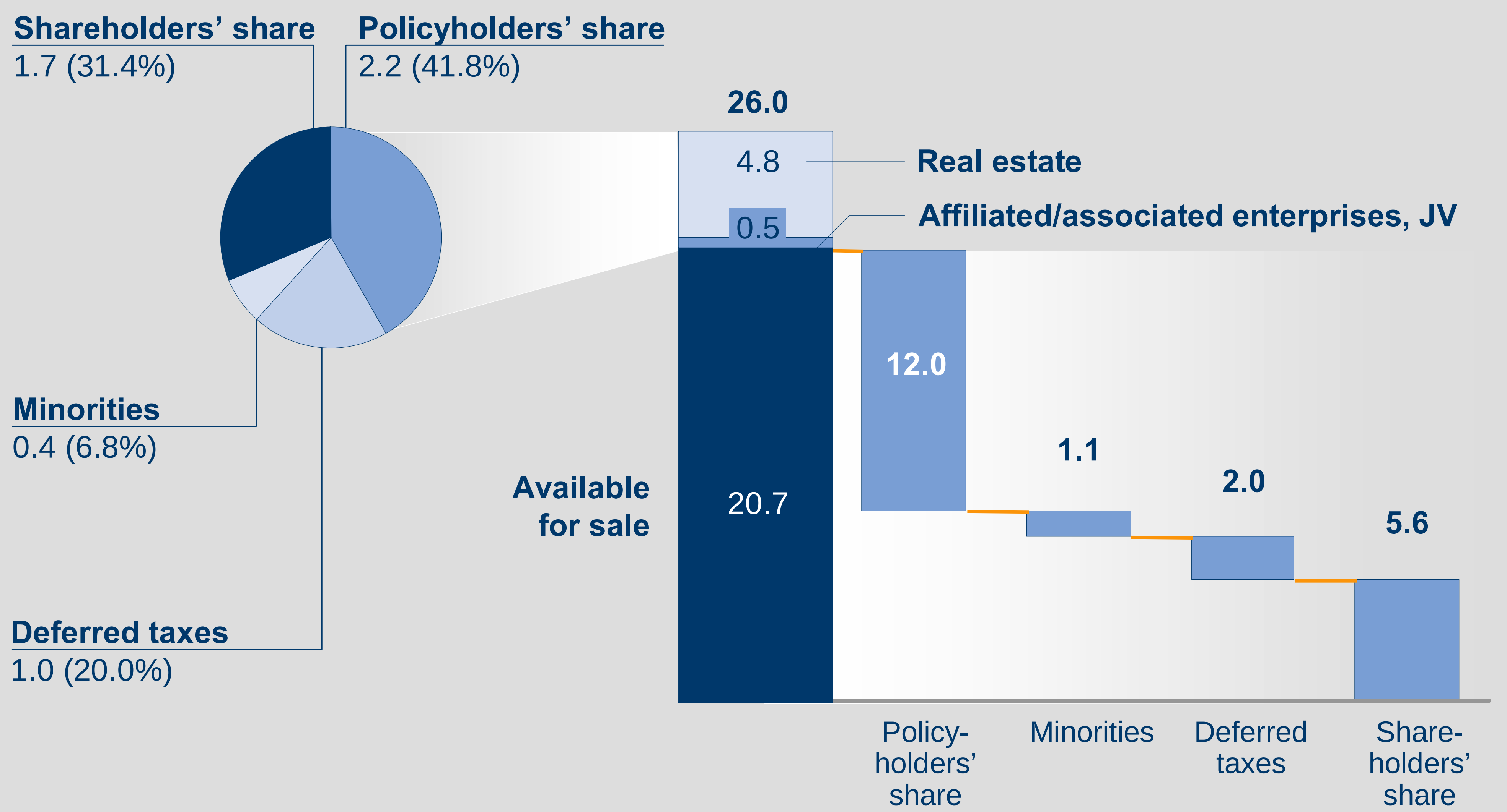
# Revaluation reserve around EUR 26.0bn
(EUR bn)

| Off balance sheet | Revaluation reserve | On balance sheet |
|---|---|---|



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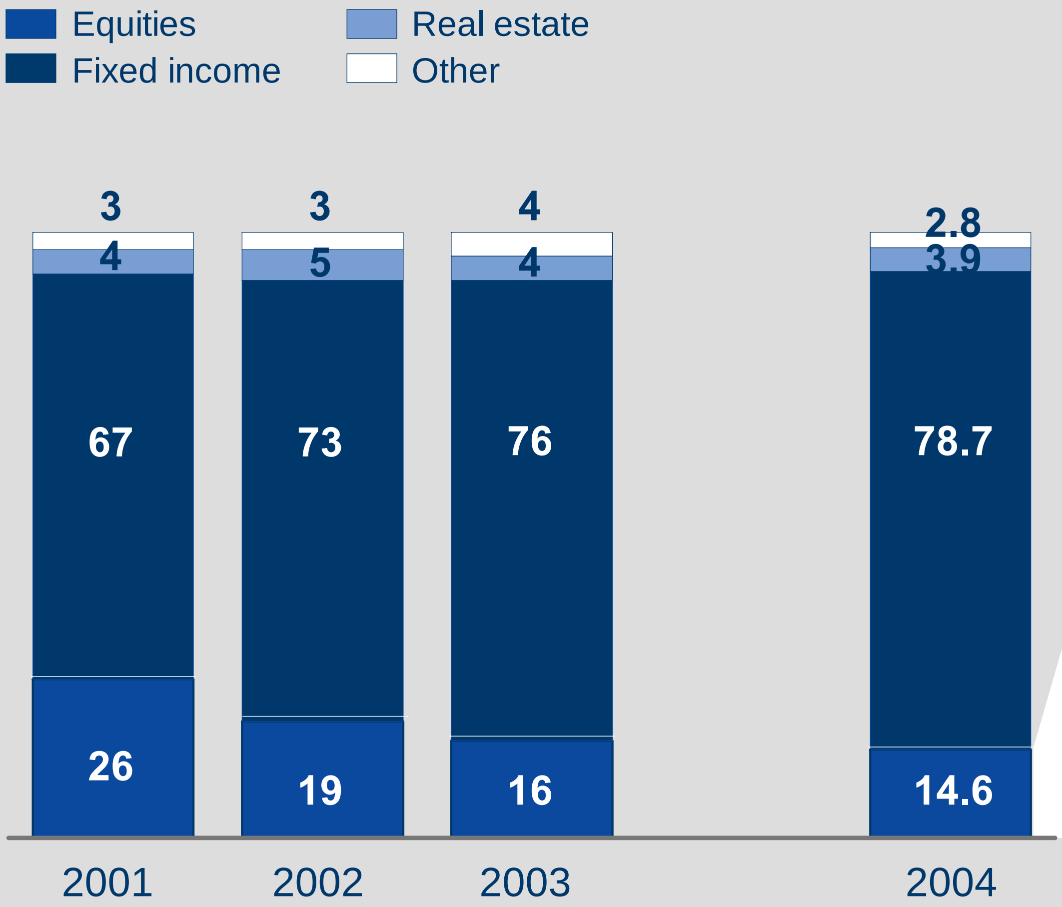
# Group asset allocation: equity gearing after "All in one" transaction below 1.0

## Development asset allocation (in %)

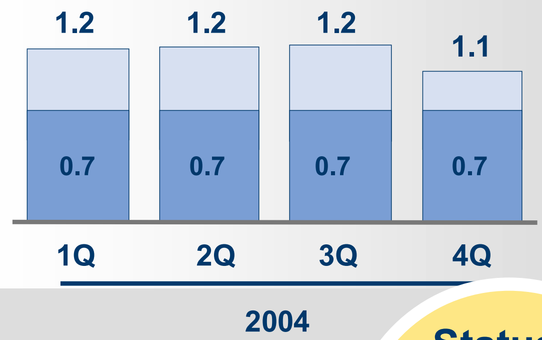



**Total investments** (EUR bn)[1]

| 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|
| 397 | 332 | 338 | 360 |

**Equity gearing** (EUR bn) — **2004**

- Shareholder exposure: 21.9
- NAV ex goodwill: 20.8
- Goodwill: 11.7
- Gearing: (excl. goodwill) 1.1; (incl. goodwill) 0.7




**Status a/ "All in one"**
**excl. GW: 0.9**
**incl. GW: 0.6**

1) Without trading assets

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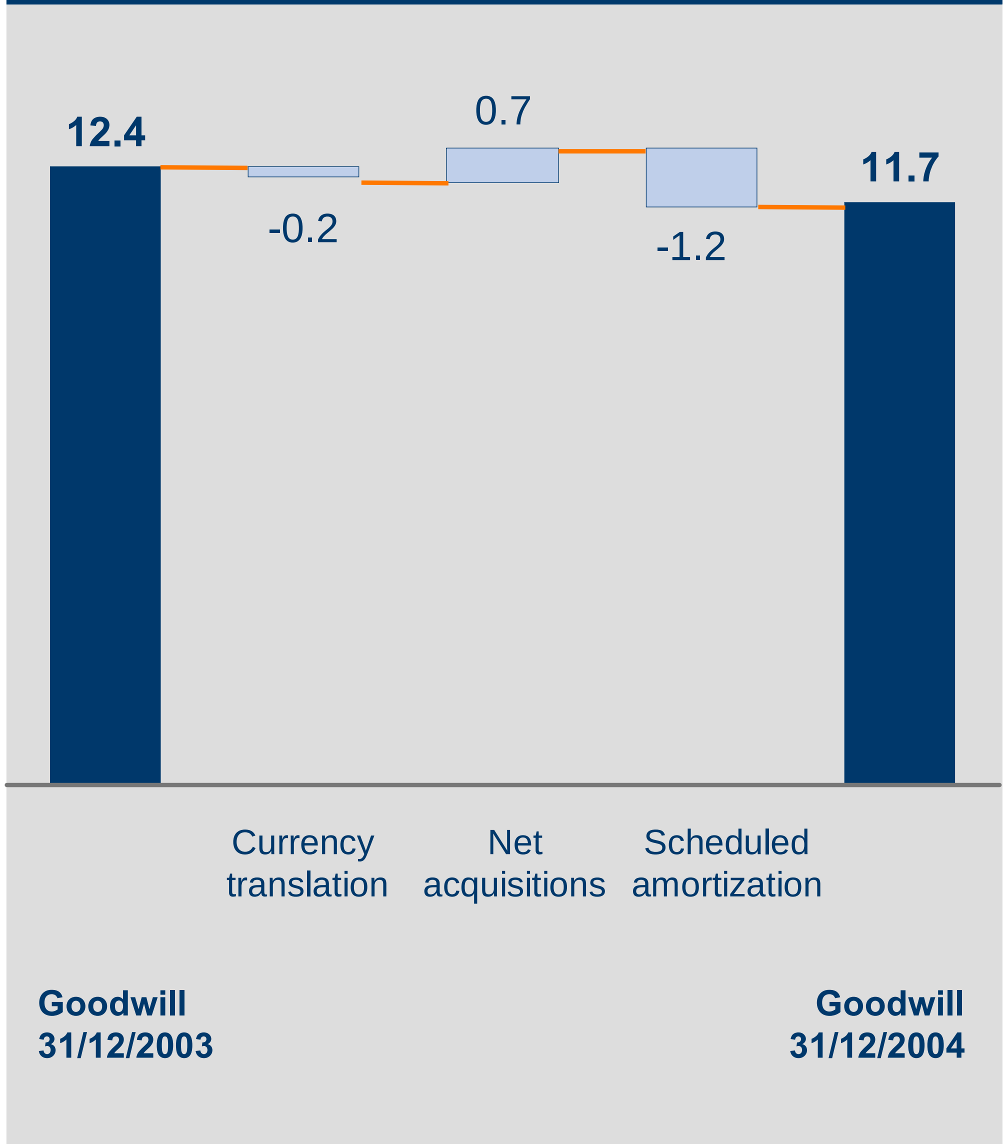
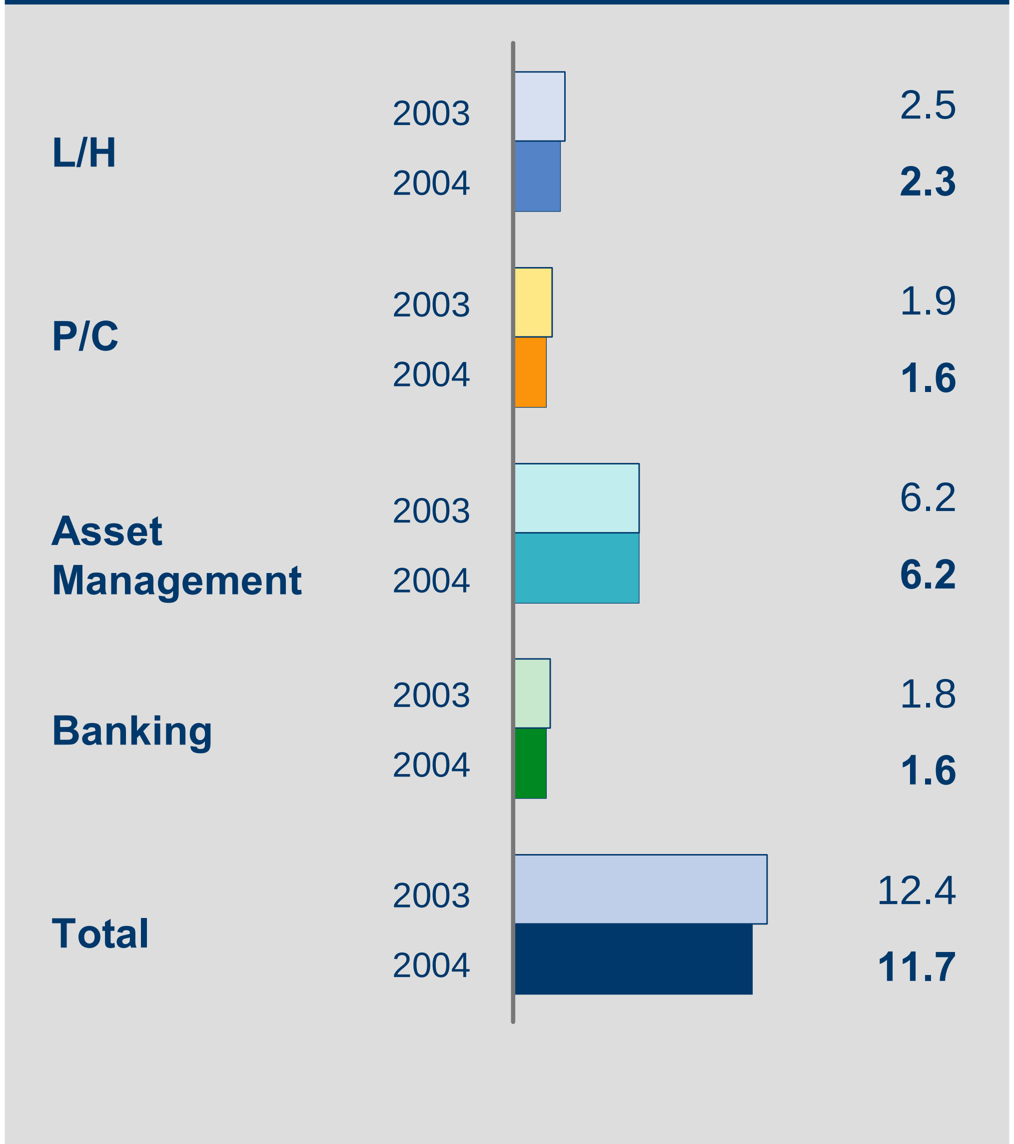
# Goodwill
(EUR bn)




## Goodwill per segment



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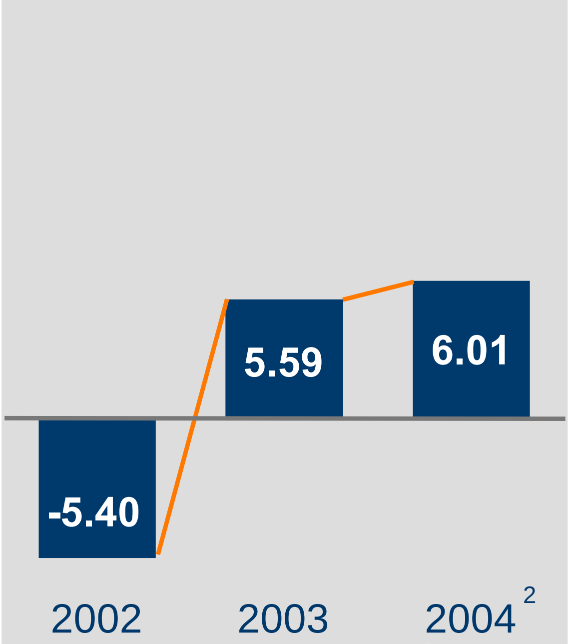
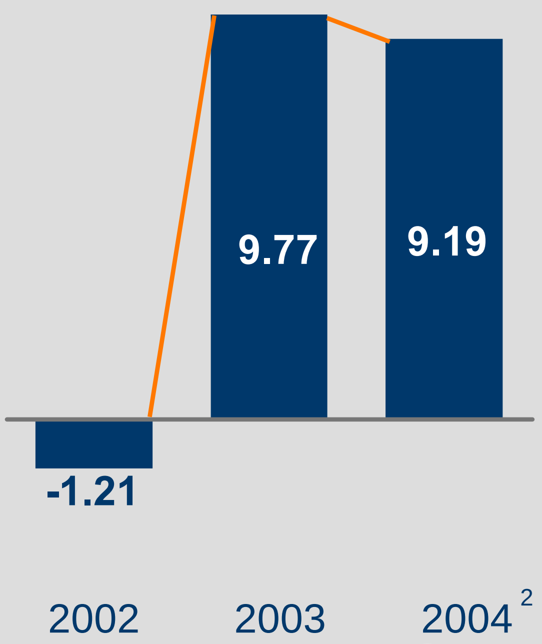
# Increase in EPS
(EUR)

**Basic $EPS_R$[1]**




Fully diluted for "All in one" transaction EUR 5.74[3]

**$EPS_A$[1] before goodwill amortization**




Fully diluted for "All in one" transaction EUR 8.78[3]

| Number of shares | Unweighted outstanding | Weighted outstanding |
|---|---|---|
| **# of shares at beginning of year** | **366,792,461** | **366,792,461** |
| Capital increase | 5,059 | 316 |
| Change in treasury shares | -988,912 | -988,912 |
| Employees' shares | 1,051,191 | 126,719 |
| **# of shares at end of year** | **366,859,799** | **365,930,584** |

1) Adjusted for 2003 rights issue 2) Diluted for outstanding profit participation certificates and Allianz Group stock compensation plans; dilutive EPS is EUR 5.98 (5.57), dilutive EPS before goodwill depreciation is EUR 9.14 (9.73) 3) Disposal of 17,155,008 own shares

Allianz Group

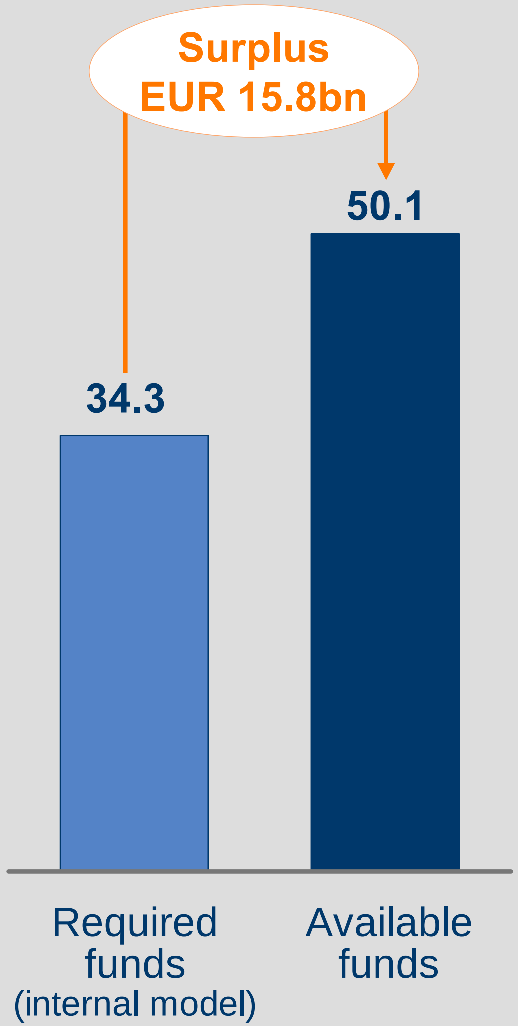
# Allianz Group risk capital: required vs. available funds

(EUR bn, b/ minorities, as of 31.12.2004)

## Required risk capital[1]

| Risk categories | | Δ 04/03 (in %) |
|---|---|---|
| Market/ALM | 15.2 | -6.2 |
| Credit/counterparty | 5.9 | -4.8 |
| Premium | 6.1 | -14.0 |
| Reserve | 1.8 | 0.0 |
| Life actuarial | 0.1 | 0.0 |
| Business | 5.2 | 26.8 |
| **Total** | **34.3** | **-3.4** |

## Required vs. available




## Available funds

| | | Δ 04/03 (in %) |
|---|---|---|
| Shareholders' equity | 30.8 | +7.8 |
| Minorities | 9.5 | +13.9 |
| Hybrid capital | 6.8 | +22.6 |
| Supp. cap. at Dresdner | 6.9 | -6.9 |
| Off b/s rev. reserves[2] | 1.5 | -3.3 |
| Loss reserve discount | 3.8 | -6.7 |
| PVFP n/ac. IFRS equ.[3] | 3.1 | 41.1 |
| Other | 0.3 | -83.5 |
| Goodwill & intangibles | -12.7 | +2.3 |
| **Total** | **50.1** | **+5.9** |

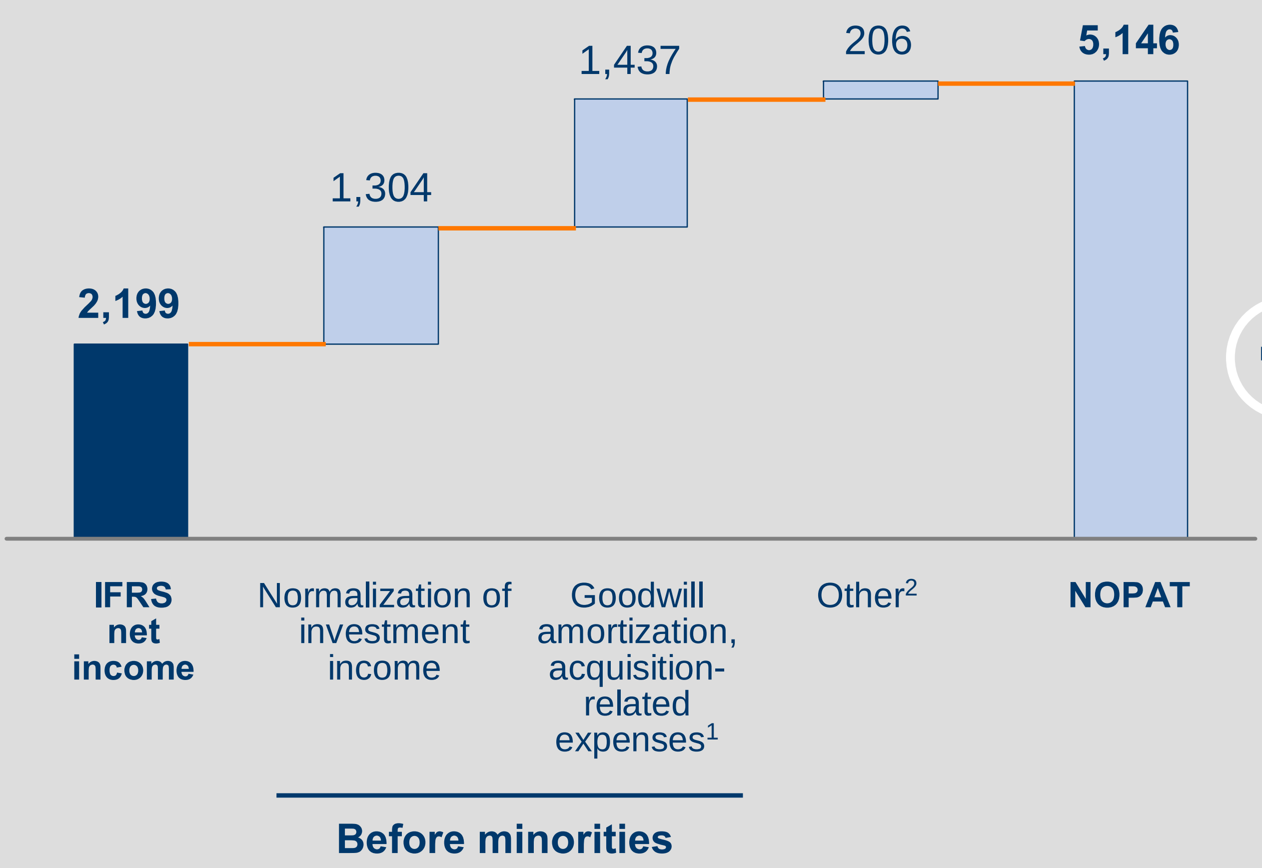
**Additional Impact from "All in one" in 1Q 2005: EUR +2.9bn**

1) Group diversified, before minorities 2) Without reserves on real estate own use, before minorities
3) PVFP not accounted for in IFRS equity; excludes asset valuation differences

Allianz Group

# NOPAT tries to carve out sustainable, economic profit

| **NOPAT reconciliation** (EUR m, all figures net of taxes) | **Average RAC** | **RoRAC$_N$** (Group) |
|---|---|---|
| | EUR 31.2bn | 16.5% |




1) Of which goodwill amortization: EUR 1,162m; acquisition-related expenses: EUR 275m
2) Includes reserve discounting, minorities, excess capital charge, etc.

Allianz Group

# Major accounting changes becoming effective for 2005 and previous years (1/3)

| Topic | Explanation |
|---|---|
| **IFRS 2**<br>Share-based compensation | ▪ Cash settled plans must be adjusted from intrinsic valuation to fair valuation<br>▪ PIMCO B-Units to be reclassified from equity settled plan to cash-settled plan due to put option included<br>▪ Allianz must implement changes retrospectively |
| **IFRS 3**<br>Goodwill accounting | As of January 1, 2005 goodwill will no longer be amortized; instead the impairment only approach has to be applied |
| **IFRS 4**<br>Insurance contract accounting | ▪ In principle, accounting of insurance contracts remains unchanged, i.e. continued application of US GAAP accounting rules<br>▪ Requires classification of contracts as investment or insurance contracts; investment contracts have to be accounted for according to IAS 39 (revised 2003); Allianz was required to reclassify certain contracts as investment contracts, resulting in no material effect on equity<br>▪ Only limited additional disclosure requirements for Allianz, because most regulations already covered by SEC rules |

Allianz Group

# Major accounting changes becoming effective for 2005 and previous years (2/3)

| Topic | Explanation |
|---|---|
| **IAS32 revised**<br>Put-able instruments | ▪ Financial instrument including put options („put-able“ instrument“) to be classified as liabilities<br>▪ Reclassification of minoritiy interests in special funds |
| **IAS39 revised**<br>Reversal of impairments of equity securities | ▪ Reversal of impairments on equity securities no longer allowed<br>▪ Allianz must implement changes retrospectively |
| Potential change to the policy for recognition of impairments of equity securities | ▪ For impairments on equity securities evidence of „significant or prolonged decline“ (objective evidence of impairment) is required<br>▪ Further potential interpretation: all declines in fair value after initial impairment result in additional impairments<br>▪ Allianz will maintain existing impairment policy until standard setter provides clear guidance how to interpret IAS 39 |

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# Major accounting changes becoming effective for 2005 and previous years (3/3)

| Topic | Explanation |
|---|---|
| **IAS 39 revised**<br>Fair value option | ▪ Allianz will utilize newly created category „financial assets fair valued through profit & loss“ for following items:<br>- United linked insurance and investment contracts<br>- French special funds<br>▪ Allianz must implement changes retrospectively |
| Categorization of financial instruments | ▪ Allianz reclassifies „Namensschuldverschreibungen“ and “Schuldscheindarlehen” to extended category „loans and receivables“ (measured at amortized cost)<br>▪ Previously „Namensschuldverschreibungen“ and “Schuldscheindarlehen“ had been measured at fair value (afs investments), with unrealized gains and losses recorded in equity<br>▪ Retrospective application results in a decrease in equity, due to elimination of net unrealized gains related to these investments |

# Embedded value of Allianz’ life operations

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# EEV early application: almost compliant

| Principles | Implemt. status | Remarks |
|---|---|---|
| EV as a measure | ◕ | ▪ Asset Management and service companies are not included<br>▪ Internal reinsurance is not included |
| Covered business | ● | |
| Components of EV | ● | |
| Free surplus | ● | |
| Required capital | ● | |
| PVFP | ● | |
| Time value of options & guarantees | ◕ | ▪ 2004 closing restatement for options and guarantees only<br>▪ No movement of value of options and guarantees |
| New business and renewals | ● | |
| Projection assumptions | ● | |
| Economic assumptions | ● | |
| Participating business | ● | |
| Disclosure | ◑ | ▪ No disclosure in annual statement<br>▪ Detailed disclosure material on EEV will be provided starting with EV 2005 |

**EEV principles largely implemented one year ahead of time**

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# Embedded value methodology

Embedded value **(EV)** = Present value of future profits **(PVFP)** − Cost of holding risk-adjusted capital **(CRC)** − Time value of options and guarantees **(O&G)** + Net asset value **(NAV)**

Covered business is Life and riders to life contracts

Asset Management and service companies are not included
Internal reinsurance is not included

Bonus rates are projected in line with management's long term plans

No productivity gains are included

New business is valued at the point-of-sale on closing assumptions

Foreign currencies are translated using year-end F/X rates

# EEV: the Allianz embedded value framework for life business

| | |
|---|---|
| **Embedded value** (EV) | Net asset value (NAV) + Present value of future profits (PVFP) – Cost of risk-adj. capital (CRC) – Time value of options & guarantees |
| **Net asset value** (NAV) | Capital not backing liabilities valued at market value |
| **Risk-adjusted capital** (RAC) | Capital tied into life business (maximum of internal risk capital and required solvency margin) |
| **Excess capital** (XS) | Net asset value (NAV) – risk-adjusted capital (RAC) |
| **Present value of future profits** (PVFP) | Future local statutory shareholder profits discounted at risk discount rate (RDR); includes value of unrealized gains on assets backing policy reserves |
| **Cost of risk-adjusted capital** (CRC) | Future differences between cost of capital and expected investment return on risk-adjusted capital, discounted at risk discount rate (RDR) |
| **Risk discount rate** (RDR) | Cost of capital (CAPM based; risk free rate in line with economic assumptions; equity risk premium 3.5%; beta = 0.9) |
| **Value of new business** (VNB) | Present value of future profits (PVFP) – Cost of risk-adjusted capital (CRC) at issue date |
| **New business margin** | Value of new business divided by present value of new business premiums, discounted at risk discount rate |
| **Present value of new business premiums** | Discounted value of new regular premiums plus the total amount of single premiums received in the year |

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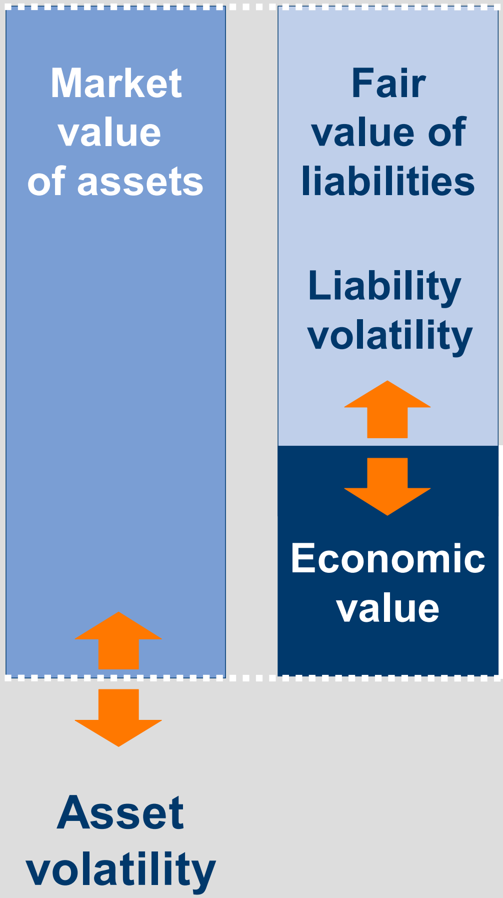
# EEV: required risk-adjusted capital is based on a fair value balance sheet

**Based on A-rating for local companies (not lower than local solvency)**




**Risk-adjusted capital: Minimum amount of capital required to ensure solvency over one year consistent with an A-rating**

## "risk-adjusted capital cover ratio"

$$\text{Risk-adjusted capital cover ratio} = \frac{\text{Risk-adjusted capital}}{\text{Statutory reserves}}$$

| | |
|---|---|
| Germany | 0.7%[1] |
| France | 4.2% |
| Italy | 3.0% |
| Other Europe | 7.5% |
| USA | 4.7% |
| Rest of world | 26.5% |
| **Total average** | **3.5%** |

1) after all policyholder resources admissible for solvency purposes

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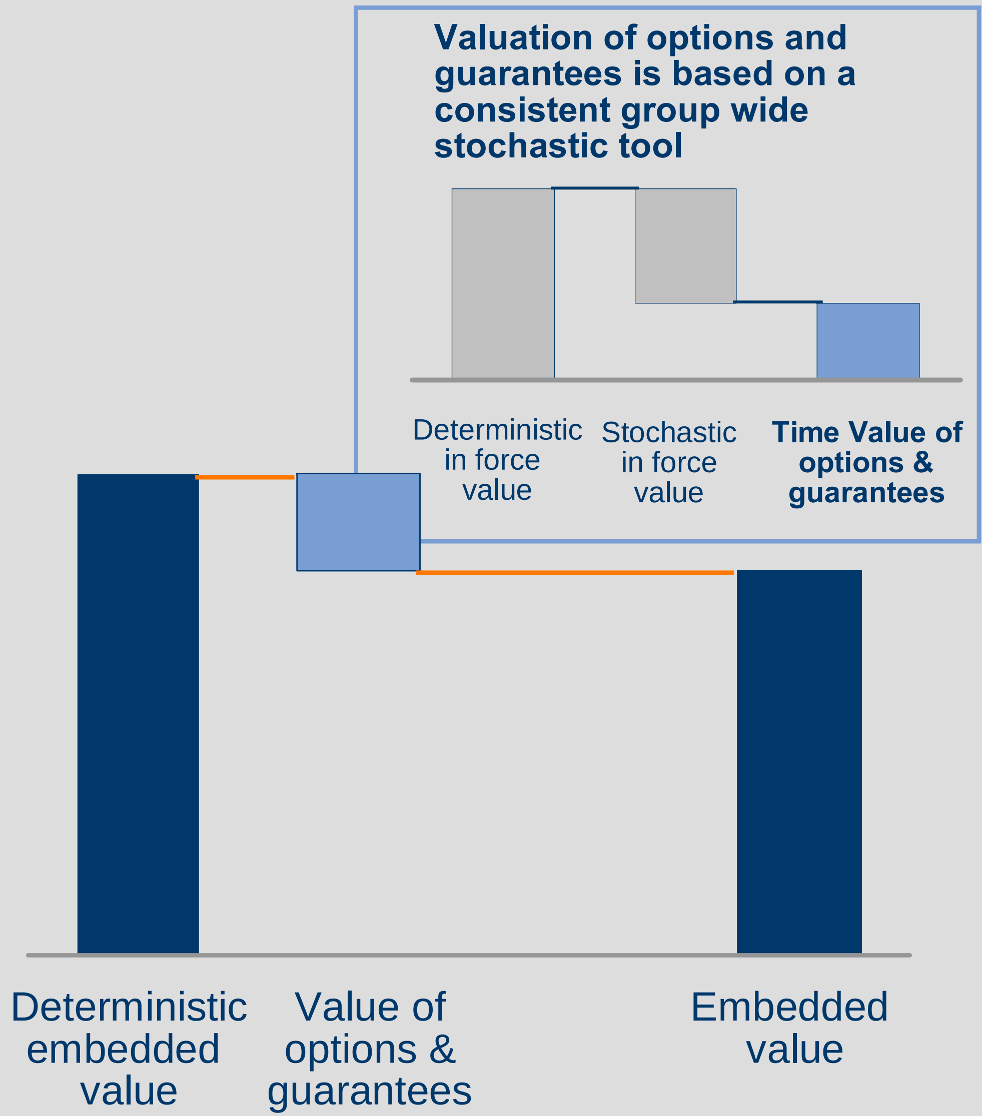
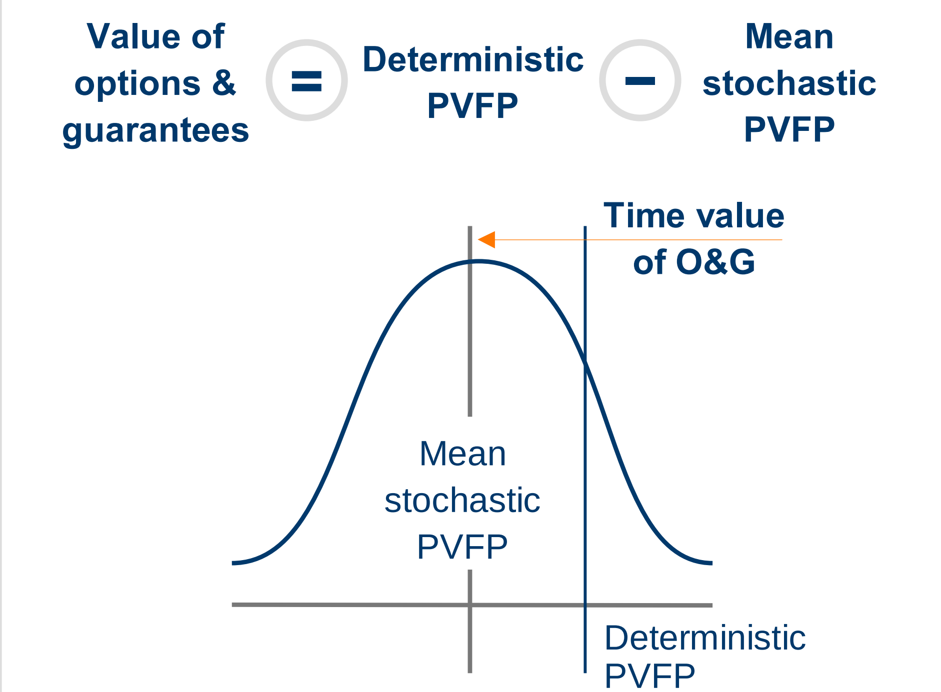
# EEV: time value of options and guarantees based on stochastic techniques




## Comments




- Applying 1000 stochastic scenarios consistent with EV assumptions
- Based on 5year historic volatility (e.g. EURO StoXX 50 of 23%)
- Modeling of management actions is limited to managing bonus rates and balance sheet buffers

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# Consistent valuation parameters are applied across Allianz Group

| Key parameters | Specification |
| --- | --- |
| **Risk free rate for reinvestments** (10-year government bond) | EUR 3.60%, CHF 2.35%<br>USD 4.30%, KRW 3.90% |
| **Equity risk premium** | All 3.50% |
| **Real estate risk premium** | 0.2 x 10-year bond rate[1] |
| **Tax rate in line with local tax regime** | D 39.0%, CH 25.0%<br>F 35.4%, KR 27.5%<br>I 38.2%, USA 35.0% |
| **Risk discount rates** | Underlying segment ß = 0.9, risk free rate based on 10 year government bond, 3.5% equity risk premium<br>EUR 6.75%, CHF 5.50%<br>USD 7.45%, KRW 7.05% |

**Economic assumptions are based on year end observable market data**

1) Except US: real estate risk premium 3.9%

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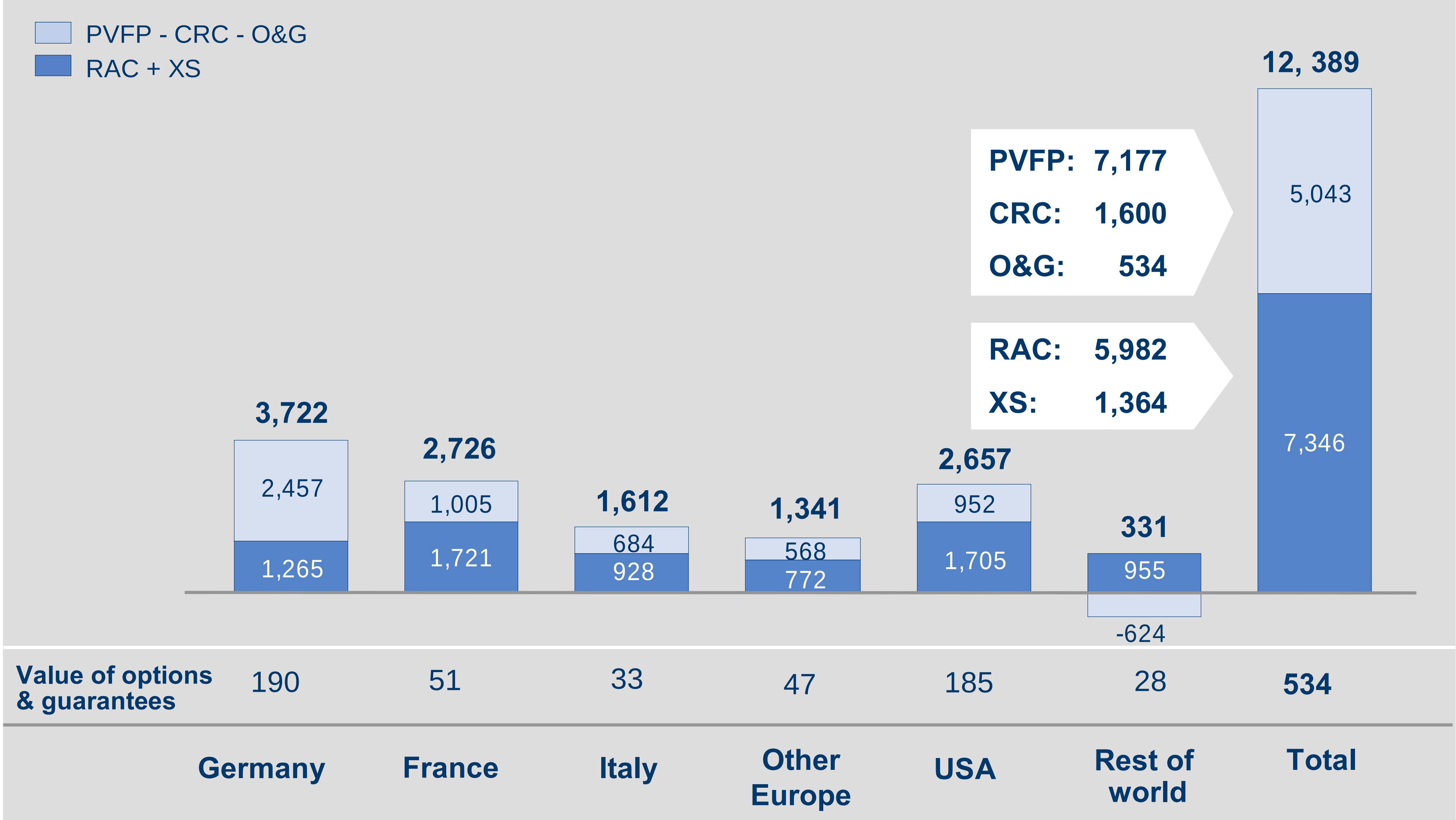
# Embedded value after minorities
(EUR m)

## Per region and by components 2004



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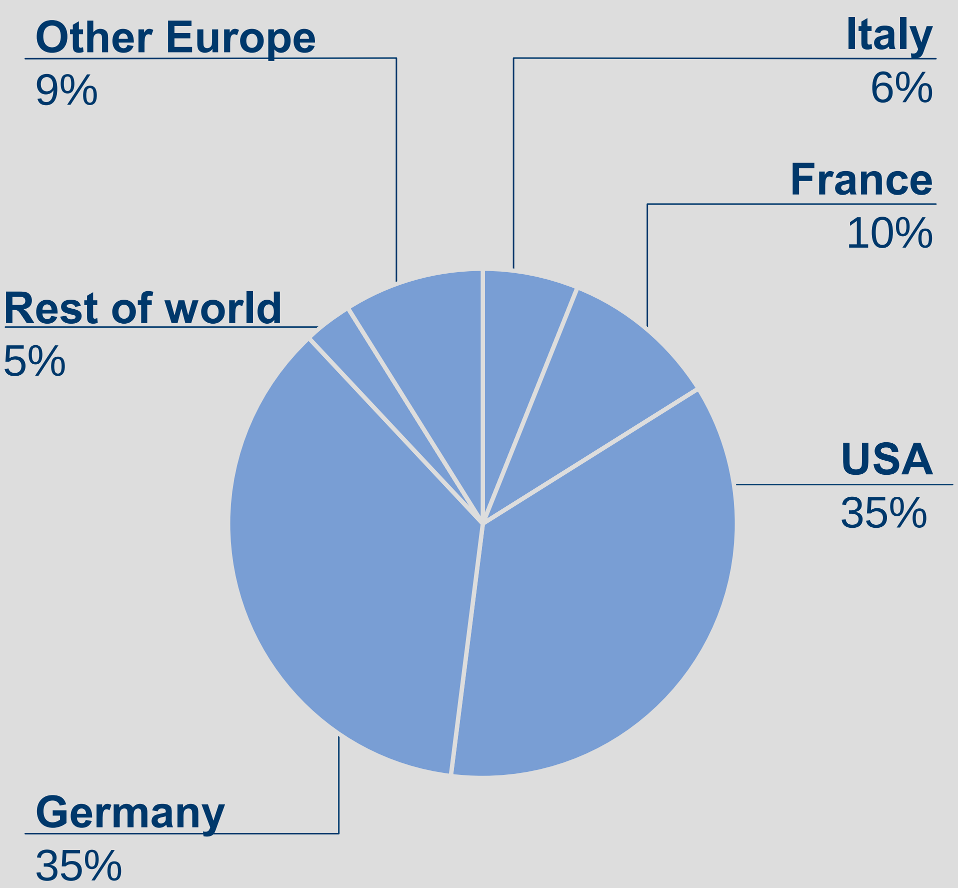
# Value of options and guarantees per region

## Total 2004: EUR 534m




## O&G valuation

- **Traditional life business (EUR 430m)**
  - guaranteed minimum interest rates
  - guaranteed surrender values
- **Unit linked/variables/equity indexed business (EUR 104m)**
  - guaranteed minimum death benefits (GMDB)
  - guaranteed minimum income benefits (GMIB)
  - guaranteed minimum account value (GMAV)
  - crediting rate floors and caps

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# New business (NB) values and margins
(EUR m)

| **New business before CRC** (a/ tax, a/ min.) | **2003** | **2004** | **Delta** |
|---|---|---|---|
| NB Value | 501 | 793 | 58% |
| NB Margin | 2.2% | 2.9% | 0.7%-p |
| NB Spread[1] | n/a | 0.40% | n/a |

| **New business after CRC** (a/ tax, a/ min.) | **2003** | **2004** | **Delta** |
|---|---|---|---|
| NB Value | 265 | 611 | 131% |
| NB Margin | 1.2% | 2.2% | 1.0%-p |
| NB Spread[1] | n/a | 0.30% | n/a |

1) NB Spread: NBV / present value of statutory reserves (eop)

**2004 NBV including value of options and guarantees**

**2003 NBV excluding value of options and guarantees**

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# Value of new business by region

(EUR m)

## Value of new business at issue before and after cost of risk-adjusted capital (a/ min.)

| | 2003 NB Value | Old model NB margin (%) | 2004 NB Value | EEV NB margin (%) | Spread[1] (bp) |
|---|---|---|---|---|---|
| **Before CRC** | | | | | |
| Germany | 117 | 1.8 | 228 | 2.6 | 33 |
| France | 41 | 1.7 | 66 | 2.7 | 36 |
| Italy | 97 | 2.8 | 108 | 3.1 | 57 |
| Other Europe | 60 | 4.1 | 78 | 4.5 | 72 |
| USA | 156 | 2.1 | 303 | 3.2 | 41 |
| Rest of world | 31 | 1.7 | 10 | 0.5 | 11 |
| **Total** | **501** | **2.2** | **793** | **2.9** | **40** |
| **After CRC** | | | | | |
| Germany | 95 | 1.5 | 209 | 2.4 | 30 |
| France | 3 | 0.1 | 39 | 1.6 | 22 |
| Italy | 57 | 1.6 | 88 | 2.6 | 47 |
| Other Europe | 36 | 2.5 | 59 | 3.4 | 54 |
| USA | 74 | 1.0 | 218 | 2.3 | 30 |
| Rest of world | 1 | 0.1 | -2 | -0.1 | -2 |
| **Total** | **265** | **1.2** | **611** | **2.2** | **30** |

- Germany: Margin increased reflecting management's long-term profit sharing plans and lower capital requirement; significantly increased volume due to change in tax regulation
- US: Margin increased due to repricing of products in second half of 2003; sales volume significantly increased leading to an improved cost base for variable business
- Italy: Margin increased due to higher production of profitable recurrent premium business; decrease in unit linked volume offset by introduction of profitable traditional products
- France: Margin increased due to significant cost reduction and repricing of products

1) ((PVFP - CRC - O&G) for NB) / present value of statutory reserves for NB

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# New business 2004 – other key profitability indicators
(EUR m)

| | NB strain[1] | IRR (in %)[2] | Options & guarantees in new business[3] | Present value of new business premiums | Spread on statutory reserves (bps) |
|---|---|---|---|---|---|
| Germany | 55 | 26% | 0 | 8,672 | 30 |
| France | 81 | 10% | 4 | 2,419 | 22 |
| Italy | 89 | 19% | 1 | 3,463 | 47 |
| Other Europe | 56 | 24% | 3 | 1,733 | 54 |
| USA | 381 | 14%[4] | 37 | 9,503 | 30 |
| Rest of world | 108 | 13% | 4 | 1,789 | -2 |
| Total | 770 | 16% | 49 | 27,579 | 30 |

1) Shareholder acquired expenses + initial capital binding
2) IRR is calculated excluding the value of options and guarantees except for USA; aggregated values weighted with RAC
3) Based on marginal approach
4) Including options and guarantees

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# Movement analysis of embedded value after minorities (EUR m)

| | 2003 | | 2004 | |
|---|---|---|---|---|
| **EV published** | **10,977** | | **11,657** | |
| Initial adjustments | 573 | | 69 | |
| **Revised start value** | **11,550** | | **11,726** | |
| Unwinding of discount rate | | 935 | | 945 |
| Non-economic variances and assumption changes | | -57 | | 76 |
| **In force operating EV profit** | | **878** | | **1,021** |
| New business value added | | 265 | | 611 |
| **Total operating EV profit** | **1,143** | | **1,632** | |
| Investment variances and assumption changes | 408 | | 103 | |
| Divestitures | -325 | | | |
| Other | -14 | | -87 | |
| **EV before capital movements** | **12,762** | | **13,374** | |
| **Capital movement** | **-1,106** | | **-571** | |
| **End value I** | **11,657** | | **12,803** | |
| Restatement for O&G in 2004 (for in force only) | | | **-414** | |
| **End value II** | | | **12,389** | |

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# Initial adjustments

| Adjustments | Value (EUR m) | Description |
|---|---|---|
| Change to risk-adjusted capital | 434 | The change from S&P capital model to risk-adjusted capital decreased the RAC/increased XS by EUR 709m resulting in a reduction of CRC by EUR 434m |
| Change in F/X rates | -206 | A decrease of foreign currency exchange rates against the Euro led to a decrease in embedded value primarily driven by a lower USD (EUR 214m) |
| Change in Allianz interest/ new OE | -287 | The sale of Cornhill life is integrated in the change of Allianz interest |
| Other | 128 | Includes changes in the model for Allianz Leben Germany to reflect management's long term plan for future shareholder profit participation. On average the shareholder part of gross profits is 14% |
| **Total initial adjustments** | **69** | |

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# Comment on movement analysis

| Movements | Value (EUR m) | Description |
|---|---|---|
| **Investment variance and assumption charges** | | |
| Change in discount rates on in force | 863 | Discount rates are aligned with underlying risk-free rates of economic assumptions |
| Change in economic assumption | -1,297 | Economic assumptions reflecting the lower projected interest rates and equity yields |
| Other | 537 | A positive investment variance primarily due to positive equity returns and an increase in unrealized capital gains on the bond portfolio (EUR 570m) |
| **Total** | **103** | |
| Restatement for options and guarantees | -414 | Includes options and guarantees for in-force business only, which was not included last year<br>Options and guarantees already included in the EV 2003 for US business are EUR 71m at year end, options and guarantees included in new business are EUR 49m<br>Therefore, total options and guarantees included in the EV 2004 are EUR 534m |

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# Sensitivity analysis of embedded value

(EUR m)

## Embedded value

| | Base case | Economic factors | | | | | Non economic factors | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1 %-p in total investment yield | +1 %-p in total investment yield | -1 %-p in equity yield | +1 %-p in risk discount rate | Using statutory solvency capital | +10% expenses | +10% mortality | +25% lapse |
| Germany | **3,722** | -2,032 | 929 | -220 | -257 | 265 | -29 | -12 | -98 |
| France | **2,726** | -220 | 226 | -64 | -142 | 0 | -74 | -58 | -28 |
| Italy | **1,612** | -120 | 85 | -32 | -76 | 374 | -20 | -11 | -16 |
| Other Europe | **1,341** | -607 | 427 | -52 | -115 | 128 | -74 | -58 | -1 |
| USA | **2,657** | -301 | 190 | -118 | -149 | 124 | -39 | -12 | 4 |
| Rest of world | **331** | -249 | 115 | -3 | -45 | 112 | -27 | -108 | 100 |
| **Total** | **12,389** | -3,529 | 1,972 | -489 | -784 | 1,003 | -263 | -259 | -39 |

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# Comparison of embedded value to IFRS equity

| | |
|---|---|
| **DAC/VOBA** | IFRS amounts in DAC/VOBA exceed statutory levels included in PVFP |
| **Difference in reserves** | Aggregate IFRS life technical and unallocated profit sharing reserves exceed statutory reserves used in PVFP modeling |
| **Shareholders portion of unrealized capital gains included in PVFP** | Aggregate amounts of unrealized capital gains included in PVFP projection, net of tax and policyholder participation |
| **Net amount of asset valuation differences** | Shareholder value of difference between market value and book value of assets (valued at IFRS book value) |
| **Other adjustments** | Differences statutory versus IFRS accounting treatment other than above, including difference in tax and P-GAAP valuation adjustments |

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# Reconciliation of embedded value to IFRS equity

(EUR m)

| | |
|---|---|
| **PVFP - CAC - O&G** | **5,043** |
| Adjust for: | |
| IFRS DAC / VOBA | -7,782 |
| Difference in life and unallocated profit sharing reserves | 6,615 |
| Shareholder value of unrealized capital gains included in PVFP | -864 |
| Net amount of asset valuation differences | -330 |
| Other adjustments | 66 |
| **Additional value not accounted for in IFRS equity[1]** | **2,748** |

1) Excluding goodwill

# Review of embedded value methodology

Tillinghast has reviewed the methodology and assumptions used to determine the 2004 embedded value results for the six main operating countries of the Allianz Group (Germany, France, USA, Italy, Korea and Switzerland). The review covered the embedded value as at 31 December 2004 and the value of 2004 new business. It included the values of options and guarantees but excluded the sensitivities. The conclusions of the review are set out below.

The methodology used is reasonable and in line with common actuarial practice with regard to embedded value reporting. The values are primarily based on deterministic projections of future after-tax profits, with allowance for risk through the use of a single risk discount rate by country and an explicit adjustment for the cost of holding capital. Explicit allowance has also been made for the cost of options and guarantees, as described on page 70 of this document.

The economic assumptions, risk discount rates and allowance for cost of capital are reasonable for the purpose of embedded value reporting. The operating assumptions used are reasonable in the context of Allianz's recent experience, where available and credible, and the expected future operating environment.

As regards the EEV Principles, we would concur with Allianz's assessment on page 1 of the extent of compliance, for the six main operating countries. In particular, we believe that, in respect of the end 2004 embedded value and the value of 2004 new business, the methodology and assumptions used are consistent with the Principles (noting the disclosed exceptions concerning asset management, service companies and internal reinsurance).

Tillinghast has also performed limited high level checks on the results for the six main operating countries and has discovered no material issues. Detailed checks on the models and processes have not, however, been performed.

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Paul Achleitner, Board member Allianz AG

# Capital efficiency

**Analysts' Conference**

**March 2005**

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# Capital efficiency targets 2004/2005 (1)

| Assets | Equity and Liabilities |
|---|---|
| 1 Reduce equity exposure | 5 Strengthen capital base |
| 2 Reduce cluster risks | 6 De-leverage Group |
| 3 Free up Dresdner from non-strategic stakes | 7 Use attractive market conditions |
| 4 Divest sub-critical and non-performing activities | 8 Optimize shareholder structure |

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# Capital efficiency targets 2004/2005 (2)

*Examples*

## *"All in one"*

| Examples | Assets | Equity and Liabilities | Examples |
|---|---|---|---|
| *BITES* | 1 Reduce equity exposure | 5 Strengthen capital base | *T-shares Subbond* |
| *MAN* | 2 Reduce cluster risks | 6 De-leverage Group | *Senior bonds reduced* |
| *AZ Munich Re* | 3 Free up Dresdner from non-strategic stakes | 7 Use attractive market conditions | |
| *AZ Canada AZ President IRU* | 4 Divest sub-critical and non-performing activities | 8 Optimize shareholder structure | *T-shares* |

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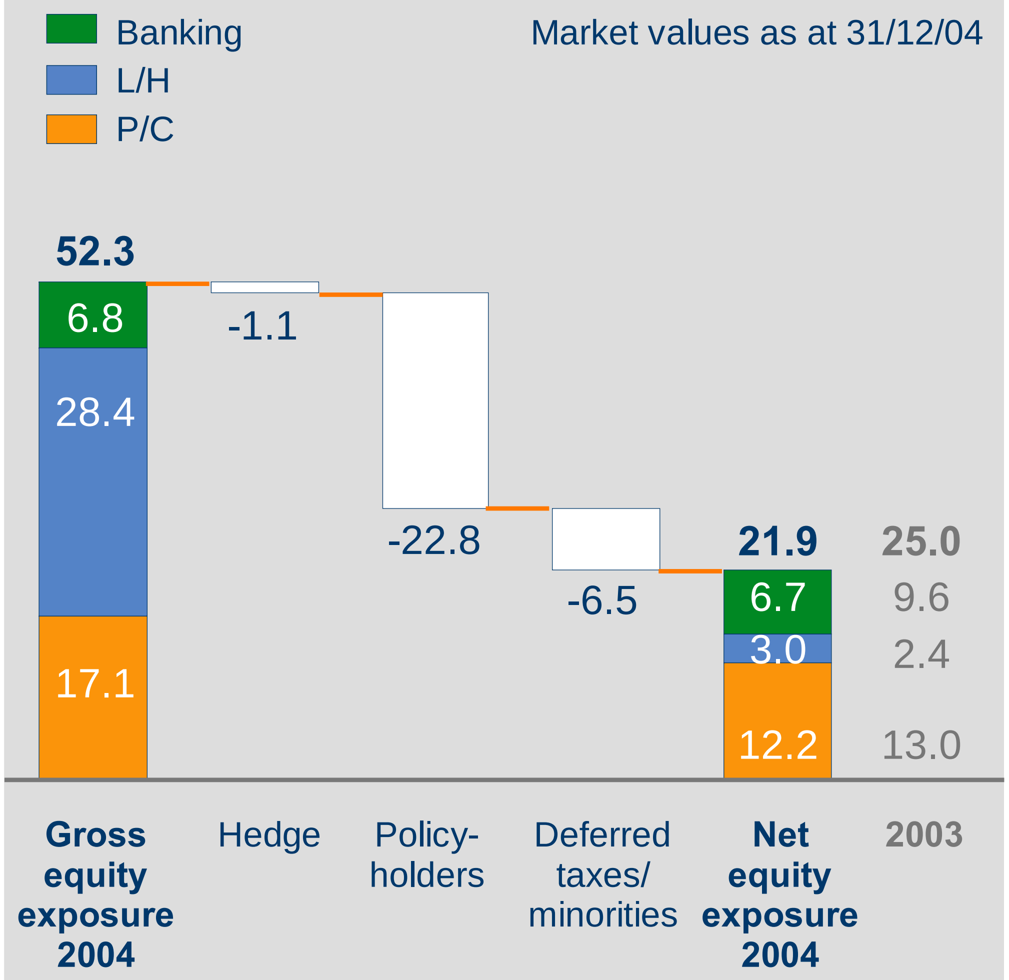
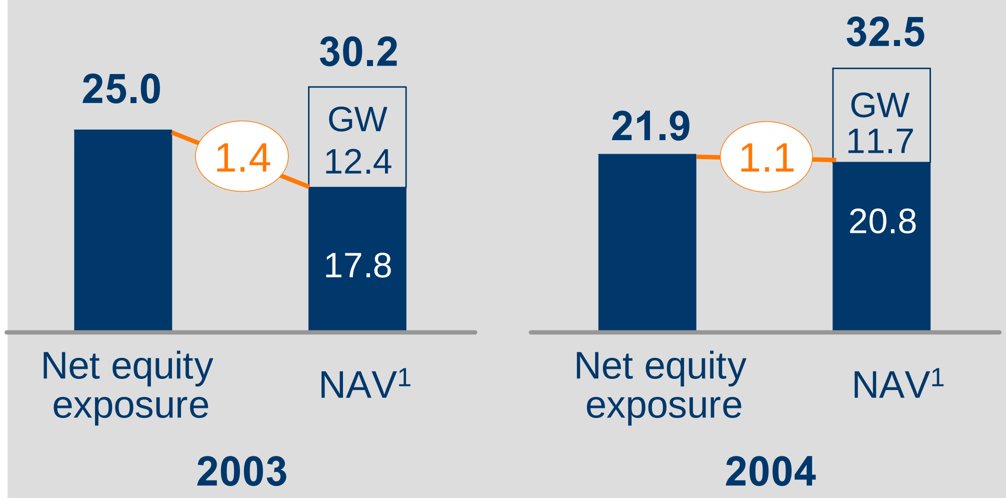
# 1 Equity exposure reduced
(EUR bn)

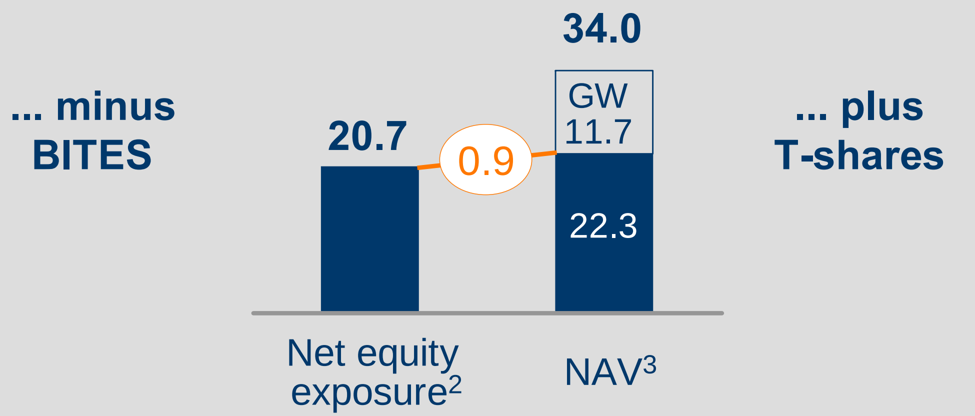
## Reconciliation of net equity exposure




## Equity gearing excluding goodwill …




## … 2004 pro forma after "All in one"




1) Shareholders' equity + shareholders' share of off-balance sheet reserves. 12M 2003: 28.6bn +1.6bn; 12M 2004: 30.8bn +1.7bn
2) Net equity exposure = 12M 2004 net equity exposure -1.2bn from forward sale of equity exposure (BITES)
3) NAV = 12M 2004 NAV +1.5bn from sale of treasury shares

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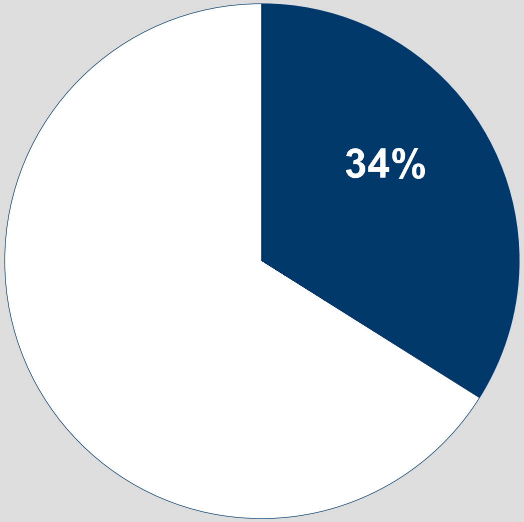
# 2 Cluster risks reduced

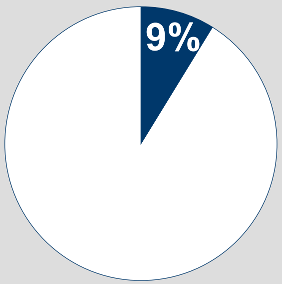
## Reduction of stakes[1] ≥ 5%

As percentage of gross equity exposure[2]

At the start of 2000




Currently[3]




## Current ten largest stakes ≥ 5%

| Stakes | Market value | Quota (%) |
|---|---|---|
| Munich Re | 2,028 | 9.8 |
| Schering | 1,259 | 11.8 |
| Linde | 629 | 11.5 |
| Beiersdorf | 530 | 7.3 |
| Worms & Cie | 367 | 14.8 |
| Heidelb. Druck | 286 | 13.4 |
| Bilfinger Berger | 277 | 25.0 |
| mg technologies | 171 | 10.1 |
| Karstadt Quelle | 170 | 10.6 |
| Rhön-Klinikum | 68 | 5.8 |

1) Based on all non-strategic and non-real-estate stakes with market value ≥ EUR 50m
2) Size of charts indicates size of corresponding gross equity exposure
3) Reduction due to EUR 1.2bn BITES bond is taken into account

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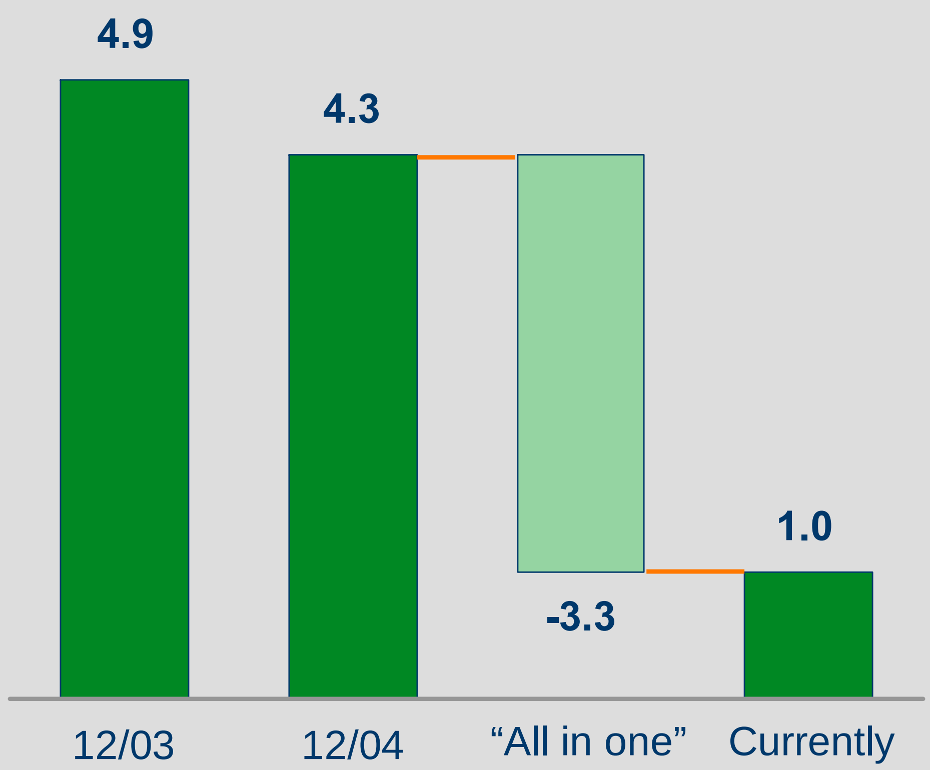
# 3 Dresdner Bank freed up from non-strategic assets

## Dresdner Bank

- Sale of Allianz treasury shares
- Internal transfer of Munich Re shares[1]
- Significant reduction of non-strategic and non-real-estate equity exposure to EUR 1.0bn
- Reinvestment of non-dividend[2] treasury shares will increase interest income
- Planned sale of IRU assets might lead to further balance sheet improvement in 2005

## Equity portfolio Dresdner Bank[3] (EUR bn)




1) Sold to Allianz AG - internal transaction without impact on consolidated accounts
2) Shares held by a Group company (treasury shares) are not entitled to receive a dividend
3) Dresdner Bank stand alone, based on non-strategic and non-real-estate stakes

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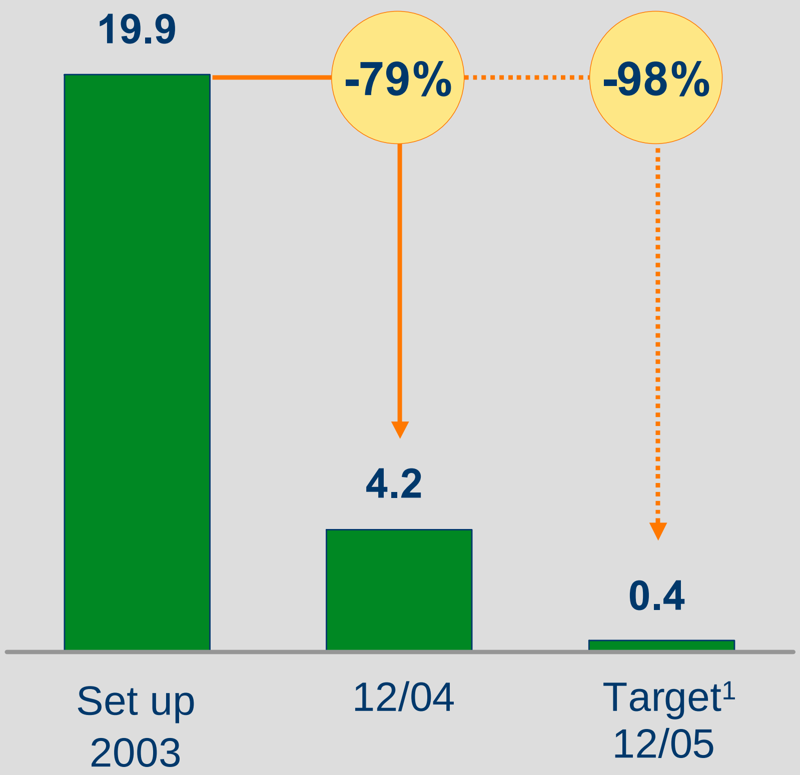
# 4 Sub-critical and non-performing activities divested

## IRU wind down (RWA EUR bn)




## Divestments (as at 03/2005)

- **22 divestments in 2004/2005:**
  - 2 unprofitable
  - 14 non-strategic (e.g. AZ Canada, Cornhill Life)
  - 6 sub-critical (e.g. ZA Verzekeringen Belgium)
- **Deal volume:** approx. EUR 1.0bn (EUR 2.8bn since 2003)
- **Risk capital release:** approx. EUR 0.5bn (EUR 1.4bn since 2003)
- **78 sub-holdings liquidated in 2003 and 2004**

1) After already agreed or initiated transactions

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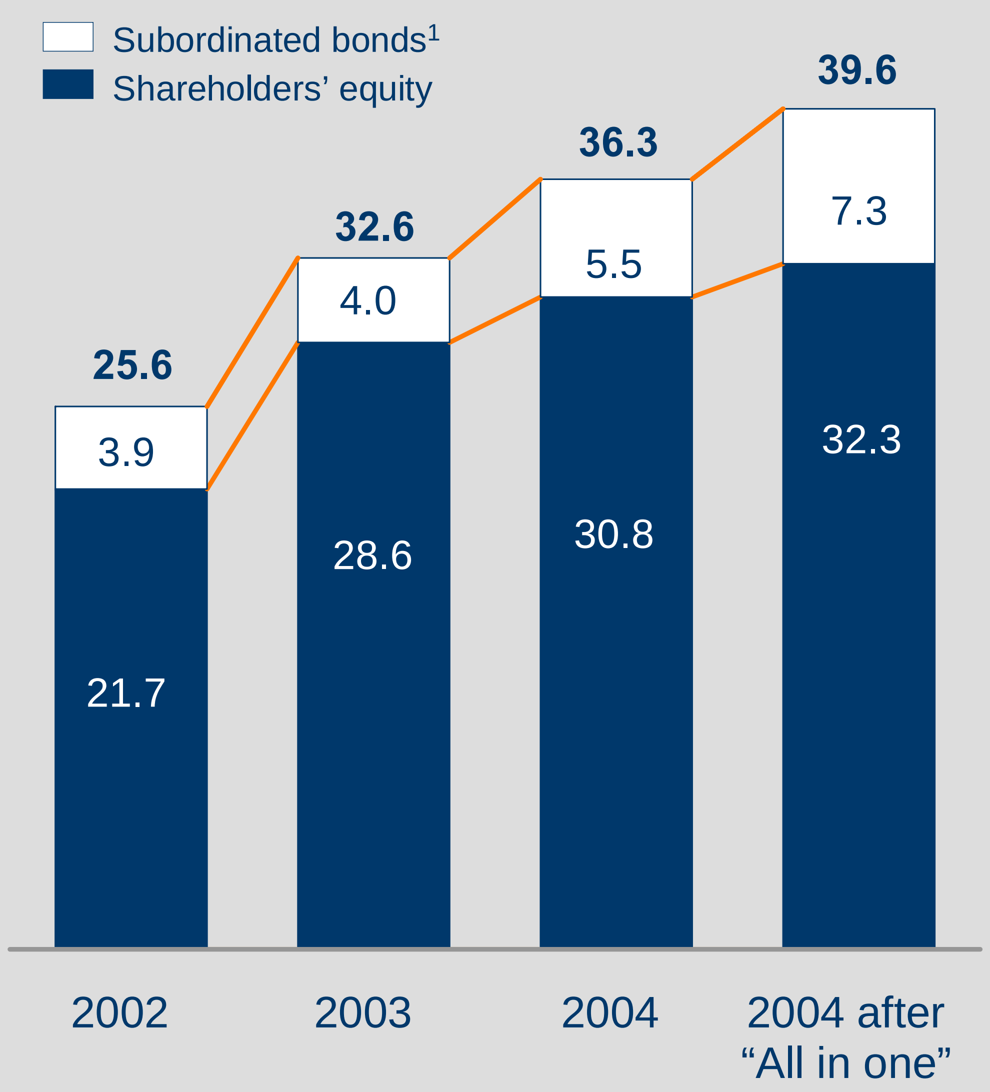
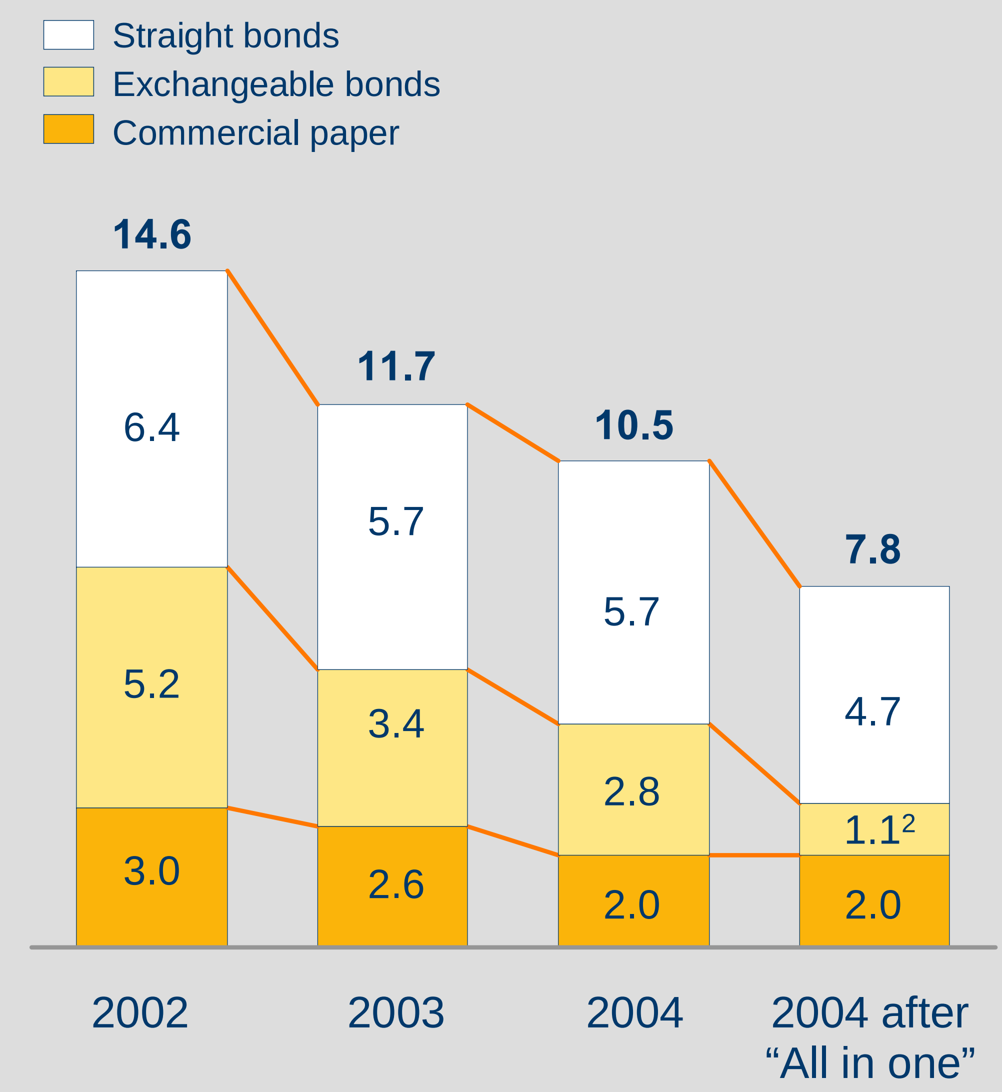
# 5 6 Capital base strengthened and Group de-leveraged

(EUR bn)

## Capital base




## Outstanding senior bonds




1) Including AGF subordinated bonds
2) Excluding EUR 1.2bn BITES bond

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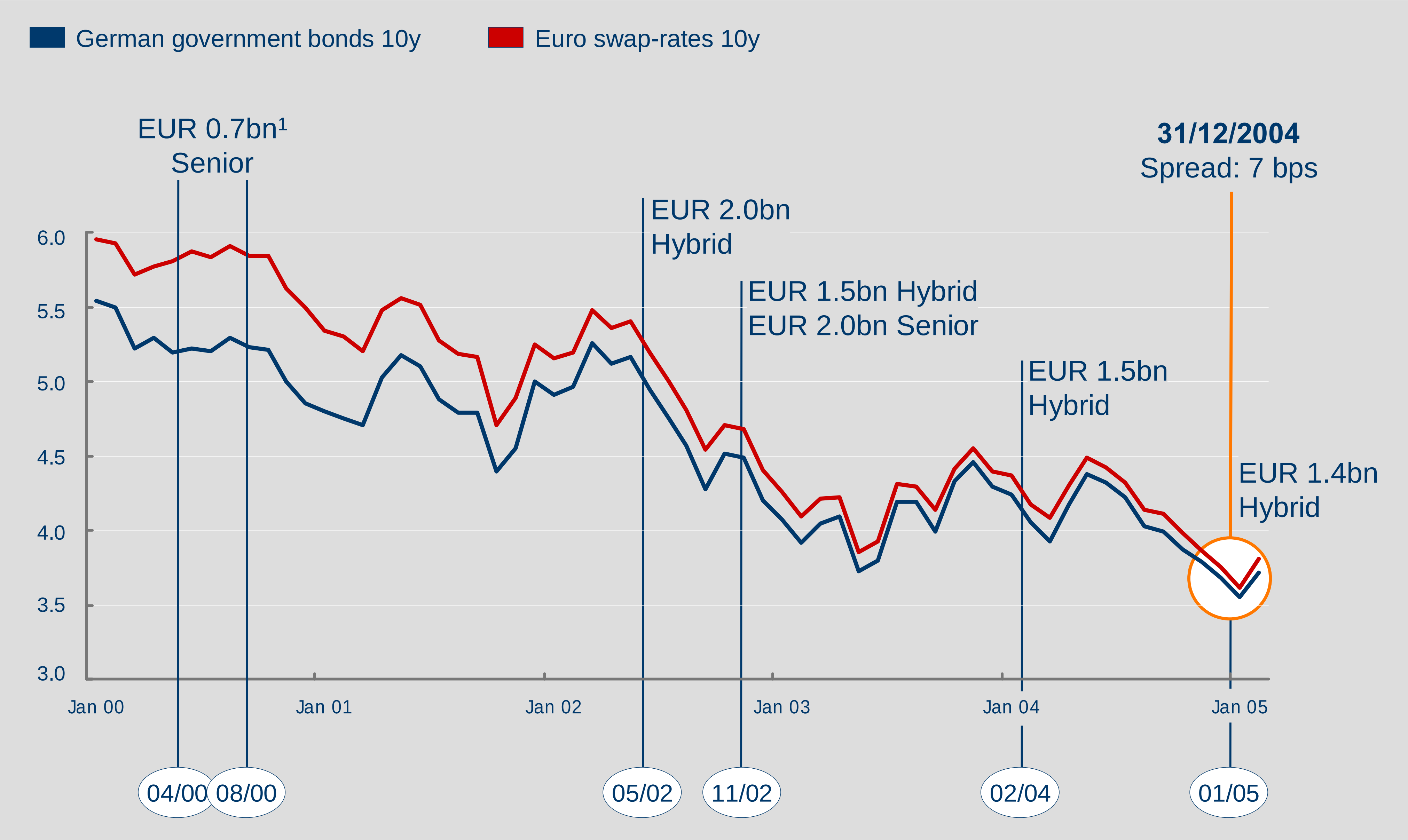
# 7 Attractive market conditions for debt transactions locked in




1) Increase of existing bonds

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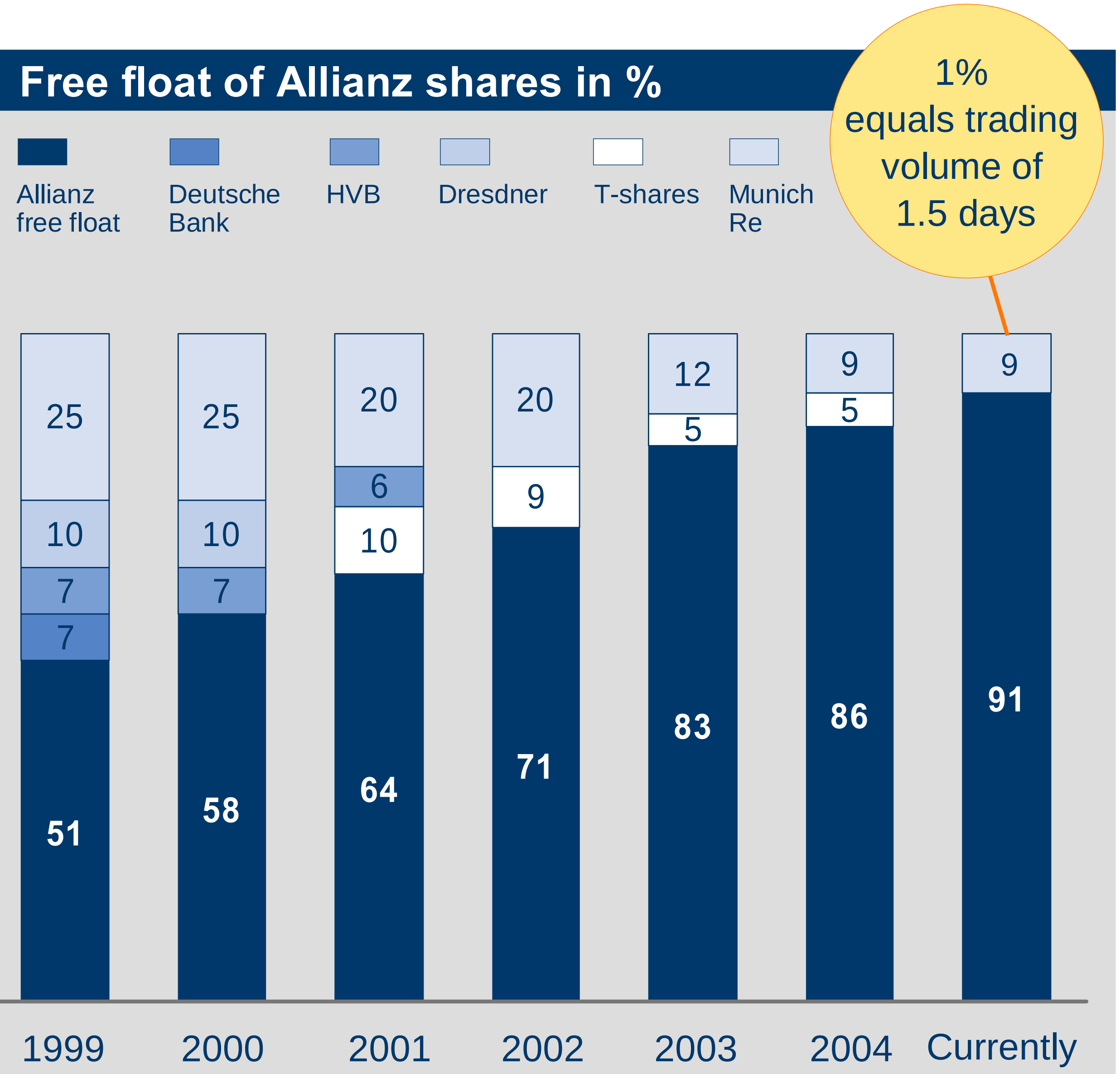
# 8 Shareholder structure optimized

## Free float of Allianz shares in %




## Allianz free float in indices

| | Current | Expected | |
|---|---|---|---|
| **MSCI** | 80.0% | 90.0% | 05/05 |
| **FTSE** | 100% | 100% | - |
| **STOXX** | 90.1% | 91.0% | 03/05 |
| **DAX** | 90.1% | 91.0% | 06/05 |

Potential demand from index-oriented funds

# Additional information

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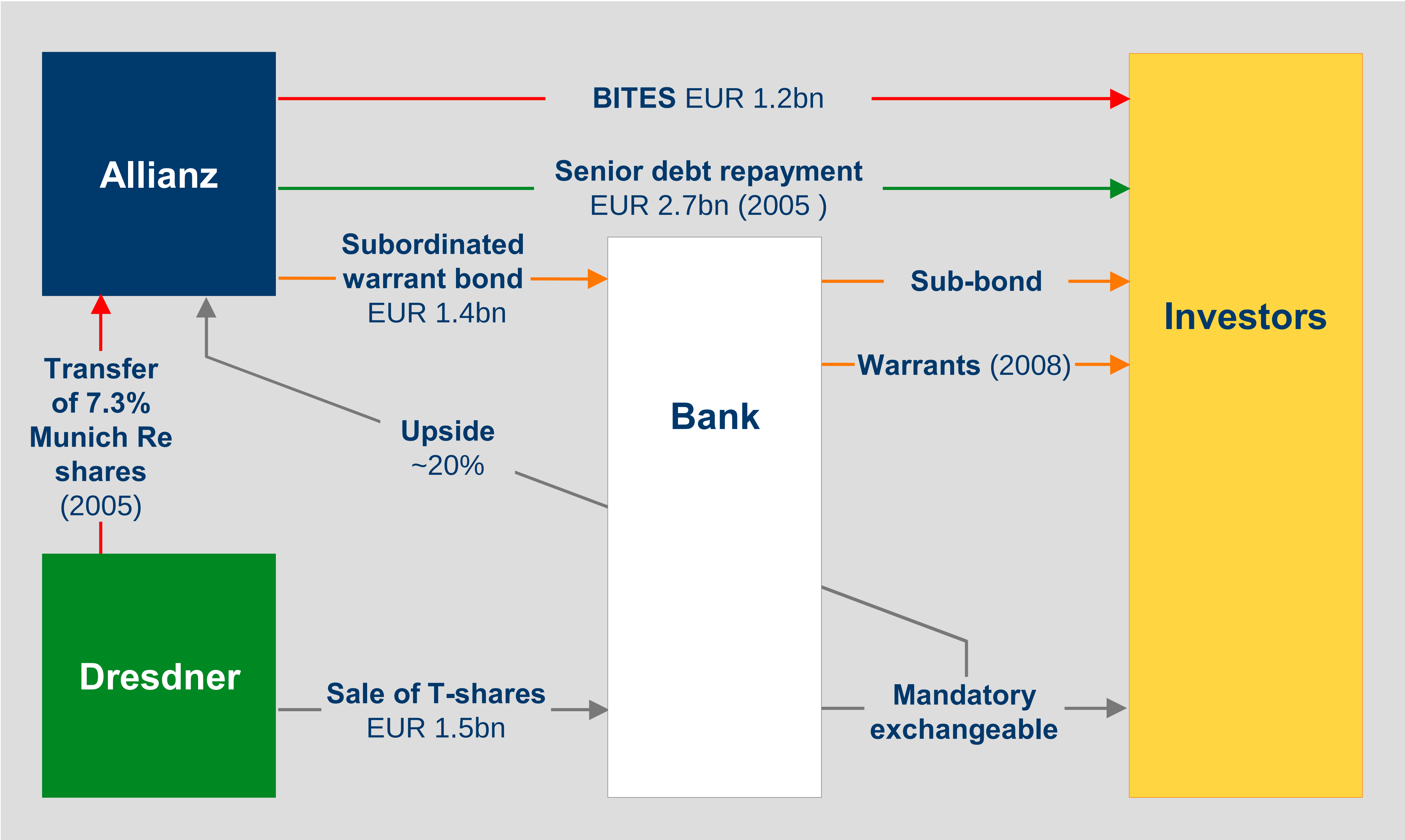
# Structure of “All in one” transaction



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Joachim Faber, Board member Allianz AG

# Allianz Global Investors

**Analysts' Conference**

**March 2005**

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# Recap: What did we tell you 3 years ago?

## Management Focus

- Revenue growth through global distribution capabilities
- Rigorous cost management
- Investment performance and client attention
- Building a common culture

## Financial Targets

- CAGR 2001 - 2005

| | |
|---|---|
| - 3rd party AuM | 10 - 15% |
| - Revenue growth | 8 - 10% |
| - Increase of costs | 3 - 5 % |

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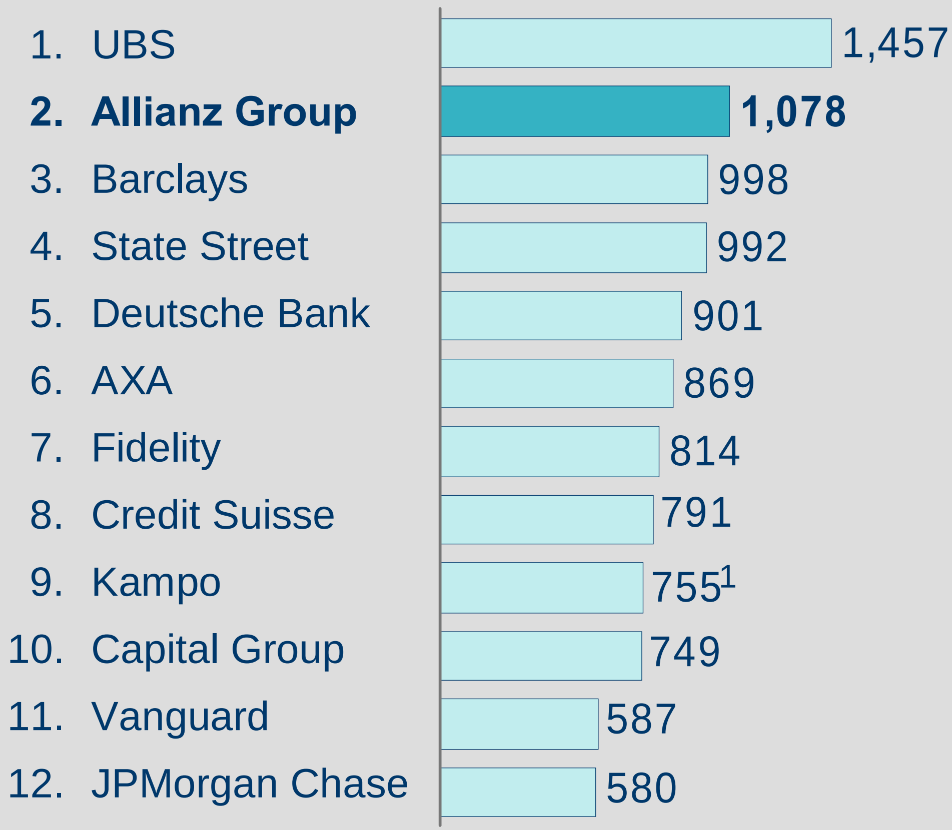
# Allianz Group ranks among the world's largest investment managers with AGI managing EUR 764bn (71%)

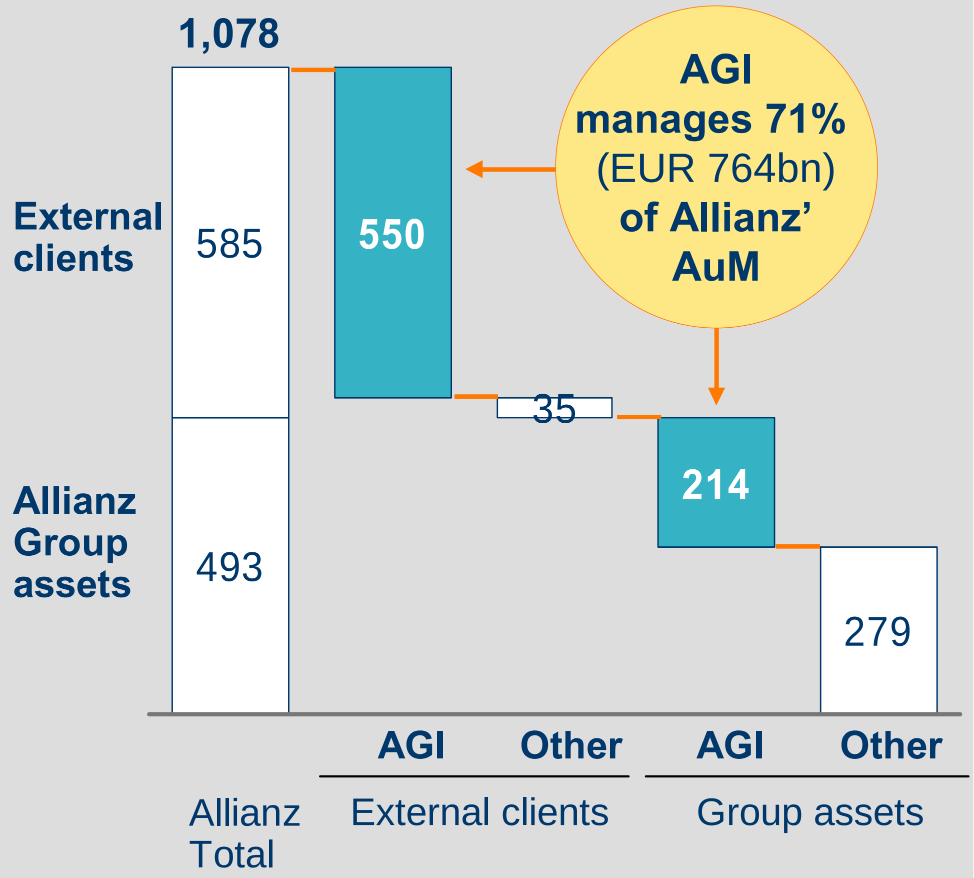
## Total AuM

EUR bn (as of 31/12/2004)




## Total Allianz Group AuM

EUR bn (as of 31/12/2004)




1) As of March 2004
Source: Company reports, Global Investor

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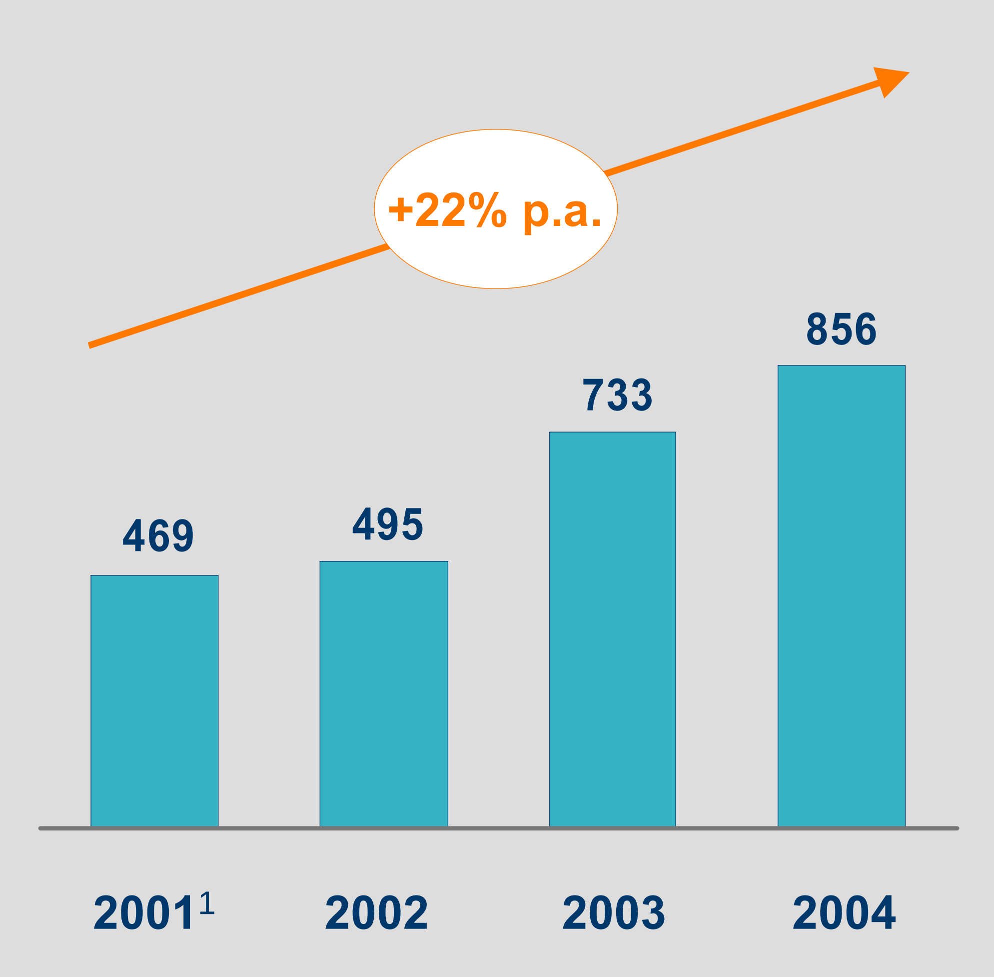
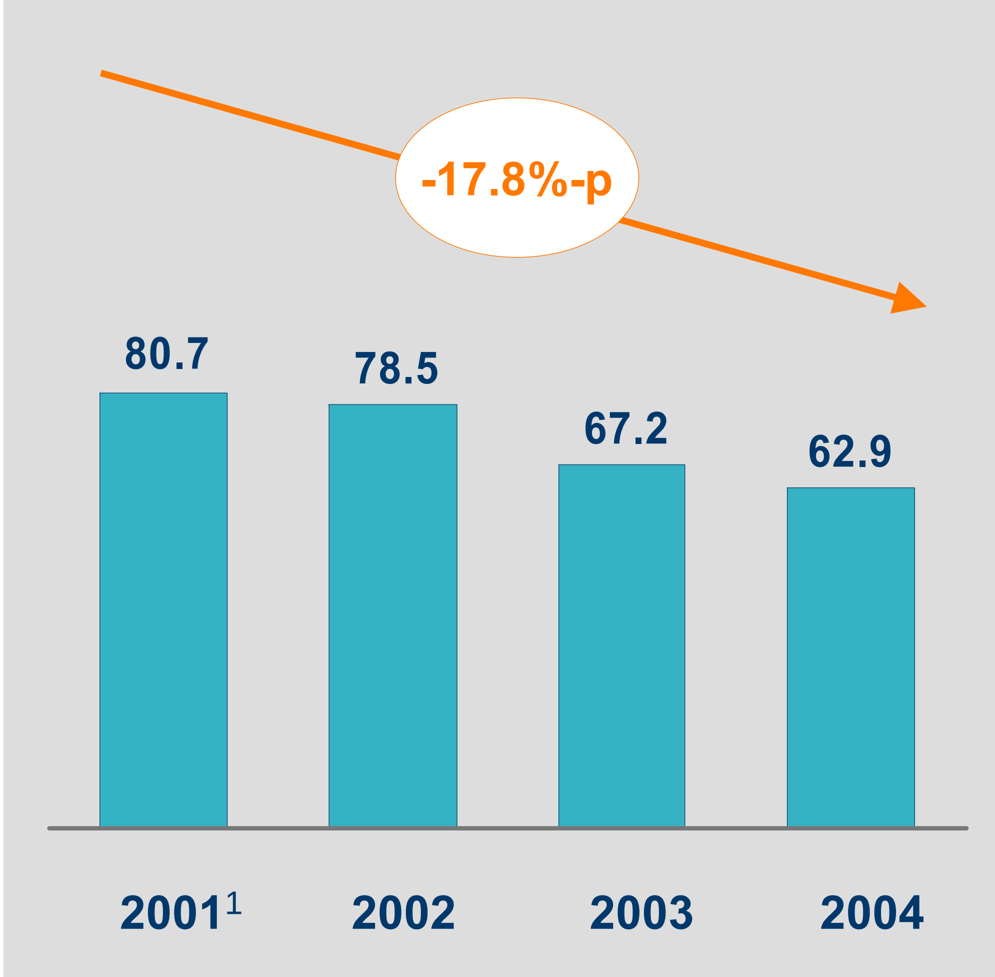
# Delivering increasing profitability

## Operating result in EUR m




## Cost-income ratio in %




1) Dresdner Bank asset management included pro-forma for the full-year 2001

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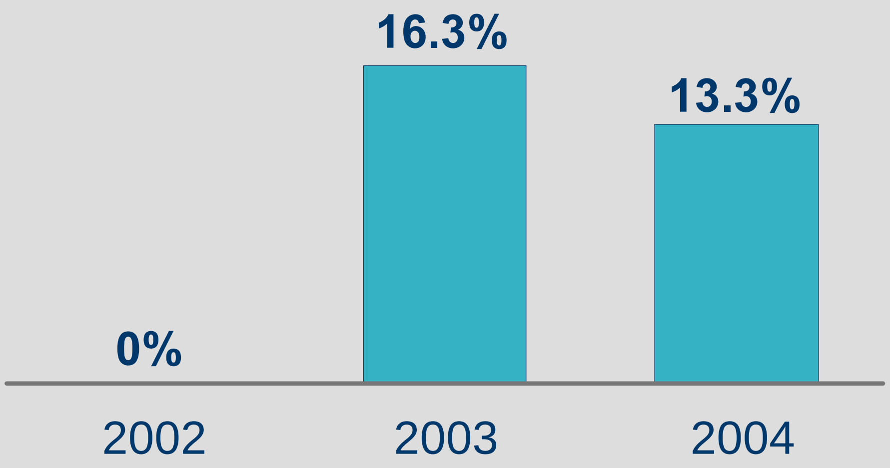
# Strengthening profitability driven by revenue growth and cost management

## Net revenues and operating expenses[1]

YoY change in %

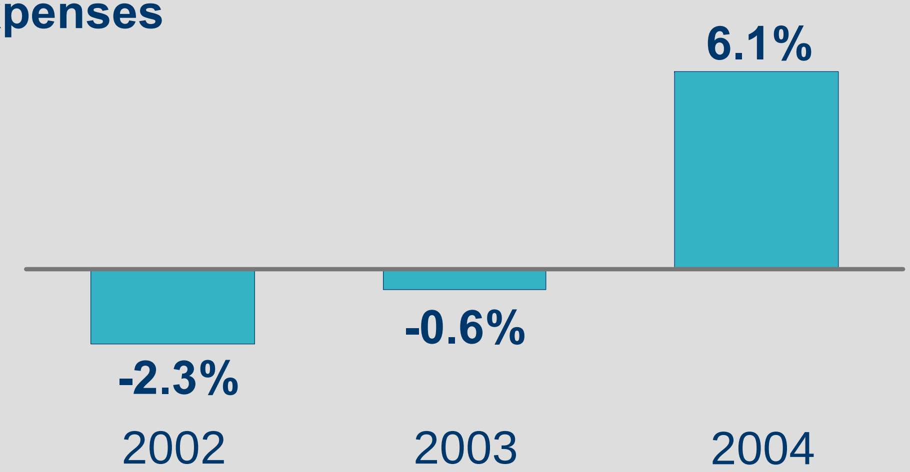
### Net revenues

CAGR +9.6%




### Operating expenses

CAGR +1.0%




## Main drivers

- Leverage of worldwide distribution power
- Best practice sharing
- Efficiency improvements/ streamlining of processes
- Rigorous cost management/ containment

1) Currency and deconsolidation adjusted

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# Critical factors for Allianz Global Investors' future success

1. Product performance
2. Leveraged distribution
3. Market presence / client mix
4. Business model

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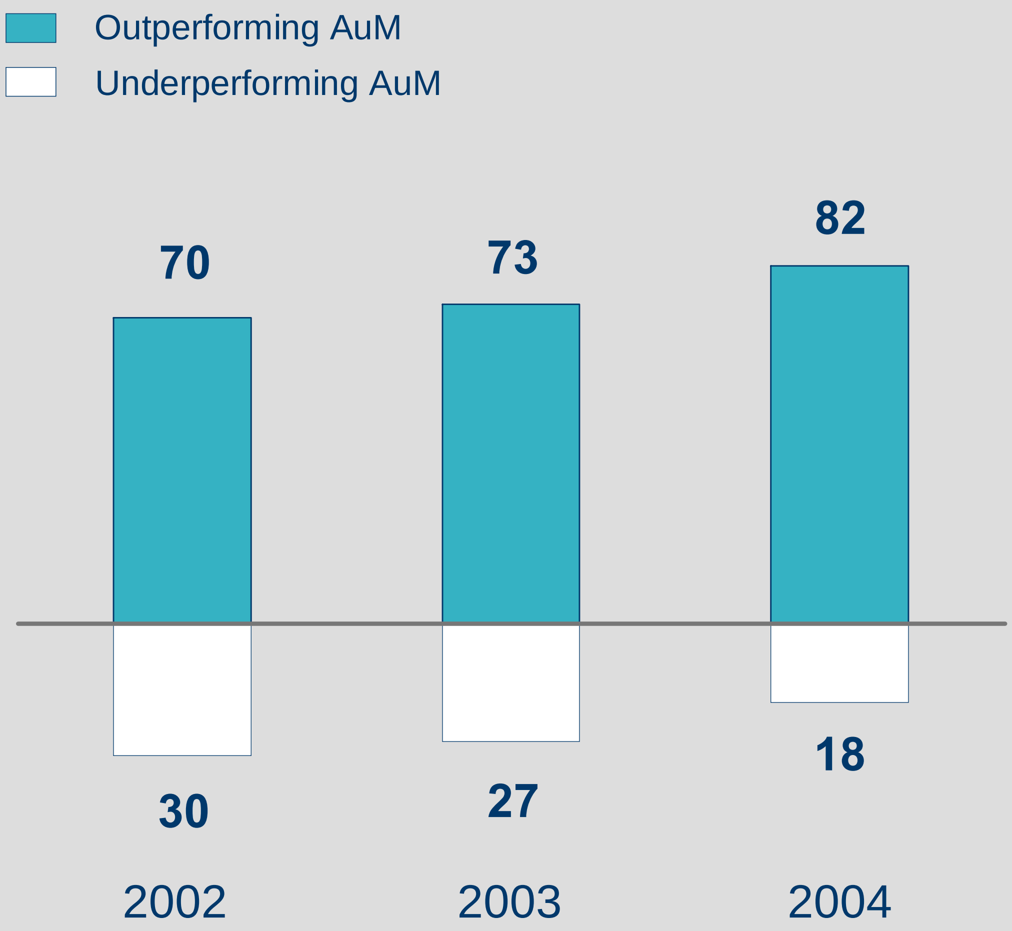
# 1 Delivering superior investment performance

## **3-year investment performance** (share of assets in %)




**AGI's goal is to have ≥ 70% of assets ahead of benchmark on a 3-year basis**

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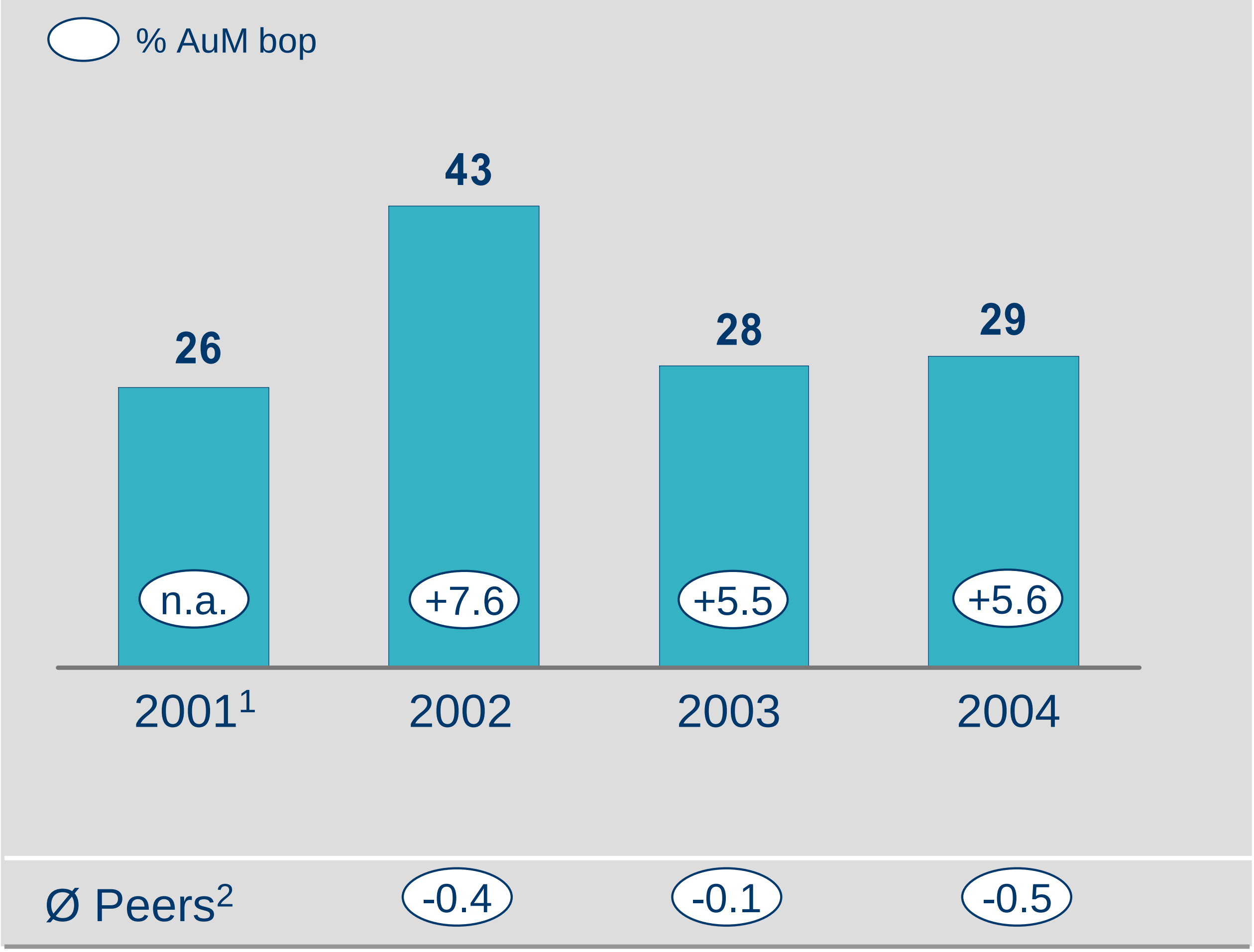
# 1 Allianz Global Investors has consistently proven to be competitive in capturing net flows

## 3rd party net flows (in EUR bn)




## Comments

**Outstanding record of capturing net flows**

- Achieving positive net flows each quarter since it was founded
- Collecting higher net inflows than its global peers

1) Dresdner Bank asset management included pro-forma for the full year 2001
2) Global peer group: Deutsche AM, AXA AM, Citigroup AM, Merrill Lynch IM, UBS Global AM, Amvescap, Franklin

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# 2 In the US, common retail distribution platform leads to exploitation of scale effects

## Retail distribution US

PIMCO

RCM

Nicholas | Applegate

Oppenheimer Capital

NFJ Investment Group

Allianz HFP hedge fund partners

Common platform:

Allianz Global Investors

**Allianz Global Investors Distributors LLC, Stamford**

## Net inflows US – ranking versus peers[1]

| | 2001 | 2002 | 2003 |
|---|---|---|---|
| 1 | Vanguard | American | American |
| 2 | American | Vanguard | Vanguard |
| 3 | **AGI US** | **AGI US** | Fidelity |
| 4 | MFS | Dodge Cox | Dodge Cox |
| 5 | Oppenheimer | Fidelity | **AGI US** |

- Almost **USD 50bn** net sales 2001-2003
- Ranking third-party distribution:
  - #2 2001 & 2002
  - #3 2003 & YTD Sep. 2004

1) Long-term mutual funds

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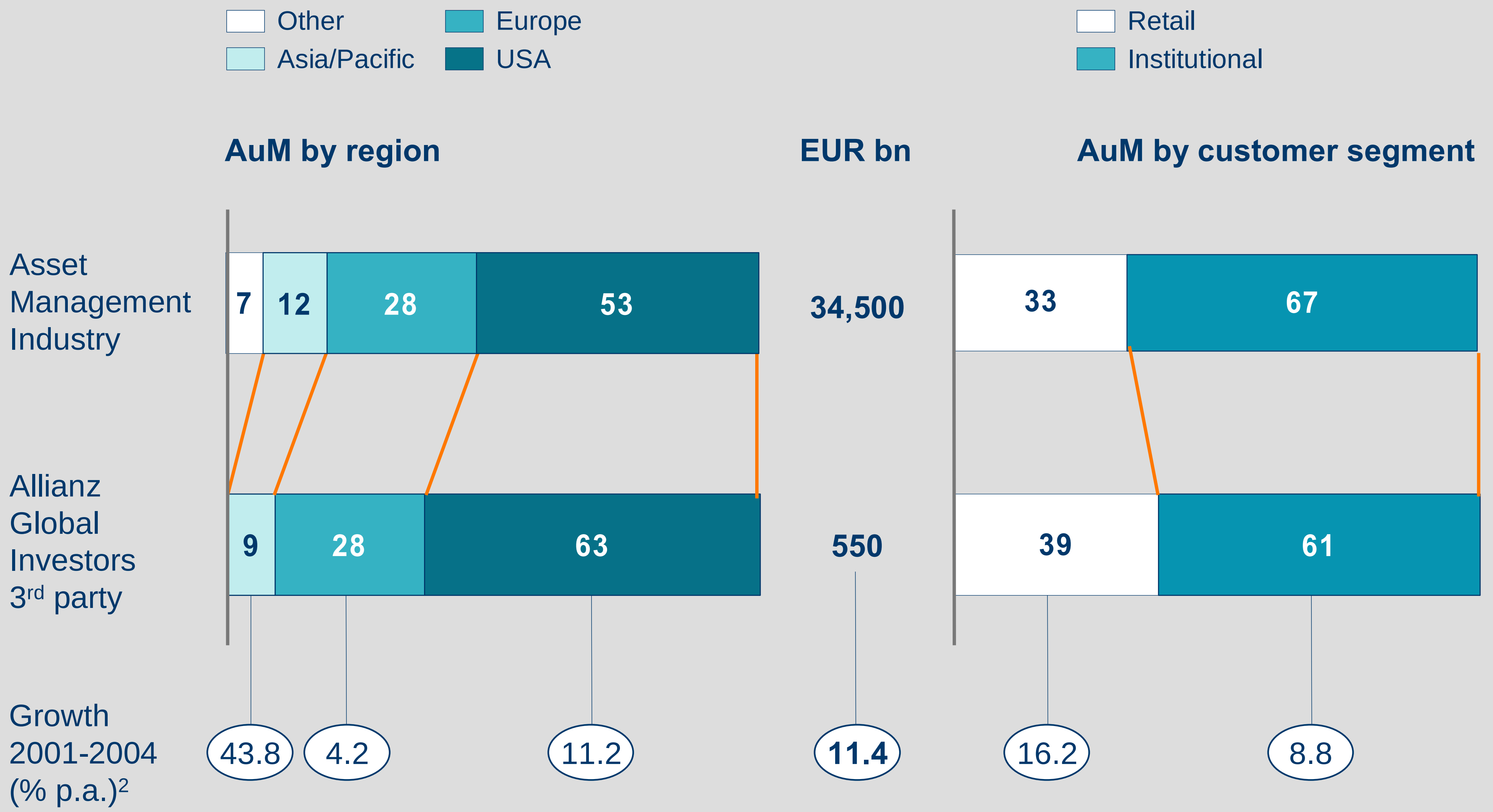
# 3 Allianz Global Investors' business well diversified in line with global revenue pool

## AuM breakdown Allianz Global Investors vs. Asset Management Industry[1] (in %)




Source: Cerulli Associates

1) June 2004
2) For 2002-2004 based on 2001 USD/EUR spot FX-rate (0.8852)

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# 4 Allianz Global Investors has pioneered a distinctive business model and culture

Low **Degree of Corporate Guidance/Business Integration** High

| | Affiliated | Allianz Global Investors | Centralized |
|---|---|---|---|
| **Governance** | Financial holding | Management holding | Operationally integrated |
| **Distribution** | Independent | Leveraged | Centrally managed |
| **Investment platform** | Independent | Individual platforms, coordinated | Merged |
| **Branding** | Separate brands | Leverage brand, preserve established brands | Single brand |

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# Allianz Global Investors has achieved a lot

## Achievements until 2004

- **Acquisitions completed**
- **Integration completed**
- **Business infrastructure created**
- **Branding clarified**
- **AGI-wide incentive structure introduced**
- **Profitability continuously improved**

## Financial goals

| | **Target** 2001 – 2005 | **Achieved**[1] 2001 – 2004 |
|---|---|---|
| **3rd party AuM** | 10-15% p.a. | 11.4% p.a. |
| **Revenue growth** | 8-10% p.a. | 9.6% p.a. |
| **Increase of costs** | 3-5% p.a. | 1.0% p.a. |

1) Currency-adjusted

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# Allianz Global Investors' focus going forward

## Opportunities in AM

- Accelerated wealth creation in emerging asset management markets
- Growth in pension market (trend towards funded schemes and privatization)
- Increasing share of wallet of asset management in developed markets
- Scarcity of providers of consistent alpha
- Increasing sophistication of investors

## Main goals for 2005 and beyond

- Top-quartile investment performance
- Further improve client satisfaction
- Profitable growth by leveraging business in core markets and expansion in selected markets
- Top-quartile business returns

| | Mid-term[1] |
|---|---|
| **AuM / Revenue growth:** | 8-12% p.a. |
| **Operating result growth:** | 10% p.a. |
| **Cost-income ratio:** | ≤ 65% |

1) Assumption: Stable FX-rate USD/EUR

# Additional information

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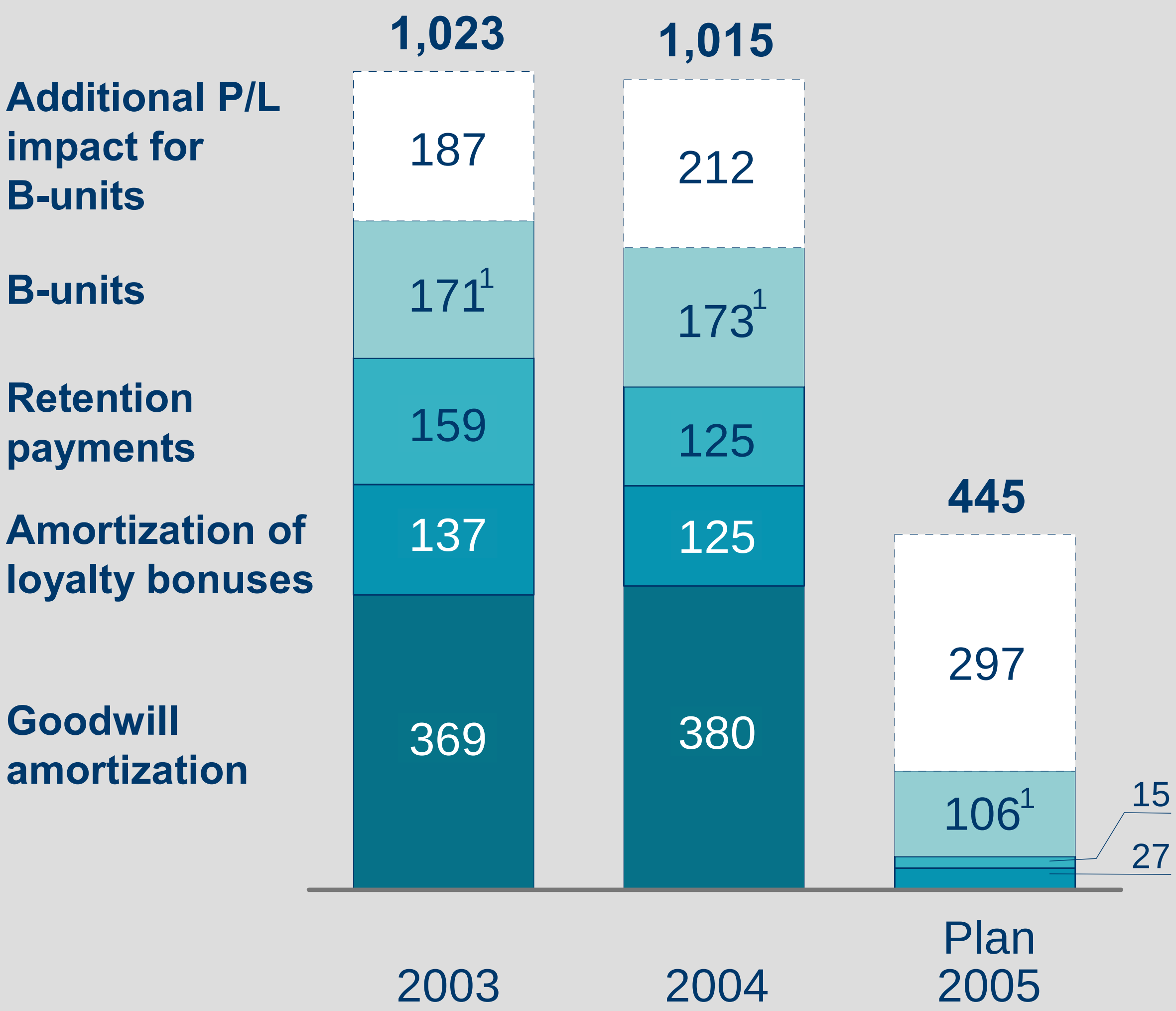
# Acquisition-related expenses significantly reduced from 2005

## **Acquisition-related expenses** (before taxes EUR m)




## Comment

**Acquisition-related expenses significantly reduced from 2005**

- due to IFRS, goodwill amortization has been abandoned after 2004
- amortization of loyalty bonuses and retention payments largely expired in 2004
- due to change in accounting treatment expensing for B-units has been accelerated, expected to peak in 2005

1) Old accounting treatment

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# Change in accounting treatment and excellent business development of PIMCO leading to increased B-unit expenses in 2005

| | |
|---|---|
| **What are B-units?** | ▪ Part of the PIMCO acquisition in 2000<br>▪ Deferred purchase of interests (B-units)<br>▪ Valuation fluctuates based on long-term business success<br>▪ Thus long-term incentive element |
| **How does the plan work?** | ▪ Duration 2000-2012<br>▪ Issuing of B-units 2000-2004 with fixed vesting periods<br>▪ Buy-back period (put/call) 2005-2012, put/call schedule peaks in 2009<br>▪ Total purchase volume amounts to 10-15% of NPV of PIMCO's earnings stream (or approx. 25% of PIMCO's earnings during buy-back period) |
| **Why do they go up in 2005?** | ▪ Recent change in accounting treatment<br>- Further acceleration of expense accounting for deferred purchase amount with cost peaking in 2005 (depending on future business development)<br>- Eligible put/call amount (cash effective) only a small fraction of expense in 2005<br>▪ Excellent business results at PIMCO |

- **Operating profitability of PIMCO and Asset Management Division not affected**
- **Cash flow and underlying economics of acquisition unchanged**

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# Sustained incentives to retain Allianz Global Investors' key people

## ? Question

How do you retain key staff after retention packages are gone?

## ! AGI's answer

- Competitive compensation schemes
- Profit sharing
- AGI-wide long-term incentive plan
- Distinctive business model preserving firms' cultures and fostering entrepreneurship

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Maximilian Zimmerer - CFO Allianz Lebensversicherungs-AG

# Allianz Leben: new opportunities for profitable growth

All figures based on HGB (German GAAP) if not stated otherwise

**Analysts' Conference**

**March 2005**

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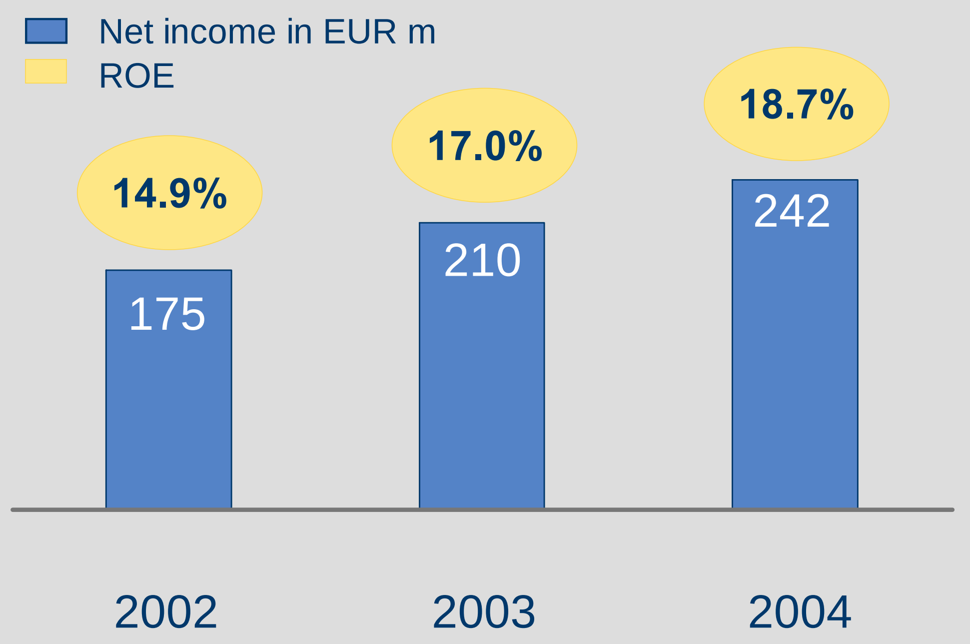
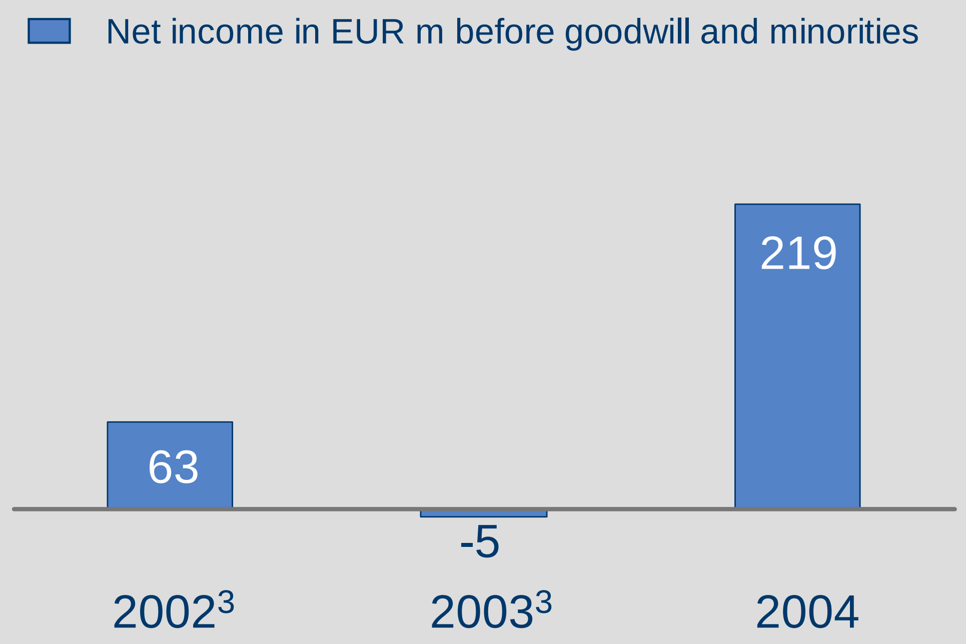
# Allianz Leben: Germany's no. 1 life insurer

| Stable position as market leader - 2004 | | | Δ 04/03 | Market share |
|---|---|---|---|---|
| Number of policies in force | | 11.3m | +4.8% | |
| Statutory premiums | EUR | 10.9bn | +4.3% | 15.5% |
| Valued total premiums of new business[1] | EUR | 29.9bn | +31.1% | |
| New business premiums | EUR | 3.7bn | +5.6% | 18.5% |
| Investments (book value) | EUR | 110.8bn | +4.0% | 17.6% |

## German GAAP: profitability increased[2]




## IFRS net income converges over time




1) Sales performance measure almost similar to premium volume of new business over term of policies

2) Allianz Lebensversicherungs-AG

3) 2002 and 2003 after restatement; negatively impacted by P-GAAP

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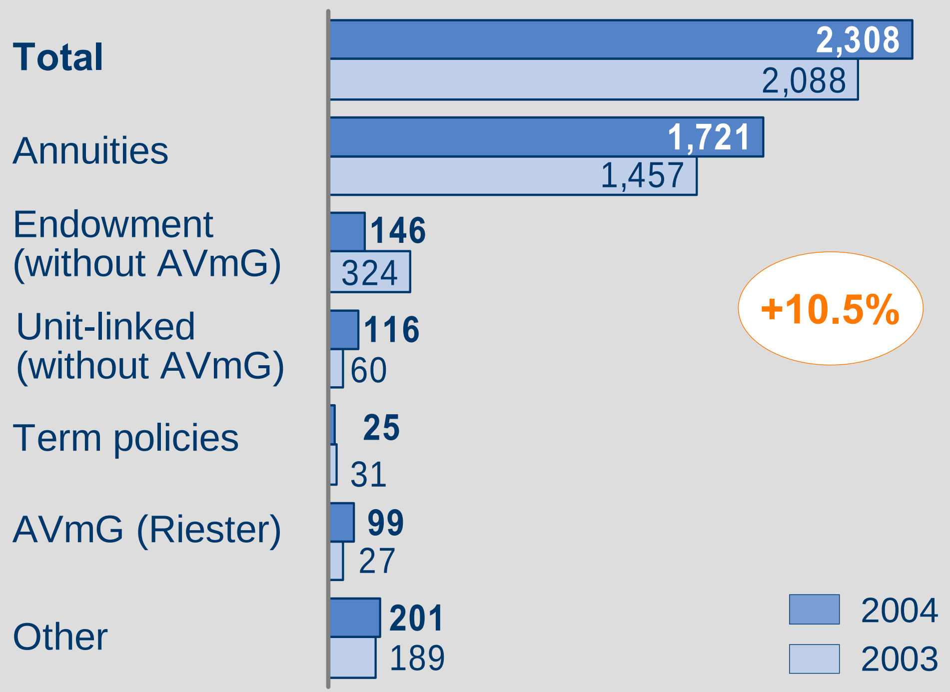
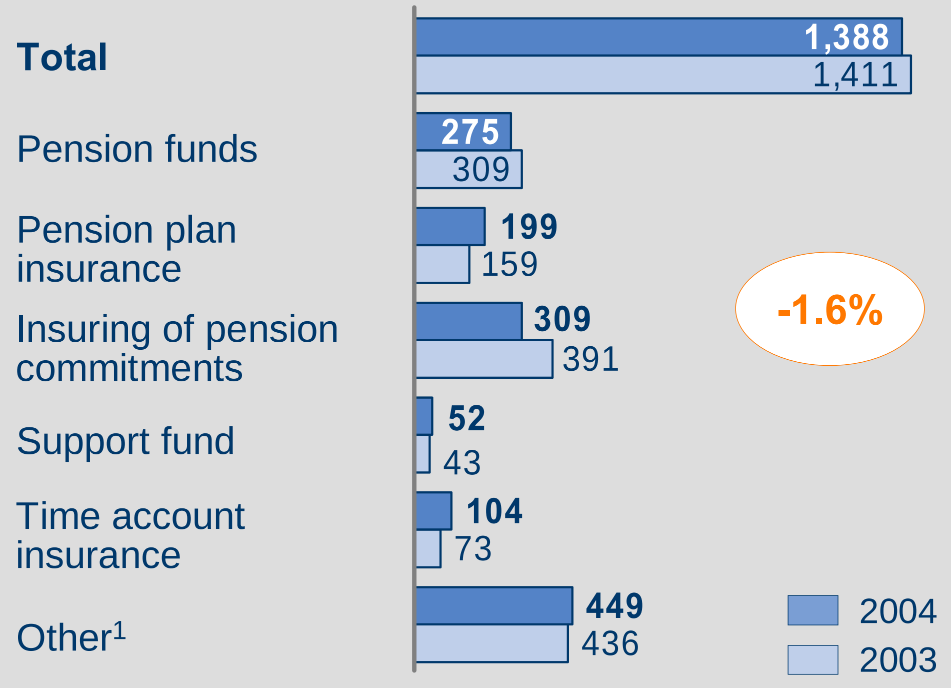
# Positive development of new business in 2004

| New business premiums (EUR m) | 2003 | 2004 | ∆ 04/03 |
|---|---|---|---|
| Regular premiums | 1,108 | 1,602 | +44.6% |
| Automatic increments | 365 | 199 | -45.6% |
| Single premiums | 2,025 | 1,894 | -6.5% |
| **Total** | **3,499** | **3,696** | **+5.6%** |

## Private new business (EUR m)




## Corporate new business (EUR m)




1) Especially Versorgungswerke (pension funds) and Pensionssicherungsverein (pension insurance association)

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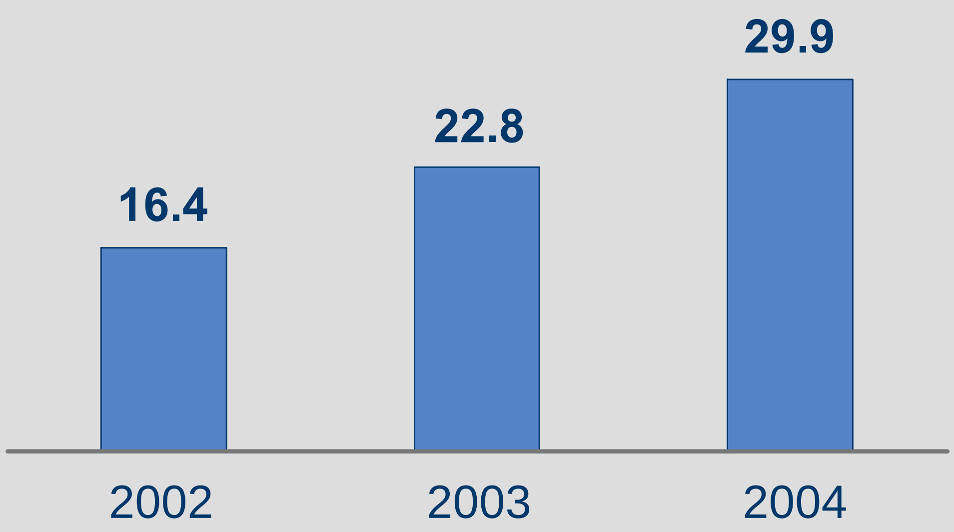
# "Last call": sales performance at record levels

| Highlights of last call | 4Q 2004 | Δ 4Q 04/03 | % of 2004 |
|---|---|---|---|
| Units (newly concluded contracts) | 680,347 | +53.7% | 51.1% |
| Valued total premiums of new business[1] | EUR 15,819m | +53.3% | 52.8% |
| New business premiums | EUR 1,737m | +32.9% | 47.0% |

## Valued total premiums (EUR bn)




## Qualitative aspects of new business in 4Q

- 325,000 new customers
- Average age at entry reduced from 35 to 29
- Share of new policies with automatic increments more than doubled compared to 4Q 2003

1) Sales performance measure almost similar to premium volume of new business over term of policies

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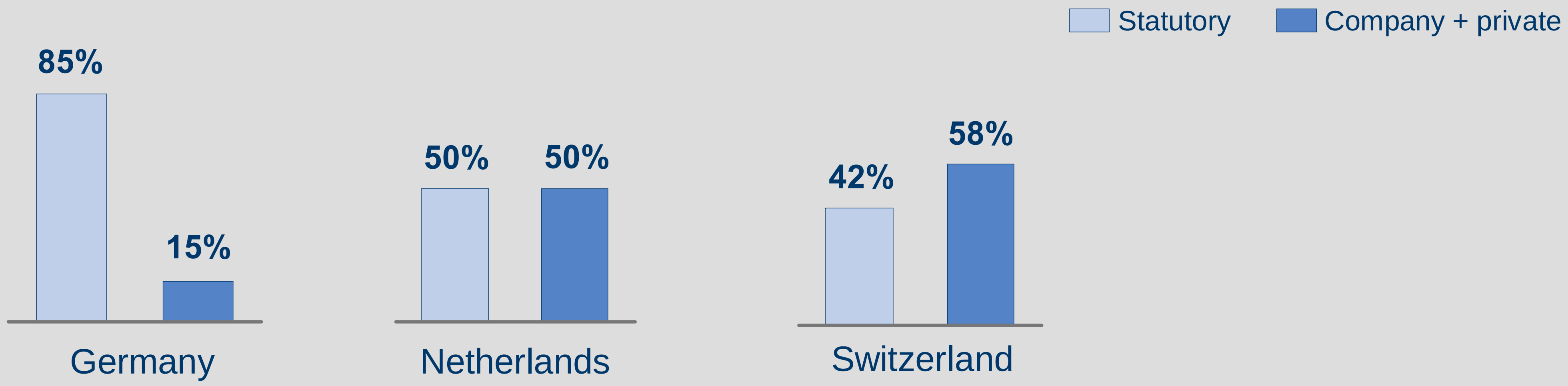
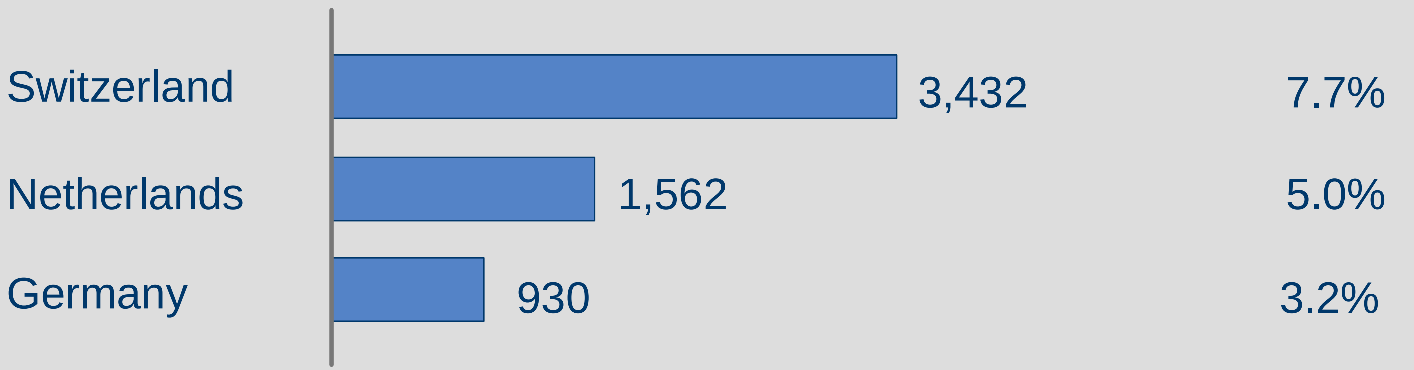
# Retirement income in Germany: still strong reliance on statutory pensions – life market underdeveloped

## Split of retirement income




Source: Deutsches Institut für Altersvorsorge

## Per capita life premiums (USD) in % of GDP (2003)




Sources: Swiss Re; Comité Européen des Assurances (CEA)

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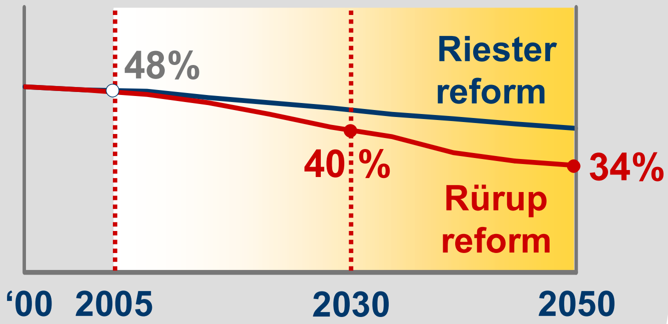
# Pension reforms and retirement savings law (AEG) offer enormous growth potential for life insurers

## Reforms cause pension gap

- Riester and Rürup reform lower coverage ratio[1] from 48% to 40% (2030)

Gross statutory pensions in % of last gross income




Source: Rürup Kommission, Allianz Group Research

➡ **Pension gap of 8%**

## Deferred taxes widen gap

- AEG introduces deferred taxation: statutory pensions are taxed
- In 2030 gross retirement incomes will be subject to
  - 8.5% income taxes
  - 9% contributions to social security system[2]

➡ **Pension gap widens to 13%[3]**

## Huge savings necessary

- Intention of legislator: close pension gap by private or company pensions
- 34m people directly affected
- 40-year-old employee needs to save 6.6% of gross income at 4% yield over 25 years

➡ **In total EUR 56bn addtl. savings p.a. necessary**

**Additional pension savings necessary equal 80% of German annual life premiums**

1) Gross statutory pension income in relation to last gross income
2) Assumptions: average retirement income, income tax class 1; social security contributions in % remain constant between 2005 and 2030
3) For details see Additional information (page E 17)

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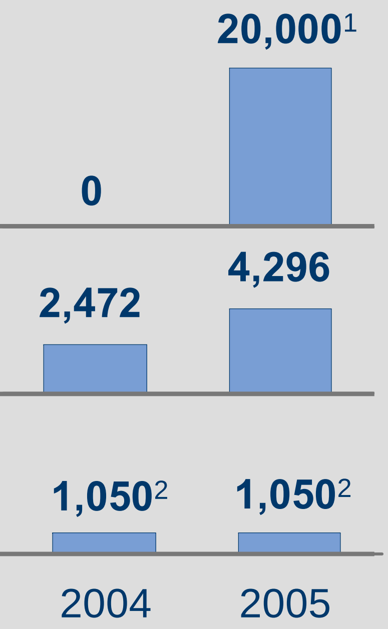
# AEG extends incentives for retirement savings

## State-aided products

- **Layer I**
  - Basic pensions
- **Layer II**
  - Company pensions
  - Riester pensions (next steps in 2006 and 2008)

## Tax incentivized amounts (EUR)

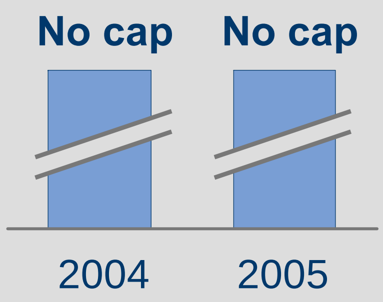



- Premiums out of gross income (deferred taxation)
- High incentives
- Regulated product features

## Traditional life products in 2005

- **Layer III**
  - Annuities: taxation further reduced
  - Endowment policies: higher flexibility (basis for new product offerings)

## Amounts (EUR)




- Annuities: no taxation of accrued investment income[3]
- Endowments: tax advantages partly sustained[4]

1) Maximum amount: EUR 20,000 minus contributions to statutory pension system
2) To be increased to EUR 1,575 in 2006 and EUR 2,100 in 2008
3) Only minor part of annuity is taxable in payout period, e.g. 18% for a 65 year old client
4) If client is at least 60 years and maturity ≥12 years proceeds minus premiums are 50% taxable

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# Comprehensive product range on the basis of Allianz Leben's core competencies

## Product lines are targeted on customer needs

| | | |
|---|---|---|
| **Ensure current income** | ▪ Basic pension<br>▪ Riester pension<br>▪ Private pension ("Zukunfts-, Sofort-, Fondsrente")<br>▪ Company pension | ✓ |
| **Accumulate wealth** | ▪ Child education plan ("Kinderplan-Ausbildung")<br>▪ Allianz inheritance policy ("Allianz Erbschaftspolice")<br>▪ Allianz Treasuries ("Allianz Schatzbrief") | ✓ |
| **Cover risks** | ▪ Occupational disability (rider)<br>▪ Term insurance (rider)<br>▪ Long-term care (rider)<br>▪ Mortgage insurance ("Allianz Finanzierungsschutzbrief") | ✓ |

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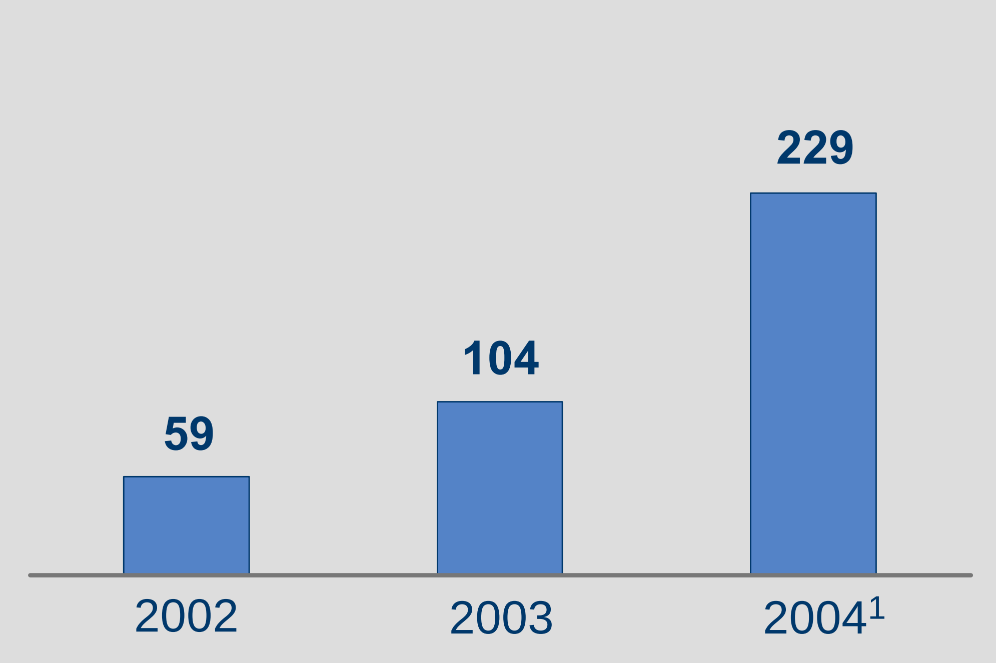
# New products offer higher flexibility

| Products | Target | Features |
|---|---|---|
| **Allianz Schatzbrief** | Flexible asset accumulation | ▪ Single premiums<br>▪ Guarantee levels: guaranteed interest or capital guarantee (unit-linked)<br>▪ Proceeds: choice between lump-sum payment and annuity<br>▪ Low taxation[1] |
| **Allianz Erbschaftspolice** | Tax-efficient asset transfer | ▪ Single premiums<br>▪ Guaranteed interest<br>▪ Flexibility: capital withdrawal possible<br>▪ Reduced taxation[2]<br>▪ Further features such as regular premiums, unit-linked etc. scheduled |
| **Allianz Finanzierungs-schutzbrief** | Tailor-made risk protection for mortgage financing | ▪ Protection against<br>- Death<br>- Disability<br>- Unemployment |

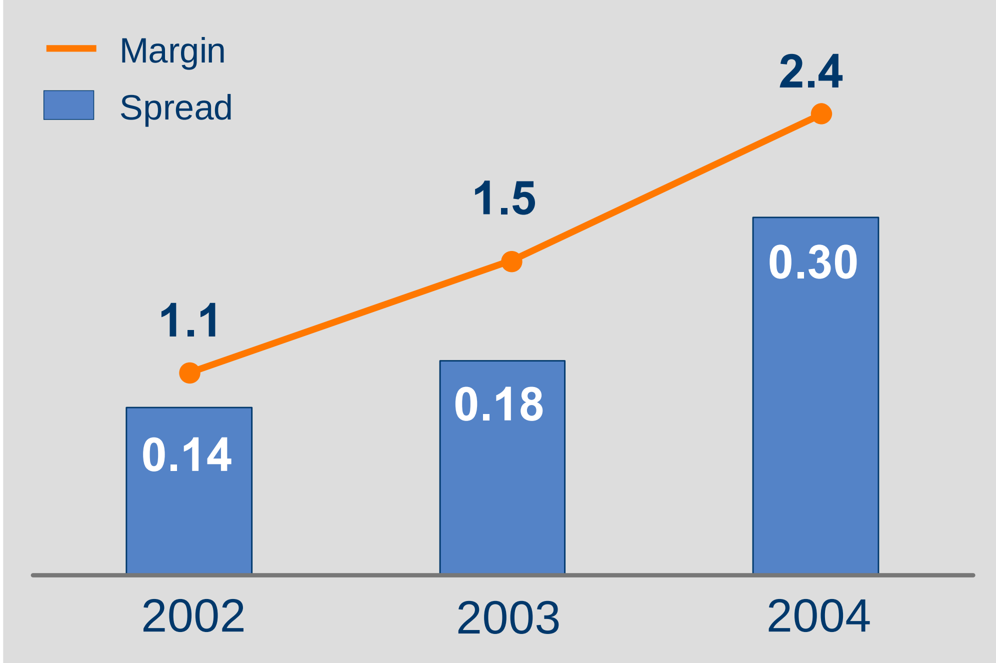
1) Lump-sum: if client is at least 60 years and maturity ≥12 years proceeds minus premiums are 50% taxable; Annuity: only minor part is taxable in payout period
2) No capital gains tax; reduced or accessions tax

# Embedded value: product profitability further improved

## Value of new business (EUR m)




## New business margin[2]/spread[3] (in %)




## New business priced at 30 bp spread - ROE well above 15%

- New business margins of Basic pension, Riester pension, Private pension at same level
- 2003-2005: new products with improved profit margins due to higher cost loadings
- New mortality tables (DAV 04 R) in 2005 fully priced in

1) Model change in 2004: switch from assigned to risk-adjusted capital and different modeling of regulatory environment
2) Value of new business in % of present value of premiums (after cost of holding risk-adjusted capital)
3) Value of new business in % of present value of technical reserves (after cost of holding risk-adjusted capital)

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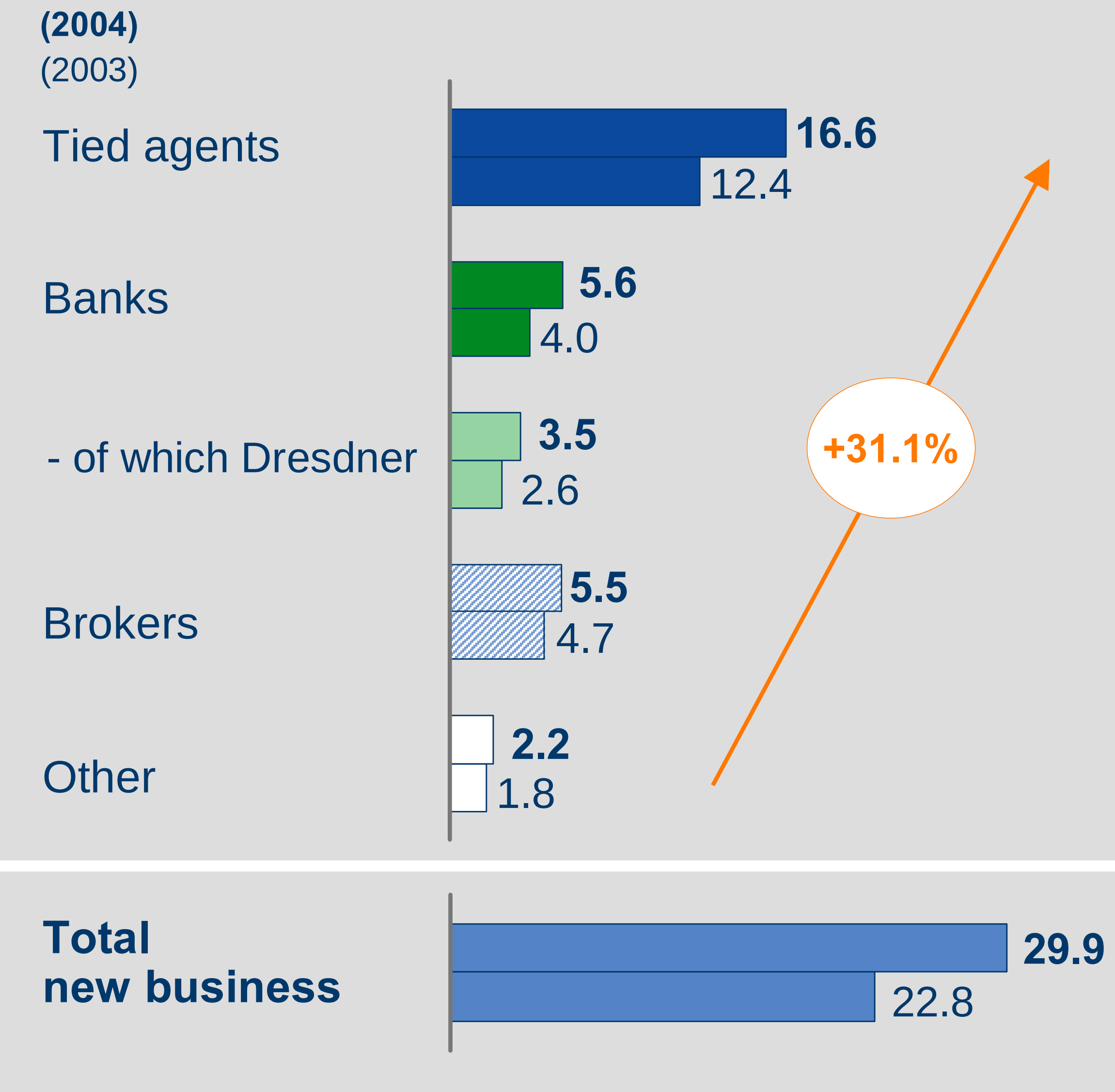
# Successful channel mix: IFSP concept works

## **Valued total premiums** (in EUR bn)




## Highlights

**Dresdner sales performance above average:**

Increase in valued total premiums 2004
- Dresdner +35.6%
- Average +31.1%

**Brokers: reputation and financial strength of Allianz as unique selling proposition**

Increase in valued total premiums 2004
- Private business +48.4%
- Corporate business +9.4%

**Allianz ranked no. 1 by brokers (best life insurer)**[1]

1) Sources: TNS Emnid 2004; MAP FAX 2004

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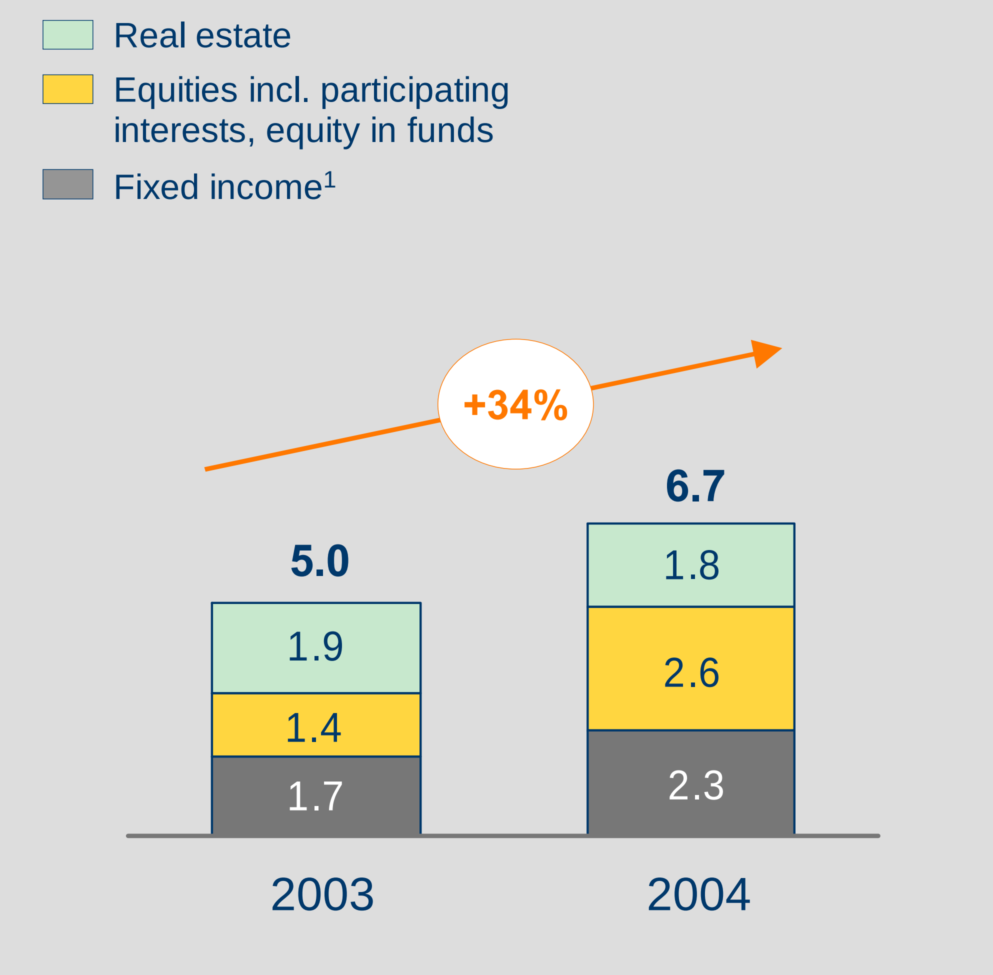
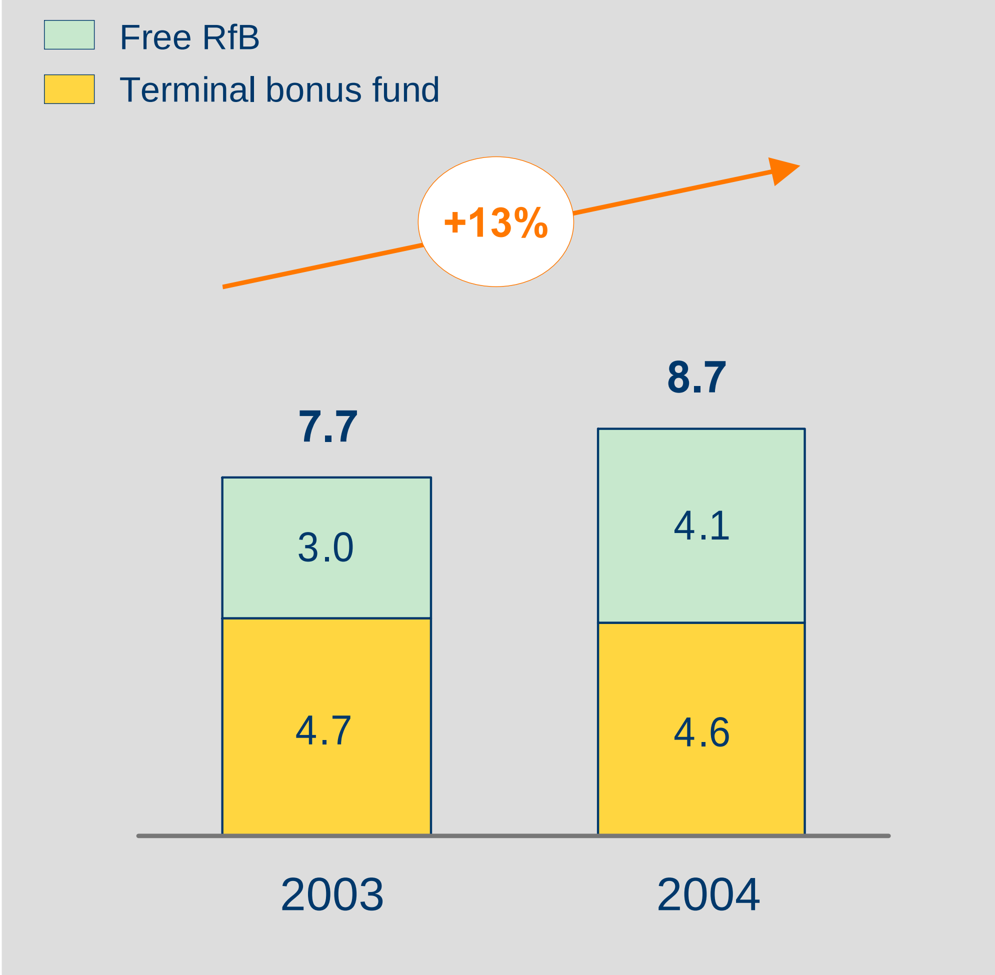
# Financial strength fosters market position

(in EUR bn)

## Net hidden reserves




## RfB




1) Without reserves on loans and mortgages

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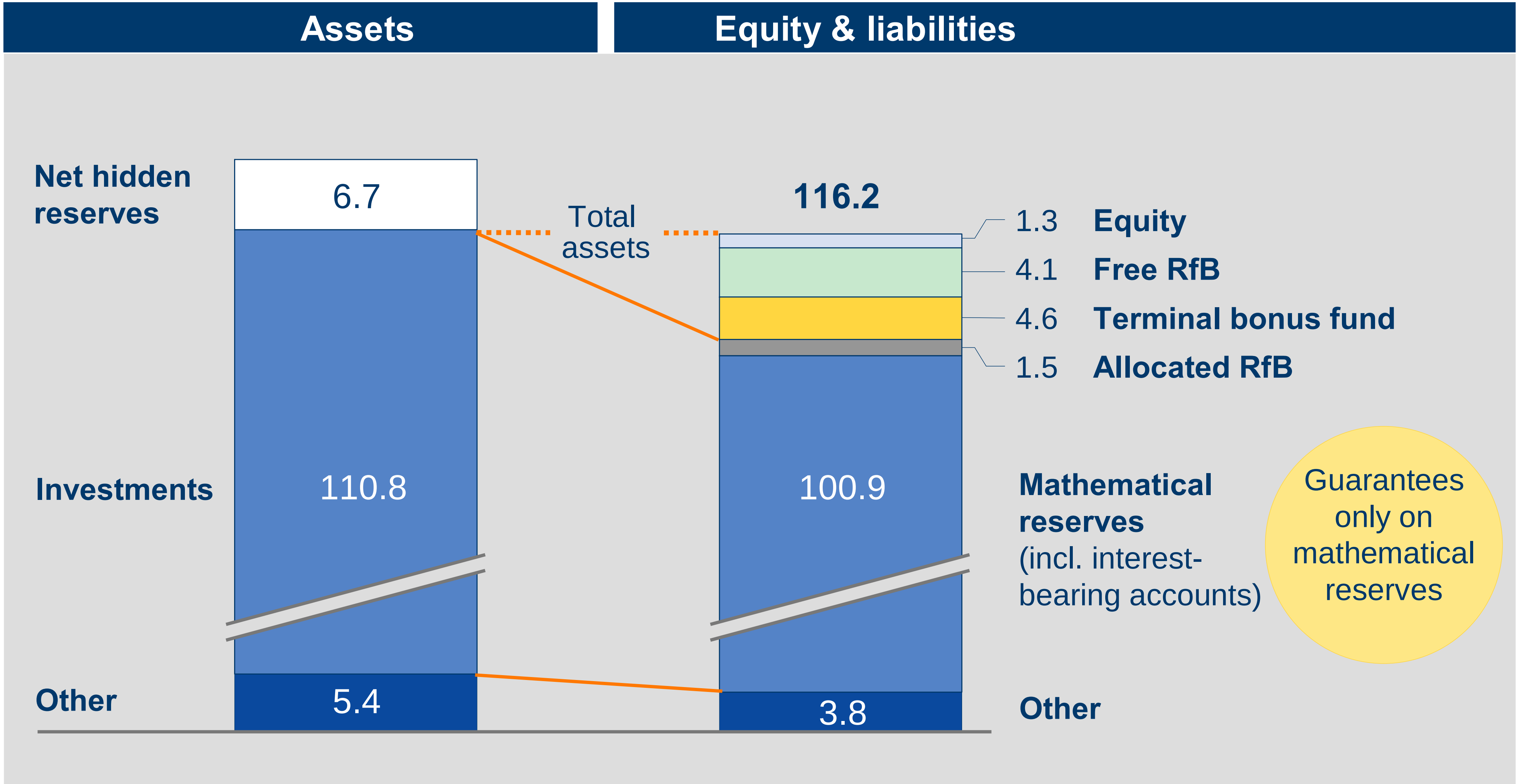
# Solid cover for liabilities 2004

(in EUR bn)




**5.1% current average yield on investments** translates into **5.6% on mathematical reserves**

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# Allianz Leben: takeaways

**1. Retirement provision market continues to grow**

- Pension reforms lead to declining statutory pensions
- Deferred taxation will further increase pension gap
- German retirement savings market with huge growth potential

**2. Life insurance as an ideal product**

- Guaranteed annuities are key incentivized products in AEG
- Life insurers offer solution for longevity (unique selling proposition)

**3. Allianz Leben is excellently positioned**

- Products with outstanding ratings
- Comprehensive advisory competence through IFSP concept
- Low cost structure of Allianz Leben regarding administrative and distribution expenses
- Financial strength, competence in asset management, and sophisticated risk management

**Allianz Leben is set to capitalize on high-growth market opportunities and strives for sustained bottom-line results by leveraging its strengths**

# Additional information

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# Key facts about retirement savings law (AEG)

## Intention

- Equal tax treatment of different sources of retirement income (e.g. statutory pensions and civil-service pensions)
- Switch to deferred taxation: contributions to retirement savings are tax deductible (paid out of gross income) during working life, proceeds thereof are taxable in retirement phase
- Further promotion and extension of an additional capital-based pension scheme (advancement of Riester reform)

## Implementation

- Step-by-step introduction of deferred taxation:
  - tax relief of employees: contributions to pension insurance increasingly tax deductible (2005: 60%; 2025: 100%)
  - taxable amount of retirement income rises from 50% in 2005 to 100% in 2040
- Classification of retirement savings:
  - introduction of a new capital-based basic pension
  - differentiation of 3 layers with varying tax treatment/incentives
- Riester: simplification of application for tax relief/state grants

## Effects

- Pension gap through cuts in statutory pensions and taxation of retirement incomes
- Change in taxation will lead to higher net earned income during working life
- Large incentives for retirement savings
- Guaranteed annuities as corner stone of tax incentivized retirement savings
- Only life insurance products effectively cover all three layers

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# Characteristics of Basic, Riester, and Private pension

## Basic pension / Riester pension

- Premium payment out of gross income, proceeds are taxable
- Delay of taxation regarding interest and accrued interest
- Limitations of flexibility, e.g. mainly lifelong annuities are fostered
- Protection in case of unemployment (Hartz IV)

### Basic pension

- Annually increasing portion of premiums receive tax relief
- Beneficiaries: all tax payers
- Occupational disability and surviving dependants' riders (first-degree relatives) are allowed
- Limited product range along the lines of social pension scheme, impeding
  - capitalization
  - sale/lending
  - inheritance/endorsement

### Riester pension

- Tax relief of full premiums/ state grants
- Beneficiaries: all people except self-employed
- On maturity, at least the sum of premiums is guaranteed
- Lump sum up to 30% of assets
- Compulsory unisex premiums as of 2006

## Private pension

- Premium payments out of net income
- Full choice between annuity and lump-sum payment
- Annuities: no taxation of accrued investment income; only part of annuity taxable in payout period
- Lump sum: 50% of investment income tax free (under certain conditions)
- Flexibility regarding premium payments
- No restrictions regarding product features such as heritability and risk protection

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# Pension gap widened through deferred taxation: example (in EUR)

| Deferred taxation increases necessary gross pension: | 2005 | 2030 |
|---|---|---|
| Last gross income: | 2,500 | |
| Statutory gross pension (2005: 48%; 2030: 53% necessary): | 1,200 | **1,325** |
| Social security contributions (9% of gross pension): | - 108 | - 120 |
| Income taxes (2030: 8.5% of gross pension): | 0 | - 113 |
| Net retirement income: | 1,092 | 1,092 |

| Pension gap of 13% between expected and necessary gross pension: | 2030 |
|---|---|
| Last gross income: | 2,500 |
| Expected statutory gross pension (40%): | 1,000 |
| Necessary statutory gross pension (53%): | 1,325 |
| **Gap (13%):** | **325** |

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# Index

**Analysts' Conference**

**March 2005**

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# Index (1)

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# **Index** (2)

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# Index (3)

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# Index (4)

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# Appendix

**Analysts' Conference**

**March 2005**

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# Glossary (1)

**ADAM**
Allianz Dresdner Asset Management

**AEG (Alterseinkünftegesetz)**
German law on retirement savings

**AFS**
Securities available for sale

**AGI**
Allianz Global Investors

**AGM**
Annual General Meeting

**AGR**
Allianz Global Risks

**ART**
Allianz Risk Transfer

**Assets under management (AuM)**
Sum of investments marked-to-market which is managed by the Group with responsibility for the performance of the investments

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# **Glossary** (2)

**BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht)**
Federal Financial Supervisory Authority

**BIS**
Bank for International Settlement

**BITES**
Basket index tracking equity-linked securities

**B-units**
Interest in PIMCO giving a priority claim on operating profit available for distribution

**CAGR**
Compounded average growth rate

**Capital ratios (BIS)**
Ratios calculated by banks conducting international business, in accordance with the Basel Capital Accord drawn up under the guidance of the Bank for International Settlements

- **Tier I ratio:** Relation of core capital to risk-weighted assets. Core capital (Tier I capital) mainly consists of shareholders' equity and minority interest, hybrid capital plus other adjustments

- **Total capital ratio:** Relation of Tier I plus Tier II capital to risk-weighted assets. Tier II capital (supplementary capital) comprises profit participation certificates, subordinated liabilities and revaluation reserves on securities and other adjustments

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# Glossary (3)

**CB**
Corporate Banking

**CEE**
Central and Eastern Europe

**CFI**
Customer focus initiative

**CIR**
Cost-income ratio

**Claims ratio**
Claims and claims adjustment expenses as % of net premiums earned

**Combined ratio**
Sum of claims ratio and expense ratio

**Cost of risk-adjusted capital (CRC)**
Future differences between cost of capital and expected investment return on risk-adjusted capital, discounted at risk discount rate (RDR)

**Current yield**
(Interest payments (fixed-income) + dividends (equities) + current income from real estate) / average investments at book value

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# **Glossary** (4)

**DAC**
Deferred acquisition costs

**Embedded Value (EV)**
Net asset value (NAV) + present value of future profits (PVFP) – cost of risk-adjusted capital (CRC) – time value of options and guarantees

**e.o.p.**
End of period

**$EPS_A$**
Same as $EPS_R$, but adjusted for the impact of extraordinary items

**$EPS_R$**
Earnings per share reported. IFRS profit after tax and minorities divided by average number of shares (with calculation of dilution, should the Group have issued convertibles or options on its own shares)

**Equity gearing**
Equity exposure (attributable to shareholders) divided by NAV

**ETA**
Employment termination agreement

**EVA (Economic value added)**
Product of risk-adjusted capital and the difference between normalized RoRAC (Group) and the cost of capital

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# **Glossary** (5)

**Excess capital (XS)**
Net asset value (NAV) – risk-adjusted capital (RAC)

**Expense ratio**
Commissions, other acquisition expenses, general and administrative expenses as % of net premiums earned

**FTE**
Full-time equivalents

**Goodwill**
Difference between a subsidiary's purchase price and its shareholders' equity at the time of purchase

**GPW (gross premiums written)**
Total premiums for insurance contracts (including investment products) written during a specific period, without deducting premiums ceded

**Harvesting rate**
Realized gains + write-ups – realized losses – write-downs / average investments at book value (excl. trading)

**HGB**
German GAAP

**IFRS**
International Financial Reporting Standards (formerly IAS)

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# **Glossary** (6)

**IFSP**
Integrated financial services provider

**IRU**
Institutional Restructuring Unit

**L/H**
Life and health insurance

**LoB**
Line of business

**Net asset value (NAV)**
Shareholders equity + off-balance reserves (attributable to shareholders)

**New business margin**
Value of new business divided by present value of new business premium, discounted at risk discount rate

**New business spread**
Value of new business in % of present value of technical reserves (after cost of holding risk-adjusted capital)

**NOPAT**
Normalized profit after taxes

**NPL**
Non-performing loans

# **Glossary** (7)

**NPV**
Net present value

**OE**
Operating entity

**Operating CIR (L/H)**
Expenses (benefits incurred + commissions and administrative expenses + interest expenses + investment expenses + other underwriting income/expenses + other non-underwriting income/expenses + scheduled depreciations (tangible assets)) divided by income (net premiums earned + current income + trading income)

**Operating profit**
Profit before taxes and minorities + goodwill amortization – net capital gains (attributable to shareholders) + net impairments (attributable to shareholders) +/- other non operating items

**PBI**
Private Banking International

**P/C**
Property and casualty insurance

**PeB**
Personal Banking

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# **Glossary** (8)

**PBB**
Private and Business Banking

**PPL**
Potential problem loans

**Present value of new business premiums**
Discounted value of new regular premiums + the total amount of single premiums received in the year

**Present value of future profits (PVFP)**
Future local statutory shareholder profits discounted at risk discount rate (RDR); includes value of unrealized gains on assets backing policy reserves

**RfB**
Reserve for premium refunds

**Risk-adjusted capital (RAC)**
Maximum of risk capital and regulatory required capital

**Risk capital**
Minimum capital required to ensure solvency over the course of one year with a certain probability which is linked to our rating ambition

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# **Glossary** (9)

**Risk discount rate (RDR)**
Cost of capital (CAPM basis; risk free rates in line with economic assumptions; equity risk premium 3.5%; beta = 0.9)

**$RoRAC_N$ (Group)**
Normalized return on RAC including holding (expenses, debt service, reinsurance)

**$RoRAC_N$ (Operating units)**
Normalized return on RAC excluding holding (expenses, debt service, reinsurance) and diversification effects

**RoE**
Return on equity (net income / average shareholders' equity)

**RWA (Risk-weighted assets)**
All assets of the bank multiplied by the respective risk-weight according to the risk rate of each type of asset

**Statutory premiums**
Premium income under local GAAP

**T-shares**
Treasury shares

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# **Glossary** (10)

**Tax ratio**
Tax expenditure as % of profit before tax and goodwill (effective tax ratio); tax expenditure adjusted for extraordinary tax effects as % of profit before tax and goodwill (adjusted tax ratio)

**Tied agent**
An agent that works exclusively for one insurance company

**Total risk elements**
According to SEC guide 3: non-performing loans and potential problem loans

**Total yield**
(Current yield + net capital gains – net impairments) / average investments at book value

**UCG**
Unrealized capital gains

**UPR**
Unallocated profit sharing reserves

**VAG (Versicherungsaufsichtsgesetz)**
German insurance supervisory law

**Value-at-Risk (VaR)**
Potential loss which may occur during a pre-defined period of time, based on a given confidence level and certain assumptions regarding changes of market parameters

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# **Glossary** (11)

**Value of new business (VNB)**
Present value of future profits (PVFP) – cost of risk-adjusted capital (CRC) at issue date

**Valued total premiums of new business**
Sales performance measure almost similar to premium volume of new business over term of policies

**VOBA**
Value of business acquired

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# Financial calendar 2005/2006[1]

| | |
|---|---|
| 04 May 2005 | Annual General Meeting |
| 13 May 2005 | Financial report first quarter of 2005 |
| 12 August 2005 | Financial report first half 2005 |
| 11 November 2005 | Financial report first three quarters 2005 |
| 16 March 2006 | Financial press conference for the 2005 fiscal year |
| 17 March 2006 | Analysts’ conference on fiscal year 2005 in Munich |
| 21 March 2006 | Analysts’ conference on fiscal year 2005 in London |
| 03 May 2006 | Annual General Meeting 2006 |
| 12 May 2006 | Financial report first quarter of 2006 |
| 11 August 2006 | Financial report first half 2006 |
| 10 November 2006 | Financial report first three quarters of 2006 |

1) For updates please see www.allianz.com/investor-relations

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**Cautionary Note Regarding Forward-Looking Statements**

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