Allianz Group

Interim Report First Three Quarters of 2004

3 + One

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OVERVIEW

We continue to successfully implement our "3+One" program. In the first nine months of 2004, earnings before taxes increased by 3,302 million euros to 3,966 million euros. Net income of 1,828 (732) million euros was more than doubled, despite a substantially higher tax charge.

Earnings quality is increasing as a consequence of operating improvements made across all business segments:

- In property and casualty insurance, the combined ratio dropped a further 3.7 percentage points to 93.2 percent.
- In life and health insurance, investment income rose to 9.5 (6.7) billion euros while administrative expenses were reduced by a further 4.4 percent to 1.2 billion euros. As a result, we succeeded in virtually doubling earnings before taxes to 1,186 (593) million euros.
- In banking, the signs of a stabilization in operating revenues already emerging at half-year were confirmed. By at the same time further lowering operating expenses and reducing net loan loss provisions, we reported an operating profit for the third straight quarter. For the first nine months of 2004 we achieved total operating profit of 573 (– 69) million euros.
- In the asset management segment, we held operating revenues stable at 1.7 billion euros while pushing down the cost-income ratio to 65.3 (68.2) percent. In this way, we increased the operating profit to 578 (528) million euros.

In addition to the progress achieved in our operating business, we have also generated a marked increase in investment income. Net income for the first three quarters of 2004 thus amounted to 1,828 million euros, more than doubled over the last year's figure of 732 million euros, despite a considerably higher tax charge of 1.9 billion euros.

At the end of the third quarter 2004, shareholders' equity amounted to 29.8 billion euros. This represents growth since the end of 2003 of 1.2 billion euros or 4.1 percent, even though dividends totaling 551 million euros were distributed in May.

Earnings

The positive trend of the first half of 2004 continued into the third quarter. Allianz Group revenues grew overall by 2.3 percent to 72.6 billion euros. After adjustment for exchange rate and consolidation effects, internal growth amounted to 5.1 percent. The performance of the individual segments here reflects our profit-oriented business policy. In the life/health insurance and asset management segments, we reported strong internal growth of 8.1 percent and 17.0 percent respectively. Property/casualty insurance registered disciplined growth of exchange rate adjusted 2.7 percent, while operating revenues in the banking business stabilized in the second and third quarters at the level of the prior-year periods, following the drop in earnings in the first quarter. Overall, though, operating revenues in banking were down 2.1 percent after adjustment for exchange rate and consolidation effects.

In property and casualty insurance, the **claims ratio** dropped 3.5 percentage points to 68.2 percent, which was mainly the result of our disciplined underwriting policy and portfolio restructuring. The hurricanes in the U. S. A. had a negative effect during the third quarter. By means of active risk selection and control, however, we succeeded in limiting the Allianz Group's net claims expenses to 216 million euros, a sum well under the proportionate figure for our market share.

In banking as well, there was substantially less expenditure required for **loan loss provisions**; these were down 62.2 percent year-on-year to 271 million euros.

We continued to make progress in cutting **administrative expenses** in all segments; these fell by a total of 9.1 percent to 9.2 billion euros.

Investment income rose from 10.7 billion euros to 14.4 billion euros during the first three quarters of 2004, a substantial increase on the prior-year period. This trend is primarily attributable to an improved balance of write-ups and write-downs. While the prior-year balance resulted in a charge of 2.0 billion euros, a net charge of 0.5 billion euros was recorded for the first nine months of 2004. Furthermore, the balance from realized gains and losses climbed noticeably to 2.6 (1.8) billion euros in response to the more favorable market conditions. However, the life/health segment accounts for 1.0 (– 0.6) billion euros of these net realized gains, with only a fraction of this reflected in the net income for the period after policyholders' profit participation. Trading income was 1.0 billion euros up on the previous year since the previous year's figure had been impacted by the expense of using derivatives to hedge our share portfolio.

Investment income

	9/30/2004 € mn	9/30/2003 € mn	Difference € mn
Current investment income	11,799	11,534	264
Realized capital gains/losses	2,645	1,816	830
Write-ups/write-downs on investments	– 536	– 1,975	1,439
Expenses for management of investments; interest expenses and other	– 754	– 975	221
Subtotal	13,155	10,400	2,754
Trading income (including banking business[1])	1,285	275	1,011
Investment income	14,440	10,675	3,765

[1] Includes the trading income from banking business trading activities, which contributed 1,160 (1,425) million euros to investment income and is included in banking business operating revenues.

At 4.9 (1.6) billion euros for the first nine months of 2004, earnings before taxes and amortization of goodwill have more than tripled on the prior-year period. Amortization of goodwill remained nearly constant at 885 (895) million euros.

While income for the prior-year period was benefited by a tax income of 653 million euros, in the same period this year, a tax charge of 1,241 million euros had to be absorbed as a result of the significant increase in pre-tax earnings. Minority interests in earnings also increased to 897 (585) million euros. Despite this, our 1,828 (732) million euro net income as at September 30, 2004 was more than double that of the prior-year period. Earnings per share currently stand at 4.98 (2.23) euros.

Shareholders' equity and finance

On September 30, 2004, shareholders' equity for the Allianz Group amounted to 29.8 billion euros. This figure takes into account 17,926,289 treasury shares which reduce shareholders' equity and were acquired at a cost of 4.5 billion euros. This represents a growth in shareholders' equity of 4.1 percent, or 1.2 billion euros since the end of 2003.

In accordance with insurance business solvency regulations, insurance providers are required by law to have a specific level of equity capital; a level that we had clearly surpassed by the end of the third quarter with a cover ratio of 217 percent. At the end of 2003, this cover ratio was 205.9 percent.

Market capitalization and the Allianz share

On September 30, 2004, the market capitalization of Allianz AG, adjusted for treasury shares, amounted to 29.8 billion euros. Following last year's impressive share performance during the fourth quarter, in which benchmark indexes were outperformed, we forfeited this performance again this year. The price of the Allianz share has dropped 19 percent since the end of 2003. In comparison, the Dow Jones EURO STOXX 50 index has lost 1.2 percent over the first three quarters of 2004 and the DJ EURO STOXX Insurance index has declined by 4.8 percent.

Employees

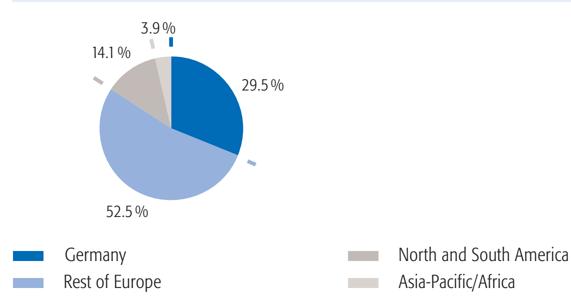
In the first three quarters of 2004, the number of employees had fallen by 8,848 to 164,902 since the end of 2003.

PROPERTY AND CASUALTY INSURANCE

In property and casualty insurance, net income for the first three quarters of 2004 increased to 2,247 (1,465) million euros. The combined ratio fell a further 3.7 percentage points to 93.2 percent.

At 34.6 billion euros, premium income was up by 1.3 percent on the first nine months of 2003. Adjusted for consolidation and currency effects, internal growth came to 2.7 percent. We continue to strive for a reasonable correlation between rates and risks and are even prepared to forego sales growth where such a correlation cannot be achieved. Despite this, many of our companies – notably our subsidiaries in Spain and Australia – experienced remarkably dynamic growth. In France in contrast we had to record a negative growth.

Property and casualty insurance – premium income by region (€ 34.6 bn)



The **claims ratio** improved for the third straight year. Compared to the first nine months of last year, it fell 3.5 percentage points to 68.2 (71.7) percent. Looking at the third quarter in isolation, the claims ratio was actually down to only 66.4 percent.

This improvement was achieved in spite of the claims we received relating to the hurricanes that struck the south eastern states of the U. S. A. during the third quarter of this year. Hurricanes Charley, Frances, Ivan and Jeanne caused claims expenses throughout the industry of an estimated 16–24 billion euros. Only 216 million euros of this amount were attributable to Allianz itself. This amount lies below our market share in the affected region and evidences the quality of our risk selection and risk management policies. For instance, our policy in this risk area is and has been to only include objects of above average construction quality in our portfolio.

The **expense ratio** continued to fall to 25.0 (25.2) percent. This progress was achieved by further administrative cost cutting, despite slightly higher acquisition costs.

Overall, the **combined ratio**, which measures claims and expenses as a percentage of net premiums earned, improved by 3.7 percentage points to 93.2 percent.

Property and Casualty Insurance

		9/30/2004	9/30/2003	Difference
Gross premiums	€ mn	34,646	34,196	450
Claims ratio	%	68.2	71.7	– 3.5 %-points
Expense ratio	%	25.0	25.2	– 0.2 %-points
Net income*)	€ mn	2,247	1,465	782
Investments	€ mn	145,290	140,187	5,103
Insurance reserves	€ mn	88,299	87,730	569

*) Net income for period after amortization of goodwill, taxes, and minority interests

Investment income increased significantly from 2.4 billion euros to 4.5 billion euros. Higher intra-Group dividend payouts to Allianz AG were a contributing factor in the increase in current investment income by 0.9 billion euros to 4.1 billion euros. After deducting intra-Group dividend payouts from the current investment income of the segment, current investment income at 3.0 (2.9) billion euros is marginally up on the prior-year period.

At – 268 (– 759) million euros, the balance of write-ups and write-downs showed a marked improvement over the previous year as a result of more favorable market conditions. During the first nine months of the year under review, we realized on balance 1.0 billion euros fewer gains from the disposal of shares compared to the same period in 2003, trading income increased by 1.3 billion euros. During the previous year, we had hedged our stock portfolio using derivatives (macro hedge). The expenses for this macro hedge were reported in the IFRS accounts as trading income, while the opposing changes in the market value of the underlying stocks only affect profit when realized.

Investment income*)

	9/30/2004 € mn	9/30/2003 € mn	Difference € mn
Current investment income	4,088	3,224	864
Realized capital gains/losses	1,319	2,286	– 967
Write-ups/write-downs on investments	– 268	– 759	491
Expenses for management of investments	– 567	– 965	398
Subtotal	4,572	3,787	785
Trading income	– 36	– 1,370	1,334
Investment income	4,536	2,417	2,119

*) With consolidated figures for this segment.

Earnings before taxes and amortization of goodwill came to 4.3 billion euros, compared to 1.9 billion euros in the prior-year period. Amortization of goodwill remained largely constant at 287 (290) million euros. A tax charge of 1,032 million euros arose, compared to tax income of 141 million euros for the first nine months of the previous year. After minority interests of 686 (257) million euros, we recorded net income for the period as of September 30, 2004, that had increased from 1,465 million euros to 2,247 million euros.

In the following presentation, transactions between reporting units are not consolidated. In order to present a clear picture of our business operations, we have adjusted the results by eliminating amortization of goodwill as well as minority interests.

Property and Casualty Insurance

	Gross premiums		Combined ratio		Earnings after taxes[1]	
	9/30/2004 € mn	9/30/2003 € mn	9/30/2004 %	9/30/2003 %	9/30/2004 € mn	9/30/2003 € mn
Germany[2]	10,582	10,405	88.2	95.2	1,912	1,337
France	4,197	4,262	99.4	104.2	694	154
Italy	3,605	3,513	91.3	94.9	556	382
Great Britain	2,012	1,930	93.5	94.6	148	226
Spain	1,372	1,308	91.4	95.1	136	73
Switzerland	1,147	1,165	97.1	100.0	65	10
Austria	758	740	97.4	99.7	47	15
U. S. A.	3,731	3,613	97.5	100.1	263	– 226
Australia	1,009	916	95.3	94.5	87	59
Allianz Global Risks Re	1,150	1,138	98.4	101.3	22	44
Credit Insurance	1,236	1,198	73.1	84.7	142	88
Travel Insurance and Assistance	717	632	91.4	92.8	17	16
Allianz Marine & Aviation	779	842	91.5	85.0	30	65

[1] Earnings after taxes before amortization of goodwill and minority interests

[2] Information relates both to Allianz Sachgruppe Deutschland and Allianz AG

In **Germany**, Sachgruppe Deutschland, which combines the property and casualty insurance business of the German Allianz companies, achieved premium growth of 0.6 percent to 8.5 billion euros in the first three quarters of 2004. Growth in property insurance was, however, partially counterbalanced by a drop in automobile insurance premiums. The claims ratio continued to improve thanks to our disciplined underwriting policy, and amounted to 62.6 (66.9) percent in the first nine months of 2004. The expense ratio also declined, falling to 24.4 (25.0) percent. Investment income rose considerably from 0.6 to 1.3 billion euros. This was primarily a result of lower write-downs due to positive stock market trends and the transfer of individual investments in other enterprises within the Group. These realized gains are consolidated at segment and Group level, and consequently have no effect on segment or group results. Overall, earnings after taxes improved substantially to 1.3 billion euros, compared to 0.5 billion euros for the same period last year.

The decline in gross premium income in **France** is mainly attributable to the automobile insurance business, which reported a reduction in premium income as a result of a strict underwriting policy and the rate increases of the previous year. The claims ratio, however, benefited from our continued adherence to risk assessment and dropped to 75.4 (80.6) percent. The expense ratio increased slightly to 24.0 (23.6) percent. At 694 (154) million euros, earnings after taxes more than quadrupled. This development was boosted both by operating progress and by investment income, which increased to 0.9 (0.4) billion euros.

Our **Italian** property and casualty insurance business reported a moderate 2.6 percent increase in premium income to 3.6 billion euros. The RAS Group accounts for 2.6 billion euros of this amount (+ 2.9 percent) and Lloyd Adriatico for 1.0 billion euros of this amount (+ 1.8 percent). The claims ratio continued to fall, dropping 4.0 percentage points to 68.3 percent. On the cost side, there was a marginal increase in expenses from 22.6 percent to 23.0 percent.

In **Great Britain**, premium income climbed to 2.0 (1.9) billion euros for the first three quarters of 2004. After adjustment for exchange rate effects, Allianz Cornhill reported substantial revenue increases in business with corporate customers and special insurance, such as the "Pet Plan", by 10.5 and 5.0 percent respectively. However, this was partially counterbalanced by a 9.6 percent drop in premiums in the private business segment as a result of withdrawing from a major affinity relationship. At 64.5 percent, the claims ratio had fallen a further 2.6 percentage points below the previous year's figure thanks to our disciplined underwriting policy. Despite improved operating profitability and a gain in investment income, earnings after taxes fell to 148 (226) million euros as a result of a substantially higher tax charge.

In **Spain**, gross premium income increased by 4.9 percent to 1,372 million euros, with disproportionate sales growth being recorded especially in industrial insurance. Due to a favorable claims situation, the claims ratio fell to 72.8 (76.2) percent. Backed by lower administrative expenses, the expense ratio remained almost unchanged from last year at 18.6 (19.0) percent.

In **Switzerland**, the euro exchange rate had a negative impact on the premium income of Allianz Suisse Versicherungs-Gesellschaft, resulting in a 1.6 percent fall to 1.1 billion euros. In local currency, our company reported a 2.8 percent growth, which was fueled by positive trends in the automobile insurance and active reinsurance lines. The combined ratio improved by 2.9 percentage points to 97.1 percent. This was attributable to improvements in both the claims ratio and the expense ratio, with the claims ratio falling to 74.0 (75.0) percent and the expense ratio to 23.1 (25.0).The reduction of the expense ratio was primarily due to cuts in administrative costs. Due especially to this, there was a significant improvement in earnings after taxes in particular, which rose to 65 (10) million euros.

Fireman's Fund (FFIC), our largest company in the **U. S. A.**, increased premium income to 3.3 (3.0) billion euros. FFIC's claims ratio fell to 69.0 (71.0) percent; in this figure, claims expenses amounting to approximately 86 million euros in connection with four consecutive hurricanes have already been accounted for. Together with the expense ratio, which fell to 28.6 (29.1) percent, this translates into a total combined ratio for FFIC of 97.6 (100.2) percent.

As part of our drive to concentrate on core markets, we have decided to sell our business in **Canada** by the end of the year with the exception of international industrial insurance. This transaction is still subject to approval by the responsible supervisory authorities. Allianz Global Risks will continue to operate within the Canadian industrial business.

During the first nine months of 2004, premium income at **Allianz Global Risks Rückversicherungs-AG** (AGR Re), which pools our international corporate business, expanded by 1.0 percent on the previous year to 1,150 million euros. The expense ratio remained stable at 28.9 percent and the claims ratio improved to 69.6 (72.3) percent, primarily as a result of more favorable reinsurance conditions and due to improved results in key European markets. In view of the fact that AGR Re reinsures the bulk of AGR US business, this figure was also weighed down by net claims expenses amounting to 101 million euros in connection with the hurricanes in the U. S. A. We achieved a combined ratio of 94.2 (94.5) percent for the entire Allianz Global Risks segment which, in addition to the reinsurance activities of AGR Re, also incorporates business posted by our franchise companies.

In addition to a 3.2 percent rise in premium income, we managed at the same time to further heighten the profitability of **credit insurance**. The claims ratio declined again by 5.9 percentage points to 46.4 percent, which was attributable both to a low frequency of claims and the absence of any major claims. The expense ratio also continued to fall, amounting to 26.7 (32.4) percent for the first three quarters of 2004. Furthermore, the increase in earnings after taxes to 142 (88) million euros was additionally boosted by the development in investment income. Due to fewer write-downs, this amount was up 84.9 percent to 64 million euros.

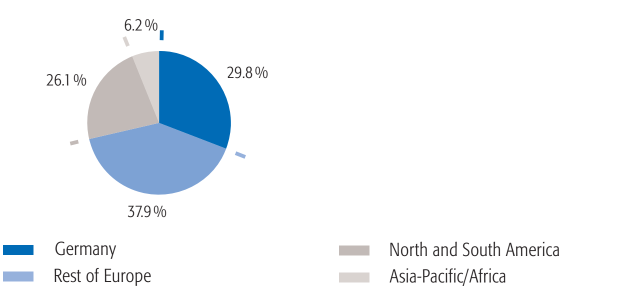
LIFE AND HEALTH INSURANCE

As of September 30, 2004, total premium income for life and health insurance gained 4.5 percent to 32.0 billion euros in response to a significant surge in demand especially in the U. S. A. in the third quarter. After adjustment for exchange rate and consolidation effects, this represents growth of 8.1 percent. Thanks to cuts in administrative costs and improved investment income, net income for the period climbed noticeably to 508 (322) million euros.

In IFRS accounts, which recognize only the cost and risk elements as revenue from investment-oriented life insurance products, premium income fell 1.0 percent to 14.6 billion euros.

Premium development varied internationally. While in the majority of markets, we continued to report substantial internal growth, even double-digit growth in the case of Spain and the U. S. A., our premium volume declined in Italy, Switzerland and South Korea.

Life and health insurance – total premium income by region (€ 32.0 bn)



Overall, the **expense ratio**, in relation to total premiums earned, amounted to 9.5 (7.6) percent for the first nine months of this year. This development is in line with expectations given that the prior-year level had been exceptionally low following adjustments in the course of the regular review of the actuarial calculations. While administrative expenses fell by 4.4 percent to 1,195 million euros accompanied by a rise in revenues, acquisition costs increased. However, improvements in cost management across the entire Group have helped to keep the expense ratio at an extremely low level.

Life and Health Insurance

		9/30/2004	9/30/2003	Difference
Total revenues	€ mn	31,970	30,588	1,382
Gross premiums	€ mn	14,578	14,724	– 146
Expense ratio[1]	%	9.5	7.6	1.9 %-points
Net income for period[2]	€ mn	508	322	186
Investments	€ mn	252,799	231,418	21,381
Insurance reserves	€ mn	252,553	234,318	18,235

[1] In relation to total premiums earned (net)

[2] Net income for period after amortization of goodwill, taxes, and minority interests

Investment income for the first three quarters of 2004 climbed significantly, before policyholders' profit participation, to 9.5 (6.7) billion euros. This is primarily attributable to more favorable market conditions. As a result of this, write-downs on our securities portfolio declined to 0.3 (2.0) billion euros and the number of realized losses dropped by 2.4 billion euros to 0.7 billion euros. Realized gains declined by 0.9 billion euros to 1.7 billion euros.

Investment income[*]

	9/30/2004 € mn	9/30/2003 € mn	Difference € mn
Current investment income	8,644	8,505	139
Realized capital gains/losses	1,024	– 515	1,539
Write-ups/write-downs on investments	30	– 982	1,012
Expenses for management of investments	– 343	– 376	33
Subtotal	9,355	6,633	2,722
Trading income	163	100	63
Investment income	9,518	6,733	2,785

[*] With consolidated figures for this segment.

After policyholders' participation, the life and health insurance segment nearly doubled its earnings before taxes and amortization of goodwill for the first nine months of 2004, to 1,305 (725) million euros. After amortization of goodwill of 119 (132) million euros, taxes of 427 (90) million euros, and minority interests of 251 (181) million euros, net income for this segment improved to 508 (322) million euros.

In the following presentation, transactions between reporting units are not consolidated. In order to present a clear picture of our business operations, we have adjusted the results by eliminating amortization of goodwill as well as minority interests.

Life and Health Insurance

	Total premium income		Expense ratio[1]		Earnings after taxes[2]	
	9/30/2004 € mn	9/30/2003 € mn	9/30/2004 %	9/30/2003 %	9/30/2004 € mn	9/30/2003 € mn
Life insurance Germany	7,256	7,035	11.5	6.1	135	47
Health insurance Germany	2,267	2,220	9.0	9.7	68	46
Italy	5,832	6,574	4.3	3.6	215	146
France	3,323	3,167	17.0	16.0	214	169
Switzerland	865	996	9.9	7.9	12	– 14
U. S. A.	8,286	6,527	6.5	5.2	134	106
South Korea	1,033	1,243	18.3	11.8	– 10	11

[1] In relation to total premiums earned (net)
[2] Earnings after taxes before amortization of goodwill and minority interests

In the first nine months of this year, our **life insurance business in Germany** reported a total premium income of 7.3 billion euros, up 3.1 percent, or 221 million euros, on the previous year.

After a relatively slow development of new business in the first six months of 2004 due to the wait-and-see attitude of customers in the face of imminent changes to Germany's Law on the taxation of pensions and annuities ("Alterseinkünftegesetz"), the third quarter saw a clear revival in new business following the decision to adopt these changes. During the first three quarters of this year, our internal benchmark for measuring sales performance – the valued total premiums of new business acquired – was 12.7 percent up on the previous year, a clear sign that revenues are continuing to develop positively.

The expense ratio increased to 11.5 (6.1) percent, attributable to an extraordinary effect in the previous year which caused the ratio to be unusually low as a result of adjustments in the bases for actuarial calculations. Overall, the expense ratio is steadily falling in a long term comparison.

Investment income was up on the previous year to 4.5 (2.7) billion euros, due essentially to a substantial fall in realized losses and write-downs. Earnings after taxes increased accordingly to 135 (47) million euros.

In **health insurance**, total revenues increased to 2.3 billion euros, a rise of 2.1 percent on the previous year. This plus is attributable both to rate adjustments at the start of the year and to new business. There was increased demand, in particular, for supplementary insurance. However, towards the end of the third quarter 2004, the government's U-turn on dental prostheses in Germany severely restricted market potential for supplementary insurance because it reversed the right of persons subject to statutory insurance to opt for private dental cover. In view of ongoing discussions about the future of the German healthcare system, there is continued reluctance among customers to take out full-coverage health insurance. The claims ratio fell to 69.7 (72.0) percent and the expense ratio to 9.0 (9.7) percent. Earnings after taxes were up on the previous year to 68 (46) million euros.

Total revenues of our **French life insurance company** AGF increased to 3.3 billion euros, an increase of 4.9 percent, reflecting the success of the measures initiated. We continued our drive to shift the product mix towards more profitable investment-oriented products. Cost-reduction programs are being implemented as planned. Due to one-off effects resulting from accounting changes, mainly adjustments for the treatment of deferred acquisition costs under IFRS, the expense ratio increased to 17.0 (16.0) percent. The earnings after taxes increased to 214 (169) million euros was boosted by investment income, which increased to 1.8 (1.5) billion euros.

In **Italy**, total revenues dropped 11.3 percent to 5.8 billion euros. This is mainly attributable to reduced sales of life insurance through the bank channel compared to the outstanding figures achieved last year, a trend experienced throughout the entire market. Our total premium income from banking fell 20 percent to 4.0 billion euros. However, there was an increase in sales through representative agencies and financial planners. The expense ratio increased to 4.3 (3.6) percent, due primarily to the drop in revenues. The growth in investment income to 0.8 (0.6) billion euros, mainly as a result of reduced write-downs, was a major contribution to the increase in earnings after taxes to 215 (146) million euros.

In **Switzerland**, total premium income fell by 13.2 percent, or 10.7 percent in local currency. This decline is attributable both to the spin-off of our own "Pensionskasse" and a reduction in collective life insurance acquisitions. In the first nine months of this year, boosted by increased investment income, the company reported earnings after taxes of 12 million euros as opposed to last year's 14 million euro loss during the same period. As of January 1, 2005, the guaranteed interest rate will rise from 2.25 percent to 2.5 percent.

Allianz Life, our life insurer in the **U. S. A**, reported 26.9 percent growth in total revenues for the first nine months of 2004 to 8.3 billion euros. In local currency, this represents an increase of 39.9 percent. On a US dollar basis, direct insurance, i. e. not including the premium income arising from the sale of our reinsurance business, saw a 36.4 percent rise in total revenues. The high sales figures are attributable both to classic annuity insurance, which experienced a substantial boost following a sales drive and the launch of new products in the third quarter, and unit-linked annuity insurance.

Investment income increased marginally to 762 (758) million euros.While current investment income increased to 0.8 (0.7) billion euros, the balance of realized gains and losses declined.

Boosted by the sale of our reinsurance business, which in the third quarter led to profit as a result of the novation of the majority of contracts, earnings after taxes were up 25.9 percent year on year to 134 million euros.

During the third quarter, **Allianz Life Korea** continued to drive forward the reorganization of its insurance portfolio. The ensuing limitations regarding the sale of less profitable products resulted in a drop in premium income to 1.0 (1.2) billion euros over the first nine months of 2004. As intended, the focus of new business shifted towards more profitable products with a longer maturity. In September 2004, these products already accounted for a share in new business of 70 percent. Having generated earnings after taxes of 11 million euros in the prior-year period, a loss was reported for the first three quarters of 2004 of altogether 10 million euros. This development is attributable to two special factors: While substantial realized gains had a positive effect during the first quarter of 2004, a 51 million euro write-down of tax loss carry-forwards that would not be utilizable after 2006 adversely affected third-quarter earnings.

We are continuing our concentrated efforts to return Allianz Life Korea to sustainable profitability. The decisive factor in our success will be the continued development of new business in profitable products in the face of difficult market conditions. Over the medium term, however, our profitability will still depend on interest rate developments and how these influence insurance portfolio earning guarantees that have already been issued.

BANKING BUSINESS

The positive turnaround of our banking business appears to be continuing after nine months. During this period, we achieved an operating profit of 573 (– 69) million euros; 542 (– 163) million euros of this amount were generated by Dresdner Bank. This result was primarily the consequence of further cost-cutting measures and our improved risk situation. Dresdner Bank contributed 360 (– 411) to the net income for this period.

Banking Business

		9/30/2004 Banking	9/30/2004 thereof Dresdner Bank[1]	9/30/2003 Banking	9/30/2003 thereof Dresdner Bank[1]
Net interest income[2]	€ mn	1,820	1,758	1,954	1,683
Net fee and commission income	€ mn	1,974	1,858	1,864	1,823
Net trading income	€ mn	1,160	1,165	1,425	1,397
Operating revenues	€ mn	4,954	4,781	5,243	4,903
Operating expenses	€ mn	– 4,110	– 3,968	– 4,596	– 4,344
Net loan loss provisions	€ mn	– 271	– 271	– 715	– 722
Operating profit	€ mn	573	542	– 69	– 163
Net of other income/expenses	€ mn	– 191	– 183	– 261	– 288
Investment result	€ mn	154	145	– 111	– 112
Restructuring expenses	€ mn	– 127	– 127	– 335	– 282
Amortization of goodwill	€ mn	– 194	– 194	– 193	– 197
Profit before taxes	€ mn	214	183	– 968	– 1,042
Taxes	€ mn	222	233	580	620
Profit after taxes	€ mn	437	416	– 388	– 422
Minority interests in earnings	€ mn	– 104	– 56	– 44	11
Net income	€ mn	332	360	– 432	– 411
Operating cost-income ratio	%	83.0	83.0	87.7	88.6

[1] Dresdner Bank's contribution to Allianz Group's banking business
[2] Starting in 2004, "current income from associated companies" will be reported under net interest income (September 30, 2003: – 53 million euros from investments)

Operating revenues in banking fell to 5.0 billion euros. This 5.5 percent or 289 million euro decline is primarily the result of deconsolidation effects which led to a fall in operating revenues of 218 million euros. There was a marked reduction in administrative costs and net loan loss provisions, both of which helped banking report an operating profit of 573 (– 69) million euros for the first nine months of 2004.

Our banking business profits were generated almost exclusively by **Dresdner Bank**, which has reported the following developments over the past nine months:

The decline in **operating revenues** to 4.8 (4.9) billion euros (2.5 percent down on the same period last year) is in particular attributable to a 16.7 percent drop in trading income.

The **interest margin** increased, so that despite a reduction in risk-weighted assets, net interest income rose by 4.5 percent to 1.8 billion euros. One-off effects and the reduced charges resulting from the use of IAS 39 also helped.

At 1.9 billion euros, **net fee and commission income** experienced a marginal improvement.

Savings in both personnel and non-personnel expenses led to an 8.7 percent reduction in **operating expenses** to 4.0 (4.3) billion euros. This is a clear indication of the progress we have already made in implementing the "New Dresdner Bank" initiative and additional restructuring measures.

Fueled by the reduction of risk-weighted assets and by our improved risk management, there was also a significant reduction in **net loan loss provisions**: At 271 million euros, these were down 62.5 percent on the prior-year figure.

After deducting **operating expenses** and loan loss provisions from operating revenues, Dresdner Bank contributed 542 (– 163) million euros to the operating profit of the banking business, all of which serves to confirm that Dresdner Bank is still on the right track.

The **non-operating expense** components came to a loss figure of 359 (– 878) million euros. The most significant expenses in the year under review were scheduled amortization of goodwill, which amounted to 194 (197) million euros, restructuring costs of 127 (282) million Euros, and other income, which resulted in a loss figure of – 183 (– 288) million euros. This item mainly includes write-downs on assets allocated to the IRU segment and valuation adjustments on other non-strategic assets.

Income of 233 million euros, resulting in part from the intra-Group transfer of a subsidiary, is reported under the taxes item. Overall Dresdner Bank contributed 360 (411) million euros to the **net income** of Allianz' banking business for the period under review.

Segment reporting

Private & Business Clients (PBC)

		9/30/2004	9/30/2003
Net interest income	€ mn	1,091	1,158
Net fee and commission income	€ mn	1,203	1,104
Net trading income	€ mn	25	26
Operating revenues	€ mn	2,319	2,288
Operating expenses	€ mn	– 1,795	– 1,909
Net loan loss provisions	€ mn	– 154	– 222
Operating profit	€ mn	371	157
Net of other income/expenses	€ mn	– 1	– 4
Investment result	€ mn	7	17
Restructuring expenses	€ mn	– 61	– 67
Profit before taxes and amortization of goodwill	€ mn	315	103
Taxes	€ mn	– 117	– 30
Profit after taxes and before amortization of goodwill	€ mn	198	73
Operating cost-income ratio	%	77.4	83.4

The Private & Business Clients sector generated **operating revenues** of 2.3 billion euros in the first nine months of 2004, up approximately 1.3 percent year on year. Net fee and commission income was up by 8.9 percent. This growth was a result of successful sales activities within both domestic and non-domestic securities. **Operating expenses** fell by 6.0 percent as a result of the restructuring process. The cost-income ratio improved significantly to 77.4 (83.4) percent. The 30.6 percent drop in demand for net loan loss provisions also contributed to these encouraging results. Overall, we more than doubled the **operating profit** in the Private and Business Client (PBC) division to 371 (157) million euros compared to the same period last year. After taxes, we reported a profit after taxes of 198 (73) million euros.

Corporate Banking (CB)

		9/30/2004	9/30/2003
Net interest income	€ mn	503	512
Net fee and commission income	€ mn	223	235
Net trading income	€ mn	41	36
Operating revenues	€ mn	767	783
Operating expenses	€ mn	– 357	– 394
Net loan loss provisions	€ mn	– 44	– 94
Operating profit	€ mn	366	294
Net of other income/expenses	€ mn	3	4
Investment result	€ mn	0	13
Restructuring expenses	€ mn	– 14	– 61
Profit before taxes and amortization of goodwill	€ mn	354	250
Taxes	€ mn	– 142	– 100
Profit after taxes and before amortization of goodwill	€ mn	213	151
Operating cost-income ratio	%	46.5	50.4

In the Corporate Banking sector, **operating revenues** fell slightly over the nine month period to 767 (783) million euros. While the net fee and commission income declined 4.9 percent to 223 million euros year on year, net interest income remained almost stable. Our improved interest margin almost made up for the reduction of risk-weighted assets. Through strict cost management we were able to reduce **operating expenses** by 9.4 percent. **Net loan loss provisions** were also substantially (52.7 percent) below the previous year figure. The total **operating profit** increased to 366 million euros, 24.3 percent up on the previous year, and, at 46.5 percent, the **cost-income ratio** improved by 3.8 percentage points. **Profit after taxes** amounted to 213 (151) million euros.

Dresdner Kleinwort Wasserstein (DrKW)

		9/30/2004	9/30/2003
Net interest income	€ mn	225	254
Net fee and commission income	€ mn	404	387
Net trading income	€ mn	934	1,104
Operating revenues	€ mn	1,563	1,745
Operating expenses	€ mn	– 1,347	– 1,453
Net loan loss provisions	€ mn	1	43
Operating profit	€ mn	217	335
Net of other income/expenses	€ mn	– 4	8
Investment result	€ mn	14	5
Restructuring expenses	€ mn	– 3	– 13
Profit before taxes and amortization of goodwill	€ mn	224	334
Taxes	€ mn	– 35	– 101
Profit after taxes and before amortization of goodwill	€ mn	190	233
Operating cost-income ratio	%	86.2	83.3

Over the first nine months of this year, DrKW generated **operating revenues** of 1.6 (1.7) billion euros. Year on year, this represents a fall of 182 million euros (or 10.4 percent), which is due, in part, to the unfavorable market conditions, but is primarily a consequence of our systematic risk reduction in the trading book. This drop in earnings was partially counterbalanced by reducing **operating expenses** by 7.3 percent to 1,347 million euros. After **net loan loss provisions**, we reported an operating profit of 217 (335) million euros. **Profit after taxes** amounted to 190 (233) million euros.

Institutional Restructuring Unit (IRU)

		9/30/2004	9/30/2003
Net interest income	€ mn	272	361
Net fee and commission income	€ mn	19	65
Net trading income	€ mn	5	7
Operating revenues	€ mn	295	433
Operating expenses	€ mn	– 193	– 308
Net loan loss provisions	€ mn	– 173	– 518
Operating profit	€ mn	– 71	– 393
Net of other income/expenses	€ mn	– 105	– 161
Investment result	€ mn	167	16
Restructuring expenses	€ mn	5	– 121
Profit before taxes and amortization of goodwill	€ mn	– 3	– 659
Taxes	€ mn	111	192
Profit after taxes and before amortization of goodwill	€ mn	108	– 467
Operating cost-income ratio	%	65.4	71.2

For the 2004 period under review, the IRU's earnings contribution after taxes amounts to 108 (– 467) million euros. Although due, in part, to a realized gain from the sale of our participation in the Spanish private broadcasting corporation Telecinco, this is primarily attributable to substantially less need for net loan loss allowances, which was achieved through a dedicated drive to reduce the loan portfolio mainly outside of Germany. October of 2004 saw another successful sale of a non-strategic loan portfolios, which helped to reduce the loan volume by a further 1.2 billion euros. Sufficient provision had already been made during the third quarter to compensate for the losses resulting from this transaction. In addition, we managed to cut operating expenses to 193 million euros; a reduction of 37.3 percent.

Corporate Other[*)]

		9/30/2004	9/30/2003
Net interest income	€ mn	– 333	– 601
Net fee and commission income	€ mn	10	32
Net trading income	€ mn	160	224
Operating revenues	€ mn	– 163	– 345
Operating expenses	€ mn	– 276	– 280
Net loan loss provisions	€ mn	99	69
Operating profit	€ mn	– 341	– 556
Net of other income/expenses	€ mn	– 76	– 135
Investment result	€ mn	– 43	– 162
Restructuring expenses	€ mn	– 54	– 21
Profit before taxes and amortization of goodwill	€ mn	– 514	– 873
Taxes	€ mn	414	658
Profit after taxes and before amortization of goodwill	€ mn	– 100	– 215

*) Corporate Other = corporate functions (to the extent that they have not been allocated to business units), corporate items and corporate investments of Dresdner Bank together with consolidation adjustments.

The components included under Corporate Other generated an after-tax loss of 100 (– 215) million euros at the close of the first three quarters of this year. The negative net interest income is primarily attributable to effects resulting from the application of IAS 39, which contributed to a loss figure of 222 million euros. These effects had a positive influence on trading income of 204 million euros. The reported operating expenses of 276 (280) million euros primarily represent expenses that are not directly allocated to business units. Investment result, which markedly improved to – 43 (– 162) million euros, included, inter alia, expenses for write-downs on our real-estate assets and write-downs and realized gains in connection with our investments in industry.

ASSET MANAGEMENT

On September 30, 2004, our assets under management amounted to 1,070 billion euros, representing an increase of 74 billion euros, or 7.5 percent since the end of 2003. This amount includes net inflows for third-party investments of 14 billion euros. The operating profit increased to 578 (528) million euros. However, on account of high acquisition-related expenses we still recorded a loss of 191 (226) million euros.

Assets Under Management

	Current values on 9/30/2004 € bn	Current values on 12/31/2003 € bn
Group investments	446	399
Investments for unit-linked life insurance	33	32
Investments for third-party investors	592	565
Assets under management	1,070	996

Since the end of 2003, Group investments increased by 47 billion euros, or 11.8 percent, to 446 billion euros since the end of 2003.

Third-party investments climbed by 27 billion euros (in euro accounts), or 4.8 percent, to 592 billion euros. The main contributing factors were high net inflows of 14 billion euros, portfolio gains of 17 billion euros thanks to slight increases in equity and bond prices, and conversion gains of 8 billion euros due to the somewhat stronger U.S. dollar than at the start of the year. Our withdrawal from the Meiji Life joint venture in Japan with a volume of 12 billion euros had a negative impact on this figure.

Approximately 75 percent of the assets were invested in interest-bearing securities and about 23 percent in equities. Business with institutional customers accounts for 59 percent of investments for third parties, while 41 percent come from business with private clients.

In the fixed-income securities business, we continued the successes of the past few years. The PIMCO Total Return Fund further strengthened its position as the world's largest actively managed bond fund. Our bond manager PIMCO, the market leader in the fixed income business in the U. S. A., also boosted its market position in both Europe and Asia. In Germany, we upgraded assets under management in the institutional market as well as in the area of public funds. In institutional asset management, our subsidiary dbi continues to hold the unchallenged top position among special funds, with managed assets of 71.1 billion euros (68.4 billion euros at the end of 2003). dit currently ranks fourth in the German mutual funds market, with managed assets of 47.7 billion euros (46.7 billion euros at the end of 2003).

Asset Management

		9/30/2004	9/30/2003
Operating revenues	€ mn	1,664	1,664
Operating expenses	€ mn	– 1,086	– 1,136
Operating profit	€ mn	578	528
Acquisition-related expenses	€ mn	– 636	– 633
Taxes	€ mn	– 8	22
Minority interests	€ mn	– 124	– 143
Net income	€ mn	– 191	– 226
Cost-income ratio	%	65.3	68.2

Operating profit amounted to 578 million euros, after 528 million euros for the comparable period in the previous year. At constant exchange rates we would have improved the result by 18.2 percent, to 624 million euros. Strict cost management helped to improve the cost-income ratio to 65.3 (68.2) percent compared to first nine months of 2003.

Acquisition-related expenses came to 636 million euros. These included amortization of goodwill totaling 285 million euros and 95 million euros for the amortization of capitalized loyalty bonuses to the management of the PIMCO Group, which will end in 2005. An additional 256 million euros were mainly retention payments for the management and employees of PIMCO and Nicholas Applegate, which were agreed upon at the time of acquisition of the fund management companies.

Taxes amounted to a charge of 8 million euros. After deduction of minority interests amounting to 124 million euros, the asset management segment reported a loss of 191 million euros, as expected, compared to a loss of 226 million euros in the prior-year period.

In the course of the recent US regulatory actions with respect to the mutual fund industry's practices of “market timing” and “revenue sharing” some Allianz Group companies have been subject to investigations and court actions. To the extent the investigations have not been terminated, the respective Allianz Group companies reached settlements with the regulators. Relating to the same allegations, punitive class actions are pending, among others against certain Allianz Group companies, funds and trustees.

OUTLOOK

The success we have achieved to date shows that we are clearly on the right track with our "3+One" program. The substantial operating progress that we have made until now should continue over the remaining course of the year and lead to sustainable year-on-year improvements.

For the whole of 2004, we expect to exceed our goal in the insurance business of internal growth in total premium income of 4 percent. In property and casualty insurance, we currently expect the combined ratio to remain at its current level, provided there are no major natural catastrophes or other major claims during the fourth quarter. In life and health insurance, we expect net income to be considerably higher than last year as a result of the rapid growth that has been seen and our continued cost discipline.

For the Dresdner Bank, we expect to achieve a balanced annual result after restructuring expenses. In asset management, acting on the assumption that exchange rates and market prices will remain at current levels, we intend to raise assets managed for third parties by approximately 10 percent and further improve on the previous year's operating result.

In the fourth quarter of this year, we expect an altogether balanced result from realized investment gains and losses. A significant and continued backlash on the equity markets would negatively impact our earnings by way of higher write-downs.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz AG's filings with the U.S. Securities and Exchange Commission.

The company assumes no obligation to update any forward-looking statement.

Consolidated Financial Statements First Three Quarters of 2004

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Consolidated Financial Statements First Three Quarters of 2004

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Consolidated Balance Sheet as of September 30, 2004 and as of December 31, 2003

ASSETS	➤➤Note	9/30/2004 € mn	12/31/2003 € mn
A. Intangible assets	2	15,654	16,262
B. Investments in affiliated enterprises, joint ventures and associated enterprises		6,082	6,442
C. Investments	3	311,772	295,067
D. Investments held on account and at risk of life insurance policyholders		32,914	32,460
E. Loans and advances to banks	4	131,574	117,511
F. Loans and advances to customers	5	214,114	203,259
G. Trading assets		194,447	146,154
H. Cash and cash equivalents		20,798	25,528
I. Amounts ceded to reinsurers from insurance reserves	6	25,116	25,061
J. Deferred tax assets		14,125	14,364
K. Other assets		52,354	53,804
Total assets		1,018,950	935,912

EQUITY AND LIABILITIES	➤➤Note	9/30/2004 € mn	12/31/2003 € mn
A. Shareholders' equity		29,771	28,592
B. Minority interests in shareholders' equity	7	8,996	8,367
C. Participation certificates and subordinated liabilities	8	13,462	12,230
D. Insurance reserves	9	334,313	311,471
E. Insurance reserves for life insurance where the investment risk is carried by policyholders		32,914	32,460
F. Liabilities to banks		193,870	178,316
G. Liabilities to customers		183,895	154,728
H. Certificated liabilities		54,725	63,338
I. Trading liabilities		104,975	84,835
J. Other accrued liabilities	10	12,952	13,908
K. Other liabilities	11	33,009	31,725
L. Deferred tax liabilities		13,813	13,509
M. Deferred income		2,255	2,433
Total equity and liabilities		1,018,950	935,912

To read the notes, simply click ➤➤ on the number

Consolidated Income Statement for the Period from January 1 to September 30, 2004 and from January 1 to September 30, 2003

	➤➤Note	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
1. Premiums earned (net)	12	41,829	41,426
2. Interest and similar income	13	15,850	17,009
3. Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises		707	– 160
4. Other income from investments	14	3,779	7,510
5. Trading income	15	1,285	275
6. Fee and commission income, and income from service activities	16	4,962	4,553
7. Other income	17	1,799	2,337
Total income (1. to 7.)		70,211	72,950
8. Insurance benefits (net)	18	– 38,885	– 37,295
9. Interest and similar expenses	19	– 4,042	– 4,948
10. Other expenses for investments	20	– 2,130	– 7,677
11. Loan loss provisions	21	– 273	– 720
12. Acquisition costs and administrative expenses	22	– 16,569	– 16,301
13. Amortization of goodwill		– 885	– 895
14. Other expenses	23	– 3,461	– 4,450
Total expenses (8. to 14.)		– 66,245	– 72,286
15. Earnings from ordinary activities before taxes		3,966	664
16. Taxes	24	– 1,241	653
17. Minority interests in earnings	7	– 897	– 585
18. Net income		1,828	732
		€	€
Earnings per share	25	4.98	2.23
Earnings per share after elimination of amortization of goodwill	25	7.40	4.95
Diluted earnings per share	25	4.97	2.23
Diluted earnings per share after elimination of amortization of goodwill	25	7.38	4.95

Consolidated Income Statement for the Period from July 1 to September 30, 2004 and from July 1 to September 30, 2003

	7/1–9/30/2004 € mn	7/1–9/30/2003 € mn
1. Premiums earned (net)	13,830	13,923
2. Interest and similar income	5,203	5,143
3. Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises	68	72
4. Other income from investments	730	1,706
5. Trading income	299	241
6. Fee and commission income, and income from service activities	1,616	1,523
7. Other income	689	445
Total income (1. to 7.)	22,435	23,053
8. Insurance benefits (net)	– 12,308	– 13,040
9. Interest and similar expenses	– 1,384	– 1,433
10. Other expenses for investments	– 588	– 1,040
11. Loan loss provisions	– 51	– 17
12. Acquisition costs and administrative expenses	– 5,576	– 5,372
13. Amortization of goodwill	– 297	– 296
14. Other expenses	– 953	– 1,069
Total expenses (8. to 14.)	– 21,157	– 22,267
15. Earnings from ordinary activities before taxes	1,278	786
16. Taxes	– 498	20
17. Minority interests in earnings	– 241	– 220
18. Net income	539	586

Statement of Changes in Shareholders' Equity

	Paid-in capital € mn	Revenue reserves € mn	Translation differences € mn	Unrealized gains and losses € mn	Shareholders' equity € mn
As of 12/31/2002	14,785	5,914	– 342	1,317	21,674
Translation differences			– 1,153	– 78	– 1,231
Changes in the group of consolidated companies		– 1,573		876	– 697
Capital paid in	4,482				4,482
Treasury stock		1,530			1,530
Unrealized investment gains and losses				1,336	1,336
Net income		732			732
Shareholders' dividend		– 374			– 374
Miscellaneous		– 1,126			– 1,126
As of 9/30/2003	19,267	5,103	– 1,495	3,451	26,326
As of 12/31/2003	19,347	6,914	– 1,916	4,247	28,592
Translation differences			101	17	118
Changes in the group of consolidated companies		– 22	14	5	– 3
Treasury stock		43			43
Unrealized investment gains and losses				46	46
Net income		1,828			1,828
Shareholders' dividend		– 551			– 551
Miscellaneous		– 56		– 246	– 302
As of 9/30/2004	19,347	8,156	– 1,801	4,069	29,771

The column "translation differences" shows the currency translation differences accrued since January 1, 1997 (conversion to IFRS accounting), which are recorded in shareholders' equity and not recognized in net income.

Cash Flow Statement

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Current business activities		
Net income	1,828	732
Change in unearned premiums	1,382	1,746
Change in aggregate policy reserves[1]	10,402	8,980
Change in reserve for loss and loss adjustment expenses	1,771	1,393
Change in other insurance reserves[2]	1,637	723
Change in deferred acquisition costs	– 387	– 1,774
Change in funds held by others under reinsurance business assumed	460	– 31
Change in funds held under reinsurance business ceded	420	306
Change in accounts receivable/payable on reinsurance business	– 47	118
Change in trading securities[3]	– 22,029	– 980
Change in loans and advances to banks and customers	– 36,093	– 15,543
Change in liabilities to banks and customers	47,164	34,072
Change in certificated liabilities	2,197	– 16,291
Change in other receivables and liabilities	5,613	737
Change in deferred tax assets/liabilities[4]	291	– 1,066
Non-cash investment income/expenses	– 2,309	1,540
Amortization of goodwill	885	895
Other	– 2,436	– 754
Net cash flow provided by (used in) operating activities	10,749	14,803
Investment activities		
Change in securities available for sale	– 10,652	– 11,350
Change in securities held to maturity	– 585	2,397
Change in real estate	– 1,604	– 490
Change in other investments	869	– 814
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	– 1,293	–
Other	– 1,284	239
Net cash flow provided by (used in) investing activities	– 14,549	– 10,018
Financing activities		
Change in participation certificates and subordinated liabilities	1,232	– 1,453
Change in investments held on account and at risk of life insurance policyholders	– 5,733	– 6,352
Change in aggregate policy reserves for life insurance products according to SFAS 97	3,235	7,445
Cash inflow from capital increases	–	4,482
Dividend payouts	– 985	– 651
Other from shareholders' equity and minority interests[5]	1,279	– 783
Net cash flow provided by financing activities	– 972	2,688
Effect of exchange rate changes on cash and cash equivalents	42	– 80
Change in cash and cash equivalents	– 4,730	7,393
Cash and cash equivalents at beginning of period	25,528	21,008
Cash and cash equivalents at end of period	20,798	28,401

[1] Without aggregate policy reserves for life insurance products in accordance with SFAS 97
[2] Without change in the reserves for latent premium refunds from unrealized investment gains and losses
[3] Including trading liabilities
[4] Without change in deferred tax assets/liabilities from unrealized investment gains and losses
[5] Without change in revenue reserves from unrealized investment gains and losses

The data for the cash flow statement were prepared in accordance with International Financial Reporting Standards (IFRS).

The cash flow statement excludes effects of major changes in the scope of consolidation, in the first nine months of 2004 in particular the effects of the deconsolidation of Entenial, Guyancourt, and the President General Insurance, Taiwan, as well as the acquisition of Banca BNL Investimenti, Milan and the Four Seasons Health Care Ltd., Wilmslow.

The deconsolidation reduced the value of investments held (excluding funds held by others) by € 1,585 (24) mn; the purchases caused an increase in goodwill of € 311 (0) mn; the net total of other assets and liabilities increased by € 2,515 (24) mn. Cash outflows in connection with the acquisition amounted to € 515 (0) mn. In addition, changes in the scope of consolidation resulted in a reduction of cash and cash equivalents by € 778 (0) mn. Outflow for taxes on income amounted to € 885 (1,958) mn.

Consolidated Balance Sheet by Business Segments as of September 30, 2004 and as of December 31, 2003

ASSETS	Property/Casualty		Life/Health	
	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn
A. Intangible assets	2,303	2,520	4,149	4,351
B. Investments in affiliated enterprises, joint ventures and associated enterprises	48,476	48,385	5,476	5,717
C. Investments	84,108	80,920	208,964	196,335
D. Investments held on account and at risk of life insurance policyholders	–	–	32,914	32,460
E. Loans and advances to banks	10,142	9,693	5,756	2,103
F. Loans and advances to customers	2,500	3,033	27,501	28,155
G. Trading assets	546	1,375	6,916	1,646
H. Cash and cash equivalents	1,877	1,769	1,069	1,103
I. Amounts ceded to reinsurers from insurance reserves	14,810	14,400	16,707	16,875
J. Deferred tax assets	6,876	7,148	3,406	3,373
K. Other assets	21,507	23,628	19,770	19,747
Total segment assets	193,145	192,871	332,628	311,865

EQUITY AND LIABILITIES	Property/Casualty		Life/Health	
	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn
A. Participation certificates and subordinated liabilities	5,509	4,006	66	65
B. Insurance reserves	88,299	83,946	252,553	233,868
C. Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–	32,914	32,460
D. Liabilities to banks	2,295	8,687	1,789	1,662
E. Liabilities to customers	6,028	–	159	–
F. Certificated liabilities	11,086	17,757	75	90
G. Trading liabilities	296	353	1,772	1,396
H. Other accrued liabilities	5,965	5,594	786	1,242
I. Other liabilities	14,752	15,503	21,568	20,528
J. Deferred tax liabilities	7,586	7,469	4,486	4,148
K. Deferred income	121	135	291	557
Total segment liabilities	141,937	143,450	316,459	296,016

Banking		Asset Management		Consolidation Adjustments		Group	
9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn
2,594	2,847	6,609	6,544	– 1	–	15,654	16,262
3,222	3,303	3	6	– 51,095	– 50,969	6,082	6,442
24,182	27,732	563	565	– 6,045	– 10,485	311,772	295,067
–	–	–	–	–	–	32,914	32,460
117,932	106,794	153	160	– 2,409	– 1,239	131,574	117,511
192,890	182,304	52	24	– 8,829	– 10,257	214,114	203,259
186,932	143,167	114	125	– 61	– 159	194,447	146,154
17,995	22,987	591	365	– 734	– 696	20,798	25,528
–	–	–	–	– 6,401	– 6,214	25,116	25,061
3,669	3,768	174	75	–	–	14,125	14,364
14,710	13,837	3,779	3,744	– 7,412	– 7,152	52,354	53,804
564,126	506,739	12,038	11,608	– 82,987	– 87,171	1,018,950	935,912

Banking		Asset Management		Consolidation Adjustments		Group	
9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn
8,036	8,263	–	–	– 149	–104	13,462	12,230
25	35	–	–	– 6,564	– 6,378	334,313	311,471
–	–	–	–	–	–	32,914	32,460
190,028	168,770	20	111	– 262	– 914	193,870	178,316
185,826	156,390	320	378	– 8,438	– 2,040	183,895	154,728
44,309	51,371	4	72	– 749	– 5,952	54,725	63,338
102,968	83,307	–	–	– 61	– 221	104,975	84,835
5,727	6,611	474	461	–	–	12,952	13,908
7,796	7,295	1,584	1,509	– 12,691	– 13,110	33,009	31,725
1,683	1,836	58	56	–	–	13,813	13,509
1,838	1,738	5	3	–	–	2,255	2,433
548,236	485,616	2,465	2,590	– 28,914	– 28,719	980,183	898,953
				Equity*)		38,767	36,959
				Total equity and liabilities		1,018,950	935,912

*) Shareholders' equity and minority interests

Consolidated Income Statement by Business Segments for the Period from January 1 to September 30, 2004 and from January 1 to September 30, 2003

	Property/Casualty		Life/Health	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
1. Premiums earned (net)	28,827	28,068	13,002	13,358
2. Interest and similar income	3,081	3,166	8,416	8,353
3. Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises	1,560	128	283	215
4. Other income from investments	1,404	3,631	1,840	3,280
5. Trading income	– 36	– 1,370	162	100
6. Fee and commission income, and income from service activities	672	481	154	147
7. Other income	647	1,094	982	889
Total income (1. to 7.)	36,155	35,198	24,839	26,342
8. Insurance benefits (net)	– 20,623	– 20,453	– 18,262	– 16,813
9. Interest and similar expenses	– 1,120	– 1,174	– 90	– 218
10. Other expenses for investments	– 823	– 2,151	– 808	– 4,809
11. Loan loss provisions	– 1	– 3	– 1	– 2
12. Acquisition costs and administrative expenses	– 7,508	– 7,410	– 3,242	– 2,610
13. Amortization of goodwill	– 287	– 290	– 119	– 132
14. Other expenses	– 1,828	– 2,136	– 1,131	– 1,165
Total expenses (8. to 14.)	– 32,190	– 33,617	– 23,653	– 25,749
15. Earnings from ordinary activities before taxes	3,965	1,581	1,186	593
16. Taxes	– 1,032	141	– 427	– 90
17. Minority interests in earnings	– 686	– 257	– 251	– 181
18. Net income	2,247	1,465	508	322

Banking		Asset Management		Consolidation Adjustments		Group	
1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
–	–	–	–	–	–	41,829	41,426
4,917	6,045	47	48	– 611	– 603	15,850	17,009
117	– 122	– 1	–	– 1,252	– 381	707	– 160
491	666	7	8	37	– 75	3,779	7,510
1,160	1,425	2	17	– 3	103	1,285	275
2,310	2,209	2,283	2,116	– 457	– 400	4,962	4,553
195	337	23	59	– 48	– 42	1,799	2,337
9,190	10,560	2,361	2,248	– 2,334	– 1,398	70,211	72,950
–	–	–	–	–	– 29	– 38,885	– 37,295
– 3,196	– 4,091	– 10	– 23	374	558	– 4,042	– 4,948
– 356	– 655	– 2	– 3	– 141	– 59	– 2,130	– 7,677
– 271	– 715	–	–	–	–	– 273	– 720
– 4,446	– 4,941	– 1,773	– 1,695	400	355	– 16,569	– 16,301
– 194	– 193	– 285	– 280	–	–	– 885	– 895
– 513	– 932	– 350	– 352	361	135	– 3,461	– 4,450
– 8,976	– 11,527	– 2,420	– 2,353	994	960	– 66,245	– 72,286
214	– 967	– 59	– 105	– 1,340	– 438	3,966	664
222	580	– 8	22	4	–	– 1,241	653
– 104	– 44	– 124	– 143	268	40	– 897	– 585
332	– 431	– 191	– 226	– 1,068	– 398	1,828	732

1 Accounting regulations

In accordance with § 292 a of the German Commercial Code (HGB), the consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). All standards currently in force for the periods under review have been adopted in the presentation of the consolidated financial statements.

Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board (IASB). Already approved standards continue to be cited as International Accounting Standards (IAS).

IFRS do not provide specific guidance concerning the reporting of insurance transactions in financial statements. In such cases, as envisioned in the IFRS Framework, the provisions embodied under accounting principles generally accepted in the United States of America (U.S. GAAP) have been applied.

In the second quarter of 2004, in connection with the application of Statement of Position (SOP) 03-1 "Accounting and Reporting by Insurance Enterprises for certain Nontraditional Long-Duration Contracts and for Separate Accounts", there was a € 5,845 mn drop in the reported "insurance reserves for life insurance where the investment risk is carried by policyholders" and the corresponding asset position. This is due to Group enterprises from France in particular transferring insurance portfolios to the "Insurance Reserves" position and reporting the corresponding investments as trading assets.

In the consolidated financial statements for December 31, 2002, on the basis of detailed analyses, we did not record impairments under IFRS for 9 securities that by December 31, 2002 had had market values more than 20 % below the Allianz Group weighted-average acquisition cost for over 6 months. At this point, the unrealized losses on these securities were not indicative of objective evidence of impairment for IFRS purposes. However, in the reconciliation of our 2002 annual accounts to U.S. GAAP, following discussion with the U.S. Securities and Exchange Commission (SEC) and considering the requirement for a different weighting of the available facts under U.S. GAAP, we booked a respective impairment. This accounting difference continued to be a subject of discussions with the SEC into the year 2004.

In the end, our discussions with the SEC resulted in a restatement of our 2002 consolidated financial statements whereby impairment write-downs on the above-mentioned securities were retroactively taken under IFRS as of December 31, 2002. The consequence of this was that the consolidated financial statements for 2003 also had to be adjusted. The adjustment to net income for the 2002 fiscal year according to IFRS amounted to a reduction of € 267 mn. For the 2003 fiscal year, there was a corresponding increase of € 274 mn.

The following table contains a detailed breakdown of the effects of the adjustment on earnings for the periods July 1 to September 30, 2003 and January 1 to September 30, 2003 and on shareholders' equity (including minority interests) for September 30, 2003:

Adjustment to/Change in	7/1/2003 – 9/30/2003 € mn	1/1/2003 – 9/30/2003 € mn
Investment income	443	664
Expenses for premium refunds (latent reserves)	203	311
Tax charge	7	10
Minority interests	19	32
Change in net income for the period from adjustment	214	311

Adjustment to/Change in	9/30/2003 € mn
Revenue reserves	– 44
Unrealized gains and losses	44
Minority interests in shareholders' equity	–
Changes in shareholders' equity from adjustment	–

The interim report follows the same accounting and valuation principles as the most recent annual financial statements.

In certain cases, prior-year figures were reclassified in the balance sheet and in the income statement to make them comparable with the current fiscal year. Such reclassifications have no impact on income.

The financial statements are presented in euros (€).

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED BALANCE SHEET

2 Intangible assets

Intangible assets comprise the following:

	9/30/2004 € mn	12/31/2003 € mn
Goodwill	12,105	12,370
Capitalized value of life/health insurance portfolios	1,557	1,658
Software	971	1,064
Loyalty bonuses	63	158
Brand names	751	782
Other	207	230
Total	**15 654**	16,262

Changes in goodwill were as follows:

	€ mn
Gross amount capitalized as of 12/31/2003	17,259
Accumulated amortization as of 12/31/2003	–4,889
Value stated as of 12/31/2003	12,370
Translation differences	36
Value stated as of 1/1/2004	12,406
Additions	606
Disposals	– 22
Impairment	–
Amortization	– 885
Value stated as of 9/30/2004	12,105
Accumulated amortization as of 9/30/2004	– 5,768
Gross amount capitalized as of 9/30/2004	17,873

Additions essentially include goodwill from increasing the interest in

- Pimco Advisors L.P., Delaware by 6.1 % to 90.0 %,
- American Financial Marketing Inc., Minneapolis by 50.0 % to 90.0 %,
- Banca BNL Investimenti, Milan by 100.0 % to 100.0 %,
- Four Seasons Health Care Ltd., Wilmslow by 100.0 % to 100.0 %.

Disposals essentially include goodwill from the reduction of our interests in

- Entenial, Guyancourt by 72.2 % to 0.0 %,
- President General Insurance, Taiwan by 50.0 % to 0.0 %,
- Assurance Générales de France, Paris by 0.9 % to 62.6 %.

Amortization is shown as a separate item under figure 13 of the consolidated income statement.

3 Investments

	9/30/2004 € mn	12/31/2003 € mn
Securities held-to-maturity	5,295	4,683
Securities available-for-sale	293,612	277,871
Real estate used by third parties	11,309	10,501
Funds held by others under reinsurance contracts assumed	1,556	2,012
Total	311,772	295,067

Securities available-for-sale

	Amortized cost		Unrealized gains		Unrealized losses		Market values	
	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn	9/30/2004 € mn	12/31/2003 € mn
Equity securities	38,915	43,046	6,708	6,363	1,623	1,139	44,000	48,270
Government debt securities	142,293	131,486	6,207	4,744	222	626	148,278	135,604
Corporate debt securities	93,435	86,238	4,179	3,722	127	301	97,487	89,659
Other	3,822	4,280	34	69	9	11	3,847	4,338
Total	278,465	265,050	17,128	14,898	1,981	2,077	293,612	277,871

	Realized gains		Realized losses	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Equity securities	2,115	4,130	697	3,700
Debt securities	869	1,530	274	329
Other	4	22	57	6
Total	2,988	5,682	1,028	4,035

Impairments on securities available-for-sale totaled € 336 (3,382) mn and are included in other expenses for investments. Reversals of impairments on securities available-for-sale totaled € 601 (1,614) mn and are included in other income from investments.

4 Loans and advances to banks

	9/30/2004 € mn	12/31/2003 € mn
Loans	4,717	4,439
Reverse repos	104,896	91,201
Other advances	22,041	22,171
Loans and advances to banks	131,654	117,811
Less loan loss allowance	80	300
Loans and advances to banks after loan loss allowance	131,574	117,511

5 Loans and advances to customers

	9/30/2004 € mn	12/31/2003 € mn
Loans and advances to customers	219,035	208,684
Less loan loss allowance	4,921	5,425
Loans and advances to customers after loan loss allowance	214,114	203,259

6 Amounts ceded to reinsurers from insurance reserves

	9/30/2004 € mn	12/31/2003 € mn
Unearned premiums	1,512	1,242
Aggregate policy reserves	10,579	10,923
Reserves for loss and loss adjustment expenses	12,856	12,765
Other insurance reserves	169	131
Subtotal	25,116	25,061
Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–
Total	25,116	25,061

7 Minority interests in shareholders' equity and earnings

The primary subsidiaries included are the AGF Group, Paris, the RAS Group, Milan, and PIMCO Group, Delaware.

The interests of minority shareholders are made up as follows:

	9/30/2004 € mn	12/31/2003 € mn
Other reserves unrealized gains and losses	776	620
Share of earnings	897	825
Other equity components	7,323	6,922
Total	8,996	8,367

8 Participation certificates and subordinated liabilities

	9/30/2004 € mn	12/31/2003 € mn
Participation certificates	1,605	1,596
Subordinated liabilities	11,857	10,634
Total	13,462	12,230

9 Insurance reserves

	9/30/2004 € mn	12/31/2003 € mn
Unearned premiums	13,954	12,198
Aggregate policy reserves	233,008	217,895
Reserves for loss and loss adjustment expenses	65,120	62,782
Reserves for premium refunds	20,915	17,338
Premium deficiency reserves	631	538
Other insurance reserves	685	720
Total	334,313	311,471

10 Other accrued liabilities

	9/30/2004 € mn	12/31/2003 € mn
Reserves for pensions and similar obligations	5,626	5,669
Accrued taxes	1,464	2,066
Miscellaneous accrued liabilities	5,862	6,173
Total	12,952	13,908

Of the accrued taxes, € 1,318 (1,488) mn is attributable to taxes on income.

11 Other liabilities

	9/30/2004 € mn	12/31/2003 € mn
Funds held under reinsurance business ceded	9,105	8,608
Accounts payable on direct insurance business	7,533	7,813
Accounts payable on reinsurance business	1,655	1,878
Other liabilities	14,716	13,426
Total	33,009	31,725

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT

12 Premiums earned (net)

	Property/Casualty			
	in Segment		Consolidation adjustments	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Gross premiums written				
from direct insurance	31,835	32,011	–	1
from reinsurance assumed	2,811	2,185	– 568	– 533
Total	34,646	34,196	– 568	– 532
Reinsurance ceded	– 4,362	– 4,323	12	10
Premiums written (net)	30,284	29,873	– 556	– 522
Premiums earned				
from direct insurance	30,149	30,016	–	2
from reinsurance assumed	2,756	2,171	– 572	– 533
Total	32,905	32,187	– 572	– 531
Reinsurance ceded	– 4,078	– 4,119	13	7
Premiums earned (net)	28,827	28,068	– 559	– 524

13 Interest and similar income

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Income from		
securities held-to-maturity	203	245
securities available-for-sale	9,366	9,399
real estate used by third parties	690	727
lending, money market transactions and loans	5,028	6,083
leasing agreements	35	52
other interest-bearing instruments	528	503
Total	15,850	17,009

in Group*)		Life/Health in Segment		Life/Health Consolidation adjustments		Life/Health in Group*)		Total	
1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
31,835	32,012	14,162	14,081	–	–	14,162	14,081	45,997	46,093
2,243	1,652	416	643	– 12	– 10	404	633	2,647	2,285
34,078	33,664	14,578	14,724	– 12	– 10	14,566	14,714	48,644	48,378
– 4,350	– 4,313	– 1,516	– 1,319	568	534	– 948	– 785	– 5,298	– 5,098
29,728	29,351	13,062	13,405	556	524	13,618	13,929	43,346	43,280
30,149	30,018	14,106	14,062	–	–	14,106	14,062	44,255	44,080
2,184	1,638	416	615	– 13	– 10	403	605	2,587	2,243
32,333	31,656	14,522	14,677	– 13	– 10	14,509	14,667	46,842	46,323
– 4,065	– 4,112	– 1,520	– 1,319	572	534	– 948	– 785	– 5,013	– 4,897
28,268	27,544	13,002	13,358	559	524	13,561	13,882	41,829	41,426

Net interest margin from Banking

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Interest and current income	4,917	6,045	– 18	– 46	4,899	5,999
Interest expenses	– 3,196	– 4,091	50	55	– 3,146	– 4,036
Net interest margin	1,721	1,954	32	9	1,753	1,963
Less loan loss allowance	271	715	–	–	271	715
Net interest margin after loan loss allowance	1,450	1,239	32	9	1,482	1,248

*) After eliminating intra-Group transactions between segments

14 Other income from investments

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Realized gains on		
securities held-to-maturity	–	–
securities available-for-sale	2,988	5,682
real estate used by third parties	183	179
other investments	–	8
Subtotal	3,171	5,869
Income from revaluations of		
securities held-to-maturity	–	18
securities available-for-sale	601	1,614
real estate used by third parties	7	–
other investments	–	9
Total	608	1,641
Income	3,779	7,510

15 Trading income

Trading income includes expenses amounting to € 288 (1,340) mn from derivative financial instruments used by insurance companies for which hedge accounting is not applied. These include gains on derivative financial instruments embedded in exchangeable bonds issued amounting to € 6 (losses 15) mn. During the first 9 months of 2003, options and forwards were used (macro hedges) to reduce exposure to equities. This resulted in a charge of € 1,299 mn. Macro hedges were closed out during fiscal year 2003. Trading income also includes losses of € 294 (26) mn arising from the use of other derivative financial instruments by insurance companies.

Trading income amounting to € 1,285 (275) mn includes € 1,160 (1,425) mn income from trading activities of the banking business[*)]. This is comprised as follows:

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Trading in interest products	665	617
Trading in equity products	177	178
Foreign exchange/precious metals trading	101	256
Other trading activities	217	374
Total	1,160	1,425

[*)] After eliminating intra-Group transactions between segments

16 Fee and commission income, and income from service activities

Of the total fee and commission income, and income from service activities of € 4,962 (4,553) mn, € 2,081 (2,013) mn are attributable to banking business*).

Net fee and commission income from banking business*)

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Fee and commission income	2,310	2,204	– 229	– 191	2,081	2,013
Fee and commission expenses	– 336	– 340	24	46	– 312	– 294
Net fee and commission income	1,974	1,864	– 205	– 145	1,769	1,719

Net fee and commission income from banking business*) comprises income from:

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Securities business	756	878
Underwriting business	69	77
Mergers and Acquisitions advisory	123	102
Foreign commercial business	47	48
Payment transactions (domestic and foreign)	279	224
Other	495	390
Net fee and commission income	1,769	1,719

17 Other income

Other income is comprised of the following items:

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Foreign currency gains	227	577
Fees	525	237
Income from releasing or reducing miscellaneous accrued liabilities	108	220
Income from reinsurance business	163	78
Income from other assets	19	61
Gains from the disposal of real estate used for own activities and of property, plant and equipment	137	12
Other	620	1,152
Total	1,799	2,337

*) After eliminating intra-Group transactions between segments

18 Insurance benefits

Insurance benefits in Property/Casualty include the following:

	Gross		Ceded in reinsurance	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Claims				
Claims paid	– 19,593	– 21,091	2,215	2,832
Change in reserves for loss and loss adjustment expenses	– 1,874	– 584	57	– 784
Subtotal	– 21,467	– 21,675	2,272	2,048
Change in other reserves				
Aggregate policy reserves	– 261	– 196	21	35
Other	– 143	68	2	1
Subtotal	– 404	– 128	23	36
Expenses of premium refunds	– 489	– 154	26	– 7
Total	– 22,360	– 21,957	2,321	2,077

	Net					
	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Claims						
Claims paid	– 17,835	– 18,757	457	498	– 17,378	– 18,259
Change in reserves for loss and loss adjustment expenses	– 1,820	– 1,357	3	– 11	– 1,817	– 1,368
Subtotal	– 19,655	– 20,114	460	487	– 19,195	– 19,627
Change in other reserves						
Aggregate policy reserves	– 359	– 246	119	85	– 240	– 161
Other	– 145	68	4	1	– 141	69
Subtotal	– 504	– 178	123	86	– 381	– 92
Expenses of premium refunds	– 464	– 161	1	–	– 463	– 161
Total	– 20,623	– 20,453	584	573	– 20,039	– 19,880

*) After eliminating intra-Group transactions between segments

Insurance benefits in Life/Health include the following:

	Gross		Ceded in reinsurance	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Benefits paid	– 13,043	– 13,092	765	797
Change in reserves				
Aggregate policy reserves	– 3,151	– 4,046	– 179	– 64
Other	– 113	– 163	– 10	– 44
Subtotal	– 16,307	–17,301	576	689
Expenses of premium refunds	– 3,124	– 815	9	13
Total	– 19,431	– 18,116	585	702

	Net					
	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Benefits paid	– 11,821	– 11,809	– 457	– 486	– 12,278	– 12,295
Change in reserves						
Aggregate policy reserves	– 3,211	– 4,026	– 119	– 84	– 3,330	– 4,110
Other	– 116	– 216	– 7	9	– 123	– 207
Subtotal	– 15,148	– 16,051	– 583	– 561	– 15,731	– 16,612
Expenses of premium refunds	– 3,114	– 762	– 1	– 41	– 3,115	– 803
Total	– 18,262	–16,813	– 584	– 602	– 18,846	– 17,415

19 Interest and similar expenses

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Interest expenses for		
deposits	– 1,637	– 2,055
certificated liabilities	– 912	– 1,377
Subtotal	– 2,549	– 3,432
Other interest expenses	– 1,493	– 1,516
Total	– 4,042	– 4,948

*) After eliminating intra-Group transactions between segments

20 Other expenses for investments

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Realized losses on		
securities held-to-maturity	– 1	– 1
securities available-for-sale	– 1,028	– 4,035
real estate used by third parties	– 42	– 31
other investments	–	– 3
Subtotal	– 1,071	– 4,070
Depreciation and write-downs on investments:		
securities held-to-maturity (impairment write-downs)	– 3	– 15
securities available-for-sale (impairment write-downs)	– 336	– 3,382
real estate used by third parties		
amortization	– 173	– 199
impairment write-downs	– 547	– 11
other investments	–	–
Subtotal	– 1,059	– 3,607
Expenses	– 2,130	– 7,677

21 Loan loss provisions

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Additions to allowances including direct write-offs	– 1,039	– 1,525
Less amounts released	664	752
Less recoveries on loans previously impaired	102	53
Loan loss provisions	– 273	– 720

22 Acquisition costs and administrative expenses

Acquisition costs and administrative expenses in Property/Casualty include the following:

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Acquisition costs						
Payments	– 5,344	– 5,021	–	3	– 5,344	– 5,018
Change in deferred acquisition costs	151	212	4	– 34	155	178
Subtotal	– 5,193	– 4,809	4	– 31	– 5,189	– 4,840
Administrative expenses	– 2,637	– 2,922	60	60	– 2,577	– 2,862
Underwriting costs (gross)	– 7,830	– 7,731	64	29	– 7,766	– 7,702
Less commissions and profit-sharing received on reinsurance business ceded	631	653	– 2	– 2	629	651
Underwriting costs (net)	–7,199	– 7,078	62	27	– 7,137	– 7,051
Expenses for management of investments	– 309	– 332	15	13	– 294	– 319
Acquisition costs and administrative expenses	– 7,508	– 7,410	77	40	– 7,431	– 7,370

Acquisition costs and administrative expenses in Life/Health include the following:

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Acquisition costs						
Payments	– 2,879	– 2,694	–	3	– 2,879	– 2,691
Change in deferred acquisition costs	728	1,275	–	–	728	1,275
Subtotal	– 2,151	– 1,419	–	3	– 2,151	– 1,416
Administrative expenses	– 941	– 948	2	1	– 939	– 947
Underwriting costs (gross)	– 3,092	– 2,367	2	4	– 3,090	– 2,363
Less commissions and profit-sharing received on reinsurance business ceded	192	131	– 64	– 27	128	104
Underwriting costs (net)	– 2,900	– 2,236	– 62	– 23	– 2,962	– 2,259
Expenses for management of investments	– 342	– 374	87	71	– 255	– 303
Acquisition costs and administrative expenses	– 3,242	– 2,610	25	48	– 3,217	– 2,562

*) After eliminating intra-Group transactions between segments

Acquisition costs and administrative expenses in Banking Business include the following:

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Personnel costs	– 2,489	– 2,763	–	– 5	– 2,489	– 2,768
Operating costs	– 1,621	– 1,824	48	28	– 1,573	– 1,796
Fee and commission costs	– 336	– 354	24	60	– 312	– 294
Acquisition costs and administrative expenses	– 4,446	– 4,941	72	83	– 4,374	– 4,858

Acquisition costs and administrative expenses in Asset Management include the following:

	in Segment		Consolidation adjustments		in Group*)	
	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Personnel costs	– 872	– 849	–	– 57	– 872	– 906
Operating costs	– 221	– 247	8	5	– 213	– 242
Fee and commission costs	– 680	– 599	218	236	– 462	– 363
Acquisition costs and administrative expenses	– 1,773	– 1,695	226	184	– 1,547	– 1,511

Acquisition costs and administrative expenses in insurance business include the personnel and operating expenses of the insurance business allocated to the functional areas “Acquisition of insurance policies”, “Administration of insurance policies” and “Asset management”. Other personnel and operating expenses are reported under Insurance benefits (claims settlement expenses) and other expenses.

In Banking, all personnel and operating expenses are reported under “Acquisition costs and administrative expenses”.

*) After eliminating intra-Group transactions between segments

23 Other expenses

Other expenses are comprised of the following:

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Overhead expenses	– 657	– 586
Integration expenses/restructuring expenses	– 133	– 363
Expenses for increasing miscellaneous or accrued liabilities	– 243	– 328
Foreign currency losses	– 258	– 483
Expenses for services received under service agreements	– 511	– 433
Fees	– 141	– 102
Expenses resulting from reinsurance business	– 261	– 280
Amortization of other intangible assets	– 92	– 212
Amortization of tangible assets	– 129	– 92
Direct credits to aggregate policy reserves	– 59	– 103
Amortization of capitalized loyalty bonuses to senior management of the PIMCO Group	– 95	– 104
Fire protection tax	– 92	– 92
Interest on accumulated policyholder dividends	– 78	– 82
Expenses for assistance to victims under joint and several liability and road casualties	– 77	– 73
Other	– 635	– 1,117
Total	**– 3,461**	**– 4,450**

24 Taxes

The tax charge shown in the income statement comprises the taxes actually charged to individual Group enterprises and changes in deferred tax assets and liabilities.

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Current taxes	– 1,027	– 826
Deferred taxes	– 186	1,514
Subtotal	– 1,213	688
Other taxes	– 28	– 35
Total	– 1,241	653

OTHER INFORMATION

25 Other information

Number of employees

The Group had a total of 164,902 (173,750) employees as of the balance sheet date. 77,283 (82,245) of these were employed in Germany and 87,619 (91,505) in other countries. The number of employees undergoing training decreased by 745 to 5,318.

Personnel expenses

	1/1–9/30/2004 € mn	1/1–9/30/2003 € mn
Salaries and wages	6,404	6,388
Social security contributions and employee assistance	1,050	1,128
Expenses for pensions and other post-retirement benefits	445	501
Total	7,899	8,017

Hedge accounting

Fair Value Hedging is mainly applied in the Allianz Group. Derivatives used for fair value hedges show a negative fair value of € 150 (64) mn. Ineffectiveness resulted in a loss of € 3 (12) mn.

Additionally, cash flow hedges were used to hedge variable cashflows exposed to interest rate fluctuations. The swaps utilized had a negative fair value of € 7 (50) mn; other reserves decreased by € 4 (30) mn. Ineffectiveness amounted to € 0 (– 2) mn.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the period under review by the weighted average number of common shares outstanding.

		9/30/2004	9/30/2003
Net income for the period	€ mn	1,828	732[1]
Weighted average number of shares		366,792,461	328,872,226
Number of shares (not including shares held by the company)		366,792,461	365,549,457
Earnings per share	€	4.98	2.23[1]
Earnings per share after elimination of amortization of goodwill	€	7.40	4.95[1]
Diluted earnings per share	€	4.97[2]	2.23[1]
Diluted earnings per share after elimination of amortization of goodwill	€	7.38[2]	4.95[1]

[1] Adjusted for retroactive impairment adjustment
[2] Incl. outstanding participation certificates

The weighted average number of shares does not include 17,926,289 (18,934,848) shares held by the company.

Munich, November 11, 2004

Allianz Aktiengesellschaft
The Board of Management