Annual Report
Allianz Group 2004

Allianz

3 + One

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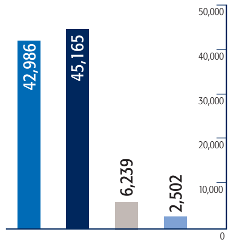
on the headline or the page number.

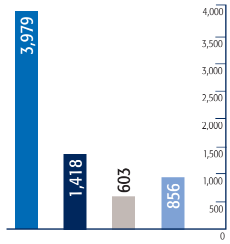
ALLIANZ GROUP[1]		2004	Change from prev. year in %	2003	More details on p.
Earnings					
Total revenues[2]	€ mn	96,892	3.3	93,779	39
Operating profit	€ mn	6,856	68.6	4,066	39
Earnings before taxes	€ mn	5,183	81.2	2,861	40
Net income	€ mn	2,199	16.4	1,890	40
Balance sheet					
Investments	€ mn	319,552	8.3	295,067	137
Loans and advances	€ mn	314,786	(1.9)	320,770	140
Shareholders' equity	€ mn	30,828	7.8	28,592	144
Insurance reserves	€ mn	355,195	14.0	311,471	148
Liabilities to banks and customers	€ mn	348,628	4.7	333,044	149
Balance sheet total	€ mn	994,698	6.3	935,912	41
Returns					
Return on equity after taxes	%	7.4	(0.1) % pt	7.5	
Return on equity before amortization of goodwill	%	11.3	(1.8) % pt	13.1	
Share information					
Earnings per share	€	6.01	7.5	5.59	27
Earnings per share before amortization of goodwill	€	9.19	(5.9)	9.77	28
Dividend per share	€	1.75	16.7	1.50	27
Dividend payment	€ mn	674	22.3	551	27
Share price at year-end	€	97.6	(2.5)	100.1	28
Market capitalization at year-end[3]	€ bn	35.9	(2.2)	36.7	27
Miscellaneous					
Employees		162,180	(6.7)	173,750	94
Assets under management	€ bn	1,078	8.2	996	79

[1] Items within the "Earnings" and "Balance sheet" sections are Allianz Group consolidated numbers.
[2] Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, and asset management segment's operating revenues.
[3] Excluding treasury shares.

Total revenues by segment
in € mn



Operating profit by segment
in € mn



Property-Casualty Insurance
Life/Health Insurance
Banking
Asset Management

FINANCIAL CALENDAR FOR 2005/2006

Important dates for shareholders and analysts

May 4, 2005	Annual General Meeting
May 13, 2005	Interim report first quarter of 2005
August 12, 2005	Interim report first half of 2005
November 11, 2005	Interim report first three quarters of 2005
March 16, 2006	Financial press conference for the 2005 fiscal year
March 17, 2006	Analysts' conference for the 2005 fiscal year
May 3, 2006	Annual General Meeting
May 12, 2006	Interim report first quarter of 2006
August 11, 2006	Interim report first half of 2006
November 10, 2006	Interim report first three quarters of 2006

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Performance 2004 – Our “3+One“ program

The goal of the Allianz Group is to achieve sustainable growth of our competitive strength and value. In order to accomplish this, we implemented a number of initiatives in 2003, which we characterize as our “3+One“ program.

The “3” stands for protecting and strengthening our capital base, significant boost of our operating profitability and a leaner portfolio, and thus a reduction of complexity.

The ongoing implementation of these initiatives assists us in realizing our long-term goal, the “+One”: sustainable increase of our competitive strength and value. For more details, see the “Strategy” chapter on pages 22 to 23 of this Annual Report.

We achieved considerable progress on all four initiatives:

1 Protecting and strengthening our capital base

Continued growth of shareholders’ equity by	Solvency ratio in insurance business increased to	Improvement in risk position surplus according to our internal risk model
+ € 2.2 bn	223.9 %	€ 15.8 bn

2 Significant boost of our operating profitability

Operating profit	Combined ratio in Property-Casualty insurance	Operating cost-income ratio in Life/Health insurance	Operating profit in Banking	Cost-income ratio in Asset Management
€ 6.9 bn	92.9 %	95.5 %	€ 603 mn	62.9 %

3 Leaner portfolio and reduction of complexity

Number of Divestments	Risk capital released as a result
20	€ 0.5 bn

+ One Sustainable increase of our competitive strength and value

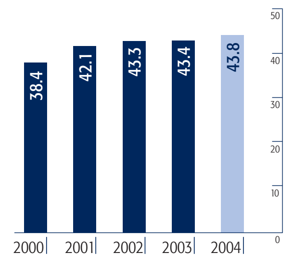
Sustainability program launched	Customer focus initiative launched	In 2005 we will continue our focus on profitable growth

Performance 2004 – Segments

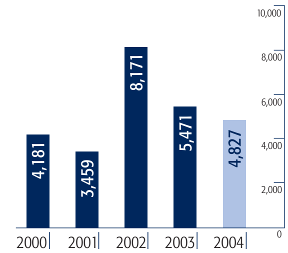
PROPERTY-CASUALTY INSURANCE

In property-casualty insurance, we continued to focus on profitable growth through selectively increasing our business volume. We reduced our combined ratio by 4.1 percentage points to 92.9 % in 2004. This improvement of our operating profitability is not reflected in the development of our result, since we benefited in 2003 from a high level of investment-related realized gains.

Gross premiums written
in € bn



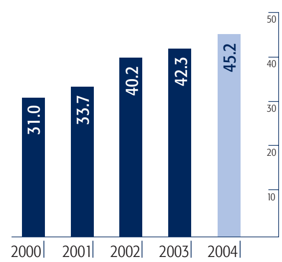
Earnings after taxes before amortization of goodwill
in € mn



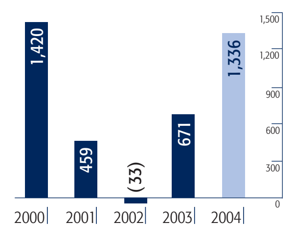
LIFE/HEALTH INSURANCE

Total statutory premiums increased by 6.8 % to € 45.2 billion in 2004, reflecting growth in new business, in particular our life/health operations in the United States and in Germany. In addition, increased net capital gains and lower impairments on investments contributed positively to the improved earnings in 2004.

Statutory premiums
in € bn



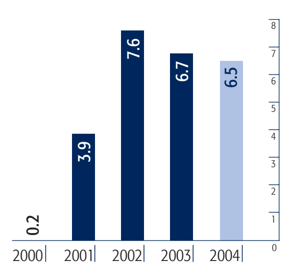
Earnings after taxes before amortization of goodwill
in € mn



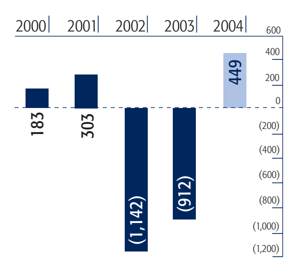
BANKING

In 2004, we successfully drove forward the restructuring of our banking business. Operating revenues decreased by 4.0 % to € 6.5 billion, mainly due to deconsolidation effects. At Dresdner Bank, operating revenues remained fairly constant. Due to our cost-cutting measures and the significant reduction of our net loan loss provisions, we successfully achieved earnings after taxes and before goodwill amortization of € 449 million.

Operating revenues
in € bn



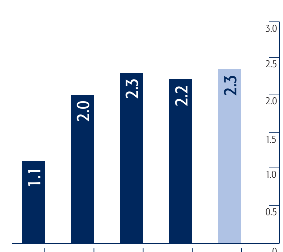
Earnings after taxes before amortization of goodwill
in € mn



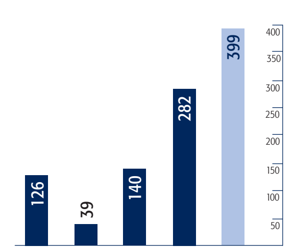
ASSET MANAGEMENT

The Allianz Group is one of the five leading asset managers in the world. Net inflows to third-party assets under management reached € 31 billion. Operating revenues improved by 3.1 % to € 2.3 billion. Earnings after taxes and before amortization of goodwill for our asset management segment was a profit of € 399 million in 2004.

Operating revenues
in € bn



Earnings after taxes before amortization of goodwill
in € mn



Dear Shareholder,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely yours,

M. Diekmann

Michael Diekmann
Chairman of the Board of Management

Ladies and Gentlemen,

In the course of 2004, the members of the Supervisory Board worked intensively on dealing with the situation and perspectives of the company. We advised the Board of Management with respect to the management of the company, oversaw its conduct of business and were directly involved in decisions of fundamental importance.

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

The Board of Management regularly provided us with timely and comprehensive information on the economic and financial development of the Allianz Group, including the risk situation, important business transactions and corporate strategy. We discussed company planning for the year 2005 and asked for explanations of the deviations from existing plans and objectives in the course of business.

Implementation of the “3+One” program

Our deliberations were centered on the measures taken by the Board of Management to implement the “3+One” program, which summarizes the Group’s objectives and initiatives through 2005. The elements of this program are: Strengthening the capital base, increasing profitability, reducing the complexity of company structures, and bringing about a sustainable increase in its value. We were satisfied that the implementation of this program has been successful so far.

Continuation of the positive earnings trend

In all meetings, the Board of Management reported to us on the development of the Group’s revenues and earnings, developments in the individual business segments and the financial situation. After the return to profitability achieved in fiscal 2003, the positive trend continued in the reporting year. We found that operating profitability had improved significantly in all business areas.

We actively monitored the continuous implementation of the program for a return to profitability at Dresdner Bank and AGF. Developments were encouraging in both cases. Both the bank and the French group company showed a profit in 2004.

Strengthening the capital base and reducing complexity

The Group’s capital resources were regularly discussed at meetings. The Management Board stated that the capital base had been strengthened by a number of different measures, and that the Group’s high rating had been secured. In order to render investment income less dependent on market movements, both the proportion of funds invested in equities and the concentration of these funds in individual stocks were further reduced.

We were given an overview of those non-strategic activities of which Allianz had divested itself in order to reduce the complexity of the Group.

Other topics of discussion

We again considered the planned reforms to the social security system in Germany, in as much as these impinge on the business of Allianz. A critical look was taken in this context at the fiscal treatment of pension provision under the regulations of the German Act on the Taxation of Pensions and Annuities. We also tackled the future of private health insurance in Germany, with detailed discussions on the proposed "citizens' insurance" and "health premium" reforms.

We received a separate report on the development of the insurance business in the U.S.A., which showed that the Group companies there have achieved, in some cases, significant improvements in their results.

Legal proceedings in connection with the World Trade Center loss have still not yet been concluded, but we were kept informed on a regular basis of the current state of affairs. The same applied as regards the investigations by the U.S. supervisory authorities into the conduct of business by companies in the asset management industry, where our attention was focused mainly on the effects of these enquiries on the companies in the Allianz Global Investors group. We also considered the action by the German Federal Cartel Office against a large number of German insurers, which also affects Allianz Versicherungs-AG.

We were unanimous in welcoming the decision by the Board of Management to again offer discounted Allianz share purchases to employees of the Allianz Group in 20 countries.

Corporate Governance and Declaration of Compliance

We continually monitored the further development of the Corporate Governance Standards in the company, and in this context updated the Supervisory Board procedural rules.

The individual remuneration figures for the members of the Management and Supervisory Boards for the past year are being published for the first time. In this, Allianz AG is heading all the recommendations of the German Corporate Governance Code. This is expressed in the new Declaration of Compliance with the Code, which was passed by the Management and Supervisory Boards in December 2004.

At the December meeting we again examined the effectiveness of our work, in the absence of the Board of Management. We examined the steps we had decided upon the year before to improve our effectiveness, and discussed models for restructuring the remuneration of the Supervisory Board.

More detailed information on corporate governance within the Allianz Group is contained in the report jointly approved by the Board of Management and the Supervisory Board that can be found on pages 12 to 15 of this Annual Report. Indepth information on this subject is also available at the Allianz website at www.allianz.com/corporate-governance.

Activities of the committees

The members of the Supervisory Board formed the Audit Committee, the Standing Committee, the Personnel Committee and the Mediation Committee as called for by the German Codetermination Act. The current composition of the committees can be seen from the list below.

Committees of the Supervisory Board of Allianz AG

As of December 31, 2004

Chairman of the Supervisory Board

Dr. Henning Schulte-Noelle

Deputy Chairman of the Supervisory Board

Norbert Blix

Audit Committee

Dr. Manfred Schneider (Chairman)
Dr. Gerhard Cromme
Prof. Dr. Rudolf Hickel
Frank Ley
Dr. Henning Schulte-Noelle

Personnel Committee

Dr. Henning Schulte-Noelle (Chairman)
Norbert Blix
Dr. Gerhard Cromme

Standing Committee

Dr. Henning Schulte-Noelle (Chairman)
Norbert Blix
Dr. Gerhard Cromme
Peter Haimerl
Dr. Manfred Schneider

Mediation Committee

Dr. Henning Schulte-Noelle (Chairman)
Dr. Wulf H. Bernotat
Norbert Blix
Hinrich Feddersen

In the year under review, the Standing Committee held three meetings, dealing mainly with Group financing, the employee share purchase program and questions of corporate governance. The Personnel Committee also convened three times. It dealt with personnel matters of the members of the Board of Management, the structure and amount of the remuneration of the Board of

Management and the determination of the variable and equity-based remuneration components. There was no need for the Mediation Committee to convene.

The Audit Committee held five meetings in the course of 2004. In the presence of the auditors, it discussed the annual financial statements of Allianz AG and of the Group, the audit reports and the 20-F filing required in the U.S.A. It also examined the quarterly reports and dealt with the assignment of the mandate to the auditor and the setting of priorities for the audit. Other subjects of deliberation were the measures to be taken to comply with the requirements of the U.S. Sarbanes Oxley Act on the effectiveness of internal control systems for financial reporting. The award of contracts to the auditors for non-auditing services was also discussed. A special report was forwarded to the Board on the tasks and responsibilities of internal audits and the main results of internal audits in the past year. Finally, the Audit Committee examined the effectiveness of its own activity and made decisions concerning its future work.

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

Annual accounts and consolidated financial statements

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of Allianz AG and the Allianz Group as well as the respective management reports and issued their certification without any reservations. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The independent auditors have confirmed that the consolidated financial statements and the management report meet the conditions required to exempt the company from its obligation to prepare consolidated financial statements in accordance with German law.

The financial statements and the auditor's reports submitted by KPMG were made available to all members of the Supervisory Board in due time. These documents were discussed in depth by the Audit Committee on March 7, 2005, as well as by the Supervisory Board at a meeting held for that purpose on March 16, 2005. The independent auditors participated in these discussions. They presented the results of the audits and were available to provide supplementary information.

On the basis of our own review of the financial statements of Allianz AG and the Allianz Group, the corresponding management reports and the recommendation for appropriation of profit, we concurred with the findings of the audit by KPMG and approved the financial statements of Allianz AG and the Allianz Group prepared by the Board of Management, and we hereby adopt the individual accounts. We consent to the appropriation of earnings as proposed by the Board of Management.

Members of the Supervisory Board and the Board of Management

A number of changes have taken place in the Supervisory Board. For the shareholders, Jürgen Dormann, Prof. Jürgen E. Schrempp and Bertrand Collomb have departed the Supervisory Board; Mr. Dormann's seat on the Board will be filled by Dr. Albrecht Schäfer as elected substitute member. Prof. Dr. Dennis J. Snower and Igor Landau have been appointed by the Court to replace Prof. Schrempp and Mr. Collomb, and their appointments will be ratified by the Annual General Meeting on May 4, 2005.

Dr. Albrecht Schäfer and Prof. Dr.-Ing. Hermann Scholl have resigned from the Supervisory Board as shareholder representatives with effect from the end of the Annual General Meeting on May 4, 2005. The Supervisory Board proposes that the Annual General Meeting elects Franz Fehrenbach and Dr. Franz B. Humer as their successors.

For the employees, Herbert Pfennig has resigned early as the representative of managerial staff; his successor is Dr. Max Link. Frank Ley will end his many years of service in the Supervisory Board at the end of the Annual General Meeting on May 4, 2005. His seat on the Board will be taken by Iris Mischlau-Meyrahn as elected substitute member.

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

With effect from May 1, 2005, the Supervisory Board has appointed Dr. Mario Greco, currently Chief Executive Officer of the Italian group company RAS, as a member of the Management Board. He will take over responsibility for the Europe II territory from Detlev Bremkamp who will retire at the end of 2005.

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

Munich, March 16, 2005

For the Supervisory Board:

Dr. Henning Schulte-Noelle
Chairman

Supervisory Board

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

Norbert Blix Deputy Chairman
Employee, Allianz Versicherungs-AG

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

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

Bertrand Collomb until December 31, 2004
Président du Conseil d'Administration Lafarge

Dr. Gerhard Cromme
Chairman of the Supervisory Board ThyssenKrupp AG

Jürgen Dormann until May 5, 2004
Chairman ABB Ltd.

Claudia Eggert-Lehmann
Employee, Dresdner Bank AG

Hinrich Feddersen
Union Secretary at ver.di – Vereinte Dienstleistungsgewerkschaft, Federal Administration, Berlin

Peter Haimerl
Employee, Dresdner Bank AG

Prof. Dr. Rudolf Hickel
Professor of finance

Prof. Dr. Renate Köcher
Chairman Institut für Demoskopie Allensbach

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

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

Dr. Max Link since July 1, 2004
Employee, Allianz Versicherungs-AG

Karl Neumeier
Employee, Allianz Versicherungs-AG

Herbert Pfennig until June 30, 2004
Employee, Dresdner Bank AG

Sultan Salam
Employee, Dresdner Bank AG

Dr. Albrecht E. H. Schäfer from May 5, 2004 until May 4, 2005
Corporate Vice President, Head Personnel World, Siemens AG

Dr. Manfred Schneider
Chairman of the Supervisory Board Bayer AG

Margit Schoffer
Employee, Dresdner Bank AG

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

Prof. Jürgen E. Schrempp until June 30, 2004
Chairman of the Board of Management DaimlerChrysler AG

Prof. Dr. Dennis J. Snower since July 6, 2004
President Institut für Weltwirtschaft Kiel

Board of Management

Michael Diekmann
Chairman of the Board of Management

Dr. Paul Achleitner
Group Finance

Detlev Bremkamp until December 31, 2005
Europe II, Assistance, Allianz Global Risks, Allianz Marine & Aviation, Alternative Risk Transfer, Reinsurance

Jan R. Carendi
Americas

Dr. Joachim Faber
Allianz Global Investors

Dr. Mario Greco as of May 1, 2005
Europe II

Dr. Reiner Hagemann
Europe I,
Director responsible for Labour Relations

Dr. Helmut Perlet
Group Controlling, Financial Risk Management, Accounting, Taxes, Compliance

Dr. Gerhard Rupprecht
Group Information Technology, Life Insurance Germany

Dr. Herbert Walter
Allianz Dresdner Banking

Dr. Werner Zedelius
Growth Markets

Corporate Governance

Our behavior as an entrepreneur is governed by the principles of responsible, transparent and efficient company management and control.

We are committed to the principles of good corporate governance and strive to maintain the confidence and trust of our shareholders, customers and staff on a lasting basis. Accordingly, the Management and Supervisory Boards work closely together with the objective of sustainable value creation. Our decision and control structures are designed to be efficient and clear. We stand for transparent communication, and guarantee immediate and comprehensive disclosure of all information concerning the company. To make it easier for our shareholders to exercise their rights, we offer the chance to follow the General Meeting on the Internet and to vote by proxy.

The intensive debate on corporate governance continued in 2004. In Germany, the main topics were disclosure of the remuneration of the Management and Supervisory Boards, and liability questions. In addition, national legislation on improved investor protection, accountancy law and financial control entered into force. The EU Commission launched initiatives on the independence and remuneration of members of organs of companies, and on cross-border voting. The OECD also published its proposals for global corporate governance principles. The political discussion of increasing breadth was resumed at all levels, reflecting the multi-layered complexity of the subject of corporate governance.

The central elements of our understanding of corporate governance are explained in this Annual Report. On pages 16 to 19 we comply with the demand for a transparent presentation of the remuneration for the Board of Management and the Supervisory Board by presenting a detailed remuneration report, with reference to individuals for the first time.

The Allianz constitution

The company constitution of Allianz AG as the leading company in the Group is characterized by the two-tier system, and accordingly differs from the single board system of other legal systems.

Board of Management

The Board of Management of Allianz AG currently consists of ten members (as from May 1, 2005: eleven members). They are responsible for the management of Allianz AG and the Group. The managerial tasks of the Board of Management are primarily to determine the strategic direction and to manage the Group, and the planning, establishment and monitoring of a risk management system. The work of the Board of Management is co-ordinated by the Chairman.

The Board of Management works closely together with the Supervisory Board. It keeps the Supervisory Board comprehensively informed on a regular basis about business developments, the financial position and results, planning and achievement of goals, and the strategy and any existing risks. Some specific decisions by the Board of Management require the approval of the Supervisory Board. Further information on the Board of Management can be found on page 11 of this report.

Supervisory Board

The Supervisory Board has 20 members and under the German Codetermination Act is composed equally of representatives of the shareholders and of the employees. The shareholder representatives are elected by the General Meeting, the employee representatives by the employees of the German Allianz companies. Three of the employee representatives are trade union representatives. The last election to the Supervisory Board took place in 2003, for a period of office of five years.

The Supervisory Board monitors and advises the Board of Management in the management of the business. It is also responsible, inter alia, for appointing the members of the Board of Management, for setting the remuneration of the Board of Management, for approving the annual report and accounts of Allianz AG and the Group, and for the dealing with the quarterly reports.

An essential part of the Supervisory Board's work is performed by its committees.

The **audit committee** consists of three shareholder representatives and two employee representatives. The main task of the Audit Committee is the preliminary examination of the Group's Annual Financial Statements and Consolidated Financial Statements as well as the Management Report and the Recommendation for Appropriation of Profit. In addition, it examines the quarterly reports and the 20-F filing required in the U.S.A. Finally, the audit committee is an important contact partner for the auditors, whose independence it also monitors.

The **Standing Committee** has five members, two of whom are employee representatives. Its essential function is the approval of matters for which Supervisory Board approval is required, unless approval of such matters falls under the competence of the Personnel Committee or must be decided by the plenary meeting of the Supervisory Board. Such matters are in particular measures relating to capital, and the acquisition and disposal of certain investments in other enterprises. Moreover, it is responsible for drawing up the Declaration of Compliance pursuant to clause 161 German Stock Corporation Law (AktG), and regularly examining the effectiveness of the work of the Supervisory Board.

The **Personnel Committee** is composed of the Chairman of the Supervisory Board as well as one representative each of the shareholders and employees. It prepares the appointment of members of the Board of Management, tends to ongoing personnel matters of members of the Board of Management and handles questions concerning their remuneration. It is also involved in the long-term succession planning for the Board of Management.

The statutory **Mediation Committee** only meets if the Supervisory Board fails to obtain the two-thirds majority required by law in a vote on the appointment or removal of a member of the Board of Management.

The composition of the Supervisory Board and its committees is set out on pages 8 and 10.

Annual General Meeting

The Annual General Meeting is where the shareholders exercise their rights in matters relating to the company. The Annual General Meeting elects the shareholder representatives to the Supervisory Board and passes resolutions granting discharge to the Board of Management and the Supervisory Board. It decides on the appropriation of the profit, capital measures, approval of interlinking company contracts, remuneration of the Supervisory Board and changes to the Articles of Association of the company. An ordinary General Meeting is held every year, at which the Board of Management and the Supervisory Board report on the past year. Each share confers one vote when voting on resolutions at the General Meeting ("one share, one vote"). Every shareholder is entitled to participate in the General Meeting, to speak on the agenda and to ask questions.

Other bodies

The **International Executive Committee**, under the chairmanship of the Chairman of the Board of Management of Allianz AG, advises on strategic issues at Group level. The members of the Board of Management of Allianz AG and the heads of the largest Allianz subsidiaries are members of this committee. The **International Advisory Board** discusses fundamental questions concerning the global activities of the company with the Board of Management of Allianz AG. The members appointed are well-known personalities in international economic affairs. The **Joint Advisory Council of Allianz Companies** supports the Management Boards of the major German Allianz companies in dealing with fundamental matters of economics. This Council comprises leading personalities in international economic affairs. The composition of these bodies is set out on pages 196 and 197.

Accounting and Auditing

The accounts of the Allianz Group are prepared pursuant to clause 292 a of the German Commercial Code (HGB), in conformity with International Financial Reporting Standards (IFRS). As a company quoted on the New York Stock Exchange (NYSE), we are also bound to submit to the American supervisory body, the Securities and Exchange Commission (SEC), a filing complying with the U.S. rules for foreign bond issuers. This is based on the IFRS consolidated financial statement and contains a further reconciliation statement in accordance with the American U.S. GAAP accounting standard.

Under a special regulation for insurance companies (clause 341 k (2) HGB), in our case the auditors are appointed by the Supervisory Board and not by the Annual General Meeting. The Audit Committee of the Supervisory Board prepares this appointment. The annual accounts include the individual accounts of Allianz AG and the German and American consolidated accounts. In addition, the interim accounts are inspected by the auditors on June 30 of each fiscal year. Under new accounting regulations in Germany, increased requirements will be placed on the independence of auditors in future. At the same time, a provision has been introduced allowing the Supervisory Board to examine the report and accounts (the "enforcement method"). We are well prepared for these new regulations, not least because of our stock exchange listing in the U.S.A.

German Corporate Governance Code and Declaration of Compliance

The current valid version of the German Corporate Governance Code is that of May 21, 2003. It incorporates acknowledged standards of good and responsible company management in the form of recommendations and suggestions. There is no statutory duty to comply with these standards; compliance is a matter of self-regulation by business in the field of corporate governance. However, under clause 161 of the Stock Corporation Law, Boards of Management and Supervisory Boards of all listed companies in Germany are bound to issue a declaration of compliance regarding the recommendations in the Code, along the lines of "comply or explain".

The Code is increasingly being adopted in Germany as a yardstick of good business management and control. An assessment of the declarations of compliance shows that acceptance of the German Corporate Governance Code is increasing. By the end of 2005, the DAX-30 companies will have, on average, implemented 97 percent of all the recommendations, whereas the companies included in the M-DAX will have implemented about 89 percent of the recommendations, on average, and those in the S-DAX about 86 percent.

The question of individualized disclosure of the remuneration of the Board of Management was at the forefront of the corporate governance discussion in the past year. Last year we did not follow the new compliance recommendation of the code, only introduced in May 2003, since in our view individual disclosure would not provide the capital market with any more relevant information than would detailed collective disclosure. Our view on this is unchanged, but we have noted that the expectation, on the part of both public opinion and the legislature, of transparency regarding remuneration of the Board of Management made disclosure of the latter the obvious course of action. The Board of Management therefore announced with the half-year results that the remuneration of the individual members of the Board of Management will be disclosed in the 2004 annual report and accounts. The Supervisory Board has noted and approved this, and decided to disclose the individual remunerations for the Supervisory Board as well. We can therefore state that in future, Allianz AG will follow all the recommendations of the German Corporate Governance Code in its Declaration of Compliance.

The Declaration of Compliance with the German Corporate Governance Code in accordance with clause 161 of the German Stock Corporation Law was published on December 15, 2004 and reads as follows:

1. Allianz AG will comply with all the recommendations made by the Government Commission on the German Corporate Governance Code as amended on May 21, 2003.
2. Allianz AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, as amended on May 21, 2003, since its last declaration of compliance on December 17, 2003, subject to the deviations mentioned there (no individualized reporting of the remuneration of the Board of Management and the Supervisory Board).

This declaration is also available on our website at www.allianz.com/corporate-governance.

In addition, we comply with most of the non-binding recommendations of the German Corporate Governance Code. The suggestion that the performance-based remuneration of the Supervisory Board should include elements based on the long-term performance of the company is not one that we have followed so far; it will however be included in the proposed changes in the remuneration of the Supervisory Board to be put to the General Meeting on May 4, 2005. The sole remaining exception will therefore be the fact that the shareholder representatives on the Supervisory Board will not be elected for staggered time periods, as suggested in the Code. It is preferable in our view to retain a simultaneous period of office.

The two listed Group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG issued their own Declarations of Compliance on December 6 and 10, 2004, respectively. Allianz Lebensversicherungs-AG disclosed therein, as in the previous year, the deviations from the recommendation concerning the individual publication of remuneration for the Board of Management and the Supervisory Board, and from the recommendation of a performance-oriented remuneration component for the Supervisory Board. The declaration contains the reference that the remuneration of the Chairman of the Board of Management is shown individually in the Group accounts of Allianz AG. The Declaration of Conformity of the Oldenburgische Landesbank AG contains the same restrictions as in the previous year (no individualized disclosure of remuneration of members of the company organs, and no retention in the Directors and Officers liability insurance).

U.S. Corporate Governance Rules

As a company listed on the New York Stock Exchange (NYSE), Allianz AG is subject to U.S. corporate governance rules in as much as these are applicable to foreign issuers.

The Sarbanes-Oxley Act (SOA) of 2002 in particular has a significant effect on our corporate governance. We have worked intensively in the past year on the implementation of Section 404 of the SOA. This rule compels companies to document fully their financial reporting internal control system and to check its effectiveness annually. We intend to report on the efficacy of our system of internal controls for financial reporting in the SEC filing "Form-20-F" for the first time for fiscal year 2005, even though the SEC on March 2, 2005 extended the time allowed for foreign companies listed on U.S. stock exchanges to comply with this rule by one year. Like most comparable undertakings, we have expended considerable resources in complying with these requirements. However, intensively examining and documenting the financial reporting control systems in this way also provides an opportunity to identify and remedy any weak points. We had already carried out a considerable portion of the work in the previous year, and are confident that we shall meet the requirements of Section 404 SOA in the course of 2005.

To meet the demands of the SOA, we had already amended the procedural rules of the Audit committee of our Supervisory Board in past years. In particular, procedures for handling complaints relating to the accounts or financial reporting have been introduced, as have special procedures for ensuring the independence of the auditors.

The Supervisory Board of Allianz AG has determined that the chairman of the Audit Committee, Dr. Manfred Schneider, meets the requirements that U.S. law places upon the Audit Committee Financial Expert. As part of compliance with the rules of the SOA, Allianz AG has also adopted a "Code of Ethics" for members of the Board of Management and senior financial officers.

In the past year, we have also set up a "Disclosure Committee" at the management level of Allianz AG, in which the senior officers of the company examine and discuss the draft reports for the main areas of financial reporting. The Disclosure Committee thus supports the Board of Management in financial reporting, particularly the Chief Executive Officer and the Chief Financial Officer, in certifying the accounts to the SEC as required under the SOA.

The NYSE has also further developed its corporate governance standards. For foreign bond issuers, the greater part of these rules are not mandatory. Nonetheless, there is a duty to disclose the main differences between a company's own corporate governance and the NYSE standards, in the form of a brief summary. We have published such a summary on our web site.

Outlook

The discussion on guidelines for good company management and control will continue into the current year. In Germany, further implementation of the so-called 10-point program of the Federal Government on strengthening investor protection and business integrity will be the object of legislative activity. European initiatives will gain in significance, as evidenced by the "European Corporate Governance Forum" set up recently by the E.U. Commission and intended to discuss the possibilities of convergence of the national codes.

Future E.U. activities must in our view concentrate on the creation of European outline standards, leaving room at national level to accommodate any particular features of company law. The newly-created legal form of the "European Company" ("Societas Europaea") could act as the catalyst for greater convergence of national corporate governance systems. At the same time, the U.S. Sarbanes-Oxley Act will have an effect on important aspects of control and reporting systems.

For Allianz, appropriate development of its own management and control systems, taking into account the national discussion and also international developments, is a continuing duty in the interest of all its stakeholders.

Up-to-date information on corporate governance is also available on our website at www.allianz.com/corporate-governance.

Remuneration Report

For the first time, and in compliance with recommendations from the German Corporate Governance Code, we are publishing an individual breakdown of remuneration for members of the Board of Management and Supervisory Board.

The remuneration of the Board of Management of Allianz AG supports sustainable value-oriented management. In the last several years, the remuneration instruments were increasingly differentiated. The objective of this differentiation is to arrive at a remuneration system that is balanced in its structure, and appropriate and competitive in terms of its amount.

The remuneration of the Board of Management is determined by the Personnel Committee of the Supervisory Board. The remuneration structure is regularly discussed and examined in the plenary meetings of the Supervisory Board. Exact information about the remuneration of the Board of Management for the reporting year can be found in the appendix to this Annual Report on pages 186 and 187.

The individual remuneration components for the Board of Management include:

Fixed remuneration

The amount of the fixed remuneration is, on the one hand, determined by the delegated function or responsibility. On the other hand, it is influenced by external market conditions.

Variable remuneration

This component consists of an annual and a mid-term 3-year bonus, each of which is performance- and success-related and limited to a maximum amount.

Equity remuneration plans

This component consists of stock appreciation rights (SAR) and restricted stock units (RSU). More detailed information on the stock-based remuneration components can be found on pages 181 and 183 of this Annual Report or on the Internet at www.allianz.com/corporate-governance.

The valuation of the stock-based remuneration is merely a mathematically calculated reference value. If and when the stock-based remuneration will actually lead to a payment depends on the future development of the share price, the strike price and the date of exercise. Stock appreciation rights (SAR) can be exercised at the earliest upon expiration of a two-year vesting period; the vesting period for restricted stock units (RSU) is five years. The exercise, the number of rights issued and the development of the value of stock-based remuneration are shown in the income statement.

Variable remuneration and stock-based remuneration together form a three-tier incentive system.

Annual bonus (annual)	3-year-bonus (medium-term)	Equity-based remuneration (long-term)
Target categories	**Target categories**	**Target category**
Group objectives	Meeting pre-defined strategic three-year objectives	Sustained increase of the share price
Group/department objectives	Sustained achievement of annual EVA® (Economic Value Added) objectives	
Individual objectives		

EVA® is a registered trademark of Stern Stewart & Co.

Miscellaneous

Income-equivalent ancillary benefits vary with the function and position of the recipient and are subject to personal income tax. They essentially include insurance coverage generally granted in the industry and the use of a company car. In 2004, income-equivalent ancillary benefits amounted to €0.3 million (2003: €0.2 million).

The members of the Board of Management are either not receiving remuneration from mandates at Group companies or the remuneration paid to members of the Board of Management from such mandates is turned over to the company in full. Of the remuneration received from mandates in companies outside the Group, 50% is turned over to the company and, in the year under review, this amounted to €0.5 million (2003: €0.5 million). This remuneration is shown in the annual reports of the companies concerned. A list of supervisory mandates in companies outside the Group is provided on page 200 of this Annual Report.

The individual members of the Board of Management each received the following remuneration:

Board of Management	Fixed remuneration		Annual bonus[4]		Cash remuneration[5]		Reserves 3-year-bonus[6]		Group Equity-Incentive
	2004 € thou	Change from previous year in %	2004 € thou	Change from previous year in %	2004 € thou	Change from previous year in %	2004 € thou	Change from previous year in %	2004 SARs/RSUs granted
Michael Diekmann (Chairman)[1), 7)]	900	0	1,656	5	2,556	3	540	0	35,311
Dr. Paul Achleitner	700	0	1,245	4	1,945	3	360	0	28,693
Detlev Bremkamp	600	0	1,090	4	1,690	3	360	0	24,925
Jan R. Carendi[2), 7)]	600	0	1,142	77	1,742	40	360	50	14,713
Dr. Joachim Faber	600	0	1,101	9	1,701	6	360	0	22,970
Dr. Reiner Hagemann[8)]	700	17	1,491	42	2,191	33	360	0	23,540
Dr. Helmut Perlet	600	0	1,084	8	1,684	5	360	0	24,321
Dr. Gerhard Rupprecht[8)]	600	0	1,048	4	1,648	2	360	0	22,970
Dr. Herbert Walter[3), 7), 9)]	700	0	1,603	53	2,303	32	360	20	42,849
Dr. Werner Zedelius	480	0	836	4	1,316	2	360	25	18,376

1) Appointed chairman of Board of Management since 04/29/2003
2) Member of Allianz AG Board of Management since 05/01/2003
3) Member of Allianz AG Board of Management since 03/19/2003
4) 2005 inflow for fiscal 2004
5) Total from fixed remuneration and annual bonus
6) Pro rated share of provisions for reporting year
7) Change over previous year on the basis of adjusted or pro rated remuneration in 2003
8) Total remuneration from Allianz Group Board mandates. Allianz AG has a 50% share in this remuneration.
9) Total remuneration from Allianz Group Board mandates. Allianz AG has a 25% share in this remuneration.

The individual members of the Board of Management each received the following stock-related remuneration:

	Number of rights granted		Mathematical value of GEI at the date of grant		
	SAR[1]	RSU[2]	SAR[1] € thou	RSU[2] € thou	Total € thou
Michael Diekmann (Chairman)	23,842	11,469	732	883	1,616
Dr. Paul Achleitner	19,373	9,320	595	718	1,313
Detlev Bremkamp	16,829	8,096	517	623	1,140
Jan R. Carendi	9,934	4,779	305	368	673
Dr. Joachim Faber	15,509	7,461	476	575	1,051
Dr. Reiner Hagemann[3]	15,894	7,646	488	589	1,077
Dr. Helmut Perlet	16,421	7,900	504	609	1,113
Dr. Gerhard Rupprecht[3]	15,509	7,461	476	575	1,051
Dr. Herbert Walter[4]	16,878	25,971	518	2,000	2,518
Dr. Werner Zedelius	12,407	5,969	381	460	841

1) Following a vesting period, the SARs may be exercised at any time between May 19, 2006 and May 18, 2011 at the latest, provided that the Allianz share price stands at a minimum of € 100.16 and has outperformed the Dow Jones EURO STOXX Price Index (600) at least once for a period of 5 consecutive days during the contractual term. For more detailed information about SARs, see page 182 of the Annual Report.

2) RSUs are exercised the day following expiration of a five-year vesting period; i. e. on May 5, 2009, at the Allianz AG share price applicable on that date. For more detailed information about RSUs, see page 183 of the Annual Report.

3) Total remuneration from Allianz Group Board mandates. Allianz AG has a 50 % share in this remuneration.

4) Total remuneration from Allianz Group Board mandates. Allianz AG has a 25 % share in this remuneration.

Pensions and similar benefits

The pension agreements for members of the Board of Management stipulate retirement benefits of a fixed amount that is not linked to the development of the fixed or variable remuneration components. The agreements are examined and revised at irregular intervals. As of 2005, a contribution-based increase is planned to replace this procedure. It will be financed by annual savings premiums with a fixed annual interest rate of 2.75 % – equivalent to the actuarial interest rate of life insurance companies in Germany – and, in the event of disability, will be converted into value-equivalent pension payments to be paid for the lifetime of the individual concerned. If the net return on investment exceeds the actuarial interest rate, a corresponding profit share will be credited in the following year.

When a member of Board of Management retires from the Board at the end of his mandate, old age pension is paid no earlier than upon completion of the 60th year of age, except for cases of professional disability or general disability for medical reasons, or payments to a beneficiary in the case of death. If the mandate is terminated for other reasons before the retirement age has been reached, a non-expiring pension claim is maintained. But this claim does not include a right to the immediate payment of benefits.

The Group paid € 2.3 million (2003: € 1.1 million) to increase pension reserves and reserves for similar benefits for active members of the Board of Management. On December 31, 2004, pension and similar reserves for members of the Board of Management who were active on this date amounted to € 25.8 million (2003: € 21.4 million).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was decided by the Annual General Meeting and is defined in article 9 of the Articles of Association.

The remuneration of the Supervisory Board is based on the size of the company, the functions and responsibilities of the members of the Supervisory Board and the economic situation of the company. For the most part, it is related to the dividend paid. The chairman and the deputy chairman of the Supervisory Board as well as the chairmen and members of its committees receive an additional remuneration.

The remuneration of the members of the Supervisory Board includes two components: a fixed amount of € 4,000 and a variable amount dependent on the dividend. This amount is calculated as follows: for each cent by which the dividend per share exceeds the amount of 15 cents, an additional remuneration of € 500 is paid. The amount of the dividend is determined by the appropriation of profit decided by the Annual General Meeting. The chairman of the Supervisory Board receives double, and his deputy one and a half times the amount of this remuneration. The remuneration of the members of the Personnel Committee and of the Standing Committee is increased by 25 %, that of the chairmen of these committees by 50 %. To prevent a conflict of interest on the part of the members of the Audit Committee with respect to the dividend proposal of the Supervisory Board, these members receive a fixed annual remuneration of € 30,000 for their work in this committee, while the chairman receives a fixed amount of € 45,000.

The additional remuneration of the committee members is capped by an upper limit. This limits takes effect when the remuneration of the chairman of the Supervisory Board has reached triple and that of the other members of the Supervisory Board double the basic remuneration. Since the dividend policy of the Allianz Group is oriented toward the long-term, the remuneration of the Supervisory Board to date contains no additional component that is based on the long-term performance of the company.

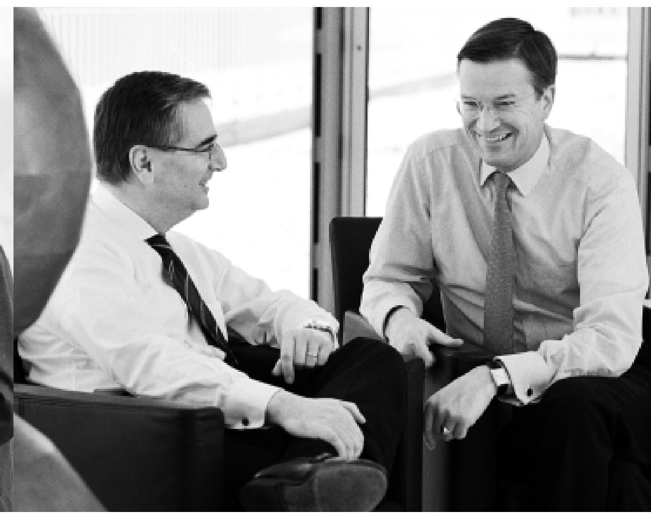
The individual members of the Supervisory Board each received the following remuneration:

	Fixed remuneration €	Variable remuneration €	Committee remuneration €	Total remuneration €
Dr. Henning Schulte-Noelle (Chairman)	8,000	160,000	84,000	252,000
Norbert Blix (Deputy Chairman)	6,000	120,000	42,000	168,000
Dr. Wulf H. Bernotat	4,000	80,000	0	84,000
Dr. Diethart Breipohl	4,000	80,000	0	84,000
Bertrand Collomb (until 12/31/2004)	4,000	80,000	0	84,000
Dr. Gerhard Cromme	4,000	80,000	72,000	156,000
Jürgen Dormann (until 05/05/2004)	1,667	33,334	0	35,001
Claudia Eggert-Lehmann	4,000	80,000	0	84,000
Hinrich Feddersen	4,000	80,000	0	84,000
Peter Haimerl	4,000	80,000	21,000	105,000
Prof. Dr. Rudolf Hickel	4,000	80,000	30,000	114,000
Prof. Dr. Renate Köcher	4,000	80,000	0	84,000
Frank Ley	4,000	80,000	30,000	114,000
Dr. Max Link (since 07/01/2004)	2,000	40,000	0	42,000
Karl Neumeier	4,000	80,000	0	84,000
Herbert Pfennig (until 06/30/2004)	2,000	40,000	0	42,000
Sultan Salam	4,000	80,000	0	84,000
Dr. Albrecht Schäfer (since 05/05/2004)	2,667	53,334	0	56,001
Dr. Manfred Schneider	4,000	80,000	66,000	150,000
Margit Schoffer	4,000	80,000	0	84,000
Dr. Hermann Scholl	4,000	80,000	0	84,000
Prof. Dr. Dennis J. Snower (since 07/06/2004)	2,000	40,000	0	42,000
Prof. Jürgen E. Schrempp (until 06/30/2004)	2,000	40,000	0	42,000
Total	**86,334**	**1,726,668**	**345,000**	**2,158,002**

At the Annual General Meeting on May 4, 2005, the Board of Management and Supervisory Board will propose to amend the Supervisory Board remuneration policy from 2005. In the future, remuneration components are to be paid in addition to a fixed remuneration, based on Group earnings per share.

International Executive Committee

In addition to members of the Allianz AG's Board of Management, the International Executive Committee includes the heads of the major subsidiaries. Chaired by Michael Diekmann, this body discusses overall strategic issues at Group level.

Wolfram Littich
Allianz Elementar, Vienna

Michael Diekmann
Allianz AG, Munich

Thomas Pleines
Allianz Suisse, Zurich

Paul Achleitner
Allianz AG, Munich

Werner Zedelius
Allianz AG, Munich


Mark Zesbaugh
Allianz Life Insurance, Minneapolis

Jan R. Carendi
Allianz AG, Munich

Enrico Cucchiani
Lloyd Adriatico, Triest

Mario Greco
RAS, Milan

Gerhard Rupprecht
Allianz AG, Munich

Helmut Perlet
Allianz AG, Munich

William S. Thompson
PIMCO, Newport Beach

Joachim Faber
Allianz AG, Munich

Herbert Walter
Dresdner Bank,
Frankfurt/Main

Andrew Torrance
Allianz Cornhill Insurance,
London

Reiner Hagemann
Allianz AG, Munich

Detlev Bremkamp
Allianz AG, Munich

Vicente Tardío Barutel
Allianz Compañía de
Seguros y Reaseguros,
Barcelona

Jean-Philippe Thierry
AGF, Paris

Charles Kavitsky
Fireman's Fund,
Novato

Axel Theis
Allianz Global Risks,
Munich

Terry Towell
Allianz Australia,
Sydney

Strategy

The momentum and results of our "3+One" program are accelerating our profitable growth.

Our objective is to be the international financial services provider that is trusted because we deliver on, or surpass, all of our promises. And we are modifying our business model to achieve this. Our first step in this direction was the introduction of our strategic "3+One" program. In the year under review, we drove forward implementation of the program's first three items in an outstanding joint effort with our operating units. We also prepared for the launch of two sizeable initiatives that will help increase our competitive strength and value on a sustainable basis. Starting in 2005, these initiatives are set to give a significant boost to the "+One" element of the program, thus putting all the key elements in place for improving the return on equity.

Our "3+One" Program is working towards creating an improved Allianz with a higher value by the year 2006, with the aim of driving value creation up a level and assuring increases in value. We are striving to ensure that your Allianz experiences profitable growth whatever the market situation. And this has to be of benefit to anyone connected with this; be they clients, shareholders, employees or our social environment. Our program is based on four main initiatives:

1 Protecting and strengthening our capital base

2 Giving a significant boost to our operating profitability

3 Reducing complexity

+One Increasing our competitive strength and value on a sustainable basis

At the beginning of this annual report, we gave a brief overview of just how far we have come with **points 1 to 3** of this list. The management report takes more a more in-depth look at this progress, segment by segment. Therefore, in this section we are concentrating on the "**+One**" element.

+One. Increasing our competitive strength and value on a sustainable basis

In order to make significant progress towards achieving this strategic objective, we are pressing ahead with our efforts to leverage on the size, reach, internationality and competence of Allianz. The repercussions this has on our corporate identity and the way we work together as a group is changing fundamentally. We have introduced an internal capital market and are working with a dividend model with a minimum prerequisite that capital costs have to be generated before any further capital is allocated. This approach has been successfully strengthened by group-wide management guidelines and a mutual incentive system.

We are now going a step further and are consolidating our excellent resources to become a global organization within which everybody really learns from each other. Our intention is to become an Allianz with a less fragmented structure and units that no longer follow their own arbitrary laws as regards business results. We want your Allianz to become a true corporate entity; an entity that, despite continuing to work on a "multi-local" basis, is more unified than it used to be thanks to its **shared operating system, mutual initiatives** and a **common corporate culture** with strong values. The aim of having such common goals is to ensure that Allianz is more than simply the sum of its parts and ensure a sustainable increase in our competitive strength and value.

In respect of this next phase, we addressed the following questions:

- Will we be able to achieve the same level of operating excellence across all subsidiaries to achieve a proficiency level that is far superior to that of any competitor? We are convinced that we can achieve this excellence if we do our utmost to implement the best business ideas and business methods of our Group across all of our units.
- Can we claim to be the first choice of customers, wherever they are in the world, because our products, customer service, and advisory services meet – or surpass – the customers' expectations, and because we resolve issues in a fair and professional manner?

In 2004, we used these questions as a launching pad for two initiatives. Under the first initiative, our Sustainability Program, our top specialists search systematically and worldwide throughout the entire company, to seek out outstanding successes in product offerings, service offerings and operating implementation within both property and casualty insurance and life insurance. For companies that are still falling below the level required by Allianz and/or the market, binding obligation catalogs will be created, committing these companies to assume the highest Allianz standards. Only the best is good enough for our organization; and as a result of our subsidiaries working closely together, we are avoiding too much interference from above in the program.

The second initiative, which is also being implemented across the entire group, is even more customer-focused. At present, the project team is undertaking a ruthless analysis. Starting from summer 2005, we will then implement the initial projects for this program. The objective is to take a more customer-oriented approach towards our product and service offerings, and our flexibility and awareness in order that customers perceive us to be excellent, recommend us to others, and see us as the first place to turn when they need financial services.

We are confident that these projects will give a substantial boost to the "+One" element of our program for the following reasons: One, because we are ensuring that every promising idea for potential progress and improvement is given a chance; and two, because we will make sure that every member of the organization is brought along with us. These projects represent a general guiding principle for every Allianz employee – irrespective of the business segment, region or position in which they work for clients and shareholders.

In terms of our business objectives, we will continue to put all our efforts into strengthening our outstanding market position in property and casualty insurance, life and health insurance, asset management and, within Germany, also in banking. We expect to experience significant growth as a result of increasing demand for high quality, highly secure products in the huge pension and wealth creation market within both Europe and the U.S.A.

In order to be even better prepared for this demand and to live up to our customers' high expectations, we will be working even more resolutely towards further strengthening our sales channels and providing specialist training to our sales employees. To benefit from the extraordinary dynamic growth of strategic future markets, we also intend to strengthen our market position within China, India and Russia.

We are confident that these initiatives will bring us a good deal closer to the target we have set for ourselves; i.e., becoming **the** international financial services provider that is trusted because it delivers on, or surpasses, each and every one of its promises.

Value-Based Management

The key issue: our shareholders' expected returns.

The goal of value-based management is to consistently meet the expectations of our shareholders over the long-term. We want shareholders, employees, customers, and our community to profit from the value our company creates.

Basic idea

What do we mean when we talk about the creation of value? The capital that is employed by a company must yield a higher return than a comparable alternative investment. In order to reach this objective, we apply the EVA® (Economic Value Added) concept company-wide. Adapted to the specific requirements of our industry and the needs of the Allianz Group, EVA® determines our company's economic goals. It provides a measure of our performance and is a component in setting the remuneration of management.

The basic idea behind EVA® involves comparing profit with the cost of capital. EVA® – whether positive or negative – is the difference between the two. It tells us whether or not our profits exceed the return expected by our shareholders. Thus, EVA® is the result of the following calculation:

EVA® = profit – (capital employed x cost of capital)

The cost of capital represents the return an investor can expect from an alternative investment with comparable risk. An EVA® greater than zero indicates that an added value for the shareholder has been created. If, on the other hand, the EVA® becomes negative, that means a shareholder would have received a greater return from another risk adequate investment than from Allianz AG shares. In this case, his investment has destroyed value instead of increasing it.

With EVA®, we have a measuring instrument that

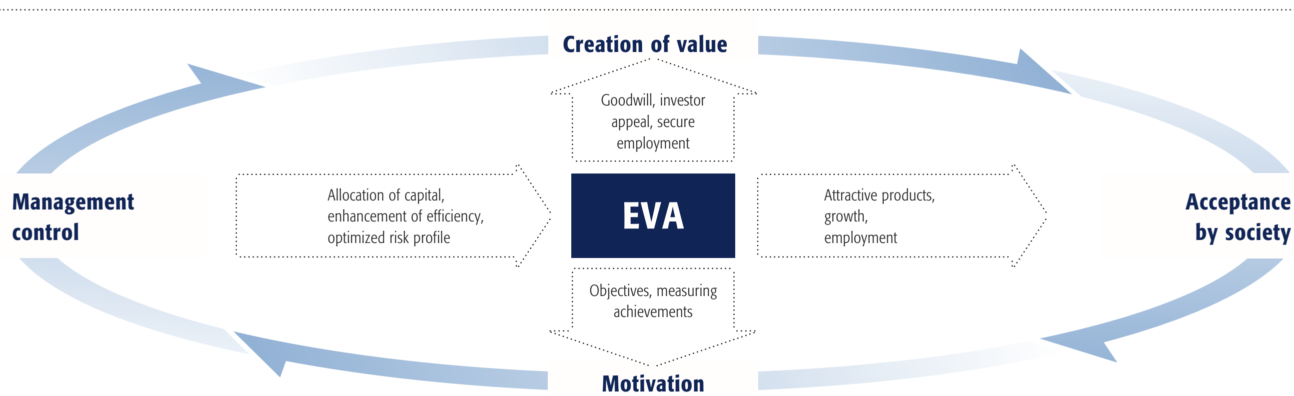
- takes into account our industry-specific risks, and
- establishes a relationship between corporate profit and the minimum return our investors expect from the capital they have invested.

Central and decentral elements

These considerations are important because they support value-based management of the Allianz Group and at the same time allow us to retain a decentralized structure. Why do we need decentralization? We are convinced that the management of our operating entities worldwide is in the best position to determine what measures are appropriate for making their companies more profitable. They have to decide what risks they can take – for example, when they underwrite insurance policies, extend loans, invest funds or make other managerial decisions – to generate a specific profit.

The Allianz Group, on the other hand – and this is where the central management instrument comes in – must look after the interests of shareholders and make sure that the sum of the total risks entered into remains acceptable for the company as a whole and that the actual profit realized justifies the investment of capital.

Economic Value Added (EVA®): an all-encompassing steering and coordination process



EVA® is a registered Trademark of Stern Stewart & Co.

Risk capital

In calculating risk capital the amount of capital each individual operational entity requires to cover the financial risks involved in ongoing business activities is first determined. The required capital depends upon the risks that are typical for the products offered by our operating entities, i. e., premium, reserve and credit risks plus risks in connection with capital investment and operational risks. Additionally, the amount of capital needed is also geared to the mandatory level of security that is centrally prescribed for the Allianz Group as a whole. Uniform standards are also applied when determining risk capital; through the use of an internal risk model which allows us to precisely determine company-specific risk factors.

Value added

Through Allianz AG, our holding company, we assign available capital on the basis of the risk-return profile and the value proposition of our operating companies. In this process, only those operating entities

- which operate in a profitable market or business segment,
- which transform their market position into sustainable creation of value and achieve a leading market position;
- whose orientation and competency fit within the long-term strategy of the Allianz Group; and
- which are able to generate distributable earnings that are at least equal to their capital costs

can count on growth capital.

Profits that exceed capital costs can be retained by our operating entities to finance their internal growth. That means: Our most profitable entities have direct access to considerable funds to finance their growth. This dividend model, which has been in use since 2004, provides for two exceptions:

- When an operating entity must be restructured, it can temporarily be exempted from the dividend rule in order to be able to build equity.
- Certain operating entities that are currently building up business in strategically important future markets are, for the time being, not required to pay dividends – such as our operating entities in China and India.

The Allianz AG uses the liquidity from dividend payments to finance growth. In addition, the capital is used to pay dividends to our shareholders and meet obligations, e. g. servicing debt.

All Allianz Group operating entities are thus responsible for generating a return on their risk capital that covers at least the cost of capital. Added value results only when this threshold is exceeded. But that is only the minimum we demand. Over the medium term, we expect to generate a return of 15 % or more on the capital employed. That means that the units must know which business activities will increase the value of their companies and concentrate their efforts and resources on these activities. New value drivers must also be created, for example, through new products, more cost-effective processes and optimized distribution channels. Local management must also prevent value from being diminished along the value chain. If this happens, countermeasures must be immediately implemented.

In measuring our success, we minimize the impact of equity market fluctuations by basing our calculations on “normalized” long-term average returns.

Management remuneration

Since EVA® is an important factor in managing our business, the remuneration of senior management is based to a significant extent upon this factor. That means we have opted for an incentive-based system that helps make the continuous increase in the value of the Allianz Group a priority across our entire organization.

Our plan for achieving economic value added does not only benefit our shareholders: our customers, employees and the communities in which we operate benefit as well. After all, sustainable success can only be achieved by offering excellent products at attractive prices that satisfy our customers, generate sales to secure jobs and produce profits that allow us to continue to, and increase our contribution to society.

EVA® is a registered Trademark of Stern Stewart & Co.

Allianz Share

Marginal loss despite year-end growth spurt

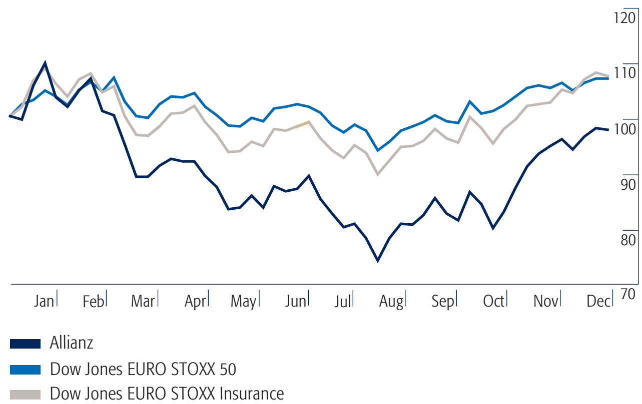
On the stock markets, 2004 was a year shaped by cautious optimism. Growing confidence in the continued recovery of the global economy helped to cultivate the market, but this was dampened somewhat by increasing oil prices and a comparatively strong euro to the dollar. The 2.5 % drop in our share price over the course of the year is a clear indicator that this climate failed to foster sufficient optimism. The closing price for the year was € 97.60. It is evident that confidence in our ability to stabilize Group business development and return to strong profitable growth was not quite as strong as expected. However, our previous figures attest to the fact that we have made great progress. Dividend payouts to you, our shareholders, are to reflect this and allow you to participate in these improvements. Therefore, at the Annual General Meeting, we will propose to pay out 1.75 euro per share certificate.

Varying price fluctuations

Following a strong 23.9 % increase in value the previous year, the Allianz share lost momentum in 2004 and remained almost unchanged over the year as a whole. With a 2.5 % drop in value, our share performed weaker than both the Dow Jones EURO STOXX 50, which experienced a 6.9 % increase, and Dow Jones EURO STOXX Insurance, which increased by 7.4 %. The 111 euro high reached by the Allianz share in January 2004 was followed by a disappointing development until the fall. An upturn was sparked only after the presentation of our third quarter results, prompting several analysts to issue a buy recommendation for our share, which led to a return to price increases. This counter movement indicates that investors accept market improvements if these are presented to them in black and white and subsequently strengthen their Allianz interest. In the latter two months of the year, our share price increased by 17.1 %, causing it to rank among the Dow Jones EURO STOXX 50 constituents, which experienced the biggest increase in value over that period.

Development of the Allianz share price versus Dow Jones EURO STOXX 50 and Dow Jones EURO STOXX Insurance

Indexed on the Allianz share price in €



Source: Thomson Financial Datastream
Current information on the development of the Allianz share price is available on the Internet at www.allianz.com/investor-relations.

Since the 2003 recovery in share prices could by far not offset the massive deterioration of the previous years, and since the share price failed to achieve further positive growth in the year under review, share price development in a ten-year comparison was marginally negative, standing at an annual average minus of 0.8 %. Looking back over the past twenty years, our share price has experienced average annual growth of 7.0 %. To track the performance of your own investment in Allianz shares, you can use the share calculator that is available at www.allianz.com/investor-relations.

Allianz share performance in comparison

Average annual performance in %

Performance	1 year 2004	5 years 2000–2004	10 years 1995–2004
Allianz (excluding dividends)	(2.5)	(20.0)	(0.8)
Allianz (including dividends)	(0.8)	(19.1)	(0.1)
DAX	7.3	(9.4)	7.3
Dow Jones EURO STOXX 50	6.9	(9.7)	8.4
Dow Jones EURO STOXX Insurance	7.4	(12.1)	4.8

Source: Thomson Financial Datastream

With a market capitalization of € 36 billion at the end of the year, Allianz is one of the most highly valued financial services providers in Europe. Our share is listed on all the major European indexes: Germany's DAX, Dow Jones EURO STOXX 50 and MSCI Europe, and it is used in calculating the MSCI World Index. The Allianz share is also included on the FTSE-4-Good and Dow Jones Sustainability indexes. The latter index only lists the top 10 % of companies in a given industry that have obtained the best rankings in a sustainability rating. The ranking is based on economic, ecological and social criteria. For more information about this, visit www.allianz.com/sustainability.

Weighting of the Allianz share in major indexes on December 31, 2004 in %

DAX (fifth largest single share)	7.4
Prime Insurance (largest single share)	63.3
Dow Jones EURO STOXX 50 (16th largest single share)	2.2
Dow Jones EURO STOXX Insurance (second largest single share)	17.4
MSCI Europe (36th largest single share)	0.6
MSCI Europe Insurance (largest single share)	13.4
MSCI World (99th largest single share)	0.2

Sources: Deutsche Börse, Dow Jones Indexes/STOXX Ltd., Morgan Stanley Capital International

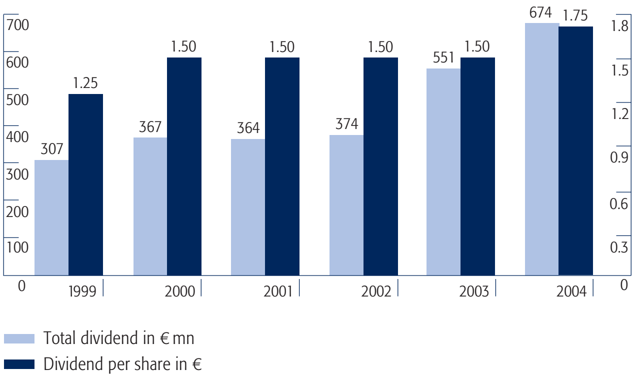
Increased earnings per share

Substantial progress in the operating business helped to increase net profit to € 2.2 billion (2003: € 1.9 billion). Despite the fact that share numbers were higher than the previous year (attributable to the capital increase in April 2003), earnings per share rose 7.5 % to € 6.01.

Higher Dividend

We would like our shareholders to benefit from the improved business development and will therefore propose, at the Annual General Meeting, to issue you with a dividend of € 1.75 per share, which represents a 16.7 % – € 0.25 – increase. We are thus driving our continued dividend policy forward. At the same time, the dividend payout is increasing to € 674 million (2003: € 551 million).

Total dividend and dividend per share

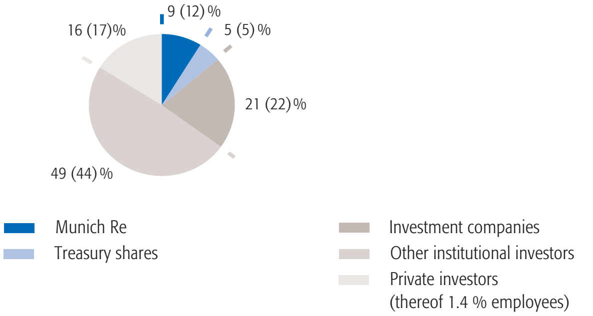


Free float of 86 %

The free float percentage of our share continued to rise, from 83 % in the previous year to 86 % at the end of 2004. This was primarily attributable to the fact that Munich Re disposed of approximately 3 % of its Allianz stocks and by December 31, 2004 had only a 9 % stake in Allianz. Allianz has approximately 540,000 shareholders and, as such, is one of the biggest publicly held corporations in Europe. With an average trading volume of 2.6 million Allianz shares per day, our share is one of the most heavily traded stocks in the DAX. Moreover, a higher free float gives the share a greater weighting in the majority of major indexes. For up-to-date information on our shareholder structure, visit www.allianz.com/investor-relations.

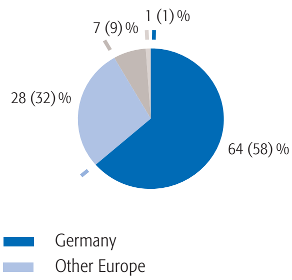
Shareholder structure on December 31, 2004

Free float: 86 %, Long-term investments: 14 %



Source: Allianz AG share register

Regional distribution of share ownership on December 31, 2004



Source: Allianz AG share register

In January 2005 Allianz placed a capital market transaction package on the market with a total volume of over €4 billion. As part of this, we disposed of 17.2 million Allianz shares from treasury stock, helping us to reduce the treasury stock percentage of total capital stock to 0.1 (5) % and increase the free float to 91 (86) %.

Since the end of 2000, Allianz shares have also been traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR). Ten ADRs are the equivalent of one Allianz share. For detailed information, visit www.allianz.com/investor-relations.

Allianz share key indicators at a glance

		2004	2003	2002
Subscribed capital on December 31	€	987,584,000	984,880,000	682,408,000
Number of shares on December 31		385,775,000	384,718,750	266,565,625
Number of shares on December 31[1]		368,195,957	367,139,707	243,124,517
Average number of shares in the fiscal year[1]		365,930,584	338,201,031	276,854,382
Average number of shares traded per day on Xetra	mn	2.6	3.9	1.7
Share price on December 31	€	97.60	100.08	80.80
High for the year	€	111.15	101.50	255.64
Low for the year	€	73.87	40.47	68.35
Beta-Factor (versus Dow Jones EURO STOXX 50)[2]		1.32	1.52	1.30
Market capitalization on December 31[1]	€ bn	35.9	36.7	22.0
Share price performance in the year (excluding dividend)	%	(2.5)	23.9	(65.9)
Dividend per share	€	1.75	1.50	1.50
Dividend yield	%	1.8	1.5	1.7
Earnings per share	€	6.01	5.59	(5.40)
Earnings per share before amortization of goodwill	€	9.19	9.77	(1.21)
Price-earnings ratio on December 31		16.2	17.9	–
Price-earnings ratio before amortization of goodwill on December 31		10.6	10.2	–
Return on equity	%	7.4	7.5	–
Return on equity before amortization of goodwill	%	11.3	13.1	–

[1] Without treasury shares
[2] Source: Bloomberg

Basic Allianz share information

Share type	Registered share
Denomination	No-par-value share
Stock exchanges	All German stock exchanges, London, Paris, Zurich, New York
Security codes	WKN 840 400 ISIN DE 000 840 400 5
Reuters	ALVG.DE
Bloomberg	ALV GY

Value-oriented management

Our foremost objective is profitable growth. That is why we use "Economic Value Added" (EVA®) as the key indicator for controlling our business. This indicator also determines the stock-related compensation of our senior management. For more information on this subject, see pages 16 to 19 or pages 24 to 25 of this Annual Report.

EVA® is a registered trademark of Stern Stewart & Co.

Strong interest in Annual General Meeting

Our Annual General Meeting for fiscal 2003 was well attended by 6,000 shareholders, representing 37% of the capital stock – 2.8 percentage points less than the previous year. We attribute this drop primarily to the fact that the percentage of free float shares has risen once again. In order to reach as many investors as possible, we addressed an increasing number of German investment management companies and custodian banks for non-German investors. We also commissioned an external services provider to support shareholders outside of Germany exercise their right to vote.

Our Internet services were again well received. 44 % of the capital represented in our Annual General Meeting was registered online. As in previous years, shareholders participating via Internet were able to change their instructions during the meeting, as long as voting had not yet begun. We were the first of the DAX companies to offer the faster, more cost-effective and environmentally friendly option of sending Annual General Meeting documents by e-mail. For detailed information about the Annual General Meeting, visit www.allianz.com/agm.

Strengthening Investor Relations

We continued to strengthen communication with investors and, in particular, increased the frequency and reach of our roadshows. We visited our institutional investors in Frankfurt and London a total of four times over the course of the year, each time shortly after publication of our most recent figures, thus giving them ample opportunity to discuss the progress of the business on a quarterly basis. We are now also visiting institutional investors in Stockholm, Milan, Madrid and Chicago. In addition to our annual analysts' conference we have conducted a "Capital Markets Day" where we present a special topic to analysts and investors. In the year under review, we presented "Risk Management", the response to which was so encouraging that we decided to make the Capital Markets Day a stable component of our annual Investor Relations program. In 2004, we held approximately 285 meetings with analysts and institutional investors, 15 % more than in the previous year.

We are continually increasing communication and service offerings for our private investors, mainly through our website. Here, investors can find an online version of this Annual Report and a wealth of supplementary information on aspects such as detailed figures, business strategy, Board of Management and Supervisory Board. Shareholders can visit our site at any time for a full overview of current Allianz share price development. We also offer live broadcasts of (telephone) conferences. The most important Allianz publications can be downloaded or ordered from our site and there is also a newsletter which can be subscribed to, providing up-to-date information about the business development and special topics. For investors who prefer to receive information by phone, our "Allianz Investor Line" is available around the clock, seven days a week. In the year under review, the Investor Relations team answered approximately 5,000 inquiries from private investors.

Comprehensive service

We like to keep our shareholders up to date on all company developments. Our Investor Relations Team is pleased to answer any questions you may have on Allianz shares, bonds or the development of the Allianz Group.

Allianz Aktiengesellschaft
Investor Relations
Königinstraße 28
D-80802 Munich

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Fax:	+ 49 89 3800 3899
E-Mail:	investor.relations@allianz.com
Internet:	www.allianz.com/investor-relations

Financial Calendar 2005/2006

Important dates for shareholders and analysts

May 4, 2005	Annual General Meeting
May 13, 2005	Interim report first quarter of 2005
August 12, 2005	Interim report first half of 2005
November 11, 2005	Interim report first three quarters of 2005
March 16, 2006	Financial press conference for the 2005 fiscal year
March 17, 2006	Analysts' conference for the 2005 fiscal year
May 3, 2006	Annual General Meeting
May 12, 2006	Interim report first quarter of 2006
August 11, 2006	Interim report first half of 2006
November 10, 2006	Interim report first three quarters of 2006

As we cannot rule out changes of dates, we recommend to check them on the Internet at www.allianz.com/financialcalendar.

Capital and Financing

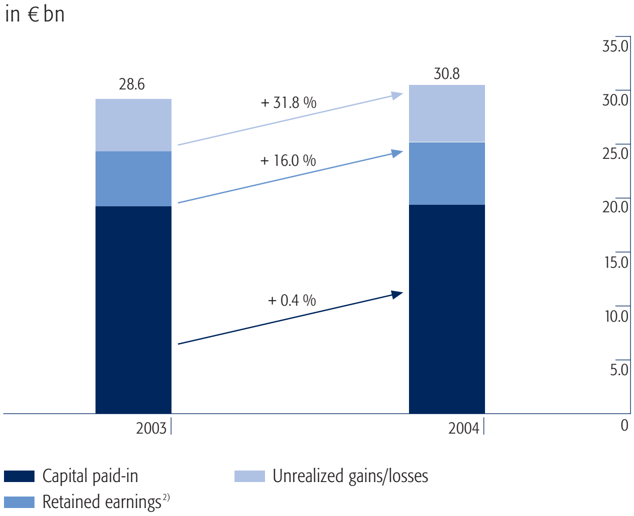
Shareholders' equity rises to € 30.8 billion.

A key focus of our "3+One" program is to secure and strengthen our capital base – an area in which we achieved much success throughout 2004. We increased shareholders' equity to € 30.8 billion – an increase of € 2.2 billion, while simultaneously reducing Allianz AG debt.

Shareholders' equity, reserves and solvency

At December 31, 2004, **shareholders' equity** of the Allianz Group amounted to € 30.8 billion. Year on year, our capital base experienced a € 2.2 billion, or 7.8 %, increase despite the distribution of € 0.6 billion worth of dividends to our shareholders. This is primarily attributable to our net income of € 2.2 billion. At constant exchange rates, the increase in shareholders' equity would have been even more substantial. However, the exchange rate declines brought about by a comparatively weak U.S. dollar reduced shareholders' equity by € 0.8 billion in 2004.

Statement of changes in shareholders' equity[1] 2004
in € bn



[1] For further information, see "Consolidated Statements of Changes in Shareholders' Equity" on page 104.
[2] Revenue reserves include currency translation effects (2004: € (2,680) mn; 2003: € (1,916) mn).

The balance of **unrealized gains and losses** from securities available-for-sale is part of shareholders' equity. This balance increased to € 5.6 billion (2003: € 4.2 billion) following the market gains in equity and bond prices during the final quarter of 2004.

Valuation reserves for our real estate holdings and participations consolidated at equity are not part of shareholders' equity. At December 31, 2004, these reserves stood at € 1.7 billion (2003: € 1.6 billion) after deducting taxes, minority interests and policyholders participations.

At December 31, 2004, the capital elements eligible for the **solvency** margin, which is a legal requirement in Germany for insurance groups, amounted to € 30.0 billion (2003: € 26.0 billion), surpassing the minimum legally stipulated level by € 16.6 billion. This resulted in a cover ratio of 223.9 % compared to 206.3 % in 2003. The solvency margin directive applies only to our insurance segments and does not contain any capital requirements for our banking business.

However, the **Supervision of Financial Conglomerates**, a supplementary EU directive that came into effect in Germany on January 1, 2005, applies both to banking and insurance business in equal measure. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The authority responsible for implementing this directive is to establish the required level of capital that such a group should have in order to be able to bear the risks of cross-sector activities. Initial calculations are to take place in 2006 on the basis of the 2005 financial statements. The Allianz Group is a financial conglomerate under German law and, in view of this, has been making timely preparations for the additional requirements that are to be expected. At this point in time, the calculation methodology for the financial conglomerates solvency margin is still subject to uncertainties. However, preliminary calculations based on the current status of discussion indicate a reasonable margin in meeting the requirements.

In 2004, all Allianz Group companies complied with their local solvency requirements.

Ratings

As a provider of financial services, our superior capital strength is an important asset. Allianz AG enjoys very strong ratings with all major rating agencies. In 2004, these ratings remained unaltered from the previous year. Standard & Poor's affirmed its "AA–" long-term insurer financial strength and counterparty credit ratings, while A.M. Best continued to rate Allianz as "A+", its second highest rating category. Despite the negative outlook of both agencies, they did recognize our progress in strengthening operating profitability.

	Standard & Poor's	Moody's	A.M. Best
Insurer financial strength	AA–	Aa3	A+
Outlook	Negative	Stable	Negative
Counterparty credit	AA–	not	aa–
Outlook	Negative	applicable	
Senior unsecured debt	AA–	Aa3	aa–
Outlook		Stable	Negative
Subordinated debt	A	A2	a+/a*)
Outlook		Stable	
Commercial paper (short term)	A-1+	P-1	not rated

*) Ratings vary on the basis of maturity period and terms.

Borrowing

In February 2004, we issued a perpetual subordinated bond with a nominal value of € 1.5 billion. We thereby took advantage of the low interest environment and the high liquidity in the market to refinance short-term with long-term debt at attractive conditions.

On March 02, 2004, we fully repaid the MILES index-linked convertible bond, of which, at that point, 50 % of the original issue amount was still outstanding. In connection with this, we delivered approximately 6.8 million Munich Re shares to investors, lowering our investment in Munich Re by approximately 3 percentage points.

Our use of commercial paper as a short-term financing instrument was reduced considerably from the previous year, down from € 3 billion to € 1.4 billion. Interest paid on commercial paper fell accordingly, and amounted to € 31.6 million in 2004 (2003: € 53.4 million).

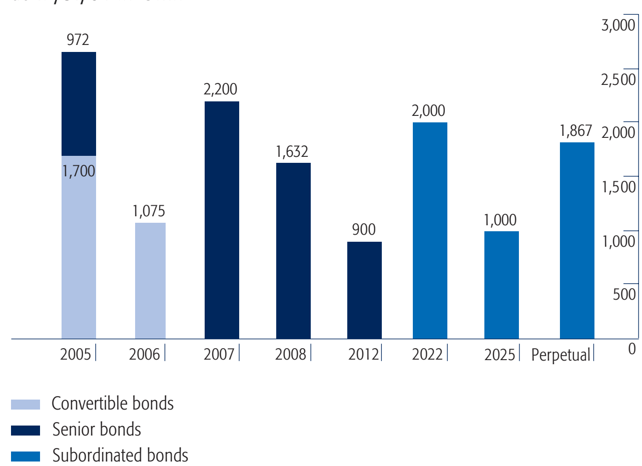
Outstanding Allianz AG bonds*) – overview at 12/31/04

	Volume € bn	Interest paid € mn
Senior bonds	5.7	288.2
Convertible bonds	2.8	135.6
Subordinate bonds	4.9	290.5

See Notes 33 "Interest and similar expenses", 16 "Participation certificates and subordinated liabilities", 20 "Certificated liabilities" on pages 163, 147 and 151 to 152.

*) Bonds and convertible bonds issued or guaranteed by Allianz AG in the capital market, presented at nominal values.

Certificated liabilities and subordinated bonds*) by maturity – overview at 12/31/04 in € mn



*) Bonds and convertible bonds issued or guaranteed by Allianz AG in the capital market, presented at nominal values.

In February 2005, we took advantage of the current situation on the capital markets and placed a transaction package worth approximately € 4 billion on the market. In addition to further reducing our equity exposure and borrowing, these transactions will also further improve our already strong capital base.

To reduce our equity exposure, € 1.2 billion worth of DAX-linked BITES (Basket Index Tracking Equity-linked Securities) with a three-year maturity period were issued. The redemption value is governed by the performance of the Deutsche Boerse's DAX index. The Allianz Group can choose to redeem the BITES in shares of Munich Re, Siemens AG or BMW AG.

We issued a € 1.4 billion subordinated bond to partially refinance € 2.7 billion worth of bonds that mature in 2005. This bond has an unlimited maturity period, but we are entitled to redeem the bond at the nominal amount after twelve years. Our capital base was also strengthened by Dresdner Bank placing its stock of 17.2 million Allianz AG shares on the open market at a market capitalization of approximately €1.5 billion.

Allianz AG bond issues[1]

1. Senior bonds

		Interest paid in 2004
5.75 % bond issued by Allianz Finance B. V., Amsterdam		
Volume	€ 1.1 bn	
Year of issue	1997/2000	
Maturity date	7/30/2007	
SIN	194 000	
ISIN	DE 000 194 000 5	
Interest cost		€ 63.7 mn
5.0 % bond issued by Allianz Finance B. V., Amsterdam		
Volume	€ 1.6 bn	
Year of issue	1998	
Maturity date	3/25/2008	
SIN	230 600	
ISIN	DE 000 230 600 8	
Interest cost		€ 84.5 mn
3.0 % bond issued by Allianz Finance B. V., Amsterdam		
Volume	CHF 1.5 bn	
Year of issue	1999/2000	
Maturity date	8/26/2005	
SIN	830 806	
ISIN	CH 000 830 806 3	
Interest cost		€ 36.3 mn
4.625 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1.1 bn	
Year of issue	2002	
Maturity date	11/29/2007	
SIN	250 035	
ISIN	XS 015 878 835 5	
Interest cost		€ 52.5 mn
5.625 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 0.9 bn	
Year of issue	2002	
Maturity date	11/29/2012	
SIN	250 036	
ISIN	XS 015 879 238 1	
Interest cost		€ 51.2 mn
Total interest cost for senior bonds		**€ 288.2 mn**

2. Subordinated bonds

		Interest paid in 2004
6.125 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 2 bn	
Year of issue	2002	
Maturity date	5/31/2022	
SIN	858 420	
ISIN	XS 014 888 756 4	
Interest cost		€ 123.6 mn
7.25 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	US-$ 0.5 bn	
Year of issue	2002	
Maturity date	Perpetual Bond	
SIN	369 290	
ISIN	XS 015 915 072 0	
Interest cost		€ 30.9 mn
6.5 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1 bn	
Year of issue	2002	
Maturity date	1/13/2025	
SIN	377 799	
ISIN	XS 015 952 750 5	
Interest cost		€ 66.2 mn
5.5 % bond issued by Allianz AG		
Volume	€ 1.5 bn	
Year of issue	2004	
Maturity date	Perpetual Bond	
SIN	A0A HG3	
ISIN	XS 018 716 232 5	
Interest cost		€ 69.8 mn
Total interest cost for subordinated bonds		**€ 290.5 mn**

3. Convertible bonds

		Interest paid in 2004
2.0 % convertible bond issued by Allianz Finance B. V., Amsterdam		
Convertible for	Siemens AG shares	
Volume	€ 1.7 bn	
Year of issue	2000	
Maturity date	3/23/2005	
Current exchange price	€ 149.64	
SIN	452 540	
ISIN	DE 000 452 540 7	
Interest cost[2]		€ 84.2 mn
Received option premium at issue	€ 256.8 mn	
1.25 % convertible bond issued by Allianz Finance II B. V., Amsterdam		
Convertible for	RWE AG shares	
Volume	€ 1.1 bn	
Year of issue	2001	
Maturity date	12/20/2006	
Current exchange price	€ 50.16	
SIN	825 371	
ISIN	XS 013 976 180 2	
Interest cost[2]		€ 49.6 mn
Received option premium at issue	€ 178.1 mn	
Total interest cost for convertible bonds		**€ 133.8 mn**

4. Participation certificate

		Interest paid in 2004
Allianz AG participation certificate		
Volume	€ 85.1 mn	
SIN	840 405	
ISIN	DE 000 840 405 4	
Interest cost		€ 4.2 mn

Issues that reached maturity in 2004

		Interest paid in 2004
Index-linked convertible bond (MILES) issued by Allianz Finance II B. V., Amsterdam		
ISIN	DE 000 600 385 8	
Matured on	2/20/2004	
Interest cost		€ 1.8 mn
Total interest cost 2004 for matured issues		**€ 6.0 mn**
Total interest cost		**€ 718.5 mn**

[1] Bonds and convertible bonds issued or guaranteed by Allianz AG, excluding private placements.

[2] Includes coupon payment and option premium at amortized cost.

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on the headline or the page number.

Contents Group Management Report

Considerably improved business environment

Despite continued uncertainties, the world economic growth trend helped to boost our business success.

2004 was marked by strong economic growth, resulting in a period of peaks: world economic strength increased by almost 4 %, while at the same time global trade grew by some 10 %. Even Germany reached the end of its phase of several years' stagnation, and expanded by 1.6 %. Nonetheless, 2004 was still not a year for bubbling optimism. The persisting unchanged uncertainties were too great, particularly in regard to the tensions in the Middle East, the full impact of which was felt by the entire world in the form of the high oil price.

Uncertainties persisted

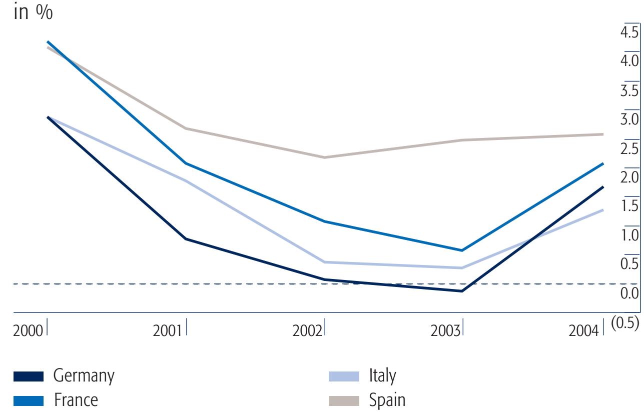
Although economic development in 2004 was very good in retrospect, this was not at all clear in the course of the year itself. Circumstances continually conspired to sow doubts on the durability of the exceptionally satisfactory economic situation. In particular, the weak labor market data in all industrialized countries and the rampant U.S. balance of payments deficit urged caution, as did wildly fluctuating exchange rates and the fact that the relative value of the U.S. dollar fell uninterruptedly against other leading currencies. Additional unrest, especially in the second half of the year, was further caused by rising commodity prices and the fear that China's strong growth would overheat its economy.

This good overall economic trend encouraged significant company consolidation activities in most industrial countries. However, many of them remained heavily indebted, which dampened readiness to invest or increase jobs. Uncertainty in Germany on the continued progress of the political reform process represented a particular burden, since its effect was often the postponement of planned consumption and investment. Consequently, domestic demand lagged behind expectations. The fact that Germany nonetheless managed to break free of the stagnation of previous years and achieve economic growth, albeit at a level under the average for the euro zone, was the consequence of very brisk foreign trade that more than made up for the domestic deficits.

Average growth in the EU States, however, was relatively modest compared to other major economies or regions. At just under 2 % it trailed well behind Japan (2.6 %) and the U.S.A. (4.4 %). Thanks to its economic strength, the United States proved to be the driving force of the world economy in 2004. The climate of growth was more pronounced in Asia, which, powered by 9.5- % growth in China, raised its economic strength by 7.3 %. Central and Eastern Europe and Latin America also developed more dynamically than the EU average, with expansion rates of 5.6 % and 5.4 % respectively.

Real GDP growth

in %



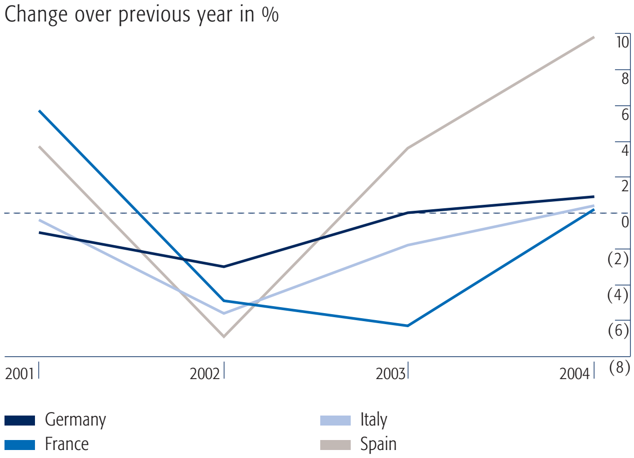
Property and Casualty Insurers

The good economic climate also boosted growth of premiums in the property and casualty insurance business. Many insurers continued their previous year's practice of generating high profits from a deliberately risky underwriting and pricing policy. In some markets this was only partially successful, since hard-fought competition forced market participants to retrench. Premium growth in the EU developed much the same as in the year before, although clearly more dynamic in the new member states than in the economies of the 15 existing states. In Asia the growth curves in China and India pointed steeply upwards, but were predominantly flat in the largest insurance market of the region, Japan. Thanks to a claims trend devoid of spectacular events and continued cost discipline, casualty and property insurers generally succeeded in further improving their combined ratio. However, this did not apply to everybody, especially those companies particularly affected by the severe natural disasters of 2004. Hurricanes in the Caribbean and the south and east coasts of the U.S.A. in the autumn of 2004, earthquakes and typhoons in Japan, and the appalling subsea earthquake in the Indian Ocean at the end of the year not only wrought unimaginable human suffering but inflicted devastating economic damage, which resulted overall in claims expenses for natural disasters at a level not seen in the property and casualty insurance business for the past 30 years.

Car insurance business, by far the largest and most important line in property and casualty insurance, continued to develop variedly from market to market, as in the previous year. One of the major governing factors here is new vehicle registrations. Since these scarcely increased in Germany, car insurance premium income in this market remained at the same level as the previous year, while in Spain a rapid climb in new registrations resulted in a strong upturn in premiums. The following chart shows this development in the most important Allianz markets.

New car registrations

Change over previous year in %



Life and Health Insurance

Most industrialized countries, and a large number of countries on their way to industrialization, will have to redesign their pensions systems, since increased life expectancy and low or falling birth rates will in time wreck any contribution-based system. As the number of contributors continues to shrink, that of the beneficiaries increases further, as does the period for which a pension is received. These trends are irreversible and so far-reaching that in the long term there is no prospect of keeping these systems going by additional financing from tax revenues. Consequently, they need to be supplemented, or even completely replaced, by capital-financed pensions. This means that the significance of company and private pensions will increase now and in the future. In this situation life insurances, which generally incorporate guarantees, enjoy high regard. The profit situation of life insurers benefited in 2004 from improved calmness and constancy on the financial markets.

Overall, life insurance showed brisk development. In Germany the new fiscal treatment of life insurance benefits as from January 1, 2005, triggered an exceptional surge in business in the last quarter of the reporting year. A large number of customers wanted to take advantage of the tax-free payment by taking out a contract before the end of the year, thus generating a veritable boom in our business in this quarter for the numerous providers, whose premiums rose by a good 12 %. Life insurance also flourished in countries without any such exceptional conditions, for example in France, Italy, Spain, Poland and the Czech Republic.

The changes in the age distribution of society have hit health insurance business just as hard as contribution-based pensions systems. Consequently, countries such as Germany, France and the Netherlands are about to embark on reforms to their health systems. The associated political debate and divergent opinions on how a reform should affect statutory health insurance have unnerved the German public and given private providers – as in the previous year – a handsome increase in turnover of almost 7 %, even though the higher mandatory insurance limit meant that fewer insured persons than in previous years changed to private providers. Private health insurance premium income also enjoyed dynamic development in both France and Spain. In France's case, however, this was due to the increase in healthcare costs.

Asset Management

The inclination and the need to deploy more private funds for pension provision also spurred on wealth creation by means of asset management products. This trend is international. It is particularly marked in Europe and the U.S.A., where the generation born in the Fifties and Sixties, the "baby boomers", are now reaching an age where they no longer have all that much time to arrange pension provision with private capital. Consequently, they have to make full use of the remaining years until retirement. The fund management industry is benefiting from this as well as the life insurers. Asia is also becoming more important as a market for wealth creation products. One key market in this region is China, where the former one-child policy will dramatically accentuate the future aging of society.

Moreover, the business of the fund management industry is also affected by developments on capital markets. This was reflected in 2004 by valuation fluctuations, which affected investor behavior. In the first half of the year, equity funds worldwide recorded comparatively high inflows. Weakening stock markets in the summer boosted demand for fixed-income funds. Money market funds were less in demand over the entire year. As share prices became firmer in the last quarter, this development gave equity funds another boost. On balance, 2004 as an asset management year was marked by a fairly subdued inflow of funds, and by the trend to regroup again more strongly in equity funds.

Banks

The banking sector continued its recovery in 2004. Profits improved in almost all significant markets. As a result of the stronger economic climate there were fewer insolvencies, which benefited the banking industry. Investment banks, particularly those in the U.S.A., profited from the positive developments on the financial markets. Consolidation in the banking industry continued. In Germany the need for consolidation is still especially high, since cross-sector mergers remain taboo. Loan processes were also changed in anticipation of new equity rules soon to take effect in Germany. This will change the modalities of company financing. Rating processes will play a more significant role for medium-sized enterprises as well, since loans are being increasingly priced on a risk-adequate basis. At the same time, the banks are reducing risks in their business portfolios by using derivatives as hedges against loan losses, and are attempting to upgrade profitability by restructuring. These initiatives are by now well advanced, so banks are free again to concentrate more of their attention on raising operating profits, and above all devote themselves to their private customers.

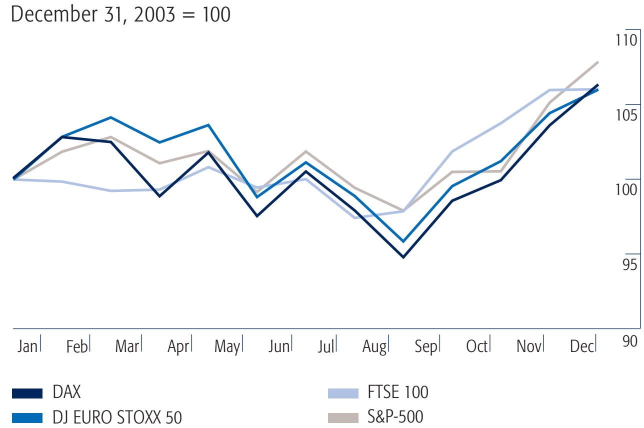
Capital markets

Stock markets

The major stock indices hardly changed at all until the third quarter of 2004, although they had followed a clear upwards trend at the end of the previous year. The strains caused by the rise in oil prices and uncertainties due to the heavy fluctuations in the exchange rate between the euro and the U.S. dollar were so great that the upwards trend in corporate profits was insufficient to maintain the momentum of the previous year. Values on stock exchanges did not rise again until the end of the year. The German DAX index swung to and fro between 3,600 and 4,000 points before clearing the 4,000-point mark in the last quarter, where it remained. The pattern of the U.S. Standard & Poors Index (S&P 500) was similar. Initially the curve seemed trapped in a corridor between 1,060 and 1,100 points, before finally swinging up towards 1,200 points. The performance of the stock markets over the year as a whole was correspondingly mediocre. The DAX rose by 6 % and the S&P 500 by 9 %.

Stock market performance 2004

December 31, 2003 = 100

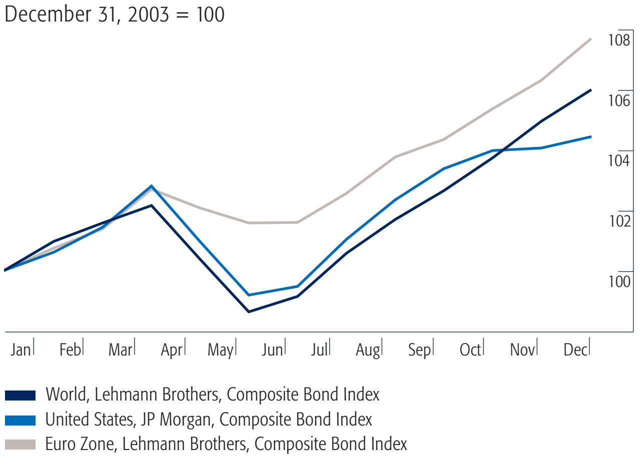


Bond markets

The oil price development, the change in direction in U.S. interest rates and persistent general worries about the economic climate determined the government bond markets in 2004. Between April and June, yields on ten-year government bonds rose by 60 basis points in Germany and 120 in the U.S.A. Yields dropped noticeably in the middle of year when worries about inflation were compounded with fears that the rising oil price would nip any economic improvement in the bud. At the end of the year, interest rates followed different paths in Europe and Germany: yields started climbing again in the United States, but dropped further in Europe. Since the U.S. dollar weakened considerably against the euro in tandem with this country development, there is much to suggest that institutional investors and a number of central banks were converting large proportions of their portfolios from U.S. dollars to Euro securities. Overall, yields on European bond markets by the end of the year had fallen to below the level of the beginning of the year; yields on fixed-interest securities on U.S. markets were roughly the same at the beginning and the end of the year.

Performance of fixed income indexes 2004

December 31, 2003 = 100

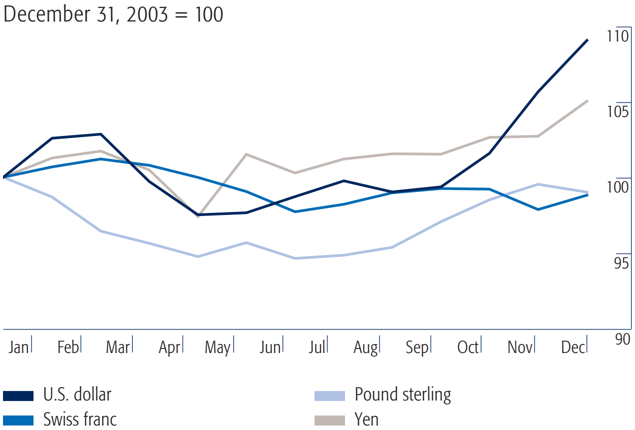


Currencies

During 2004, the euro appreciated substantially against the U.S. dollar, reaching a temporary peak of 1.36 U.S. dollars as the dominant EU currency. This exchange rate pattern showed that private investors doubted whether the balance of payments deficits and extremely expansionist monetary and fiscal policy in the United States were sustainable in the long term. The trend was accentuated by the impression given by representatives of the U.S. administration and the U.S. Federal Reserve that they were not adversely disposed to a further drop in the value of the "greenback". Unlike 2003, the appreciation of the euro was confined solely to its relationship with the U.S. dollar. Against other currencies the value of the euro was virtually unchanged or fell, particularly against Eastern European currencies. As in the previous year, pound sterling was worth 0.70 euro and the Swiss franc 1.45 euro, corresponding to an appreciation of 1 % over the year. The Japanese yen fluctuated very slightly against the euro, with only negligible changes in value; it appreciated against the U.S. dollar, however.

Development of foreign currencies relative to the euro

December 31, 2003 = 100



The following discussion is based on our audited consolidated financial statements and should be read in conjunction with those statements. We evaluate the results of our Property-Casualty, Life/Health insurance, Banking and Asset Management segments using a financial performance measure we refer to herein 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. For further information on operating profit, as well as the particular reconciling items between operating profit and net income, see Note 5 to the Consolidated Financial Statements.

Executive Summary

In 2004, we increased our operating profit by 68.6 %.

- In 2004, we successfully continued the execution of our "3+One " program. 2004 was a year of carefully managed growth. We were successful in increasing our total revenues by € 3.1 billion, particularly in our Life/Health segment. In our Property-Casualty segment, we focused on profitability and were willing to forego business opportunities which did not offer a reasonable relation between risk and return. Banking operating revenues were stable. We were also successful in attaining growth in our operating revenues from our Asset Management operations.
- 2004 was also a year of continued operational discipline to strengthen our earnings power, thereby achieving a significant improvement in our operating profit by € 2.8 billion to € 6.9 billion.
- The quality of earnings also improved. Driven by strong operating profit, our net income rose to € 2.2 billion despite a much lower contribution from non-operating investment results and significantly higher expenses for taxes and minority interests.
- Shareholders' equity increased by € 2.2 billion to € 30.8 billion, further strengthening our capital base.

Allianz Group's Consolidated Results of Operations

The execution of our "3+One" program resulted in a year of **continued earnings growth**. We were successful in increasing our operating profit by €2.8 billion to €6.9 billion and our net income reached €2.2 billion (2003: € 1.9 billion).

2004 was a year of **carefully managed growth**, increasing our total revenues by €3.1 billion, or 3.3 %, to €96.9 billion. Excluding effects from foreign currency translation and changes in scope of consolidation (or "internal growth"), our total revenues increased by 6.0 %.

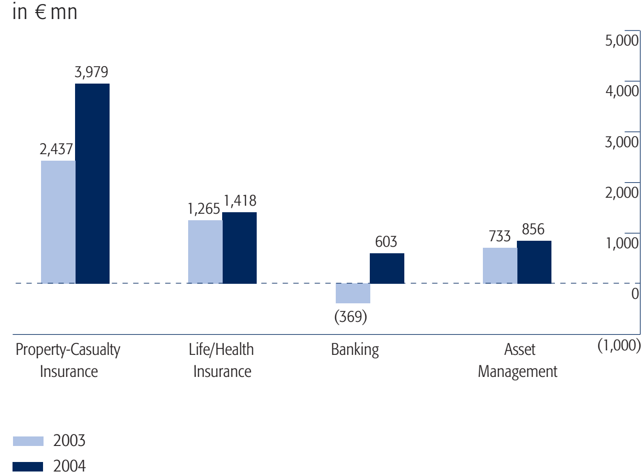
Property-Casualty Gross written premiums remained fairly constant with growth of 0.8 %, as we sought opportunities that offered a profitable correlation between premium rates and risks and were willing to forego premium growth in certain markets where this objective could not be achieved.

Life/Health and **Asset Management** Our two segments focusing on the promising pension and wealth accumulation market experienced increases in statutory premiums and operating revenues of 6.8 % and 3.1 %, respectively.

Banking Operating revenues stabilized with internal growth of 0.3 %, experiencing only a 4.0 % decline despite a reduced portfolio of interest-bearing assets. However, both net fee and commission income and net trading income increased 5.8. % and 1.1 %, respectively.

Operating profit

in € mn



2004 was also a year of **continued operational discipline**, which resulted in a significant improvement of operating profit by €2.8 billion to €6.9 billion.

Property-Casualty We managed to reduce our combined ratio by 4.1 percentage points to 92.9 % in 2004 (2003: 97.0 %) as a result of our disciplined underwriting and pricing practices, as well as stringent expense control. This positive development increased operating profit to €4.0 billion in 2004 (2003: €2.4 billion).

Life/Health Our statutory premiums increased to €45.2 billion in 2004, a 6.8 % increase from 2003. Additionally, our administrative expenses were reduced by 2.8 % to € 1.3 billion in 2004 as compared to 2003.

Banking Administrative expenses and net loan loss provisions were reduced significantly by 9.4 % and 66.1 %, respectively. As a consequence, our banking segment reported operating profit of €603 million in 2004 (2003: operating loss of €369 million).

Asset Management We succeeded in reducing our cost-income ratio by a further 4.3 percentage points to 62.9% in 2004 (2003: 67.2%), primarily as a result of increased operating revenues and a reduction in operating expenses. These positive developments led to an operating profit of €856 million in 2004 (2003: €733 million).

Our **strengthened earnings power** was also reflected in our consolidated **net income**, which rose by more than €300 million to €2.2 billion in 2004 (2003: €1.9 billion). Net capital gains, including non-operating trading income, and impairments on investments decreased by €1.6 billion to €1.3 billion in 2004, largely attributable to significant realized gains on reductions of certain shareholdings in 2003. These gains in 2003 were partly offset by charges of €1.3 billion relating to derivatives used for hedging of our equity portfolio. Restructuring charges fell 67.3% to €292 million in 2004 (2003: €892 million), of which Dresdner Bank accounted for 99.3% (2003: 94.2%). Interest expense on external debt remained fairly constant, amounting to €863 million in 2004 (2003: €831 million). These developments resulted in earnings before taxes and minorities of €5.2 billion (2003: €2.9 billion). Our consolidated tax expense increased by €1.6 billion to €1.7 billion in 2004, largely as a consequence of the significantly reduced level of tax-exempt capital gains, representing an overall effective income tax rate of 32.6% (2003: 3.2%). Minority interests in earnings also increased to €1.3 billion in 2004 (2003: €825 million).

Overall, **quality of earnings** strongly improved in 2004. Operating profit increased significantly by €2.8 billion to €6.9 billion. Hence, despite a decrease in our non-operating result by €467 million and an increase of taxes and minority interests in earnings of €2.0 billion, our net income increased by 16.4% to €2.2 billion in 2004.

Basic earnings per share

in €

The following table sets forth the total revenues, operating profit and IFRS net income for each of our business segments for the years 2004 and 2003, as well as IFRS consolidated net income of the Allianz Group.

Years ended December 31	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Consolidation adjustments € mn	Total Group € mn
2004						
Total revenues*)	43,780	45,177	6,463	2,308	(836)	96,892
Operating profit	3,979	1,418	603	856	–	6,856
Earnings from ordinary activities before taxes	**5,936**	**1,646**	**(81)**	**53**	**(2,371)**	**5,183**
Taxes	(1,490)	(469)	286	(34)	(20)	(1,727)
Minority interests in earnings	(1,121)	(369)	(101)	(171)	505	(1,257)
Net income (loss)	**3,325**	**808**	**104**	**(152)**	**(1,886)**	**2,199**
2003						
Total revenues*)	43,420	42,319	6,731	2,238	(929)	93,779
Operating profit	2,437	1,265	(369)	733	–	4,066
Earnings from ordinary activities before taxes	**5,729**	**856**	**(2,200)**	**(103)**	**(1,421)**	**2,861**
Taxes	(641)	(583)	1,025	16	37	(146)
Minority interests in earnings	(407)	(235)	(104)	(183)	104	(825)
Net income (loss)	**4,681**	**38**	**(1,279)**	**(270)**	**(1,280)**	**1,890**

*) Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, and asset management segment's operating revenues.

Allianz Group's Consolidated Assets, Liabilities and Shareholders' Equity

In 2004, we made further progress **in protecting and strengthening our capital base.** Our shareholders' equity increased by €2.2 billion to €30.8 billion at December 31, 2004 (2003: €28.6 billion). This increase resulted from our strong net income for the year and increased net unrealized gains from our available-for-sale securities, driven by improved conditions in the bond and equity markets in 2004. These two factors more than offset the shareholders' dividend of €551 million and negative effect from foreign currency translation of €840 million, primarily due to the declining U.S. dollar compared to the Euro.

Shareholders' equity

in € mn

Total assets and liabilities increased in 2004 by € 58.8 billion and € 55.4 billion, respectively. These increases resulted primarily from increased trading assets from Dresdner Bank refinanced by trading liabilities and liabilities to banks. In addition, insurance reserves increased by € 43.7 billion, or 14.0%, to € 355.2 billion at December 31, 2004 (2003: € 311.5 billion), mainly attributable to the growth of our universal-life type and investment contracts within our life/health segment. As a result of the increase in available-for-sale securities, investments grew by € 24.5 billion to € 319.6 billion in 2004.

The following table presents the Allianz Group's consolidated balance sheets as of December 31:

ASSETS	2004	2003
	€ mn	€ mn
Intangible assets	15,147	16,262
Investments in associated enterprises and joint ventures	5,832	6,442
Investments	319,552	295,067
Separate account assets	15,851	32,460
Loans and advances to banks	126,618	117,511
Loans and advances to customers	188,168	203,259
Trading assets	220,001	146,154
Cash and cash equivalents	15,628	25,528
Amounts ceded to reinsurers from insurance reserves	22,310	25,061
Deferred tax assets	13,809	14,364
Other assets	51,782	53,804
Total assets	**994,698**	**935,912**

EQUITY AND LIABILITIES	2004	2003
	€ mn	€ mn
Shareholders' equity	30,828	28,592
Minority interests in shareholders' equity	9,531	8,367
Participation certificates and subordinated liabilities	13,230	12,230
Insurance reserves	355,195	311,471
Separate account liabilities	15,848	32,460
Liabilities to banks	191,354	178,316
Liabilities to customers	157,274	154,728
Certificated liabilities	57,771	63,338
Trading liabilities	102,141	84,835
Other accrued liabilities	13,168	13,908
Other liabilities	31,833	31,725
Deferred tax liabilities	14,486	13,509
Deferred income	2,039	2,433
Total equity and liabilities	**994,698**	**935,912**

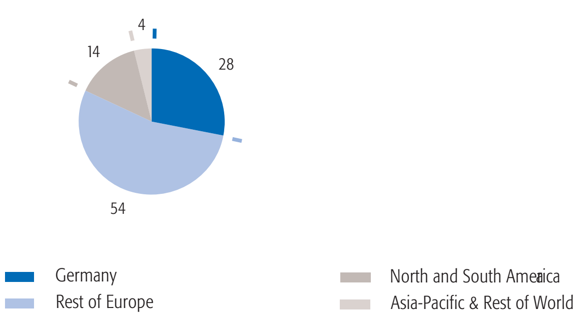
Property-Casualty Insurance Operations

We continued to focus on profitable growth and reduced our combined ratio to 92.9 %.

- In property-casualty insurance, we continued to focus on profitable growth through selectively increasing our business volume where risk-adequate premiums could be attained. Overall, our gross premiums written increased by 0.8% to € 43.8 billion in 2004. Our property-casualty gross premiums written, based on internal growth, grew by 2.1% in 2004.
- We succeeded in reducing our combined ratio by a further 4.1 percentage points to 92.9% in 2004. Net current income from investments rose by € 507 million to € 3.1 billion in 2004. As a result, operating profit increased significantly by 63.3% to € 4.0 billion in 2004.
- Non-operating results decreased by 40.6% in 2004 as compared to 2003, which included significant net realized gains from the sale of investments.
- As a result of higher tax charges due to our improved operating profitability, net income decreased from € 4.7 million in 2003 to € 3.3 billion in 2004.

Earnings Summary

Gross premiums written in 2004 by region[*)]
in %

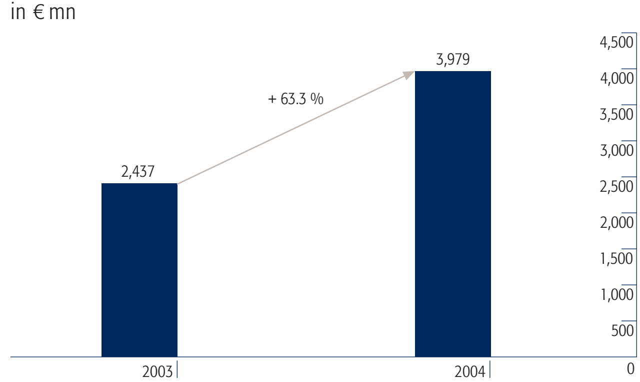


*) After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Gross premiums written

Our property-casualty insurance segment's gross premiums written in 2004 increased by € 360 million, or 0.8 %, to € 43,780 million from € 43,420 million in 2003. Based on internal growth, gross premiums written increased by 2.1 %. This increase was specifically due to rate increases, particularly in Germany, Italy, and Switzerland, and to growth in new business, particularly in Central and Eastern Europe, Australia and Spain. The increase was offset in part by the effects of a more selective underwriting policy and portfolio review measures, particularly in France. These achievements reflect our strategy of selective growth which we have pursued in our property-casualty segment in 2004. While we continue to strive for profitable growth, we are willing to forego sales growth.

Operating profit
in € mn



Operating profit

Our property-casualty insurance segment's operating profit improved significantly with an increase of 63.3 % to € 3,979 million in 2004 from € 2,437 million in 2003, mainly reflecting an improved underwriting result. Our **loss ratio**, which decreased for the third consecutive year, declined by 3.8 percentage points to 67.7 % in 2004 as compared to 2003, driven primarily by our disciplined underwriting and pricing practices. We believe this improvement was positive in light of losses arising from natural catastrophe claims in 2004. As a result of our risk management system, we recorded only € 216 million of net losses in connection with claims arising from the hurricanes which struck the South-Eastern United States in August and September 2004, which was low in comparison to our market share in the United States. Net losses in connection with the tsunamis which struck South Asia in late December 2004 amounted to 22 million. Our **expense ratio** also continued to decrease from 25.5 % in 2003 to 25.2 % in 2004. Overall, our combined ratio improved by 4.1 percentage points to 92.9 % in 2004 as compared to 97.0 % in 2003.

Net income

Net capital gains and impairments on investments decreased by € 4,033 million to € 1,287 million in 2004 as compared to € 5,320 million in 2003, primarily as a result of significant realized gains in connection with the sale of certain shareholdings in 2003. **Net trading income/(expense)** improved significantly to a loss of € 49 million in 2004 as compared to a loss of € 1,490 million in 2003, which reflected losses in the first half of 2003 relating to the use of certain derivative financial instruments to hedge our equity exposure. **Intra-group dividends and profit transfer** and **interest expense on external debt** were € 1,963 million and € 863 million in 2004 as compared to € 676 million and € 831 million in 2003, respectively. Due to improved operating profitability, **tax expense** increased by € 849 million to € 1,490 million in 2004. Similarly, **minority interests in earnings** increased by € 714 million to € 1,121 million in 2004. Overall, **net income** declined by € 1,356 million to € 3,325 million in 2004.

Years ended December 31	2004 € mn	2003 € mn
Gross premiums written	43,780	43,420
Premiums earned (net)[1]	38,193	37,277
Current income from investments (net)[2]	3,101	2,594
Insurance benefits (net)[3]	(26,661)	(27,319)
Net acquisition costs and administrative expenses[4]	(9,630)	(9,511)
Other operating income/(expenses)(net)	(1,024)	(604)
Operating profit	**3,979**	**2,437**
Net capital gains and impairments on investments[5]	1,287	5,320[6]
Net trading income/(expenses)[7]	(49)	(1,490)
Intra-group dividends and profit transfer	1,963	676
Interest expense on external debt	(863)	(831)
Amortization of goodwill	(381)	(383)
Earnings from ordinary activities before taxes	**5,936**	**5,729**
Taxes	(1,490)	(641)
Minority interests in earnings	(1,121)	(407)
Net income	**3,325**	**4,681**

[1] Net of earned premiums ceded to reinsurers of € 5,298 mn (2003: € 5,539 mn).
[2] Net of investment management expenses of € 352 mn (2003: € 412 mn) and interest expenses of € 482 mn (2003: € 883 mn).
[3] Comprises net claims incurred of € 25,867 mn (2003: € 26,659 mn), changes in other net underwriting provisions of € 470 mn (2003: € 326 mn) and net expenses for premium refunds of € 324 mn (2003: € 334 mn). Net expenses for premium refunds were adjusted for income of € 268 mn (2003: expense of € 396 mn) related to policyholders' participation of net capital gains and impairments on investments, as well as net trading income/(expense), that were excluded from the determination of operating profit.
[4] Comprises net acquisition costs of € 5,781 mn (2003: € 5,509 mn) and administrative expenses of € 3,849 mn (2003: € 4,002 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquistion costs and administrative expenses as presented in the consolidated financial statements.
[5] Comprises net realized gains on investments of € 1,482 mn (2003: € 6,449 mn), and net impairments on investments of € 195 mn (2003: € 1,129 mn). These amounts are net of policyholders' participation.
[6] Includes significant net realized gains from sales of of certain shareholdings.
[7] Net trading income/(expenses) are net of policyholders' participation.

Years ended December 31	2004 %	2003 %
Loss ratio[1]	67.7	71.5
Expense ratio[2]	25.2	25.5
Combined ratio	**92.9**	**97.0**

[1] Represents ratio of net claims incurred to net premiums earned.
[2] Represents ratio of net acquisition costs and administrative expenses to net premiums earned.

Property-Casualty Operations by Geographic Region

The following table sets forth our property-casualty gross premiums written and earnings after taxes before minority interests in earnings and excludes amortization of goodwill, which we refer to herein as "earnings after taxes and before goodwill amortization", by geographic region. Consistent with our general practice, gross premiums written and earnings after taxes and before goodwill amortization by geographic region are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Germany	12,797	2,028	12,646	4,239	12,314	9,068
France	5,282	1,537	5,367	321	4,941	371
Italy	5,271	720	5,117	474	4,939	893
United Kingdom	2,632	228	2,538	206	2,711	256
Switzerland	1,816	148	1,742	60	1,747	62
Spain	1,763	175	1,681	96	1,490	62
Other Europe	5,154	572	5,262	604	4,836	418
NAFTA	5,325	518	5,344	(95)	5,992	(944)
Asia-Pacific	1,672	139	1,654	92	1,596	(18)
South America	599	50	614	13	768	47
Other	63	7	61	9	64	9
Specialty Lines						
Credit Insurance	1,630	217	1,564	119	1,579	15
Allianz Global Risks Re	1,345	52	1,346	77	1,136	(257)
Allianz Marine & Aviation	949	81	1,073	64	1,424	21
Travel Insurance and Assistance Services	900	24	818	18	808	21
Subtotal	**47,198**	**6,496**	**46,827**	**6,297**	**46,345**	**10,024**
Consolidation adjustments[1]	(3,418)	(1,669)	(3,407)	(826)	(3,051)	(1,853)
Subtotal	**43,780**	**4,827**	**43,420**	**5,471**	**43,294**	**8,171**
Amortization of goodwill	–	(381)	–	(383)	–	(370)
Minority interests	–	(1,121)	–	(407)	–	(806)
Total	**43,780**	**3,325**	**43,420**	**4,681**	**43,294**	**6,995**

[1] Represents elimination of transactions between Allianz Group companies in different geographic regions.

GERMANY

- With gross premiums written of € 10.2 billion, Sachversicherungsgruppe Deutschland (or the "German Property-Casualty Group") is the market leader in Germany's property and casualty insurance market.
- In addition to being the parent company of the Allianz Group, Allianz AG is also the Allianz Group's reinsurer, with gross premiums written of € 5.3 billion in 2004.

Germany – Key Data

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
German Property-Casualty Group	10,162	1,456	10,109	586	9,782	1,731
Allianz AG	5,267	2,327	5,504	4,829	5,621	9,498
Consolidation adjustments[*)]	(2,632)	(1,755)	(2,967)	(1,176)	(3,089)	(2,161)
Total Germany	**12,797**	**2,028**	**12,646**	**4,239**	**12,314**	**9,068**

*) Represents elimination of transactions between German Property-Casualty Group and Allianz AG.

German Property-Casualty Group

German Property-Casualty Group – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	10,162	10,109	9,782
Earnings after taxes and before goodwill amortization	€ mn	1,456	586	1,731
Loss ratio	%	63.5	68.1	73.5
Expense ratio	%	24.7	24.9	28.0
Combined ratio	%	88.2	93.0	101.5

Gross premiums written

Gross premiums written were € 10,162 million in 2004, an increase of € 53 million, or 0.5 %, from € 10,109 million in 2003, reflecting growth in almost all lines of business, in particular personal accident insurance, offset in part by a decrease in automobile insurance. Growth in our personal accident insurance line resulted mainly from continuing increases in new business.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization improved strongly by € 870 million, or 148.5 %, to € 1,456 million in 2004 from € 586 million in 2003 mainly due to an increased investment result driven by lower impairments stemming from positive stock market developments and higher capital gains. In addition, earnings after taxes and before goodwill amortization was positively affected by improved underwriting result primarily due to a lower negative impact from both large individual and natural catastrophe claims, as well as reduced frequency of claims in almost all lines of business. As a result of these developments, coupled with our strict underwriting policy, our loss ratio continued to decrease to 63.5 % in 2004 from 68.1 % in 2003. The expense ratio decreased to 24.7 % from 24.9 % in 2003, due to our ongoing efforts to reduce administrative expenses.

Allianz AG

Allianz AG – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	5,267	5,504	5,621
Earnings after taxes and before goodwill amortization	€ mn	2,327	4,829	9,498
Loss ratio	%	66.5	77.7	75.3
Expense ratio	%	26.1	27.4	28.8
Combined ratio	%	92.6	105.1	104.1

Gross premiums written

Reinsurance assumed by Allianz AG decreased by €237 million, or 4.3 %, to €5,267 million in 2004 from €5,504 million in 2003, reflecting primarily an increase in the retention of operating entities in the German Property-Casualty Group, which led to a reduction in reinsurance ceded to Allianz AG. This decrease was offset in part by the introduction of a new Allianz Group-wide pooling concept for reinsurance cover of the Allianz Group's subsidiaries against natural catastrophes.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization decreased significantly by €2,502 million, or 51.8 %, to €2,327 million in 2004 from €4,829 million in 2003, which reflected significant tax-exempt realized gains from dispositions of certain shareholdings. Excluding these realized gains, earnings after taxes and before goodwill amortization increased by €1,266 million or 119.3 %. This increase was primarily due to an improved underwriting result, as well as higher current investment income. Our underwriting result benefited from significant improvements in premium rates and conditions achieved during our last renewal negotiations, as well as a very low level of net losses from large claims and natural catastrophes as compared to the levels we have experienced in recent years. As a consequence, our combined ratio decreased to 92.6 % in 2004 from 105.1 % in 2003. Excluding life and health reinsurance business, our combined ratio for our property-casualty reinsurance declined significantly from 100.2 % in 2003 to 87.1 % in 2004.

FRANCE

_ Gross premiums written in France amounted to € 5.3 billion in 2004.

_ AGF maintained its third place ranking among French property-casualty insurers based on market share.

France – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	5,282	5,367	4,941
Earnings after taxes and before goodwill amortization	€ mn	1,537	321	371
Loss ratio	%	73.5	79.8	84.5
Expense ratio	%	24.9	24.4	26.4
Combined ratio	%	98.4	104.2	110.9

Gross premiums written

Gross premiums written decreased by € 85 million, or 1.6 %, to € 5,282 million in 2004 from € 5,367 million in 2003. The decrease was due primarily to our policy of increased focus on continuous profitability and underwriting discipline particularly in our international corporate business, as well as in our automobile insurance business. Therefore, we experienced a negative volume effect, which was offset in part by increased gross premiums written in our individual lines, as well as small and medium commercial lines. Our distribution arrangement with Crédit Lyonnais continued to contribute to the increase in individual lines and remains exclusive until 2009.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased significantly by € 1,216 million to € 1,537 million in 2004 from € 321 million in 2003, due primarily to increased operating results through the implementation of more disciplined underwriting and cost-cutting measures, thereby achieving the main target of a combined ratio below 100 %. Investment results in 2004 reflected significantly higher dividend payouts by subsidiaries of AGF as compared to 2003 and increased by € 963 million to € 1,743 million in 2004. However, the dividend income received was eliminated at the Allianz Group level. Our loss ratio in France improved to 73.5 % in 2004 from 79.8 % in 2003, largely due to strict underwriting policies, favorable claims development in our motor business as well as the absence of large claims and severe storms. Our expense ratio increased slightly to 24.9 % in 2004 from 24.4 % in 2003, mainly due to an increase in net acquisition costs.

ITALY

_ We are represented in the Italian market by our property-casualty insurers RAS Group and Lloyd Adriatico Group.

_ These Groups jointly increased gross premiums written by 3.0% to € 5.3 billion.

_ We continue to be ranked third in Italy based on market share.

Italy – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	5,271	5,117	4,939
Earnings after taxes and before goodwill amortization	€ mn	720	474	893
Loss ratio	%	68.1	70.9	74.8
Expense ratio	%	22.4	22.9	22.7
Combined ratio	%	90.5	93.8	97.5

Gross premiums written

Gross premiums written were € 5,271 million in 2004, an increase of € 154 million, or 3.0 %, from € 5,117 million in 2003, of which the RAS Group and Lloyd Adriatico Group accounted for € 3,935 million and € 1,336 million, respectively. This increase was due to growth in almost all lines of business, particularly in our automobile, general liability, fire and personal property lines. Automobile premiums increased by € 85 million, or 2.5 %, in 2004, reflecting an increase in the number of vehicles insured. General liability premiums increased by € 32 million, or 8.4 %, in 2004, reflecting primarily new business and rate increases resulting from an ongoing review of our existing portfolio. Gross premiums written from our fire and personal property lines of business increased, primarily due to the positive reception of our new products.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 246 million, or 51.9 %, to € 720 million in 2004 from € 474 million in 2003. This reflects primarily an improved underwriting result. Our loss ratio decreased to 68.1 % in 2004 from 70.9 % in 2003. This development mainly reflects the overall reduction in claim frequency, particularly in the automobile line, as a result of a more selective underwriting policy in recent years, as well as the introduction of a more stringent points-based regulation of drivers' licences by the Italian government with effect from July 1, 2003. In addition, portfolio review measures of our liability line also had a positive effect on our loss ratio. Our expense ratio decreased to 22.4 % from 22.9 % in 2003, primarily due to increased premium volume and comparatively lower increase in commission payments.

UNITED KINGDOM

_ Allianz Cornhill ranks sixth in the British property-casualty insurance market based on market share.

_ At € 2.6 billion, gross premiums written increased by 3.7%.

United Kingdom – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	2,632	2,538	2,711
Earnings after taxes and before goodwill amortization	€ mn	228	206	256
Loss ratio	%	63.6	67.1	68.1
Expense ratio	%	29.8	29.0	30.0
Combined ratio	%	93.4	96.1	98.1

Gross premiums written

Gross premiums written increased by € 94 million, or 3.7 %, to € 2,632 million in 2004 from € 2,538 million in 2003 due primarily to increased business in our commercial lines and specialty insurance, reflecting strong growth in our engineering business and pet insurance lines, offset in part by decreased gross premiums written in our personal lines business, attributable largely to the withdrawal from a major motor affinity relationship following a decision to rate for profit rather than volume.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 22 million, or 10.7 %, to € 228 million in 2004 from € 206 million in 2003. This increase was due to improved underwriting and investment results, offset in part by increased tax expenses. Our loss ratio improved to 63.6 % in 2004 from 67.1 % in 2003, reflecting a more disciplined underwriting policy, as well as fewer major claims and an absence of natural catastrophes.

SWITZERLAND

- Our property-casualty insurer in Switzerland is Allianz Suisse Versicherungs-Gesellschaft (or “Allianz Suisse”).
- In addition, our wholly-owned subsidiary Allianz Risk Transfer (or “ART”) sells conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide.
- With gross premiums written of € 1.2 billion, Allianz Suisse ranks fourth in the Swiss property-casualty insurance market based on market share.

Switzerland – Property-Casualty – Key Data

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Allianz Suisse	1,239	95	1,250	22	1,235	29
ART	577	53	492	38	512	33
Total	**1,816**	**148**	**1,742**	**60**	**1,747**	**62**

Allianz Suisse

Allianz Suisse – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	1,239	1,250	1,235
Earnings after taxes and before goodwill amortization	€ mn	95	22	29
Loss ratio	%	78.1	74.3	76.3
Expense ratio	%	18.6	24.7	24.3
Combined ratio	%	96.7	99.0	100.6

Gross premiums written

Gross premiums written decreased to € 1,239 million in 2004, compared with € 1,250 million in 2003, due primarily to the negative effect of exchange rate movements. Excluding the effects of exchange rate movements, gross premiums written increased by 3.3 %, mainly as a result of increases in our automobile line.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased significantly by € 73 million to € 95 million in 2004 from € 22 million in 2003, reflecting primarily improved underwriting and investment results and a decrease in tax expenses. Our loss ratio increased to 78.1 % in 2004 from 74.3 % in 2003, reflecting a more stringent loss reserving practice and increased losses from weather events. Our expense ratio decreased to 18.6 % in 2004 from 24.7 % in 2003, as a result of reduced administrative expenses through cost-cutting measures introduced in 2004. Our expense ratio was also positively affected by an income of € 35 million resulting from the change of assumptions for calculating deferred policy acquisition costs.

Allianz Risk Transfer

ART – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	577	492	512
Earnings after taxes and before goodwill amortization	€ mn	53	38	33
Loss ratio	%	60.2	62.7	55.5
Expense ratio	%	22.1	26.6	22.6
Combined ratio	%	82.3	89.3	78.1

Gross premiums written

Gross premiums written rose by 17.3 % to € 577 million in 2004. Excluding the negative effect of exchange rate movements of € 25 million, gross premiums written increased by 22.3 %, reflecting primarily the sale of a large alternative risk transfer contract.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 15 million, or 39.5 %, to € 53 million in 2004 from € 38 million in 2003, mainly due to improved underwriting and investment results. The primary driver for the improvement in our underwriting result was the decline in our expense ratio, which was positively affected by lower commission payments. Our investment result rose by € 6 million to € 40 million.

SPAIN

- We serve the Spanish market through our two companies Allianz Seguros and Fénix Directo, a direct insurer.
- Gross premiums written rose to € 1.8 billion, making us number two in Spain based on market share.

Spain – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	1,763	1,681	1,490
Earnings after taxes and before goodwill amortization	€ mn	175	96	62
Loss ratio	%	72.2	75.9	77.0
Expense ratio	%	18.7	19.6	20.6
Combined ratio	%	90.9	95.5	97.6

Gross premiums written

Gross premiums written increased by € 82 million, or 4.9 %, to € 1,763 million in 2004 from € 1,681 million in 2003, as a result of growth in all lines of business, particularly in industrial insurance.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased significantly by € 79 million, or 82.3 %, to € 175 million in 2004 from € 96 million in 2003. The increase reflected primarily improved underwriting and investment results. Our loss ratio improved significantly to 72.2 % in 2004 from 75.9 % in 2003, due primarily to increased average premium income and lower claims frequency in all insurance lines. Our expense ratio improved to 18.7 % in 2004 from 19.6 % in 2003.

OTHER EUROPE

_ We are one of the five leading insurers in the following markets based on market share: Austria, Ireland, the Netherlands, Portugal as well as Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Slovakia.

_ In addition, we provide property-casualty insurance in Belgium, Luxembourg, Greece, Russia and Cyprus.

Other Europe – Property-Casualty – Key Data

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Netherlands	981	116	1,093	454	1,023	284
Austria	926	96	906	32	852	(36)
Ireland	792	185	856	102	860	168
Belgium	351	9	374	59	362	(65)
Portugal	315	15	305	7	263	(19)
Luxembourg	108	43	142	(145)	194	35
Greece	73	(15)	75	(2)	66	2
Western and Southern Europe	**3,546**	**449**	**3,751**	**507**	**3,620**	**369**
Hungary	533	48	546	54	511	35
Slovakia	326	10	324	5	158	(7)
Czech Republic	234	20	227	5	213	(10)
Poland	196	12	158	7	128	14
Romania	169	10	131	14	93	5
Bulgaria	78	19	64	10	56	10
Croatia	48	3	40	–	38	1
Russia	24	1	20	2	17	1
Cyprus	–	–	1	–	2	–
Central and Eastern Europe	**1,608**	**123**	**1,511**	**97**	**1,216**	**49**
Total	**5,154**	**572**	**5,262**	**604**	**4,836**	**418**

[1] Earnings after taxes and before goodwill amortization in the Netherlands include the results of the holding and financing entities that are domiciled in the country, which amounted to a net loss of € 6 mn in 2004 (2003: net income of € 503 mn; 2002: net income of € 276 mn).

Gross premiums written

Gross premiums written in Other Europe decreased by € 108 million, or 2.1 %, to € 5,154 million in 2004 from € 5,262 million in 2003, primarily as a result of a decline in most markets within Western and Southern Europe, in particular the Netherlands, offset in part by growth in Central and Eastern Europe. The decrease in the Netherlands reflected primarily the sale of our health insurance portfolio, which resulted in a decline of € 100 million in gross premiums written.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization decreased by €32 million, or 5.3%, to €572 million in 2004 from €604 million in 2003. Excluding the results of the holding and financing entities that are domiciled in the Netherlands, earnings after taxes and before goodwill amortization in Other Europe increased significantly by €477 million to €578 million in 2004 as compared to €101 million in 2003. This increase was primarily due to improved results, particularly in Luxembourg and in the Netherlands, as well as in Ireland and Austria. Earnings after taxes and before goodwill amortization in Luxembourg increased, reflecting primarily an improved underwriting result. The increase in earnings after taxes and before goodwill amortization in the Netherlands was primarily due to improved underwriting and investment results.

NAFTA

_ In the United States, Fireman's Fund Insurance Company (or "Fireman's Fund") provides insurance to private and commercial clients.

_ Allianz Global Risks U.S. Insurance Company (or "Allianz Global Risks U.S.") specializes in business with major clients.

_ In 2004 we sold our Canadian private clients business.

NAFTA – Property-Casualty – Key Data

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
United States	4,627	488	4,597	(121)	5,330	(938)
thereof						
Fireman's Fund	4,075	185	3,919	167	4,547	(678)
Allianz Global Risks U.S.	552	6	677	36	765	(45)
Allianz of America	–	295	–	(325)	–	(227)
Canada	464	41	568	14	549	(6)
Mexico	259	12	214	12	132	–
Consolidation adjustments[1]	(25)	(23)	(35)	–	(19)	–
Total	**5,325**	**518**	**5,344**	**(95)**	**5,992**	**(944)**

[1] Represents elimination of intercompany transactions between Allianz Group companies in different countries within the NAFTA zone.

The results of operations of our property-casualty operations in the NAFTA zone are primarily driven by our operations in the United States, which represented over 86 % and 94 % of gross premiums written and earnings after taxes and before goodwill amortization, respectively. In December 2004, we sold our Canadian private client business as we did not have the critical business volume necessary in this competitive market.

Gross premiums written

Gross premiums written decreased slightly to €5,325 million in 2004, primarily as a result of a negative currency translation effect of €530 million. Excluding the currency translation effect, gross premiums written in the NAFTA zone increased by €511 million, reflecting growth in the United States and Mexico, offset in part by a decline in Canada.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization rose significantly to €518 million in 2004. This significant increase was primarily due to the United States, which reflected higher dividend payouts by subsidiaries of Allianz of America, as well as lower interest payments on notes payable to Allianz AG.

UNITED STATES

Fireman's Fund

Fireman's Fund – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	4,075	3,919	4,547
Earnings after taxes and before goodwill amortization	€ mn	185	167	(678)
Loss ratio	%	66.7	69.9	94.1
Expense ratio	%	28.8	29.5	34.5
Combined ratio	%	95.5	99.4	128.6

Gross premiums written

Gross premiums written increased by € 156 million, or 4.0 %, to € 4,075 million in 2004 from € 3,919 million in 2003. Excluding the negative effect of exchange rate movements of € 419 million, gross premiums written grew by 14.7 %, due primarily to increases in direct and assumed premiums in our crop insurance line, offset in part by stringent underwriting policies and decisions to exit certain non-strategic businesses.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 18 million to € 185 million in 2004 from € 167 million in 2003, due primarily to positive underwriting result in 2004 reflecting improved expense management and reduced losses relative to premium growth, as well as the continuing effects of our turnaround measures introduced in 2003. This increase was partially offset by a € 89 million rise in tax expenses, primarily attributable to higher pre-tax income. Our loss ratio decreased to 66.7 % in 2004 from 69.9 % in 2003, largely due to stricter rating and underwriting policies despite losses of approximately € 92 million from hurricanes and Northeast storms in 2004. Our expense ratio was reduced to 28.8 % in 2004 from 29.5 % in 2003, driven by lower personnel expenses and the implementation of cost-cutting measures in all business lines.

ASIA-PACIFIC

_ Our largest property-casualty insurance company in Asia-Pacific is Allianz Australia.

_ Our property-casualty operations in Taiwan were sold in the second half of 2004.

Asia-Pacific – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	1,672	1,654	1,596
thereof Australia	€ mn	1,324	1,254	1,163
Earnings after taxes and before goodwill amortization	€ mn	139	92	(18)
thereof: Australia	€ mn	98	74	(27)
Loss ratio	%	72.8	71.7	78.5
Expense ratio	%	23.7	23.8	24.8
Combined ratio	%	96.5	95.5	103.3

Gross premiums written

Gross premiums written increased by € 18 million to € 1,672 million in 2004 from € 1,654 million in 2003, reflecting primarily strong growth in our property-casualty operations in Australia, offset in part by decreased gross premiums written in Taiwan as a result of the sale of our property-casualty operations in Taiwan in the second half of 2004.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased significantly by € 47 million, or 51.1 % to € 139 million in 2004 from € 92 million in 2003, due primarily to increased earnings after taxes and before goodwill amortization in our Australian operations, mainly reflecting increased investment income. Our loss ratio increased to 72.8 % in 2004, compared with 71.7 % in 2003, reflecting primarily increased net insurance benefits in our Australian operations.

SOUTH AMERICA

_ In South America, we have a presence in Argentina, Brazil, Colombia and Venezuela.

_ In August 2004, we disposed of our Chilean property-casualty operations.

South America – Property-Casualty – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	599	614	768
Earnings after taxes and before goodwill amortization	€ mn	50	13	47
Loss ratio	%	64.7	71.3	67.0
Expense ratio	%	33.3	32.6	34.8
Combined ratio	%	98.0	103.9	101.8

Gross premiums written

Gross premiums written decreased to € 599 million in 2004 from € 614 million in 2003, largely attributable to the sale of our property-casualty operations in Chile in August 2004, as well as the negative effect of exchange rate movements. Excluding the effects from exchange rate movements as well as changes in the scope of consolidation, gross premiums written rose by 8.9 %. This increase was primarily due to rate increases and organic growth, mainly in Venezuela and Argentina.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization improved significantly to € 50 million in 2004 as compared to € 13 million in 2003, resulting primarily from increased investment income and improved underwriting results. Our loss ratio decreased significantly to 64.7 % in 2004, compared with 71.3 % in 2003, reflecting primarily disciplined underwriting practice in South America.

SPECIALTY LINES

Specialty Lines – Key Data

Years ended December 31	2004		2003		2002	
	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Credit Insurance	1,630	217	1,564	119	1,579	15
Allianz Global Risks Re	1,345	52	1,346	77	1,136	(257)
Allianz Marine & Aviation	949	81	1,073	64	1,424	21
Travel Insurance and Assistance Services	900	24	818	18	808	21
Total	**4,824**	**374**	**4,801**	**278**	**4,947**	**(200)**

CREDIT INSURANCE

_ We provide worldwide credit insurance through Euler Hermes S. A.

Credit Insurance – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	1,630	1,564	1,579
Earnings after taxes and before goodwill amortization	€ mn	217	119	15
Loss ratio	%	40.8	49.3	72.1
Expense ratio	%	28.2	32.7	34.2
Combined ratio	%	69.0	82.0	106.3

Gross premiums written

Gross premiums written increased by € 66 million, or 4.2 %, to € 1,630 million in 2004, due primarily to the positive development of our commercial portfolio through new business generated in Eastern and Southern Europe.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased significantly by € 98 million to € 217 million in 2004 from € 119 million in 2003, due primarily to an increase in gross premiums written, as well as a decrease in claims costs in a historically low claims environment characterized by a drop in the frequency of claims, a lower number of major claims and positive development of previous years' claim reserves. As a result of these developments, our loss ratio, expense ratio, and therefore, our combined ratio, decreased significantly to 40.8 %, 28.2 % and 69.0 %, respectively, in 2004.

In December 2004, Euler Hermes decided to sell its factoring activities to Crédit Argicole S. A. for € 187 million in order to focus its resources on its core business, credit insurance. The proceeds from the sale were used to reduce the debt of the Euler Hermes Group.

ALLIANZ GLOBAL RISKS RE

_ Allianz Global Risks Rückversicherungs-AG (or "Allianz Global Risks Re") provides reinsurance for the international corporate business of the Allianz Group.

Allianz Global Risks Re – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	1,345	1,346	1,136
Earnings after taxes and before goodwill amortization	€ mn	52	77	(257)
Loss ratio	%	68.9	70.9	100.8
Expense ratio	%	28.8	27.9	41.7
Combined ratio	%	97.7	98.8	142.5

Gross premiums written

Gross premiums written remained unchanged in 2004, reflecting the general market environment in most countries in which we conduct our business. Gross premiums written for the entire Allianz Global Risks business which, in addition to the reinsurance activities of Allianz Global Risks Re also includes the worldwide international corporate business of the Allianz Group, increased by 6.7 % or € 173 million to € 2,413 million in 2004.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization decreased by € 25 million to € 52 million in 2004, mainly due to a negative effect from exchange rate movements and increased tax expenses in 2004. In addition earnings after taxes and before goodwill amortization, in 2003, reflected the release of a premium deficiency reserve of € 31 million. Net insurance benefits in 2004 also reflected € 114 million of net claims relating to the hurricanes in the United States in the second half of 2004. However, despite the net impact of these natural catastrophes, our loss ratio decreased to 68.9 % in 2004 from 70.9 % in 2003 primarily as a result of more favorable reinsurance conditions as well as improved underwriting results in key European markets, such as Germany and France. Our expense ratio increased to 28.8 % in 2004 from 27.9 % in 2003 due primarily to a change in the calculation method for our deferred policy acquisition costs as compared to 2003. For the entire Allianz Global Risks business, we achieved a combined ratio of 92.9 %, an improvement of 0.9 percentage points over 2003.

ALLIANZ MARINE & AVIATION

_ Allianz Marine & Aviation is our European specialist insurer for transportation, shipping and aviation risks.

Allianz Marine & Aviation – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	949	1,073	1,424
Earnings after taxes and before goodwill amortization	€ mn	81	64	21
Loss ratio	%	64.4	65.5	75.2
Expense ratio	%	29.2	21.8	21.2
Combined ratio	%	93.6	87.3	96.4

Gross premiums written

Gross premiums written decreased by 11.6 % to € 949 million in 2004, primarily due to our intentional reduction in selected business segments and exchange rate effects, offset in part by growth of our business in Great Britain.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased to € 81 million in 2004 from to € 64 million in 2003, due primarily to significant positive tax effects resulting from a reduction in previous year's provision for income taxes. Mainly attributable to this effect, taxes decreased by € 42 million. Our continuous portfolio monitoring, re-underwriting measures and an absence of significant large losses contributed to the decrease in our loss ratio, which declined from 65.5 % in 2003 to 64.4 % in 2004. Our expense ratio increased significantly to 29.2 % in 2004 from 21.8 % in 2003 due to a rise in run-off expenses in the United Kingdom, as well as increased operating expenses in our German operations primarily attributable to the introduction of new information technology systems and profit commissions.

TRAVEL INSURANCE AND ASSISTANCE SERVICES

_ Mondial Assistance Group is the worldwide leading provider of travel insurance and assistance services.

Travel Insurance and Assistance Services – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	900	818	808
Earnings after taxes and before goodwill amortization	€ mn	24	18	21
Loss ratio	%	59.8	60.6	62.0
Expense ratio	%	31.8	31.3	32.5
Combined ratio	%	91.6	91.9	94.5

Gross premiums written

Gross premiums written increased by 10.0 % to € 900 million in 2004, reflecting the moderate recovery of the tourism industry, which resulted in higher premium income for our travel insurance business, especially in Italy, Austria, Australia, France and Poland, as well as growth in our assistance business, particularly in the United Kingdom, Brazil and France. Whereas Europe still is the major growth driver, overseas markets, such as Australia and North America contribute increasingly to the overall growth.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 6 million, or 33.3 %, to € 24 million in 2004, due to stringent cost management and improved underwriting results. Our loss ratio decreased to 59.8 % in 2004 from 60.6 % in 2003 mainly as a result of positive claims development in 2004, despite net claims of approximately € 3 million arising from the tsunamis that struck South Asia in December 2004. Our expense ratio increased slightly to 31.8 % in 2004 from 31.3 % in 2003.

Life/Health Insurance Operations

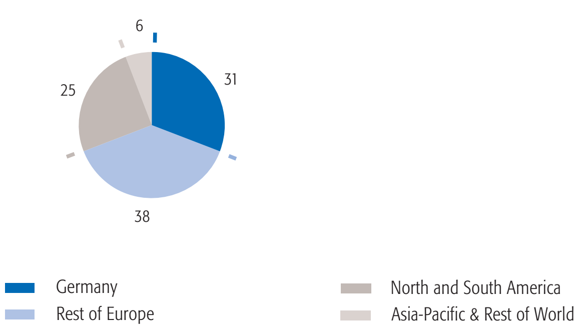
We achieved strong growth in both our operating profit and net income.

- Total statutory premiums increased by 6.8 % to € 45.2 billion in 2004, reflecting growth in new business, in particular our life/health operations in the United States and in Germany. Total statutory premiums, based on internal growth, increased by 10.0 %.
- Operating profit increased significantly by 12.1 % to € 1.4 billion in 2004, primarily reflecting an increase in business volume, the pricing of new business and further efficiency gains.
- Non-operating results were up significantly by € 637 million to € 228 million in 2004, largely due to increased net capital gains and lower impairments on investments, as well as reduced amortization of goodwill. In 2003, amortization of goodwill reflected an impairment on goodwill of € 224 million attributable to South Korea.
- Net income rose significantly by € 770 million to € 808 million in 2004.

Earnings Summary

Statutory premium in 2004 by regions[*)]

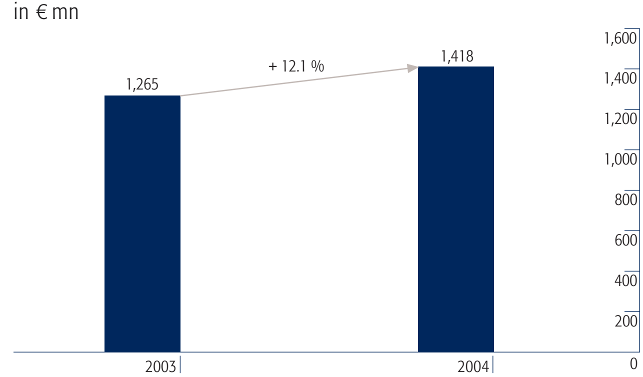
in %



[*)] After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Operating profit

in € mn



Statutory premiums

Despite a negative exchange rate effect, our statutory premiums increased by € 2,858 million from € 42,319 million in 2003 to € 45,177 million in 2004. Statutory premiums, based on internal growth, increased by 10.0 % as compared to 2003. However, this growth varied noticeably across different markets. Although we continued to report significant growth in the majority of our markets, in particular the United States and France, statutory premiums declined in our life/health operations in Italy, Switzerland and South Korea. In Germany, new business markedly increased after a law reorganizing the taxation of life insurance benefits in the second half of the year was enacted.

Operating Profit

In 2004, operating profit from our life/health insurance operations increased significantly by 12.1 % to € 1,418 million as compared to 2003. This was due primarily to increases in net current income from investments and our net trading result, as well as lower net other operating income/(expenses), offset in part by increases in net insurance benefits and net acquisition costs. Important drivers for these beneficial developments were an increase in business volume, pricing of new business and further efficiency gains. Administrative expenses decreased by € 37 million to € 1,270 million in 2004, primarily as a result of efficiency gains. Net acquisition costs increased by € 750 million, or 39.8 %, to € 2,635 million in 2004, primarily reflecting the strong growth in our statutory premiums. In addition, in 2003, net acquisition costs included a significant benefit from the "true-up" of deferred policy acquisition costs. Accordingly, our statutory expense ratio increased to 9.1 % in 2004 from 7.9 % in 2003. Net trading income and net insurance benefits were affected by a new U.S. GAAP accounting standard (SOP 03-1), whereby investments from certain unit-linked contracts were reclassified from separate account assets to trading assets. This change led to an equal increase in both net trading income and net insurance benefits. See Note 3 of our consolidated financial statements.

Net Income

Net capital gains and impairments on investments improved by € 338 million to € 224 million in 2004 from a loss of € 114 million in 2003. This improvement was primarily attributable to more favorable capital market conditions. **Intra-group dividends and profit transfer** increased by € 60 million to € 163 million in 2004. **Amortization of goodwill** decreased by € 239 million to € 159 million in 2004 as compared to € 398 million in 2003, which reflected an impairment on goodwill of € 224 million attributable to South Korea. **Tax expense** decreased to € 469 million in 2004 from € 583 million in 2003, which reflected a charge of € 409 million relating primarily to a change in tax law in Germany. **Minority interests in earnings** grew by € 134 million to € 369 million in 2004 primarily due to our improved earnings, in particular in France and Italy. Overall, **net income** increased significantly by € 770 million to € 808 million in 2004.

Years ended December 31	2004 € mn	2003 € mn
Statutory premiums[1]	45,177	42,319
Gross premiums written	20,716	20,689
Premiums earned (net)[2]	18,596	18,701
Current income from investments (net)[3]	10,852	10,744
Insurance benefits (net)[4]	(25,079)	(24,189)
Net acquisition costs and administrative expenses[5]	(3,905)	(3,192)
Net trading income	1,350	218
Other operating income/(expenses) (net)	(396)	(1,017)
Operating profit	**1,418**	**1,265**
Net capital gains and impairments on investments[6]	224	(114)[7]
Intra-group dividends and profit transfer	163	103
Amortization of goodwill	(159)	(398)
Earnings from ordinary activities before taxes	**1,646**	**856**
Taxes	(469)	(583)
Minority interests in earnings	(369)	(235)
Net income	**808**	**38**
Statutory expense ratio[8] in %	9.1	7.9

1) Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
2) Net of earned premiums ceded to reinsurers of € 2,048 mn (2003: € 1,953 mn).
3) Net of investment management expenses of € 450 mn (2003: € 493 mn) and interest expenses of € 33 mn (2003: € 23 mn).
4) Net insurance benefits were adjusted for income of € 1,324 mn (2003: expense of € 661 mn) related to policyholders' participation of net capital gains and impairments on investments that were excluded from the determination of operating profit.
5) Comprises net acquisition costs of € 2,635 mn (2003: € 1,885 mn) and administrative expenses of € 1,270 mn (2003: € 1,307 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the Consolidated Financial Statements.
6) Comprises net realized gains on investments of € 253 mn (2003: € 169 mn), and net impairments on investments of € 29 mn (2003: € 283 mn). These amounts are net of policyholders' participation.
7) Includes realized gains of € 743 mn from sales of Crédit Lyonnais shares in 2003.
8) Represents ratio of net acquisition costs and administrative expenses to net premiums earned (statutory).

Life/Health Operations by Geographic Region

The following table sets forth our gross life/health statutory premiums, gross premiums written, as well as earnings after taxes and before minority interests in earnings and excludes goodwill amortization, which we refer to herein as "earnings after taxes and before goodwill amortization", by geographic region for the years indicated. Consistent with our general practice, statutory premiums, gross premiums written as well as earnings after taxes and before goodwill amortization by geographic region are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Years ended December 31	2004			2003			2002		
	Statutory premiums[2]	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums[2]	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums[2]	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Germany	13,958	13,202	292	13,406	12,884	(4)	12,565	12,234	119
France	4,719	1,629	282	4,438	1,572	208	4,283	1,493	(231)
Italy	8,738	1,142	294	9,197	1,239	223	7,717	1,298	287
Switzerland	1,054	516	56	1,197	557	(8)	1,197	651	(80)
Spain	676	588	45	611	540	33	551	502	30
Other Europe	2,140	1,454	97	2,133	1,356	38	1,747	1,260	(114)
United States	11,234	889	277	8,566	1,078	165	9,530	1,411	(18)
Asia-Pacific	2,551	1,228	(10)	2,603	1,372	18	2,298	1,639	(25)
Other	131	93	5	190	114	2	314	201	3
Subtotal	**45,201**	**20,741**	**1,338**	**42,341**	**20,712**	**675**	**40,202**	**20,689**	**(29)**
Consolidation adjustments[1]	(24)	(25)	(2)	(22)	(23)	(4)	(26)	(26)	(4)
Subtotal	**45,177**	**20,716**	**1,336**	**42,319**	**20,689**	**671**	**40,176**	**20,663**	**(33)**
Amortization of goodwill	–	–	(159)	–	–	(398)	–	–	(174)
Minority interests	–	–	(369)	–	–	(235)	–	–	184
Total	**45,177**	**20,716**	**808**	**42,319**	**20,689**	**38**	**40,176**	**20,663**	**(23)**

[1] Represents elimination of transactions between Allianz Group companies in different geographic regions.

[2] Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

GERMANY

- Germany is our most important market for life/health insurance. As a percentage of our total 2004 life/health statutory premiums worldwide, Germany accounted for 30.9 %.
- In the German market, we provide life insurance products through Allianz Leben, which includes the companies Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG and Allianz Pensionskasse AG.
- In 2004, Allianz Leben sold approximately 1.3 million insurance policies, representing an increase of 38.6 % as compared to the number of policies sold in 2003.
- Our health insurer is Allianz Private Krankenversicherungs-AG.
- We are number one in the German market in life insurance and number three in health insurance based on market share.

Germany – Life/Health – Key Data

Years ended December 31	2004			2003			2002		
	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Germany Life	10,938	10,182	219	10,446	9,924	(6)	9,700	9,369	62
Germany Health	3,020	3,020	76	2,960	2,960	6	2,865	2,865	64
Consolidation adjustments[*)]	–	–	(3)	–	–	(4)	–	–	(7)
Total Germany	**13,958**	**13,202**	**292**	**13,406**	**12,884**	**(4)**	**12,565**	**12,234**	**119**

[*)] Represents elimination of transactions between Germany Life and Germany Health.

Germany Life

Germany Life – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	10,938	10,446	9,700
Gross premiums written	€ mn	10,182	9,924	9,369
Earnings after taxes and before goodwill amortization	€ mn	219	(6)	62
Statutory expense ratio	%	10.4	6.8	9.4

Statutory premiums

Our life statutory premiums increased by € 492 million, or 4.7 %, to € 10,938 million in 2004 from € 10,446 million in 2003. This was mainly attributable to strong new business growth in the second half of 2004, due primarily to the new German Law on the taxation of pensions and annuities ("Alterseinkünftegesetz"). As a result, Allianz Leben sold a record high of approximately 1.3 million insurance policies in 2004, representing an increase of 38.6 % as compared to the number of policies sold in 2003. In addition to the effect from the introduction of the new law, the rise in statutory premiums was also driven by growth in new business through all our distribution channels. By far, the most important distribution channel continued to be our captive underwriting organization ("Ausschließlichkeitsorganisation"), which accounted for approximately 55 % of new business in 2004. Distribution through our bancassurance channel saw a marked increase of more than 40 %, reflecting the continued high growth trend we have experienced in recent years. Of the total growth in new business through the bancassurance channel, Dresdner Bank contributed approximately 67 %.

Individual life insurance policies, which include endowment, term and annuity policies, accounted for 62.4 % of statutory premiums from our new business in Germany in 2004. Our individual life insurance statutory premiums increased to € 8,071 million in 2004 as compared to € 7,935 million in 2003. New individual business increased to € 2,031 million in 2004 from € 1,958 million in 2003.

Group life insurance statutory premiums increased by € 356 million, or 14.2 %, to € 2,867 million in 2004 from € 2,511 million in 2003, due primarily to successful development of new distribution capacities for occupational pension schemes.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization from life insurance operations increased by € 225 million to € 219 million in 2004 from a loss of € 6 million in 2003, reflecting an improved investment result and lower tax charges, offset in part by increased net policy acquisition costs. Our statutory expense ratio increased to 10.4 % in 2004 from 6.8 % in 2003, reflecting primarily the growth in new business, as well as the "true-up" of deferred policy acquisition costs as a result of the annual changes in calculation assumptions.

Germany Health

Germany Health – Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	€ mn	3,020	2,960	2,865
Earnings after taxes and before goodwill amortization	€ mn	76	6	64
Loss ratio	%	68.9	68.7	71.0
Expense ratio	%	9.3	10.4	10.6

Gross premiums written

Health insurance premiums increased by € 60 million, or 2.0 %, to € 3,020 million in 2004 from € 2,960 million in 2003. This increase was due primarily to rate increases in medical expense insurance, new business and growth in other personal supplementary insurance.

Gross premiums written on medical expense insurance, which accounted for 72.2 % of health insurance premiums in Germany in 2004, increased by € 45 million, or 2.1 % to € 2,181 million in 2004 from € 2,136 million in 2003. The increase was attributable primarily to rate increases and, to a lesser extent, new business. In view of the ongoing discussion concerning the future of the German healthcare system, new business was marginal. However, gross premiums written on other personal supplementary insurance increased to € 396 million in 2004 compared to € 379 million in 2003. The expected market potential for supplementary insurance, which had been opened up by a legal amendment effective from January 1, 2005, has diminished following the German government's change in decision regarding the right of individuals subject to statutory insurance to opt for private dental cover. Gross premiums written on compulsory long-term care insurance and other health insurance in Germany declined slightly to € 208 million and € 235 million, respectively, in 2004.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization from our health insurance operations increased significantly by € 70 million to € 76 million in 2004 from € 6 million in 2003, due primarily to lower tax charges as compared to 2003, which reflected the effect of the changes in German tax law in 2003. In addition, our investment result improved, largely attributable to a significant decrease in realized losses and impairments. Additionally, the reduction in administrative costs also contributed to the increase in earnings after taxes and before goodwill amortization. Our statutory expense ratio decreased to 9.3 % in 2004 from 10.4 % in 2003.

FRANCE

_ AGF Group ranks eighth in the French life insurance market.

_ We are number three in health insurance in France based on market share.

France – Life/Health – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	4,719	4,438	4,283
Gross premiums written	€ mn	1,629	1,572	1,493
Earnings after taxes and before goodwill amortization	€ mn	282	208	(231)
Statutory expense ratio	%	17.3	16.5	17.9

Statutory premiums

Statutory premiums increased by 281 million, or 6.3 %, to € 4,719 million in 2004 from € 4,438 million in 2003. The increase was due primarily to sales momentum brought about by new products in individual life insurance through our re-organized distribution networks.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 74 million to € 282 million in 2004 from € 208 million in 2003, primarily as a result of reduced policyholders' crediting rates as well as measures intended to improve efficiency and cost reductions. In addition, improvement in our investment result, which was mainly attributable to lower impairments and higher net capital gains on investments, also contributed to the increase in earnings after taxes and before goodwill amortization. Our statutory expense ratio increased to 17.3 % in 2004 from 16.5 % in 2003 primarily due to effects resulting from accounting changes, mainly adjustments for the treatment of deferred policy acquisition costs.

ITALY

_ Through the RAS Group and Lloyd Adriatico Group, we have an excellent position in the Italian life insurance market.

_ Together, these two groups generated statutory premiums of € 8.7 billion in 2004, making us number two in the Italian market based on market share.

Italy – Life/Health – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	8,738	9,197	7,717
Gross premiums written	€ mn	1,142	1,239	1,298
Earnings after taxes and before goodwill amortization	€ mn	294	223	287
Statutory expense ratio	%	4.4	3.5	5.0

Statutory premiums

Statutory premiums decreased € 459 million, or 5.0 %, to € 8,738 million in 2004 from € 9,197 million in 2003. This decrease was primarily attributable to a reduction in sales of life insurance products through our bancassurance channel. This decrease was offset in part by growth in new business in our life insurance products through our representative agencies and financial planners. Our statutory premiums from our bancassurance channel decreased to € 6,027 million in 2004 from € 6,636 million in 2003, reflecting mainly decreased sales at CreditRas Vita, our Italian bancassurance joint venture with Uni Credito.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased to € 294 million in 2004 from € 223 million in 2003, due primarily to an increase in investment result, attributable to lower net impairments and higher net realized gains on investments. Our statutory expense ratio increased to 4.4 % in 2004 from 3.5 % in 2003 primarily due to the decrease in our statutory premiums.

SPAIN

_ In Spain, our life insurance activities are handled by Allianz Seguros and Eurovida, a bancassurance joint venture.

_ Together, they increased their statutory premiums by 10.6 % to € 676 million.

Spain – Life/Health – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	676	611	551
Gross premiums written	€ mn	588	540	502
Earnings after taxes and before goodwill amortization	€ mn	45	33	30
Statutory expense ratio	%	5.8	6.3	6.7

Statutory premiums

Statutory premiums increased by 65 million, or 10.6 %, to € 676 million in 2004 from € 611 million in 2003, due to increased sales in all lines of business, especially in our pension and traditional life business. The increase in our pension business was primarily driven by the issuance of a group policy, which amounted to € 168 million. The positive development in our individual life business resulted primarily from the introduction of a new individual pension product.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 12 million, or 36.4 %, to € 45 million in 2004 from € 33 million in 2003, due primarily to increased net current income from investments as a result of higher business volume. Our statutory expense ratio decreased to 5.8 % in 2004 from 6.3 % in 2003 mainly due to growth in sales of commission-free products and efficiency gains.

SWITZERLAND

_ Allianz Suisse Lebensversicherungs-Gesellschaft posted statutory premiums of € 1.1 billion, making it number six in the Swiss market based on market share.

Switzerland – Life/Health – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	1,054	1,197	1,197
Gross premiums written	€ mn	516	557	651
Earnings after taxes and before goodwill amortization	€ mn	56	(8)	(80)
Statutory expense ratio	%	9.8	8.6	12.3

Statutory premiums

Statutory premiums decreased by € 143 million, or 11.9 %, to € 1,054 million in 2004 from € 1,197 million in 2003. Excluding the negative effect of exchange rate movements, our statutory premiums in Switzerland decreased by 9.8 %. This decrease was attributable primarily to a reduction in group life insurance business resulting from the spin-off of our “Pensionskasse”, as well as a more stringent underwriting practice. Furthermore, there was a reduction in our individual life insurance business, which was in line with the general market trend, mainly attributable to the reductions in interest rates.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization improved to € 56 million in 2004 from a loss of € 8 million in 2003, due primarily to improved investment and technical results. Investment results benefited from lower net realized losses and impairments on investments. In 2004, our technical result benefited from a reduction in the average guaranteed interest rates for our individual and group life insurance portfolio. As a result of a reduced premium volume, our statutory expense ratio increased significantly to 9.8 % in 2004 from 8.6 % in 2003.

With effect from January 1, 2005, the guaranteed interest rate for our group life insurance portfolio will increase from 2.25 % to 2.50 %.

OTHER EUROPE

_ In 2004, we experienced continued growth in most of our other European markets, especially in Central and Eastern Europe.

Other Europe – Life/Health – Key Data

Years ended December 31	2004			2003			2002		
	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Belgium	532	345	25	453	324	(62)	413	314	(70)
Netherlands	371	157	29	396	138	11	247	145	(33)
Austria	335	311	10	316	305	4	303	294	8
United Kingdom	198	149	3	297	143	67	263	153	(13)
Greece	82	82	(2)	82	70	1	80	71	(1)
Luxembourg	146	36	3	166	40	(9)	125	26	(7)
Portugal	85	61	9	90	59	7	74	52	8
Western and Southern Europe	**1,749**	**1,141**	**77**	**1,800**	**1,079**	**19**	**1,505**	**1,055**	**(108)**
Slovakia	134	125	3	126	121	6	73	71	4
Hungary	77	62	5	66	53	4	66	51	3
Czech Republic	53	44	3	45	43	2	36	35	(9)
Poland	75	38	2	66	30	1	45	27	(3)
Croatia	25	25	4	19	19	5	14	14	–
Bulgaria	14	14	3	8	8	1	6	6	–
Romania	11	3	–	3	3	–	2	1	(1)
Cyprus	2	2	–	–	–	–	–	–	–
Central and Eastern Europe	**391**	**313**	**20**	**333**	**277**	**19**	**242**	**205**	**(6)**
Total	**2,140**	**1,454**	**97**	**2,133**	**1,356**	**38**	**1,747**	**1,260**	**(114)**

Statutory premiums in Other Europe increased by €7 million, or 0.3%, to €2,140 million in 2004 from €2,133 million in 2003. Earnings after taxes and before goodwill amortization in Other Europe increased by €59 million to €97 million in 2004, compared with €38 million in 2003, reflecting primarily increases in Belgium and the Netherlands, offset in part by a decrease in the United Kingdom.

In December 2004, we sold our life insurance business in the United Kingdom in order to concentrate on our property-casualty business in that region.

UNITED STATES

_ Our life insurer in the United States of America is Allianz Life of North America.

_ Allianz Life of North America is the leading provider of equity-indexed annuities in the United States.

United States – Life/Health – Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	€ mn	11,234	8,566	9,530
Gross premiums written	€ mn	889	1,078	1,411
Earnings after taxes and before goodwill amortization	€ mn	277	165	(18)
Statutory expense ratio	%	5.2	4.6	4.8

Statutory premiums

Statutory premiums increased significantly by € 2,668 million to € 11,234 million in 2004, from € 8,566 million in 2003. Excluding the negative effect of exchange rate movements of € 1,071 million, statutory premiums in the United States grew by 43.6 %. This increase was primarily due to higher sales of both fixed and variable annuity products, primarily driven by an expanding distribution network, the launch of new and innovative products and a relatively stable capital markets environment.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased to € 277 million in 2004 from € 165 million in 2003, reflecting primarily dividend income of € 77 million received from an Allianz Group's enterprise in 2004. The dividend income received was eliminated at the Allianz Group level. After eliminating this dividend income, earnings after taxes and before goodwill amortization increased by € 35 million, or 21.2 %.

ASIA-PACIFIC

_ In Asia-Pacific our most important markets are South Korea and Taiwan.

Asia-Pacific – Life/Health – Key Data

Years ended December 31	2004			2003			2002		
	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization	Statutory premiums	Gross premiums written	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
South Korea	1,370	980	(16)	1,609	1,135	(40)	1,894	1,242	(14)
Taiwan	988	126	5	827	122	63	277	277	(3)
Other	193	122	1	167	115	(5)	127	120	(8)
Total	**2,551**	**1,228**	**(10)**	**2,603**	**1,372**	**18**	**2,298**	**1,639**	**(25)**

Statutory premiums

Statutory premiums decreased by €52 million, or 2.0%, to €2,551 million in 2004 from €2,603 million in 2003. On a constant currency basis, statutory premiums increased by €111 million, or 4.3%, due primarily to growth in Taiwan attributable to new business, offset in part by decreased statutory premiums in South Korea, where we continue our efforts to reorganize our insurance portfolio and focus on more profitable products with a longer maturity.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization decreased by €28 million, to a loss of €10 million in 2004 from a gain of €18 million in 2003, reflecting primarily decreased earnings in Taiwan, offset in part by an improvement in the earnings of our South Korean operations. The decrease in our Taiwan's earnings after taxes and before goodwill amortization was mainly due to reduced realized gains on investments and lower tax benefits. Earnings after taxes and before goodwill amortization in South Korea increased primarily as a result of significant realized gains on investments, offset in part by an impairment of deferred tax assets relating to capitalized tax losses that expire in March 2006 and 2007.

Banking Operations

We stabilized operating revenues, significantly increased efficiency and markedly decreased risks.

- In 2004, we successfully drove forward the turnaround of our banking business.
- After an operating loss of € 369 million in 2003, we successfully achieved an operating profit of € 603 million in 2004, of which Dresdner Bank contributed € 599 million. This positive development resulted from the impact of previous years' cost reduction plans and the significant reduction of our net loan loss provisions through the further reduction in our non-strategic loan business within the IRU division of Dresdner Bank.
- Additionally, and following a decline in restructuring charges, we successfully achieved a net income of € 104 million in 2004 as compared to a loss of € 1,279 million in 2003.

Earnings Summary

Net income from our banking segment was € 104 million in 2004, of which € 142 million was generated by Dresdner Bank. After the divestment of our French mortgage banking subsidiary, Entenial, in January 2004, our banking segment's results of operations are almost exclusively represented by Dresdner Bank, accounting for 96.6 % of the total banking segment's operating revenues in 2004. Accordingly, the discussion of our banking segment's results of operations for the years 2004 and 2003 relate solely to the operations of Dresdner Bank.

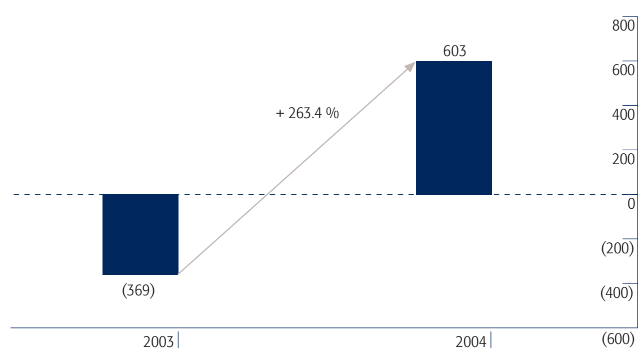
Operating Revenues

Operating revenues remained fairly constant at € 6,243 million in 2004, with only a 0.5 % decrease. This was driven primarily by a 4.8 % decline in net interest income to € 2,275 million, resulting from the reduction of our interest-bearing assets, offset by a rise of 3.1 % to € 2,460 million in net fee and commission income. The commission income generated from the sales of insurance products of approximately € 136 million (2003: € 84 million) also contributed significantly to this increase.

Operating Profit

Operating profit of Dresdner Bank increased significantly to € 599 million in 2004, compared to an operating loss of € 482 million in 2003. This positive development was brought about by reductions in our administrative expenses and net loan loss provisions. Our administrative expenses were reduced by 7.5 % to € 5,307 million in 2004. This was largely due to our cost-cutting and restructuring measures, which resulted in savings in both personnel and non-personnel operating expenses. Personnel expenses decreased by € 202 million, or 5.9 %, to € 3,247 million in 2004. As a result of lower expenses related to information technology and other equipment, non-personnel operating expenses also declined by 10.0 % to € 2,060 million. Our net loan loss provisions were reduced by 66.8 % to € 337 million in 2004, primarily as a result of further improved risk management processes, absence of large defaults and the reduction in our non-strategic loan business within the IRU division, thereby reducing our risk-weighted assets. Overall, our coverage ratio increased to 60.4 % at December 31, 2004 (2003: 55.9 %).

Operating profit
in € mn



Net Income

Net income of Dresdner Bank improved significantly to € 142 million in 2004 from a loss of € 1,305 million in 2003. In addition to the positive developments in our operating profit, Dresdner Bank's net income was also strengthened by a significant reduction in restructuring charges, which declined to € 290 million in 2004 from € 840 million in 2003, as well as an improvement in net other non-operating income/(expenses), € 335 million to a loss of € 278 million in 2004 from a loss of € 613 million in 2003. During 2004, restructuring charges of € 96 million resulted from our "New Dresdner" program, with a further € 55 million stemming from other existing programs. Restructuring provisions of € 139 million were also recorded for measures taken in optimizing our internal business processes in our Personal Banking and Dresdner Kleinwort Wasserstein divisions, as well as the reorganization of our business in Latin America. Additionally, the sale of non-strategic investments contributed to our net capital gains and impairments on investments, which increased to € 134 million in 2004 from a loss of € 170 million in 2003.

Years ended December 31	2004		2003	
	Banking Segment	Dresdner Bank	Banking Segment	Dresdner Bank
	€ mn	€ mn	€ mn	€ mn
Net interest income	2,368	2,275	2,793	2,391
Net fee and commission income	2,593	2,460	2,452	2,387
Net trading income	1,502	1,508	1,486	1,494
Operating revenues	**6,463**	**6,243**	**6,731**	**6,272**
Administrative expenses	(5,516)	(5,307)	(6,086)	(5,739)
Net loan loss provisions	(344)	(337)	(1,014)	(1,015)
Operating profit (loss)	**603**	**599**	**(369)**	**(482)**
Net capital gains and impairments on investments	140[1]	134	(123)[1]	(170)
Restructuring charges	(292)	(290)	(892)	(840)
Other non-operating income/(expenses)(net)	(288)	(278)	(553)	(613)
Amortization of goodwill	(244)	(244)	(263)	(270)
Earnings from ordinary activities before taxes	**(81)**	**(79)**	**(2,200)**	**(2,375)**
Taxes	286	281	1,025	1,075
Minority interests in earnings	(101)	(60)	(104)	(5)
Net income (loss)	**104**	**142**	**(1,279)**	**(1,305)**
Cost-income ratio[2] in %	85.3	85.0	90.4	91.5

[1] Comprises primarily net realized gains on investments of € 472 mn (2003: € 240 mn), and net impairments on investments of € 356 mn (2003: € 437 mn).
[2] Represents ratio of administrative expenses to operating revenues.

Banking Operations by Division

The following tables set forth our banking operating revenues and earnings after taxes before minority interests in earnings and excludes amortization of goodwill, which we refer to herein as "earnings after taxes and before goodwill amortization", by division. Consistent with our general practice, operating revenues and earnings after taxes and before goodwill amortization by division are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different divisions and different segments.

Banking Operations – Key Data by Division[1)]

Years ended December 31	2004		2003	
	Operating revenues[2)]	Earnings after taxes and before goodwill amortization	Operating revenues[2)]	Earnings after taxes and before goodwill amortization
	€ mn	€ mn	€ mn	€ mn
Personal Banking	1,861	3	1,870	(121)
Private & Business Banking	1,154	193	1,108	151
Corporate Banking	1,039	298	1,065	206
Dresdner Kleinwort Wasserstein	2,074	181	2,174	246
IRU	383	21	632	(871)
Corporate Other	(268)	(250)	(577)	(641)
Dresdner Bank	**6,243**	**446**	**6,272**	**(1,030)**
Other Banks[3)]	**220**	**3**	**459**	**118**
Subtotal	**6,463**	**449**	**6,731**	**(912)**
Amortization of goodwill	–	(244)	–	(263)
Minority Interests	–	(101)	–	(104)
Total	**6,463**	**104**	**6,731**	**(1,279)**

1) The current reporting structure reflects (a) the splitting of the former Private & Business Clients division into two new divisions, Personal Banking and Private & Business Banking, effective in 2004, (b) the reorganization of the banking divisions in 2003, including the splitting of the former Corporates & Markets division into two new divisions, Corporate Banking and Dresdner Kleinwort Wasserstein, as well as the formation of IRU in 2003, and (c) the reclassification of the banking operations, other than Dresdner Bank, that were previously included within our former Private & Business Clients division and our former Corporates & Markets division to our former Other division. Furthermore, for the purpose of presenting the results of operations of Dresdner Bank separately from others within the banking segment, we have also split our former Other division into Corporate Other division and Other Banks.

2) Consists of net interest income, net fee and commission income and net trading income. Operating revenues is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks although other banks may calculate operating revenues on a different basis and accordingly may not be comparable to operating revenues as used herein. With effect from January 1, 2004, current income (loss) from investments in associated enterprises and joint ventures is included within operating revenues. This change resulted in a decrease of € 12 mn to operating revenues in 2003.

3) Consists of non-Dresdner Bank banking operations within our banking segment.

Personal Banking

Personal Banking – Key Data

Years ended December 31	2004 € mn	2003 € mn
Net interest income	1,014	1,076
Net fee and commission income	836	779
Net trading income	11	15
Operating revenues	**1,861**	**1,870**
Administrative expenses	(1,648)	(1,734)
Net loan loss provisions	(138)	(206)
Operating profit (loss)	**75**	**(70)**
Net capital gains and impairments on investments	7	1
Restructuring charges	(83)	(139)
Other non-operating income/(expenses)(net)	1	7
Earnings before taxes and goodwill amortization	**–**	**(201)**
Taxes	3	80
Earnings after taxes and before goodwill amortization	**3**	**(121)**
Cost-income ratio in %	88.6	92.7

Operating revenues

Operating revenues were € 1,861 million in 2004, a decrease of € 9 million, or 0.5 %, from € 1,870 million in 2003, reflecting primarily a decrease in net interest income partly offset by an increase in net fee and commission income. Net interest income was down primarily in the deposit business, which was negatively affected by lower market interest rates in 2004 as compared to 2003. As a result of increased activities in our securities and insurance businesses, net fee and commission income increased to € 836 million in 2004, or 7.3 %, from € 779 million in 2003.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization improved significantly to € 3 million in 2004, compared to a loss of € 121 million in 2003, due primarily to stricter cost management and further reduction in headcount, mainly in the back office function. As a result, our cost-income ratio decreased to 88.6 % in 2004 from 92.7 % in 2003. Our net loan loss provision decreased to € 138 million in 2004, or 33.0 %, from € 206 million in 2003 due to proactive management of our credit risks.

Private & Business Banking

Private & Business Banking – Key Data

Years ended December 31	2004 € mn	2003 € mn
Net interest income	439	445
Net fee and commission income	692	641
Net trading income	23	22
Operating revenues	**1,154**	**1,108**
Administrative expenses	(743)	(749)
Net loan loss provisions	(76)	(76)
Operating profit (loss)	**335**	**283**
Net capital gains and impairments on investments	2	9
Restructuring charges	(21)	(35)
Other non-operating income/(expenses)(net)	(8)	(20)
Earnings before taxes and goodwill amortization	**308**	**237**
Taxes	(115)	(86)
Earnings after taxes and before goodwill amortization	**193**	**151**
Cost-income ratio in %	64.4	67.6

Operating revenues

Operating revenues increased to € 1,154 million in 2004, or 4.2 %, from € 1,108 million in 2003, reflecting primarily an increase in net fee and commission income to € 692 million in 2004 from € 641 million in 2003. Successful sales activities, product innovations in the securities business and an increased efficiency in our distribution channels contributed to this development. Our net interest income remained fairly stable in 2004.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 42 million, or 27.8 %, to € 193 million in 2004 from € 151 million in 2003. This result was driven by a strengthening of our operating revenues, as well as a stable net loan loss provision and declining restructuring charges and net other non-operating income/(expense) of € 14 million and € 12 million, respectively, from 2003.

Corporate Banking

Corporate Banking – Key Data

Years ended December 31	2004 € mn	2003 € mn
Net interest income	666	695
Net fee and commission income	317	316
Net trading income	56	54
Operating revenues	**1,039**	**1,065**
Administrative expenses	(479)	(501)
Net loan loss provisions	(55)	(118)
Operating profit (loss)	**505**	**446**
Net capital gains and impairments on investments	2	(3)
Restructuring charges	(17)	(90)
Other non-operating income/(expenses)(net)	5	(8)
Earnings before taxes and goodwill amortization	**495**	**345**
Taxes	(197)	(139)
Earnings after taxes and before goodwill amortization	**298**	**206**
Cost-income ratio in %	46.1	47.0

Operating revenues

Operating revenues were € 1,039 million in 2004, a slight decrease of 2.4 %, as compared to € 1,065 million in 2003, reflecting mainly a decrease in net interest income and current income. Reductions due to significantly decreased risk-weighted assets, which declined 13.2 % in 2004, were partially offset by our improved interest margins. Primarily as a result of increased sales of structured products, net fee and commission income remained unchanged despite intense competition.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased to € 298 million in 2004, from € 206 million in 2003, reflecting a decrease in administrative expenses by 4.4 % from € 501 million in 2003 to € 479 million in 2004 and a substantial decline in restructuring charges from € 90 million in 2003 by 81.1 % to € 17 million in 2004. Our net loan loss provisions also declined by € 63 million, or 53.4 %, to € 55 million in 2004 from € 118 million in 2003, due primarily to proactive management of our credit risks.

Dresdner Kleinwort Wasserstein

Dresdner Kleinwort Wasserstein – Key Data

Years ended December 31	2004 € mn	2003 € mn
Net interest income	389	344
Net fee and commission income	549	560
Net trading income	1,136	1,270
Operating revenues	**2,074**	**2,174**
Administrative expenses	(1,828)	(1,876)
Net loan loss provisions	1	45
Operating profit (loss)	**247**	**343**
Net capital gains and impairments on investments	21	33
Restructuring charges	(44)	(30)
Other non-operating income/(expenses)(net)	(7)	17
Earnings before taxes and goodwill amortization	**217**	**363**
Taxes	(36)	(117)
Earnings after taxes and before goodwill amortization	**181**	**246**
Cost-income ratio in %	88.1	86.3

Operating revenues

Operating revenues decreased by € 100 million, or 4.6 %, to € 2,074 million in 2004 from € 2,174 million in 2003, mainly reflecting decreased net trading income due to significantly reduced risk capital.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization decreased by € 65 million, or 26.4 %, to € 181 million in 2004 from € 246 million in 2003. As a result of strict cost control, administrative expenses declined to € 1,828 million in 2004 from € 1,876 million in 2003. However, our cost-income ratio increased to 88.1 % in 2004 from 86.3 % in 2003, mainly reflecting the decrease in operating revenues.

IRU

IRU – Key Data

Years ended December 31	2004	2003
	€ mn	€ mn
Net interest income	333	500
Net fee and commission income	53	118
Net trading income	(3)	14
Operating revenues	**383**	**632**
Administrative expenses	(287)	(465)
Net loan loss provisions	(174)	(849)
Operating profit (loss)	**(78)**	**(682)**
Net capital gains and impairments on investments	128	(109)
Restructuring charges	(73)	(145)
Other non-operating income/(expenses)(net)	(143)	(277)
Earnings before taxes and goodwill amortization	**(166)**	**(1,213)**
Taxes	187	342
Earnings after taxes and before goodwill amortization	**21**	**(871)**
Cost-income ratio in %	74.9	73.6

Operating revenues

Operating revenues were € 383 million in 2004, a decrease of € 249 million from € 632 million in 2003, reflecting primarily the accelerated exit from our non-strategic loan business with disposals aggregating € 8.8 billion of loan exposure. This is also reflected by the reduction of our risk-weighted assets, which decreased by 57.3 % to an average of € 6.7 billion in 2004 and € 4.2 billion at December 31, 2004.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization was € 21 million in 2004, an increase of € 892 million from a loss of € 871 million in 2003, reflecting a significant decline in both restructuring charges and net other non-operating income/(expenses) of € 72 million and € 134 million, respectively. Administrative expenses decreased by € 178 million from € 465 million in 2003 to € 287 million in 2004 primarily due to measures taken to reduce headcount and operating costs in light of the reduction of IRU portfolios. Our net loan loss provisions decreased € 675 million to € 174 million in 2004 as compared to € 849 million in 2003. The release of loan loss provisions in our international portfolio also contributed to this significant development. Additionally, our net capital gains and impairments on investments improved by € 237 million to € 128 million in 2004, driven primarily by sales of non-strategic investments.

Corporate Other

Corporate Other – Key Data

Years ended December 31	2004 € mn	2003 € mn
Net interest income[1]	(566)	(669)
Net fee and commission income	13	(27)
Net trading income[2]	285	119
Operating revenues	**(268)**	**(577)**
Administrative expenses	(322)	(414)
Net loan loss provisions	105	189
Operating profit (loss)	**(485)**	**(802)**
Net capital gains and impairments on investments	(26)	(101)
Restructuring charges	(52)	(401)
Other non-operating income/(expenses)(net)	(126)	(332)
Earnings before taxes and goodwill amortization	**(689)**	**(1,636)**
Taxes	439	995
Earnings after taxes and before goodwill amortization	**(250)**	**(641)**

1) Comprises primarily capital benefit of the operating divisions of € 399 mn (2003: € 452 mn) and expenses of € 324 mn (2003: € 365 mn) from the effect of IAS 39. Capital benefit represents expenses relating to the allocation of net interest earned on risk capital that was assigned to the respective operating divisions.

2) Comprises primarily income of € 340 mn (2003: € 161 mn) from the effect of IAS 39.

The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include, in particular, expenses for central functions and projects affecting Dresdner Bank as a whole which are not allocated to the operating divisions, as well as provisioning requirements for country and general risks, and realized gains and losses from Dresdner Bank's non-strategic investment portfolio.

Operating revenues

Operating revenues improved significantly by € 309 million to a loss of € 268 million in 2004 from a loss of € 577 million in 2003, reflecting primarily the favorable development of the effect from IAS 39, which accounted for positive movements of € 41 million in net interest income and € 179 million in net trading income.

Earnings after taxes and before goodwill amortization

Earnings after taxes and before goodwill amortization increased by € 391 million, or 61.1 %, to a loss of € 250 million in 2004 from a loss of € 641 million in 2003. This improvement was primarily a result of the improved operating profit combined with lower restructuring charges from our service functions and a reduction of other operating expenses due to impairments on information technology software recorded in 2003.

Asset Management Operations

We continued to significantly increase our operating profit.

- The Allianz Group is one of the five largest asset managers in the world based on assets under management. In 2004, we achieved net inflows of € 31 billion to third-party assets under management.
- In spite of the negative effects of exchange rate movements of € 31 billion, our third-party assets, most of which are managed in U.S. dollars, increased by € 20 billion, or 3.5 %, to € 585 billion in 2004.
- Operating profit improved by € 123 million to € 856 million in 2004. After deducting acquisition-related expenses, amortization of goodwill, taxes and minority interests, our asset management segment reported a net loss of € 152 million in 2004 from a net loss of € 270 million in 2003.

The assets under management by the Allianz Group consist of third-party assets, group's own investments and separate account assets.

Earnings Summary

Our asset management segment's results of operations are almost exclusively represented by Allianz Global Investors, which accounted for 99.7 % of our total asset management segment's operating revenues in 2004. Accordingly, the discussion of our asset management segment's results of operations for the years 2004 and 2003, relate solely to the operations of Allianz Global Investors.

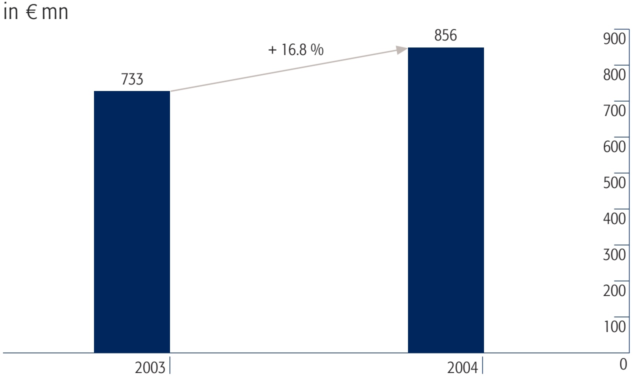
Operating Revenues

Operating revenues of Allianz Global Investors increased by € 63 million, or 2.8 %, to € 2,301 million in 2004. Excluding the negative effects from exchange rate movements, operating revenues increased by € 226 million, representing a growth rate of 10.1 %. This growth reflected positive business developments worldwide, resulting primarily from higher average assets under management driven by significant net inflows and favorable capital markets in 2004. We recorded the strongest growth rate in our Asia-Pacific business, which was also due to a much lower base (assets under management) as compared to our businesses in the United States and Europe.

Operating Profit

Operating profit of Allianz Global Investors increased significantly by € 118 million, or 16.1 %, to € 851 million in 2004. Excluding the effects of exchange rate movements, operating profit would have improved by € 182 million, or 24.8 %, in 2004, primarily due to growth in our operating revenues. While operating revenues increased, operating expenses decreased by € 55 million, or 3.7 %, to € 1,450 million in 2004. Excluding the effects of exchange rate movements, operating expenses increased by 2.9 % to € 1,549 million in 2004. On a constant currency basis, personnel expenses remained stable at € 908 million in 2004 (2003: € 907 million), while non-personnel expenses increased by € 42 million, or 7.0 %, to € 641 million in 2004.

Operating profit
in € mn



In all regions, the increase in operating expenses was below the growth we experienced in our operating revenues. This development was due primarily to strict cost management in all entities and restructuring measures initiated in 2002 and 2003, especially concerning our equity investment managers and our operations in Germany. These restructuring measures, which include consolidating our product offerings, streamlining and automation of our back-office operations, and reduction of our headcount, led to a decrease in our cost base and improved operational efficiency.

As a result of the above mentioned developments, our cost-income ratio improved from 67.2 % in 2003 to 63.0 % in 2004. Excluding the effects from exchange rate movements, our cost-income ratio improved to 62.9 % in 2004.

Net Income

Net income of Allianz Global Investors was a lower-than-expected loss of € 157 million in 2004, representing a significant improvement from the loss of € 270 million in 2003. Acquisition-related expenses and amortization of goodwill, in aggregate, amounted to € 803 million in 2004 as compared to € 836 million in 2003. Thereof, amortization of goodwill and amortization related to capitalized loyalty bonuses for PIMCO management was € 380 million and € 125 million, respectively, in 2004. These loyalty bonuses expire in 2005. Of the total acquisition-related expenses, € 125 million was related to retention payments for the management and employees of PIMCO and Nicholas Applegate and € 173 million was due to the deferred purchases of interests in PIMCO. These retention payments and deferred purchases of interests in PIMCO were agreed upon at the time these investment companies were acquired.

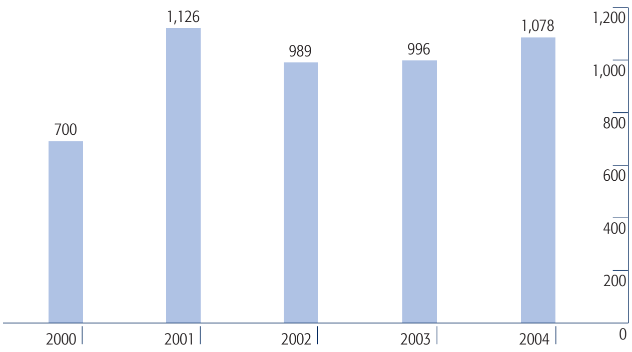
Years ended December 31	2004		2003	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Operating revenues	2,308	2,301	2,238	2,238
Operating expenses	(1,452)	(1,450)	(1,505)	(1,505)
Operating profit	**856**	**851**	**733**	**733**
Acquisition-related expenses[1]	(423)	(423)	(467)	(467)
Amortization of goodwill	(380)	(380)	(369)	(369)
Earnings from ordinary activities before taxes	**53**	**48**	**(103)**	**(103)**
Taxes	(34)	(34)	16	16
Minority interests in earnings	(171)	(171)	(183)	(183)
Net income (loss)	**(152)**	**(157)**	**(270)**	**(270)**
Cost-income ratio[2] in %	62.9	63.0	67.2	67.2

[1] Comprises amortization charges of € 125 mn (2003: € 137 mn) relating to capitalized loyalty bonuses for PIMCO management, charges of € 125 mn (2003: € 159 mn) relating to retention payments for the management and employees of PIMCO and Nicholas Applegate, as well as charges of € 173 mn (2003: € 171 mn) in connection with the deferred purchases of interests in PIMCO.

[2] Represents ratio of operating expenses to operating revenues.

Assets Under Management

Assets under Management
in € bn



The following table sets forth certain key data concerning our asset management operations at December 31 for the years indicated:

Assets Under Management – Key Data

Fair Values as of December 31	2004		2003		2002	
	€ mn	%	€ mn	%	€ mn	%
Third-party assets[1]	584,624	54.2	564,714	56.7	560,588	56.7
Group's own investments[2]	477,387[3]	44.3	398,818	40.0	403,061	40.7
Separate account assets[1]	15,851[3]	1.5	32,460	3.3	25,657	2.6
Total	**1,077,862**	**100.0**	**995,992**	**100.0**	**989,306**	**100.0**

[1] Assets are presented at fair value.
[2] Includes adjustments to reflect real estate and investments in associated enterprises and joint ventures at fair value. These adjustments were made in order to reflect the definition of group's own investments used by management for its controlling purposes.
[3] As a result of a new accounting standard, investments from certain unit-linked contracts were reclassified from separate account assets to trading assets, which are included within group's own investments.

We manage our third-party asset management business primarily through our asset management subsidiary Allianz Global Investors (operated under Allianz Dresdner Asset Management or ADAM until October 2004). As of December 31, 2004, Allianz Global Investors managed approximately € 550 billion, or 94.0 %, of our third-party assets under management and approximately € 214 billion, or 44.8 %, of our group's own investments. The remainder of our third-party assets are managed by Dresdner Bank (approximately € 19 billion, or 3.2 %) and other Allianz Group companies (approximately € 16 billion, or 2.8 %). The remaining group's own investments, as well as separate account assets continue to be managed by the respective Allianz Group's insurance companies around the world.

Third-Party Assets

The following table sets forth our third-party assets under management by geographic region at December 31 for the years indicated:

Third Party Assets – by Geographic Region[1)]

Fair Values as of December 31	2004		2003		2002	
	€ bn	%	€ bn	%	€ bn	%
Allianz Global Investors						
Germany	89	15.2	84	14.9	80	14.2
Rest of Europe	39	6.6	39	6.9	37	6.6
United States	411	70.3	392	69.4	387	69.0
Rest of World	11	1.9	8	1.4	9	1.6
Subtotal	**550**	**94.0**	**523**	**92.6**	**513**	**91.4**
Other[2)]	35	6.0	42	7.4	48	8.6
Total	**585**	**100.0**	**565**	**100.0**	**561**	**100.0**

1) Represents location of Allianz Group asset management operations.
2) Consists of third-party assets managed by Dresdner Bank (€ 19 bn, € 20 bn and € 24 bn in 2004, 2003 and 2002, respectively) and by other Allianz Group companies (€ 16 bn, € 22 bn and € 24 bn in 2004, 2003 and 2002, respectively).

Overall, third-party assets account for approximately 54.2 % or € 585 billion of assets managed by the Allianz Group. The value of this portfolio increased by € 20 billion, including net inflows of € 31 billion and market-related increases of € 32 billion. This increase in value of our third-party assets more than compensates the negative effects from exchange rate movements of € 31 billion, resulting primarily from the weakness of the U.S. dollar as compared to the Euro. Our third-party assets under management were also negatively affected by the withdrawal from our joint venture with Meiji Life in Japan, which resulted in a € 12 billion decline in our third-party assets under management.

The following tables show our third-party assets under management by investment category and by investor class at December 31 for the years indicated:

Third Party Assets – by Investment Category

Fair Values as of December 31	2004		2003		2002	
	€ bn	%	€ bn	%	€ bn	%
Fixed income	437	74.7	409	72.4	405	72.2
Equity	138	23.6	146	25.8	141	25.1
Other[*)]	10	1.7	10	1.8	15	2.7
Total	**585**	**100.0**	**565**	**100.0**	**561**	**100.0**

*) Includes primarily investments in real estate.

Third Party Assets – by Investor Class

Fair Values as of December 31	2004		2003		2002	
	€ bn	%	€ bn	%	€ bn	%
Institutional	347	59.3	336	59.5	403	71.8
Retail	238	40.7	229	40.5	158	28.2
Total	**585**	**100.0**	**565**	**100.0**	**561**	**100.0**

We have strong market positions in the United States and Germany. 70.3 % and 15.2 % of our third-party assets under management originated from the United States and Germany, respectively. Of the total third-party assets under management, 74.7 % and 23.6 % were invested in fixed income securities and equities, respectively. Institutional customers accounted for 59.3 % of our third-party assets under management. This customer segment requires us to provide the highest standards in terms of quality of products and services. Our high standards also benefited our retail clients, which accounted for 40.7 % of our third-party assets under management.

In 2004, we achieved a number of successes:

- With net inflows of € 37.0 billion, our fixed-income fund business achieved significant growth.
- Due to its strong product performance, our PIMCO Total Return Fund increased its assets under management to USD 79.0 billion at December 31, 2004, and thus continued to be the largest actively-managed fixed-income fund in the world.
- PIMCO Total Return Fund's European equivalent, the dit-Euro Bond Total Return Funds, recorded assets under management of € 5.5 billion at December 31, 2004. With net inflows of more than € 1.9 billion in 2004, it was once again Germany's best selling fixed-income fund.

United States

At December 31, 2004, our asset management companies in the United States managed third-party assets of € 411.0 billion, reflecting an increase of € 18.6 billion. On a constant currency basis, third-party assets under management increased by € 51.5 billion in 2004. Assets managed for institutional investors in the United States increased by € 7.8 billion to € 267.4 billion in 2004. Assets managed for retail clients increased to € 143.6 billion in 2004 from € 132.8 billion in 2003.

In the institutional business, PIMCO, our entity specializing in fixed income investments, again achieved significant improvements in third-party assets. Despite a negative currency effect of € 26.5 billion, PIMCO increased third-party assets by € 26.6 billion to € 342.2 billion in 2004, with net inflows of € 33.2 billion and market-related increases of € 19.9 billion.

Our U.S. companies specializing in equities, managed third-party assets of € 68.8 billion at December 31, 2004, compared to € 76.8 billion in 2003. Negative effects from exchange rate movements of € 6.4 billion accounted for the majority of this decrease.

Germany

As of December 31, 2004, Allianz Global Investors' German subsidiaries managed assets of € 224.0 billion, representing an increase of € 15.5 billion compared to 2003. Thereof, group's own investments and third-party assets accounted for € 134.7 billion and € 89.3 billion (2003: € 124.9 billion and € 83.6 billion), respectively. Of the total third-party assets under management, institutional business accounted for € 44.2 billion, representing an increase of € 2.3 billion. Assets managed for the retail business increased by € 3.4 billion to € 45.1 billion at December 31, 2004.

In 2004, Allianz Global Investors achieved net inflows from mutual funds of € 2.3 billion. According to the Bundesverband Investment und Asset Management (or "BVI"), an association representing the German investment fund industry, Allianz Global Investors ranked second among German asset management companies based on net inflows. In addition to the continued positive development of the sale of mutual funds through third-party distributors, we also managed to increase the share of net inflows through the Allianz Group's tied-agents network. With a market share of 15.0 %, Allianz Global Investors ranked fourth among German asset management companies based on assets under management at December 31, 2004, according to the BVI.

In the institutional special funds (or "Spezialfonds") business, assets managed increased from € 68.4 billion in 2003 to € 74.7 billion in 2004. With a market share of 14.1 %, we again achieved a top position among German asset management companies.

Group's Own Investments

The following tables set forth the components of our group's own investment portfolios by investment category at the end of the years indicated. Consistent with our general practice, amounts by investment category are presented before consolidation adjustments representing the elimination intra-Allianz Group investment holdings held by Allianz Group companies in different segments. The tabular presentation reflects the definition of the group's own investments as used by management for its controlling purposes. Real estate owned by the Allianz Group and used for its own activities is, however, not considered by management to be an investment and, therefore, does not mirror the real estate category under Note 39 to our Consolidated Financial Statements.

	12/31/2004[1]					
	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Consolidation adjustments € mn	Total € mn
Investments in associated enterprises and joint ventures	48,359	5,532	3,112	3	(51,174)	5,832
Investments						
Securities held-to-maturity	619	4,437	123	–	–	5,179
Securities available-for-sale	73,829	206,928	20,860	527	–	302,144
Real estate used by third-parties	3,534	5,613	1,479	2	–	10,628
Funds held by others under reinsurance contracts assumed	7,584	120	–	–	(6,103)	1,601
Trading portfolio						
Trading assets	629	27,886[3]	191,463	131	(108)	220,001
Trading liabilities	(347)	(2,164)	(99,733)	–	103	(102,141)
Other investments[2]	9,163	30,109	–	5	(9,227)	30,050
Total investments	**143,370**	**278,461**	**117,304**	**668**	**(66,509)**	**473,294**

[1] Group's own investments are stated at balance sheet value. Fair values amounted to € 6,372 mn on investments in associated enterprises and joint ventures and to € 14,181 mn on real estate used by third-parties.
[2] Consists of loans issued by Allianz Group operating entities within the Property-Casualty and Life/Health segments (€ 21,561 mn), bank deposits (€ 8,481 mn), as well as loans to associated enterprises and joint ventures (€ 8 mn).
[3] As a result of a new U.S. GAAP accounting standard (SOP 03-1), investments from certain unit-linked contracts were reclassified from separate account assets to trading assets, which are included within group's own investments.

	12/31/2003[1]					
	Property-Casualty	Life/Health	Banking	Asset Management	Consolidation adjustments	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Investments in associated enterprises and joint ventures	48,385	5,717	3,303	6	(50,969)	6,442
Investments						
Securities held-to-maturity	389	4,174	114	6	–	4,683
Securities available-for-sale	69,295	186,040	26,524	558	(4,546)	277,871
Real estate used by third-parties	3,391	6,014	1,094	2	–	10,501
Funds held by others under reinsurance contracts assumed	7,848	102	–	–	(5,938)	2,012
Trading portfolio						
Trading assets	1,375	1,646	143,167	125	(159)	146,154
Trading liabilities	(353)	(1,396)	(83,307)	–	221	(84,835)
Other investments[2]	12,715	29,735	10	50	(10,517)	31,993
Total investments	**143,045**	**232,032**	**90,905**	**747**	**(71,908)**	**394,821**

[1] Group's own investments are stated at balance sheet value. Fair values amounted to € 7,135 mn on investments in associated enterprises and joint ventures and to € 13,804 mn on real estate used by third-parties.

[2] Consists of loans issued by Allianz Group operating entities within the Property-Casualty and Life/Health segments (€ 21,300 mn), bank deposits (€ 10,686 mn), as well as loans to associated enterprises and joint ventures (€ 7 mn).

Investment Result

The following tables set forth the components of our investment results by segments for the years indicated. Consistent with our general practice, investment results by segments are presented before consolidation adjustments representing the elimination of intercompany transactions between Allianz Group companies in different segments.

	Year ended 12/31/2004					
	Property-Casualty[4]	Life/Health[4]	Banking	Asset Management	Consolidation adjustments	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Income from investments						
Current income[1]	5,905	11,579	1,028[2]	15	(2,937)	15,590
Income from revaluations[1]	325	430	78	1	20	854
Realized investment gains[1]	2,208	2,099	556	19	(49)	4,833
Subtotal	**8,438**	**14,108**	**1,662**	**35**	**(2,966)**	**21,277**
Investment expenses						
Depreciation and impairments on investments[1]	(634)	(330)	(433)	–	(36)	(1,433)
Realized investment losses[1]	(536)	(855)	(84)	(3)	(181)	(1,659)
Investment management, interest charges and other investment expenses[1]	(814)	(483)	–	(8)	260	(1,045)
Subtotal	**(1,984)**	**(1,668)**	**(517)**	**(11)**	**43**	**(4,137)**
Result from trading portfolio[3]	(47)	1,350[5]	1,502	11	(3)	2,813
Total result from investments	**6,407**	**13,790**	**2,647**	**35**	**(2,926)**	**19,953**

1) Includes respective income and expenses from investments in associated enterprises and joint ventures, and loans issued by the Allianz Group's operating entities within the Property-Casualty and Life/Health segments.
2) Excludes interest and similar income from loans issued by the Allianz Group's banking operating entities.
3) Represents net trading income.
4) These amounts include policyholders' participation.
5) As a result of a new U.S. GAAP accounting standard (SOP 03-1), investments from certain unit-linked contracts were reclassified from separate account assets to trading assets, which are included within group's own investments. This change led to an equal increase in both net trading income and net insurance benefits.

	Year ended 12/31/2003					
	Property-Casualty[4] € mn	Life/Health[4] € mn	Banking € mn	Asset Management € mn	Consolidation adjustments € mn	Total € mn
Income from investments						
Current income[1]	4,340	11,669	1,080[2]	28	(1,606)	15,511
Income from revaluations[1]	600	1,287	254	1	–	2,142
Realized investment gains[1]	7,963	3,704	584	24	(431)	11,844
Subtotal	**12,903**	**16,660**	**1,918**	**53**	**(2,037)**	**29,497**
Investment expenses						
Depreciation and impairments on investments[1]	(1,911)	(2,352)	(691)	(1)	(23)	(4,978)
Realized investment losses[1]	(1,501)	(3,871)	(344)	(4)	(169)	(5,889)
Investment management, interest charges and other investment expenses[1]	(1,285)	(516)	–	(14)	525	(1,290)
Subtotal	**(4,697)**	**(6,739)**	**(1,035)**	**(19)**	**333**	**(12,157)**
Result from trading portfolio[3]	(1,490)	218	1,486	30	(1)	243
Total result from investments	**6,716**	**10,139**	**2,369**	**64**	**(1,705)**	**17,583**

[1] Includes respective income and expenses from investments in associated enterprises and joint ventures, and loans issued by the Allianz Group's operating entities within the Property-Casualty and Life/Health segments.
[2] Excludes interest and similar income from loans issued by the Allianz Group's banking operating entities.
[3] Represents net trading income.
[4] These amounts include policyholders' participation.

The total result from investments increased by € 2,370 million, or 13.5 %, to € 19,953 million in 2004 from € 17,583 million in 2003, largely as a result of higher trading income in 2004. Net trading income in 2003 had been negatively impacted by certain financial derivative instruments that were used in a macro hedge for hedging our equity exposure. In addition, net trading income in 2004 was positively affected by the application of a new U.S. GAAP accounting standard (SOP 03-1) as discussed under Life/Health.

Property-Casualty

Property-casualty insurance investments increased by € 325 million to € 143,370 million in 2004 from € 143,045 million in 2003. The total investment result from property-casualty investments decreased by € 309 million, or 4.6 %, to € 6,407 million in 2004 from € 6,716 million in 2003, due primarily to lower net realized gains, offset in part by the negative impact on net trading income from the use of certain financial derivative instruments in 2003. Realized investment gains decreased by € 5,755 million, or 72.3 %, to € 2,208 million in 2004 compared with € 7,963 million in 2003, mainly as a result of significant realized gains on the reductions of certain shareholdings in 2003. Current income from investments increased by € 1,565 million, or 36.1 %, to € 5,905 million in 2004, compared with € 4,340 million in 2003, due to higher current income from our investments in associated enterprises and joint ventures. Investment expenses decreased by € 2,713 million, or 57.8 %, to € 1,984 million in 2004, compared with € 4,697 million in 2003, due primarily to reduced impairments on investments, which decreased to € 634 million in 2004 compared to € 1,911 million in 2003, largely as a result of more stable capital markets during 2004. Losses from the trading portfolio decreased significantly by € 1,443 million to € 47 million, as compared to € 1,490 million in 2003. The high level of losses in 2003 reflected primarily losses relating to certain financial derivative instruments that were used in a macro hedge for hedging our equity exposure in 2003. Under IFRS, financial derivatives used in macro hedges do not qualify for hedge accounting and changes in their fair value are recognized in trading income. Changes in the fair value of the underlying equity investments are recognized in shareholders' equity and are only recognized in the income statement when they are sold.

Life/Health

Life/health insurance investments increased by €46,429 million, or 20.0%, to €278,461 million in 2004 from €232,032 million in 2003, primarily as a result of reclassification of investments related to unit-linked products at our Italian subsidiaries from separate account assets to trading assets in 2004. The total investment result from life/health investments increased by €3,651 million, or 36.0%, to €13,790 million in 2004 from €10,139 million in 2003, largely due to lower net realized investment losses as well as impairments on investments. This effect was partly offset by reduced realized investment gains. A strong positive effect resulted from an increase in trading income of €1,132 million to €1,350 million in 2004 compared with €218 million in 2003 driven, to a large extent, by the effects of a new accounting standard whereby investments from certain unit-linked contracts were reclassified from separate account assets to trading assets. This change led to an equal increase in both net trading income and net insurance benefits. Current income from investments decreased slightly by €90 million, or 0.8%, to €11,579 million in 2004, compared with €11,669 million in 2003, while realized investment gains decreased by €1,605 million, or 43.3%, to €2,099 million in 2004, compared with €3,704 million in 2003, primarily due to lower realized gains from the disposition of investments in 2004 as compared to 2003. Depreciation and impairments on investments was €330 million in 2004, as compared to €2,352 million in 2003, largely due to more favorable capital markets during 2004.

Banking

Banking investments increased by €26,399 million to €117,304 million in 2004 from €90,905 million in 2003, due primarily to an increased trading portfolio. The total investment result from banking investments rose by €278 million, to €2,647 million in 2004 from €2,369 million in 2003, due primarily to higher net realized investment gains and lower impairments on investments. Current income from investments decreased slightly to €1,028 million in 2004, compared with €1,080 million in 2003. Realized investment gains decreased to €556 million in 2004, compared with €584 million in 2003. Investment expenses decreased to €517 million in 2004 from €1,035 million in 2003. Thereof, depreciation and impairments of investments decreased by €258 million, to €433 million in 2004, compared with €691 million in 2003, due primarily to more stable capital markets during 2004.

Asset Management

Asset management investments decreased by €79 million, or 10.6%, to €668 million in 2004 from €747 million in 2003, reflecting primarily a decrease in short-term investments. The total investment result from asset management investments declined by €29 million to €35 million in 2004 from €64 million in 2003. Current income from investments decreased by €13 million, or 46.4%, to €15 million in 2004, compared with €28 million in 2003, while realized gains decreased to €19 million in 2004 from €24 million in 2003. Investment expenses decreased by €8 million, or 42.1%, to €11 million in 2004 from €19 million in 2003.

Risk Report

We have a risk management system at our disposal that clearly exceeds regulatory requirements.

As providers of financial services, we consider risk management one of our core competencies. Risk management is therefore an integrated part of our controlling process. We identify and measure, aggregate and manage risks. The result of this process determines among other things how much capital is allocated to the Group's various divisions.

Risk governance structure

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

Since 2003, the Group Risk Committee has been monitoring the capitalization and risk profile of the Allianz Group to ensure a reasonable ratio between the two. This committee consists solely of members of the Allianz AG Board of Management. Its role is to ensure comprehensive risk awareness within the Allianz Group and to further improve risk control. It also provides timely information to the Management Board about risk-relevant developments, sets risk limits, and is responsible for recommending and coordinating risk containment measures.

Group Risk Control, which reports to the Chief Financial Officer, develops methods and processes for risk assessment and control on a group-wide basis. On this basis, it forms an overview of local and global risks, derives the risk situation of the Allianz Group from this, and regularly informs management about the current situation. In addition, Group Risk Control makes sure that the risk governance principles of the Allianz Group are fully adhered to. Group Risk Control is also responsible for the centralized monitoring of accumulation risk over all business lines. This ensures that we control our local and global risks equally, and are not exposed to the danger of overall risk increasing unnoticed.

Within our risk governance policy, local units assume independent responsibility for their own risk control, as ultimately, it is they who have to respond quickly to risk changes in a market-oriented manner. At the same time, this independent responsibility enables operating units to meet the applicable legal requirements at their respective locations.

Investment risk management is implemented jointly with local units as part of a structured investment process. The Allianz Group Finance Committee, which is likewise made up of members of the Board of Management of Allianz AG, delegates far-reaching, decision-making authority to the regional Finance Committees, which monitor activities in their respective regions or countries. These regional Finance Committees draw up local investment guidelines for their particular locations. Operational responsibility for investment portfolios lies within the local units.

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

The Trend Assessment Committee is responsible for the early recognition of new risks. Their role is to study and evaluate changes that may have a major impact on the Allianz risk situation.

Principles

Independent risk oversight In the year under review, the Allianz Group further strengthened the principle of independent risk oversight. There is a clear distinction between risk assumption (i.e. the responsibility for the business including associated risk management) and independent risk monitoring. The latter also analyses alternative courses of action and proposes recommendations to the Risk Committee and the Management Board of Allianz AG.

Risk policies The Group Risk Policy sets down the minimum requirements that are binding for all operating units. In the year under review, these general principles were concretized for the insurance, banking, and assets management segments; in the course of this, specific risk standards were set down (so-called Minimum Standards). These requirements, which are applicable for the entire Group, are to be implemented by operating entities worldwide and monitored on a regular basis within a structured process by Group Risk Control.

Instruments

Risk capital We control our activities through our respective local companies. The most important parameters used in our value-oriented controlling process are Economic Value Added (EVA®) and risk capital. Risk capital serves as a buffer against unexpected losses. In the fiscal 2004, we used our internal risk capital model as input for the value-oriented management framework of our insurance companies and Dresdner Bank. For asset management, we used a model based on a concept developed by Standard & Poor's rating agency.

Our internal risk capital model evaluates quantifiable risks within a set timeframe and displays potential loss. This model allows us to evaluate internal data using methods based on the theory of probability. This process takes into account the special characteristics of our local entities as well as the specific nature of their risks. Portfolio effects are also incorporated into our risk analyses. With the internal risk capital model, we are able to evaluate risks even more precisely and optimize allocation of capital within the Allianz Group.

Our risk capital model quantifies the following risk categories:

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

As a minimum, the capital we allocate to our local units in accordance with the internal risk capital model meets the requirements for an "A" rating from Standard & Poor's. Diversification effects result in a capitalization of the Allianz Group equivalent to an "AA" rating from Standard & Poor's. The risk capital after group diversification and before minority interests amounted to € 34.3 billion.

Risk capital (after group diversification) by risk category

Risk category	Risk capital € bn
Market risks	15.2
Credit risks	5.9
Actuarial risks	8.0
Business risks	5.2
Total	**34.3**

Risk capital (after group diversification) by segment

Segment	Risk capital € bn
Property and Casualty Insurance	17.7
Life Insurance	4.5
Banks	6.8
Asset Management	2.0
Holding	3.3
Total	**34.3**

Limit system We introduced a limit system for credit risks that is applicable over the entire Group. The limit system aggregates major risks of group-wide significance from credit insurance, lending and our capital investments and serves as the basis for controlling the risk on a group-wide basis and detecting creditworthiness risks at an early stage.

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

Risk controlling in the insurance business

Market risks

We monitor market risks by means of sensitivity analyses and stress testing. As protection against exchange rate fluctuations, we back our insurance commitments to a very large extent by funds in the same currency. If the average share prices of our stock portfolio carried as available for sale had dropped 10 % at the end of 2004, the shareholders' equity of the Allianz Group would have decreased by € 1.4 billion.

EVA® is a registered trademark of Stern Stewart & Co.

If, the interest curve had moved upwards by 100 basis points, our shareholders' equity would have decreased by € 3.0 billion if the fixed-interest securities available for sale are taken into account. A depreciation of the U.S. dollar of 10 % against the euro would have reduced the shareholders' equity by € 0.9 billion at the end of the year. The effects of derivatives are disregarded in these model calculations.

In certain insurance lines, there is a direct link between investments and obligations to our customers. Life insurance is subject to the guaranteed interest risk: it must generate the interest payments it guarantees in the promised amount. The tight link between insurance obligations and investment of the capital related to these obligations is investigated by using specific models for asset-liability management. We are continuously developing our asset-liability management. In the past fiscal year we started a project to use new methods of mathematical finance for examining the value drivers of our life insurance business.

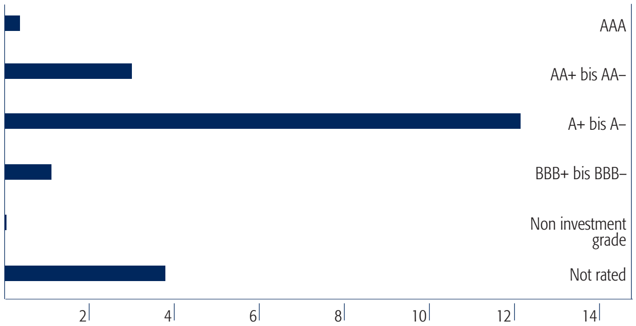
In individual cases, we use derivative financial instruments to hedge against price risks, credit risks and risks associated with interest rate changes. We treat derivatives risks within our internal investment and monitoring rules, which in the insurance segment too are based on the stricter regulations imposed by supervisory authorities for banks.

We limit liquidity risks by continually reconciling the cash flow from our investment portfolio with our payment liabilities. We employ actuarial methods for estimating our payment liabilities arising from insurance contracts.

Credit risks

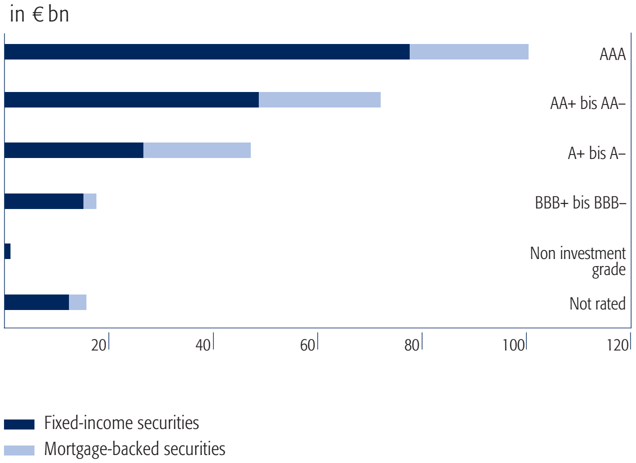
The Allianz Group limits its liability from insurance business by ceding part of the risks it assumes to the international reinsurance market. To control the credit risk this creates, we compile group-wide data on receivables from insurance losses. Approximately 81 % of these Allianz Group receivables are distributed over external reinsurers with an Investment Grade Rating. More than 75 % are distributed over debtors that have been assigned at least an "A" rating by Standard & Poor's.

Ceded reserves by rating classes (net of amounts due from reinsurers)
in € bn



We limit investment credit risks by setting high requirements on the creditworthiness of our debtors and by spreading the risk. Through our central credit risk management, we consolidate our exposure according to debtors and across all investment categories and business segments, and monitor the total exposure of the Allianz Group on a monthly basis. Approximately 93 % of the investment credit risks of the insurance companies of Allianz Group have an investment grade rating. More than 86 % are distributed over debtors that have been assigned at least an "A" rating.

Fixed income investments by rating classes
in € bn



Insurance risks

Premium risks of the Allianz Group are controlled primarily with the help of actuarial models used to calculate premiums and monitor claim patterns. In addition, we issue guidelines for underwriting insurance contracts. Natural disasters such as earthquakes, storms and floods represent a special challenge for risk management. The recent Asian Tsunami has shown how devastating the effects of such events can be across national borders. This disaster – and the possible dangers from global climate change – emphasize the significance of risk quantification and management for natural disasters. The relatively low net claims against the Allianz Group from the series of hurricanes in 2004 show that active portfolio management can reduce the effects on results by means of a selective and disciplined underwriting policy. The increasing claims volume worldwide is caused by an increasing concentration of insured values in especially endangered areas. In order to manage such risks and better estimate the potential effects of natural disasters, we use special modeling techniques, in which we combine information about our portfolio – the geographic distribution of insurance amounts for instance – with simulated natural disaster scenarios in order to estimate a figure for the potential damage. Where such models do not exist, for example for the flood risk in Germany, we use scenario-based deterministic approaches.

We control **reserve risks** by constantly monitoring the development of the provisions for insurance claims that have been submitted but not yet settled in all companies, and amend the provisions as necessary. For this, we use special actuarial methods. For calculating insurance provisions in life insurance, the biometric assumptions, such as life expectancy, disability and illness, play a major role. If available, we use assumptions approved by supervisory authorities and actuarial associations.

Business risks

The **operational risks** are limited by a wide range of technical and organizational measures. We are attempting to reduce such risks by installing a comprehensive system of internal controls and security systems in each operating unit.

Risk capital

At the end of fiscal 2004, the risk capital of our insurance companies, considering local solvency requirements and before group diversification and minority interests, was composed as follows: risk capital of property and casualty insurance was €21.9 billion, while that of life insurance was €8.7 billion.

Risk controlling in the banking business

Market risks

Dresdner Bank uses a proprietary value-at-risk model that takes into account all aspects of general and specific risks. The value-at-risk is defined as a maximum loss that is not exceeded with a confidence level of 99% and a holding period of 10 trading days. The German Federal Supervisory Authority for Financial Service Providers (BaFin) has approved Dresdner Bank's value-at-risk model for purposes of reporting in accordance with Principle I of the German Banking Act. The value-at-risk model is complemented by scenario analyses.

For purposes of setting internal limits and risk management, we calculate value-at-risk with a confidence level of 95% and a one-day holding period. Unlike the value-at-risk calculation required by the supervisory authority, which is based on market data from the past, we thus assign greater weight to the most recent market fluctuations.

Value-at-risk is only one of the instruments used to characterize and control the risk profile of the Dresdner Bank Group. In addition, the bank also uses operational risk indicators and limits, which are specifically adapted to the risk situation of the trading units. Trading is controlled by setting value-at-risk and operational market risk limits. Current limit utilization is determined and monitored by Risk Controlling on a daily basis. Limit breaches are immediately indicated to the management concerned so that corrective action can be taken.

Market risks in the trading portfolio The value-at-risk (99% confidence level, 10-day holding period) from the Dresdner Bank's trading activities at the end of 2004 fell by €46 million to €50 million compared to the previous year.

Value-at-risk statistics

(99 % confidence level, 10-day holding period)

	Year Ending 2004	Annual statistics 2004 Mean value	Maximum value	Minimum value	Year Ending 2003
	€ mn	€ mn	€ mn	€ mn	€ mn
Aggregate risk	50	95	155	46	96
Interest rate risk	57	99	159	49	88
Equity risk	15	20	36	12	29
Currency/ commodity risk	9	11	37	2	19
Diversification effect[*)]	(31)	(35)	–	–	(40)

[*)] No diversification effect can be taken into account since the maximum and minimum values were measured at different dates.

Banking book market risks This risk mainly comprises the risk of interest changes and is analyzed on the basis of sensitivity and value-at-risk indicators. As in the case of trading, the bank controls this risk by setting value-at-risk limits. At the end of 2004, the value-at-risk (99 % confidence level, 10-day holding period) for interest rate risks at the Dresdner Bank Group fell to €8.6 million (compared to €31.2 million in previous year).

Currency risks in the banking book of Dresdner Bank are limited by applying the following principle: all loans and deposits in foreign currencies are refinanced or reinvested in the same currency with matching maturities.

Liquidity control and **liquidity risk** management are the responsibility of the treasury. As part of the Group liquidity policy, Treasury and Risk Controlling of Dresdner Bank established principles for liquidity management. This liquidity policy meets both regulatory requirements and internal standards. The liquidity risk limits set include a reporting process for limit breaches and provisions for emergency planning.

Liquidity risk measurement is based on the liquidity management system. This system models the maturities of all cash flows and draws up a scenario-based liquidity balance sheet, taking into account available prime-rated securities.

Credit risks

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities and country risks.

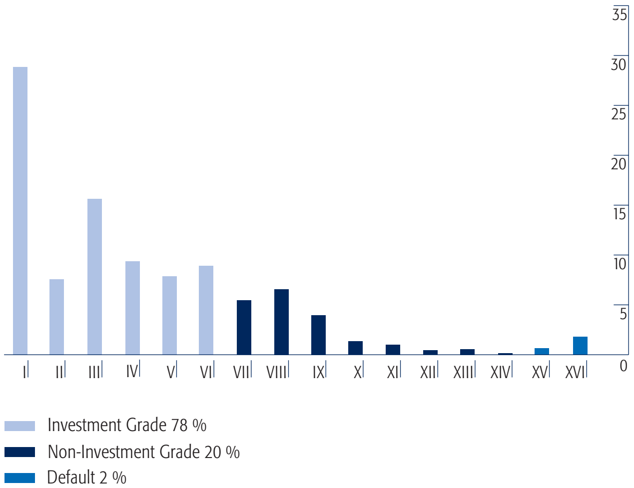
In the year under review, we pushed ahead with both the expansion of industry-specific expertise, and the internal organization of risk management units by customer segments. As part of improved risk monitoring, risk reporting has been broadened, and adapted to the lending business minimum requirements (MaK) of the German supervisory authorities. Measures to limit concentration risks were also continued.

The central element in the approval, monitoring and control process is the rating of our customers. In this process, the various creditworthiness characteristics of the customers are presented in the form of rating classes. To categorize the default probability of a borrower, a system with 16 different rating classes is used. The first six classes correspond to "investment grade", classes VII to XIV signify "non investment grade". Rating classes XV and XVI are default classes according to the Basel II Definition. At the end of fiscal 2004, about 78 % of all credit risks in the trading and banking portfolios of the Dresdner Bank Group fell into rating classes I to VI.

The volume of the overall portfolio is to a great extent determined by the bank's trading business, which involves primarily transactions with counterparties in rating classes I to VI, i. e. with state and local agencies and financial services providers. These counterparties account for approximately 89 % of the bank's trading business and 60 % of its total portfolio.

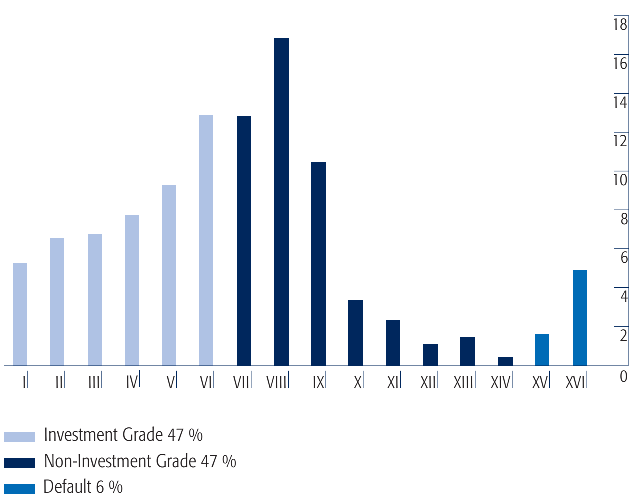
Overall portfolio view by rating classes

in %



Credit and counterparty risks from loans and advances Of the Bank's lending, 34 % is accounted for by the Personal Banking sector, 15 % by the Private & Business Banking sector, 34 % by the Corporate Banking sector, 11 % by Dresdner Kleinwort Wasserstein and 6 % by the Institutional Restructuring Unit (IRU). The risk-oriented portfolio reduction by the IRU and the improvements already made in lending procedures are reflected in the improved average default probability of the loan portfolio.

Credit and counterparty risks from loans and advances by rating classes
in %



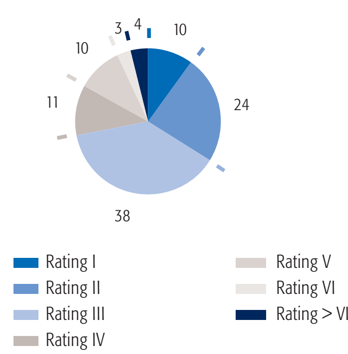
Counterparty risks from trading activities In the credit-sensitive trading business with OTC derivatives, the selection of counterparties plays a decisive role. The selection process is aimed at counterparties with top-quality credit ratings. In assessing the current counterparty risk, positive replacement values from the Bank's point of view are the determining factor. These correspond to the additional expense or lower yield that would result from restoring an equivalent position in the event of a trading partner defaulting. The banking and other financial services provider sectors account for a large proportion of the positive replacement values.

Counterparties by market segment

Counterparties by industry segment	Positive replacement values	
	12/31/2004	12/31/2003
	€ mn	€ mn
Banks	46,014	38,611
Other financial services providers	19,752	16,063
Insurance companies	115	411
Small industry	669	741
Telecommunication, media, technology	3,159	489
Transportation	492	457
Raw materials	19	148
Real estate	126	108
Government	59	1,119
Other	2,925	773
Total – before netting	**73,330**	**58,920**
Total – after netting and security	**13,926**	**14,251**

In the rated derivatives portfolios of Dresdner Bank, 96 % of the positive replacement values involve counterparties in risk classes I to VI and are thus of "investment grade".

Counterparty risks from trading activities by rating classes
in %



Country risks We control these risks by using internal country ratings. These ratings are based upon macroeconomic data and key qualitative indicators. The latter take into account the economic, social and political environment. The country rating system was expanded from eight to 16 classes in fiscal 2004, similar to the individual credit-worthiness ratings of our customers. These divide countries into those without any discernible risk, and those with an increased or high risk potential. The country risk management at the Dresdner Bank is intended to limit transfer and local risks on the basis of a comprehensive country limit system.

Business risks

Dresdner Bank has a system for the systematic identification, measuring and controlling of operational risks. The essential risk factors are evaluated in the framework of a structured self-assessment. A loss database is employed to record and analyze losses that actually occur, and provides the basis for calculating the risk capital requirement.

Risk capital

At the end of fiscal 2004 the risk capital of the Dresdner Bank, before group diversification, amounted to € 7.9 billion.

Risk control in asset management

Risk control in asset management is an integated part of the processes of the local units or the investment platform. The Corporate Center ensures that Group-wide standards for asset management are applied at the local level. The individual asset management companies continually monitor the portfolio risks of the customer assets they manage by using analytical tools specifically adapted to the risk profile of the product concerned. At the same time, the performance of the various product lines is periodically monitored and analyzed at the Group level. At the end of fiscal 2004, risk capital in the asset management segment – calculated according to the Standard & Poor's model and before minority interests – amounted to € 2.0 billion.

Risk monitoring by third parties

Supervisory authorities and rating agencies are additional risk monitoring bodies. Supervisory authorities stipulate the minimum precautions and capital requirements that must be taken in individual countries and on an international level. Rating agencies determine the relationship between the required risk capital of a company and the available safeguards. In their evaluation of capital resources, the rating agencies include equity shown in the balance sheet, minority interests and other items representing additional securities in times of crisis. At the end of the year, this total was at a level that corresponds to our current ratings. At the end of fiscal 2004, the financial strength of the Allianz Group was rated by Standard & Poor's as "AA–" (outlook negative), by A.M. Best as "a+" (outlook negative), and by Moody's as „Aa3" (outlook stable).

Outlook

In the course of the current fiscal year we will further strengthen Allianz Group risk governance by introducing the Group Insurance Risk Committee. This Committee will support the Group Risk Committee in respect of insurance risks. We will also be concluding a project involving the analysis of value drivers in our life insurance business using the latest mathematical methods.

We are also committed to improving our risk management processes for natural hazard liabilities and, for 2005, for the first time, have centrally grouped together and reinsured extreme natural disaster risks to which we are exposed. This is a direct result of insights gained from our internal risk capital model.

We are also working intensively on a project to evaluate derivatives on the basis of a group-wide uniform IT system. We will also strengthen and clarify our guidelines for handling derivatives.

As of January 1, 2005 additional supervision of financial conglomerates will operate in Germany, in implementation of an EU Directive on the supplementary supervision of financial conglomerates. The details of the capital requirements are currently under discussion. For the first time, evidence relating to the fulfillment of capital requirements must be given on the basis of the 2005 financial statement. Initial test calculations, using target figures and assumptions regarding the as yet unsettled details of the executive order, show appropriate capital resources.

We are making intensive preparations for the expected changes in banking and insurance supervision:

- We are constantly improving the methodology of our internal risk model in order to meet future requirements on internal models (Solvency II).
- We are continually optimizing our internal bank risk assessment procedures – including data entry and associated processes (Basel II).

Our Employees

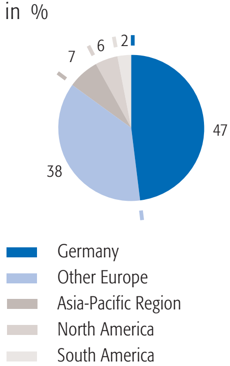
In 2004, international HR activities focused primarily on introducing and implementing our new leadership values.

The customer orientation, commitment and professionalism of its employees have helped the Allianz Group achieve the position it holds today. The human resources policy of the Allianz Group is based on two organizational principles: delegation of operating responsibility to the individual company units, and close coordination in core areas. In human resources, this coordination primarily covers leadership values, development and training of junior managers, succession planning and the transfer of know-how between business units.

On December 31, 2004 we had 162,180 (2003: 173,750) employees in over 70 countries. The decline in employee numbers is primarily the result of the restructuring of Dresdner Bank, AGF as well as our north american business. Slightly more than half of our employees work outside Germany. A detailed overview is provided by the chart and the table below.

Employees by region

in %



Leadership values

Our leadership values provide the management team with an authoritative set of guidelines, which enable them to realize our strategy of a value-creating corporate culture. They set out our intentions in terms of how we want to work with our customers and how we want to work together as a global team in order to provide outstanding services. These leadership values were introduced in the fall of 2003 and every year we check the extent to which they are being put in practice. Our last poll of managers throughout 60 Group companies was completed in October 2004 and shows that some impressive progress is being made. It also helps demonstrate that we are on the right track with our leadership values; the units that reported positive results were also generally the ones leading the field in the application of our leadership values. In view of this, adherence to these values is, from now on, to become a key factor of our managers' responsibilities and annual goals. It must be clear that the Allianz Group is not concerned solely with the achievement of financial business objectives, but is also doing its utmost to determine how best to work together as a team to meet the high expectations of both shareholders and customers.

Employees by country

	2004	2003
Germany	75,667	82,245
France	17,129	19,639
U.S.A	10,313	11,058
United Kingdom	9,496	9,801
Italy	7,715	7,467
Australia	3,283	3,187
Austria	3,006	3,246
Hungary	2,941	3,056
Switzerland	2,930	3,117
Slovakia	2,858	3,039
Spain	2,664	2,735
Brazil	2,259	2,304
South Korea	1,785	1,735
Romania	1,598	1,332
Ireland	1,070	1,075
Colombia	1,057	1,122
Other	16,409	17,592
Total	**162,180**	**173,750**

Expatriation and international training programs

We intend to recruit, promote and train new managers primarily from among our own ranks and, in so doing, give them a good grounding in international business and help them become efficient, highly qualified and self-assured managers. We therefore set great store by sending our managers on international job placements – not least because this promotes a common global understanding of our leadership values and our business strategy throughout every country and every company belonging to the Allianz network.

Short or long-term expatriation offers Allianz managers, junior managers with potential and experienced specialists the opportunity to prove themselves in foreign markets and different cultures, thus driving forward the transfer of know-how throughout the entire Group.

Our "Allianz Development Program" for gifted new recruits and management trainees has already offered many employees, from Central and Eastern Europe in particular, the chance to get to know new markets and enhance their experience across a variety of industries. In addition to numerous international projects, there are international teams of experts who provide "outsider" advice to companies through onsite visits and introduce the Group's best process improvements or product innovations.

eLearning

eLearning is a highly efficient way of training our employees and widening their horizons. In the year under review, we ensured that all our employees and sales agents from around the world had the technology to access our eLearning offerings. We also have course units that impart the general know-how necessary to succeed within the company; providing sales and product training courses, for instance, and courses on finance and project management. In the future, we intend to set up tailor-made intranet offerings. We are currently developing software for converting company-specific training material into eLearning format. This will both save costs considerably and substantially increase the reach of our training courses. All in all, these offerings will significantly promote information exchange, common understanding of company objectives and real team awareness throughout the entire international company network. At the same time, it will appreciably accelerate the implementation of global initiatives.

Performance orientation and compensation

Our management is run on the basis of individual target setting. As far as possible, remuneration reflects the results attained. Remuneration of upper- and mid-level management is already directly tied to meeting objectives and to the success with which our strategy for increasing the value of the company is implemented.

Total wages and salaries paid by the Group to its employees worldwide amounted to € 9.0 billion (2003: € 8.8 billion) in 2004. Social security contributions, pensions and other employee benefits amounted to € 2.1 billion (2003: € 2.2 billion).

In 2004, we once again launched an employee stock purchase plan, which offered Allianz shares at preferential conditions to over 123,000 employees in 20 countries.

Our senior management participates in the Group Equity Incentive Plan, which is made up of stock appreciation rights (SAR) and restricted stock units (RSU) and provides for a balanced incentive structure. The potential yield depends on the development of the Allianz share price. The calculation takes into account the Economic Value Added (EVA®) of the Allianz Group and the EVA® of the respective Group company, as well as fullfillment of objectives related to cost of capital. The Group Equity Incentive Plan meets all requirements and recommendations of the German Corporate Governance Code.

More detailed information on stock-based remuneration is provided on pages 16 to 19 of this Annual Report.

Outlook for 2005

Business prospects not dampened by the slower pace of global economic growth

We expect that the global economy will grow at a somewhat less rapid pace in 2005 than it did in 2004. The cooling trend will likely be felt in all regions of the world. Nonetheless, global economic output will continue to expand. However, this trend is subject to the risk that rising energy prices could put a significant dent in global economic growth. Under the conditions known at the present time, the business prospects for providers of financial services continue to be good.

Solid, but tempered economic growth

In the current business year, global economic growth will likely be less dynamic than in 2004. It will probably fall in the range between 2.5 % and 2.8 % (instead of 3.8 % in 2004). We also believe that global trade will increase at a more moderate rate of around 7 %, as opposed to 10 % last year. This forecast is based in part on the energy price increases of 2004 and on the measures taken by the Chinese government to prevent their economy from overheating. Consequently, the Chinese economy is likely to grow at a rate of 8 % in 2005, one full percentage point less than in 2004. Disregarding Japan, as an exceptional case, the expansion in Asia as a whole will fall by one percentage point to 6 %. In the United States, economic growth will be constrained by the trade and budget deficits and by the fact that consumer spending will likely increase only moderately due to the high debt burden of private households and rising interest rates. Based on our observations, Japan's economy will follow a similar pattern. Following growth of nearly 2.6 % in 2004, we are expecting a growth rate of only 1 % in 2005.

In the European Union, the economic slowdown will be very moderate, due in particular to the worsened outlook for Great Britain. That means, however, that we can expect GDP growth roughly on the level of last year in the euro zone, driven by improved economic conditions in Italy and the Netherlands. In fact, the positive developments in these countries could well offset worsening developments in countries like Germany. Domestic demand will be critically important for the economy as a whole, because the slower rate of expansion of the world trade will primarily affect countries, such as Germany, for example, in which economic growth in 2004 was driven by exports.

Favorable conditions for financial services providers

The current economic climate is favorable for the financial services sector. We do not believe that banks will be forced to set aside higher provisions for losses. Also, we expect that U.S. companies will experience stronger profits growth in the second half of the year. This will lift the stock markets in the United States and lend fresh impetus to the international capital markets, which should provide a further boost to financial services providers.

Public attention is still very much focused on the issue of funded retirement plans and therefore life insurers and asset managers can expect healthy business growth in 2005 as well. The mutual fund industry in particular is likely to benefit from the less volatile environment in the capital markets. Because funded retirement plans are obligatory – at least in part – in many central and eastern European countries, continued cash inflows can be expected in this region. Even in Asia, rising prosperity levels are fueling demand for privately financed retirement plans. Life insurers will continue to benefit from these trends in 2005. German companies, on the other hand, have to contend with a special situation. The German Retirement Income Act, which took effect at the beginning of 2005, establishes improved conditions for sales of private retirement insurance policies, but also does away with the tax deduction for endowment insurance. In anticipation of this change, sales of life insurance and retirement insurance products spiked in December 2004. Consequently, it will take some time before the impact of the new provisions of the Retirement Income Act on sales of such policies can be clearly understood.

Providers of property and casualty insurance will find it increasingly difficult to impose higher margins, especially in the fiercely contested, strategically important automobile insurance segment. Similar challenges will be faced by providers of industrial insurance. Overall, the ability of insurance companies to improve their earnings on property and casualty insurance will depend on the degree to which they adhere to a strictly risk-adequate underwriting policy. This business segment is likely to continue expanding in 2005, if for no other reason than the growing volume of potential losses around the world and the many natural disasters that occurred in 2004.

Outlook for Allianz

We will continue to execute our "3+One"program in 2005 with an increasing focus on managing for profitable and sustainable growth. We expect an overall increase of total revenues in line with 2004. We will concentrate our efforts to sustain and selectively improve operating profits. Within our property-casualty segment we are striving to maintain a strong combined ratio of below 95 %, even though in some markets, the potential for further rate increases may be limited. We are also confident that our Life/Health segment will achieve its operating profit target of at least € 1.5 billion and Dresdner Bank will earn its cost of capital in 2005. Additionally, we are targeting a 10 % increase in operating profit for our Asset Management business. However, as always, natural catastrophes and adverse developments on the capital markets may severely impact our profitability.

In 2005, our consolidated net income will be positively affected by certain changes in international accounting standards (IFRS). Goodwill will no longer be amortized, resulting in an estimated benefit net of tax for the Allianz Group of € 1.1 billion in 2005. In addition, due to the stipulations of IAS 39 (revised), we will be required to reverse all write-ups within our equity investment portfolio retroactively, ultimately resulting in a higher potential for capital gains and reduced risk of impairment charges.

Munich, February 23, 2005
Allianz Aktiengesellschaft

The board of management

Diekmann	Dr. Achleitner
Bremkamp	Carendi
Dr. Faber	Dr. Hagemann
Dr. Perlet	Dr. Rupprecht
Dr. Walter	Dr. Zedelius

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the unappropriated earnings of Allianz AG for fiscal 2004 in the amount of € 852,000,000.00 be appropriated as follows:

- Distribution of a dividend of € 1.75 per eligible share: € 674,364,188.75
- Allocation of € 177,635,811.25 to other appropriated retained earnings

The recommendation for appropriation of earnings takes into account own shares held directly or indirectly by the company, which in accordance with the German Stock Corporation Act (clause 71 b AktG) are not entitled to receive a dividend. Further purchases or sales of own shares during the period prior to the Annual General Meeting may increase or decrease the number of shares eligible for dividends. In this case, an amended proposal for the appropriation of profit based upon an unchanged dividend in the amount of € 1.75 per eligible share will be submitted to the Annual General Meeting for ratification.

Munich, March 16, 2005
Allianz Aktiengesellschaft

Cautionary Note Regarding Forward-Looking Statements

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

Global Compact

Allianz Group is among the signatories of the Global Compact, an initiative of UN Secretary General Kofi Annan.

The Global Compact has established ten principles that govern human rights, labor standards, environmental protection and corruption. The Global Compact thus represents a reference system by which we can determine the extent to which we are conducting responsible business activities.

The Global Compact principles are:

- Companies should support and respect the protection of internationally proclaimed human rights and
- make sure that they are not complicit in human rights abuses.
- The business community should uphold the freedom of association and the effective recognition of the right to collective bargaining; furthermore, it should support
- the elimination of all forms of forced and compulsory labor;
- the effective abolition of child labor; and
- the elimination of discrimination in respect of employment and occupation.
- The business community should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies
- Companies should work against all forms of corruption, including extortion and bribery.

Below we summarize our activities in 2004 to realize the Global Compact.

Group Risk Policy

- The new Group Risk Policy demands that consideration must be given to newly emerging dangers (e.g. in connection with nanotechnology) and ethical risks relating, fo example, to human rights violations.

Sustainable Investment

- Allianz offers sustainable investment funds to private and institutional investors.
- Several Allianz Group companies participate in the **Enhanced Analytics Initative.** For this, 5 percent of their broker commission is reserved for companies whose analyses also include criteria such as climate change or health risks.

Code of Conduct

- A new Code of Conduct has been released in 2005. The new code also makes reference to the UN Global Compact and the OECD Guidelines for Multinational Companies.
- The code includes a **clause on environmental protection** to be upheld by each employee. It also stipulates a strict set of rules on the acceptance of gifts.

Environmental Management System (EMS)

- The Allianz Group is gradually introducing its EMS in all subsidiary companies. 61 percent of our employees worldwide are already working in accordance with these principles.

Allianz Services & Research

- We carry out **Environmental Due Diligence Investigations** at companies which aim to identify the financial implications of environmental risks.
- ACT (**Allianz Center for Technology**) offers wide-ranging technical risk management consulting services for environmental and technical due diligence surveys on a world-wide basis.

Climate Change Initiatives

- Allianz Group is the largest investor participating in the **Carbon Disclosure Project** which demands that companies disclose their CO_2 gas emissions.
- Allianz, **WWF** and the **Climate Group** are engaged in a strategic dialog on the repercussions of climate change for the financial services sector.
- In January 2005, CO_2 emission trading started in the EU. Dresdner Bank has taken a leading role in the trading of the certificates.

UN Millennium Development Goals

- Together with the United Nations Development Programm and "Gesellschaft für Technische Zusammenarbeit", we are investigating the market for microinsurance in Asia.
- Allianz Bajaj in India already operates in the microinsurance area, and in collaboration with NGOs already sold more than 40,000 life-insurance policies to socially disadvantaged women.

For a full Sustainability Report see: **www.allianz.com/sustainability**

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on the headline or the page number.

Consolidated Financial Statements
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To read the notes, simply click ➤➤ on the number

Consolidated Balance Sheets
as of December 31, 2004 and 2003*)

ASSETS	➤➤ Note	2004 € mn	2003 € mn
Intangible assets	6	15,147	16,262
Investments in associated enterprises and joint ventures	7	5,832	6,442
Investments	8	319,552	295,067
Separate account assets		15,851	32,460
Loans and advances to banks	9	126,618	117,511
Loans and advances to customers	9	188,168	203,259
Trading assets	10	220,001	146,154
Cash and cash equivalents	11	15,628	25,528
Amounts ceded to reinsurers from insurance reserves	12	22,310	25,061
Deferred tax assets	38	13,809	14,364
Other assets	13	51,782	53,804
Total assets		**994,698**	**935,912**

EQUITY AND LIABILITIES	Note	2004 € mn	2003 € mn
Shareholders' equity	14	30,828	28,592
Minority interests in shareholders' equity	15	9,531	8,367
Participation certificates and subordinated liabilities	16	13,230	12,230
Insurance reserves	17	355,195	311,471
Separate account liabilities		15,848	32,460
Liabilities to banks	18	191,354	178,316
Liabilities to customers	19	157,274	154,728
Certificated liabilities	20	57,771	63,338
Trading liabilities	21	102,141	84,835
Other accrued liabilities	22	13,168	13,908
Other liabilities	23	31,833	31,725
Deferred tax liabilities	38	14,486	13,509
Deferred income	24	2,039	2,433
Total equity and liabilities		**994,698**	**935,912**

*) As indicated in Note 3, reflects restatement. See accompanying notes to the consolidated financial statements.

Consolidated Income Statements for the years ended December 31, 2004, 2003*) and 2002*)

	➤➤ Note	2004 € mn	2003 € mn	2002 € mn
Premiums earned (net)	25	56,789	55,978	55,133
Interest and similar income	26	21,053	22,592	28,210
Income (net) from investments in associated enterprises and joint ventures	27	777	3,030	4,398
Other income from investments	28	4,816	10,002	9,355
Trading income (net)	29	2,813	243	1,507
Fee and commission income, and income from service activities	30	6,823	6,060	6,102
Other income	31	2,556	3,750	2,971
Total income		**95,627**	**101,655**	**107,676**
Insurance benefits (net)	32	(53,326)	(50,432)	(49,789)
Interest and similar expenses	33	(5,437)	(6,561)	(10,651)
Other expenses from investments	34	(2,745)	(9,848)	(14,866)
Loan loss provisions	35	(354)	(1,027)	(2,241)
Acquisition costs and administrative expenses	36	(22,240)	(22,117)	(24,502)
Amortization of goodwill	6	(1,164)	(1,413)	(1,162)
Other expenses	37	(5,178)	(7,396)	(6,098)
Total expenses		**(90,444)**	**(98,794)**	**(109,309)**
Earnings from ordinary activities before taxes		5,183	2,861	(1,633)
Taxes	38	(1,727)	(146)	807
Minority interests in earnings	15	(1,257)	(825)	(670)
Net income (loss)		**2,199**	**1,890**	**(1,496)**

		€	€	€
Basic earnings per share	45	6.01	5.59	(5.40)
Diluted earnings per share	45	5.98	5.57	(5.40)

*) As indicated in Note 3, reflects restatement. See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2004, 2003*) and 2002*)

	Paid-in capital € mn	Revenue reserves € mn	Foreign currency translation adjustments € mn	Unrealized gains and losses (net) € mn	Shareholders' equity € mn
Balance as of 12/31/2001	**14,769**	**7,692**	**876**	**8,276**	**31,613**
Currency translation adjustments	–	–	(1,218)	(29)	(1,247)
Changes in the group of consolidated companies	–	364	–	–	364
Capital paid in	16	–	–	–	16
Treasury stock	–	(157)	–	–	(157)
Unrealized investment gains and losses	–	–	–	(6,930)	(6,930)
Net income for the year	–	(1,496)	–	–	(1,496)
Shareholders' dividend	–	(364)	–	–	(364)
Miscellaneous	–	(125)	–	–	(125)
Balance as of 12/31/2002	**14,785**	**5,914**	**(342)**	**1,317**	**21,674**
Currency translation adjustments	–	–	(1,574)	(125)	(1,699)
Changes in the group of consolidated companies	–	(1,117)	–	876	(241)
Capital paid in	4,562	–	–	–	4,562
Treasury stock	–	1,413	–	–	1,413
Unrealized investment gains and losses	–	–	–	2,179	2,179
Net income for the year	–	1,890	–	–	1,890
Shareholders' dividend	–	(374)	–	–	(374)
Miscellaneous	–	(812)	–	–	(812)
Balance as of 12/31/2003	**19,347**	**6,914**	**(1,916)**	**4,247**	**28,592**
Currency translation adjustments	–	–	(828)	(12)	(840)
Changes in the group of consolidated companies	–	(73)	64	(27)	(36)
Capital paid in	86	–	–	–	86
Treasury stock	–	(59)	–	–	(59)
Unrealized investment gains and losses	–	–	–	1,649	1,649
Net income for the year	–	2,199	–	–	2,199
Shareholders' dividend	–	(551)	–	–	(551)
Miscellaneous	–	48	–	(260)	(212)
Balance as of 12/31/2004	**19,433**	**8,478**	**(2,680)**	**5,597**	**30,828**

*) As indicated in Note 3, reflects restatement. See accompanying notes to the consolidated financial statements.

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

Consolidated Cash Flow Statements for the years ended December 31, 2004, 2003*) and 2002*)

	2004 € mn	2003 € mn	2002 € mn
Operating activities			
Net income (loss) for the year	2,199	1,890	(1,496)
Change in unearned premiums	234	596	542
Change in aggregate policy reserves (without aggregate policy reserves for life insurance products in accordance with SFAS 97)	15,181	12,051	6,039
Change in reserve for loss and loss adjustment expenses	2,476	1,016	2,530
Change in other insurance reserves (without change in the reserve for latent premium refunds from unrealized investment gains and losses)	1,678	(510)	(4,681)
Change in deferred acquisition costs	(1,174)	(2,460)	(1,211)
Change in funds held by others under reinsurance business assumed	412	32	1,349
Change in funds held under reinsurance business ceded	175	234	(192)
Change in accounts receivable/payable on reinsurance business	194	219	232
Change in trading securities (including trading liabilities)	(28,856)	8,909	14,064
Change in loans and advances to banks and customers	(5,950)	(47,109)	(5,846)
Change in liabilities to banks and customers	18,311	48,648	(8,215)
Change in certificated liabilities	5,784	(14,387)	(1,727)
Change in other receivables and liabilities	5,451	(4,250)	(1,370)
Change in deferred tax assets/liabilities (without change in deferred tax assets/liabilities from unrealized investment gains and losses)	500	(714)	(1,361)
Adjustment for investment income/expenses not involving movements of cash	(4,624)	(1,539)	939
Adjustments to reconcile amortization of goodwill	1,164	1,413	1,162
Other	(2,815)	1,113	(1,499)
Net cash flow provided by (used in) operating activities	**10,340**	**5,152**	**(741)**
Investing activities			
Change in securities available-for-sale	(17,780)	(8,748)	(7,837)
Change in investments held-to-maturity	(493)	1,754	1,092
Change in real estate	(772)	155	2,226
Change in other investments	1,286	4,238	1,681
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	(1,302)	(1,450)	(10,787)
Other	(1,499)	1,241	(154)
Net cash flow used in investing activities	**(20,560)**	**(2,810)**	**(13,779)**
Financing activities			
Change in participation certificates and subordinated liabilities	999	(1,943)	2,784
Change in investments held on account and at risk of life insurance policyholders	(9,714)	(7,856)	(2,154)
Change in aggregate policy reserves for life insurance products according to SFAS 97	7,920	7,819	10,808
Cash inflow from capital increases	323	4,562	16
Dividend payouts	(1,072)	(675)	(682)
Other from shareholders' capital and minority interests (without change in revenue reserve from unrealized investment gains and losses)	1,888	391	3,625
Net cash flow provided by financing activities	**344**	**2,298**	**14,397**
Effect of exchange rate changes on cash and cash equivalents	(24)	(120)	(109)
Change in cash and cash equivalents	**(9,900)**	**4,520**	**(232)**
Cash and cash equivalents at beginning of period	25,528	21,008	21,240
Cash and cash equivalents at end of period	**15,628**	**25,528**	**21,008**

*) As indicated in Note 3, reflects restatement. See accompanying notes to the consolidated financial statements.

Supplementary cash flow information

The data for the Allianz Group's consolidated cash flow statements was prepared in accordance with International Financial Reporting Standards. It excludes the effects of major changes in the scope of consolidation, which in 2004 included in particular influences from the deconsolidation of ENTENIAL, Guyancourt, President General Insurance, Taiwan and Allianz of Canada, Toronto and from the acquisition of Banca BNL Investimenti, Milan, and Four Seasons Health Care Ltd., Wilmslow. In 2003 it included influences from the deconsolidation of Pioneer Allianz Life Assurance Corporation, Metro Manila, and during 2002, the purchase of additional shares of Allianz Lebensversicherungs-AG, Stuttgart, Bayerische Versicherungsbank AG, Munich, Frankfurter Versicherungs-AG, Frankfurt am Main, Dresdner Bank Group, Frankfurt am Main, and Slovenská poist'ovna a. s., Bratislava, as well as the deconsolidation of Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG, Frankfurt am Main. Subsequent to the date of acquisition, the cash of these companies has been included in the Allianz Group's consolidated cash flow statements. The deconsolidation led to a decrease in the value of investments held (excluding funds held by others) by € 2,230 mn (2003: decrease of € 24 mn; 2002: decrease of € 43,558 mn); the acquisition increased the goodwill by € 311 mn (2003: no change; 2002: increase by € 2,924); the net total of other assets and liabilities increased by € 3,221 mn (2003: increase of € 24 mn; 2002: increase of € 51,416 mn). Cash outflow related to these acquisitions amounted to € 515 mn (2003: € 1,450 mn; 2002: € 10,764 mn). Changes in the scope of consolidation during 2004 led to a decrease in cash funds by € 786 mn (2003: no change; 2002: decrease of € 23 mn). Cash paid for taxes on income amounted to € 1,785 mn (2003: outflow of € 2,665 mn; 2002: outflow of € 1,196 mn). The reduction of cash and cash equivalents during 2004 is mainly due to the increase in the volume of lending business and the resulting increase in the amount of collateral paid.

Notes to the Consolidated Financial Statements

1 Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG, Nature of Operations and Basis of Presentation

Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG

On December 15, 2004, the Board of Management and the Supervisory Board of Allianz AG issued the Declaration of Compliance according to clause 161 AktG and made it available on a permanent basis to the shareholders on the company's website. The text of the Declaration of Compliance is also reproduced in the section Corporate Governance beginning on page 14 of this Annual Report.

The Declaration of Compliance of the two publicly traded group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG were issued on December 6 and 10, 2004, respectively, and were made available to the shareholders.

Nature of Operations

Allianz Aktiengesellschaft ("Allianz AG") and its subsidiaries ("the Allianz Group") have global property-casualty insurance, life/health insurance, banking and asset management operations in more than 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarters are located in Munich, Germany. The parent company of the Allianz Group is Allianz AG, Munich. Allianz AG is an "Aktiengesellschaft" (public stock corporation) incorporated in Germany. It is recorded in the Commercial Register of the municipal court Munich under its registered address at Königinstraße 28, 80802 München. Besides serving as holding company for the Allianz Group, Allianz AG also acts as the primary reinsurance carrier for the Allianz Group.

Basis of Presentation

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), in accordance with clause 292 a of the German Commercial Code (HGB). 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). All standards currently in force for the years under review have been adopted in the presentation of the consolidated financial statements. For years through 2004, IFRS does not provide specific guidance concerning the reporting of insurance and reinsurance transactions. Therefore, 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. The calculation of aggregate policy reserves and deferred policy acquisition costs is in accordance with various U.S. GAAP Statements of Financial Accounting Standards (SFAS), including SFAS 60, SFAS 97, and SFAS 120. The consolidated financial statements of the Allianz Group have been prepared in Euros (€).

2 Summary of significant accounting and valuation policies

Principles of Consolidation

The consolidated financial statements of the Allianz Group include those of Allianz AG, its subsidiaries and certain investment funds and special purpose entities. Subsidiaries, investment funds and special purpose entities which are directly or indirectly controlled by the Allianz Group are consolidated (hereafter "subsidiaries"). Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries that are disposed are consolidated until the date of disposal. The Allianz Group has used interim financial statements for certain subsidiaries whose fiscal year is other than December 31, but not exceeding a lag of three months. The effects of intra-Allianz Group transactions have been eliminated.

Business combinations are accounted for by applying the purchase method. The purchase method requires that the Allianz Group allocate the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and certain contingent liabilities at their fair values on the date of acquisition. The cost of a business combination represents the fair value of the consideration given and any costs directly attributable to the business combination. If the acquisition cost of the business combination exceeds the Allianz Group's proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any minority interest is recorded at the minority's proportion of the fair value of the net assets of the acquiree.

For business combinations with an agreement date before March 31, 2004, minority interests are recorded at the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

Foreign Currency Translation

Foreign currency is translated in accordance with IAS 21, **The Effects of Changes in Foreign Exchange Rates**, by the method of functional currency. The functional currencies for the Allianz Group's subsidiaries are usually the local currency of the relevant company, e.g., the prevailing currency in the environment where the subsidiary carries out its ordinary activities. In accordance with the functional currency method, assets and liabilities are translated at the closing rate on the balance sheet date and income and expenses are translated at the annual average rate in all financial statements of subsidiaries not reporting in Euro. Any foreign currency translation differences, including those arising in the process of equity consolidation, are recorded directly as foreign currency translation adjustments, in shareholders' equity.

Currency gains and losses arising from foreign currency transactions (transactions in a currency other than the functional currency of the entity) are reported in other income and other expenses, respectively.

Use of Estimates and Assumptions

The preparation of consolidated financial statements requires the Allianz Group to make estimates and assumptions that affect items reported in the consolidated balance sheet and consolidated income statement, as well as under contingent liabilities. The actual values may differ from those reported. The most important of such items are the reserve for loss and loss adjustment expenses, the aggregate policy reserves, the loan loss allowance, fair value and impairments of investments, goodwill, brand names, deferred policy acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Supplementary information on assets

Intangible Assets

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group's proportionate share of the net fair value of identifiable assets, liabilities and contingent liabilities. Goodwill resulting from business combinations with an agreement date on or after March 31, 2004, is not subject to amortization and is carried at cost less accumulated impairments.

Goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, was amortized on a straight-line basis over its estimated useful life, which is generally ten years for property-casualty insurance enterprises, twenty years for life/health insurance enterprises, ten years for banks and twenty years for asset management companies. Goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, is carried at cost less accumulated amortization and impairments. As of January 1, 2005, goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, is not subject to amortization.

Goodwill resulting from business combinations before January 1, 1995, was recorded directly in revenue reserves in shareholders' equity in accordance with the transitional provisions of IAS 22.

The Allianz Group conducts an annual impairment test of goodwill on October 1, in addition to whenever there is an indication that goodwill is not recoverable. The impairment review includes comparing the present value of each cash generating unit to its respective carrying value in the consolidated balance sheet, including goodwill. If the present value is greater, an impairment is not recorded. If the carrying value of the cash generating unit in the consolidated balance sheet exceeds the present value of the cash generating unit, the implicit present value of the related goodwill is determined with a corresponding impairment charge recorded in the consolidated income statement, reducing the respective goodwill to its present value. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets acquired in business combinations with an agreement date after March 31, 2004, are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortization. Intangible assets with a definite useful life are amortized over their useful lives. Intangible assets acquired in business combinations with an agreement date before March 31, 2004, were recorded at fair value on the acquisition date and are amortized over their useful lives.

Present value of future profits (PVFP) is the present value of net cash flows anticipated in the future from insurance policies in force at the date of acquisition and is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 12 % to 15 %. Interest accrues on the unamortized PVFP balance based upon the policy liability rate or contract rate. Interest rates between 3.5 % and 8.5 % were applied for interest not yet due.

Software includes software purchased from third parties or developed internally, which are amortized on a straight-line basis over their useful service lives or contractual terms, generally over 3 to 5 years. Costs for repairs and maintenance are expensed, while improvements if they extend the useful life of the asset are capitalized. For the Allianz Group's Property-Casualty and Life/Health segments amortization of software is allocated amongst several line items according to cost allocation. Amortization of software related to the Allianz Group's Banking and Asset Management segments is included in administrative expenses within the Allianz Group's consolidated income statement.

Intangible assets also include capitalized **loyalty bonuses** for senior management of the PIMCO Group, that are amortized on a straight-line basis over five years, as well as the value of the **brand names** "Dresdner Bank" and "dit" (Deutscher Investment-Trust) that are amortized on a straight-line basis over twenty years. The fair values for the brand names, registered as trade names, were determined using a royalty savings approach.

Similar to goodwill, intangible assets are subject to an annual impairment test, in addition to whenever there is an indication that it is not recoverable. If there are indications that intangible assets are impaired, their respective recoverable amounts are determined. If the recoverable amounts of intangible assets are less than their carrying amounts, an impairment is recorded in the consolidated income statement, reducing the respective intangible asset to its current recoverable amount.

Investments in associated enterprises and joint ventures

Associated enterprises are enterprises over which an enterprise included in the consolidated financial statements can exercise a significant influence, and which is not a joint venture. A significant influence is presumed to exist where an enterprise is entitled, directly or indirectly, to at least 20 % but no more than 50 % of the voting rights.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method, such that the carrying value of the investment represents the Allianz Group's proportionate share of the entities' net assets. The Allianz Group accounts for all material investments in associates on a time lag of no more than three months.

Income from investments in associated enterprises and joint ventures is included as a separate component of total income as the Allianz Group considers income earned from such investments to be consistent with revenues such as realized gains, interest, and dividends earned from other investments.

Investments

Investments include securities held-to-maturity, securities available-for-sale, real estate used by third parties and funds held by others under reinsurance contracts assumed.

Securities held-to-maturity are comprised of fixed income securities, which the Allianz Group has the positive intent and ability to hold to maturity. These securities are carried at amortized cost and the related premium or discount is amortized using the effective interest method over the life of the security. Amortization of premium or discount is included in interest income.

Securities available-for-sale are securities that are not classified as held-to-maturity or trading assets. Securities available-for-sale are carried at fair value. Unrealized gains and losses, which are the difference between fair value and cost (amortized cost in the case of fixed income securities), are included as a separate component of shareholders' equity, net of deferred taxes, or, taken to the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. Realized gains and losses on securities are generally determined by applying the average cost method.

Recognition of an impairment loss on held-to-maturity and available-for-sale fixed income securities is recorded if a decline in fair value below amortized cost is considered other-than-temporary. If all amounts due according to the contractual terms of the security are not considered collectible, typically due to a deterioration in the creditworthiness of the issuer, the security is considered to be other-than-temporarily impaired. Other-than-temporary impairments are not recorded as a result of declines in fair value resulting from general market interest, credit spreads or exchange rate movements unless the Allianz Group intends to dispose of the security.

Recognition of an impairment loss on available-for-sale equity securities is recorded if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Allianz Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below the weighted-average cost by more than 20 % for more than 6 months. Further, equity securities are considered to be other-than-temporarily impaired if the fair value has been below the weighted-average cost more than 12 months. Further, equity securities are considered to be other-than-temporarily impaired if objective evidence indicates the cost is not recoverable or if the Allianz Group intends to dispose of the security.

For equity securities, if, in a subsequent period, the amount of an other-than-temporary impairment previously recorded on a security decreases, the other-than-temporary impairment is reversed through other income from investments in the Allianz Group's consolidated income statement. For fixed income securities, if, in a subsequent period, the amount of the other-than-temporary impairment previously recorded on a security decreases and the decrease can be objectively related to an event occurring after the other-than-temporary impairment, such as an improvement in the debtor's credit rating, the impairment is reversed through other income from investments in the Allianz Group's consolidated income statement. For both equity and fixed income securities, such reversals do not result in a carrying amount of a security that exceeds what would have been, had the other-than-temporary impairment not been recorded, at the date of the impairment is reversed.

Real estate used by third-parties (i.e., real property and equivalent rights and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate used by third parties is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. When testing for impairment, the fair value of real estate used by third parties is determined by the discounted cash flow method. Improvement costs are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense.

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded on the balance sheet at face value, less any impairments for balances that are deemed to not be fully recoverable.

Separate account assets and liabilities

Separate account assets are measured at fair value and reported in the consolidated balance sheet as a summary total, with an equivalent summary total reported for the related separate account liabilities, if the following conditions are met:

- the separate account is legally recognized,
- the separate account assets are legally insulated from the general account liabilities of the issuing insurance company,
- the insurance company must, as a result of contractual, statutory or regulatory requirements, invest the contract holder's funds within the separate account as directed by the contract holder in designated investment alternatives or in accordance with specific investment objectives or policies, and
- all investment performance, must as a result of contractual, statutory, or regulatory requirements be passed through to the individual contract holder.

Changes in the fair value of separate account assets are offset by a corresponding change in separate account liabilities in the consolidated income statement.

Contracts that do not meet the separate account criteria above, are treated as general account assets and liabilities. The contract holder liability, which represents the fair value of the related assets, is recorded in the consolidated balance sheet as insurance reserves, with changes recorded in the consolidated income statement as insurance benefits. The assets related to such contracts are recorded in the consolidated balance sheet as trading assets, with changes in fair value recorded in the consolidated income statement as trading income.

Loans and advances to banks and customers

Loans and advances to banks and customers originated by the Allianz Group that are not intended to be sold in the near term are generally carried at their outstanding unpaid principal balance, net of the loan loss allowance, deferred fees and costs on origination, and unamortized premiums or discounts. Interest revenues are accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of the interest revenue yield over the lives of the related loans.

Loans are placed on non-accrual status when management determines that the payment of principal or interest is doubtful. Management's judgment is applied based on its credit assessment of the borrower. Non-accrual loans consist of loans on which interest income is no longer recognized on an accrued basis, and loans for which a specific provision is recorded for the entire amount of accrued interest receivable. When a loan is placed on non-accrual status, any accrued interest receivable is reversed against interest and similar income in the consolidated income statement. Loans can only be restored to accrual status when interest and principal payments are made current (in accordance with the contractual terms), and in management's judgment, future payments in accordance with those terms are reasonably assured. When there is a doubt regarding the ultimate collectibility of the principal of a loan placed in non-accrual status, all cash receipts are applied as reductions of principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") transactions and securities borrowing transactions. Reverse repo and securities borrowing transactions involve the purchase of securities by the Allianz Group from a counter-party, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If control of the securities remains with the counter-party over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized in the Allianz Group's consolidated balance sheet. The amounts of cash disbursed are recorded under loans and advances to bank and customers, as appropriate, within the Allianz Group's consolidated balance sheet. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income in the Allianz Group's consolidated income statement.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the securities' lender. Fees paid are reported as interest expense in the Allianz Group's consolidated income statement.

Loans and advances to customers include the Allianz Group's gross investment in leases, less unearned finance income, related to lease financing transactions for which the Allianz Group is the lessor. The gross investment in leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the Allianz Group. Lease financing transactions include direct financing leases and leveraged leases. The unearned finance income is amortized over the period of the lease in order to produce a constant periodic rate of return on the net investment outstanding in respect of finance leases.

Loan impairments and provisions

Impaired loans represent loans for which, based upon current information and events, it is probable that the Allianz Group will not be able to collect all interest and principal amounts due in accordance with the contractual terms of the loan agreements.

The loan loss allowance represents management's estimate of probable losses that have occurred in the loan portfolio and other lending-related commitments as of the date of the consolidated balance sheet. The loan loss allowance is reported as a reduction of loans and advances to banks and customers and the provisions for contingent liabilities, such as guarantees, loan commitments and other obligations are carried as other liabilities.

To allow management to determine the appropriate level of the loan loss allowance, all significant counterparty relationships are periodically reviewed. A specific allowance is established to provide for specifically identified counterparty risks. Specific allowances are established for impaired loans. The amount of the impairment is based on the present value of expected future cash flows or based on the fair value of the collateral if the loan is collateralized and foreclosure is probable. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to the loan loss provisions.

A country risk allowance is established for transfer risk. Transfer risk is a measure of the likely ability of a borrower in a certain country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in the country. Country risk allowances are based on a country risk rating system that incorporates current and historical economic, political and other data to categorize countries by risk profile.

A general allowance is established to provide for incurred but unidentified losses that are inherent in the loan portfolio as of the date of the consolidated balance sheet. General allowances are established for loans not specifically identified as impaired. The amount of the allowance is based on historical loss experience and management's evaluation of the loan portfolio under current events and economic conditions.

Loans are charged-off when, based on management's judgment, all economically sensible means of recovery have been exhausted. At the point of charge-off, the loan as well as any specific allowance associated with the loan must be removed from the consolidated balance sheet or a charge may be recorded to directly charge-off the loan. A charge-off may be full or partial. Subsequent to a charge-off, recoveries, if any, are recognized in the consolidated income statement as a credit to the loan loss provisions.

The loan loss provisions, which are recognized in the consolidated income statement, is the amount necessary to adjust the loan loss allowance to a level determined through the process described above.

Trading assets

Trading assets consist of debt and equity securities, promissory notes and precious metal holdings, which have been acquired principally for the purpose of generating a profit from short-term fluctuations in price and derivative financial instruments that do not meet the criteria for hedge accounting with positive market values. Trading assets are reported at fair value as of the date of the consolidated balance sheet. Changes in fair value are recognized directly in the consolidated income statement. Exchange-traded financial instruments are valued at the exchange prices prevailing on the last exchange trading day of the year. To determine the fair values of unlisted financial instruments, quotations of similar instruments or other valuation models (in particular present value models or option pricing models) are used. In the process, appropriate adjustments are made for credit and measurement risks.

Derivative financial instruments

The Allianz group's property-casualty and life/health segments use derivative financial instruments such as swaps, options and futures to hedge against changes in prices or interest rates in their investment portfolios. In the Allianz Group's banking segment, derivative financial instruments are used both for trading purposes and to hedge against movements in interest rates, currency and other price risks of investments, loans, deposit liabilities and other interest sensitive assets and liabilities.

Pursuant to IAS 39, derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as trading assets or trading liabilities. Gains or losses on these derivative financial instruments arising from valuation at fair value are included in the Allianz Group's consolidated income statement in trading income. This treatment is also applicable for bifurcated embedded derivatives of a hybrid financial instrument.

For derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting, the Allianz Group designates the derivative financial instrument as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. Pursuant to IAS 39, the Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into various hedge transactions. The Allianz Group also assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting are recognized as follows:

Fair value hedges
The risk of changes in the fair value of reported assets or liabilities (hedged item) is hedged by a fair value hedge. Changes in the fair value of a derivative financial instrument (hedging instrument) together with the pro rata share of the change in fair value of the hedged item are recognized in the consolidated income statement.

Cash flow hedges
Cash flow hedges reduce the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or attributable to future cash flows from a firm commitment or a forecasted transaction (hedged item). Changes in the fair value of derivative financial instruments (hedging instrument) that represent an effective hedge are recorded in unrealized gains and losses (net) in shareholders' equity, and recognized in the consolidated income statement when the offsetting gain or loss associated with the hedged item is recognized. The ineffective part of the cash flow hedge is recognized directly in the consolidated income statement.

Hedges of a net investment in a foreign entity
Hedge accounting may be applied to hedge a net investment in a foreign entity (hedged item). Derivative financial instruments (hedging instrument) are used to hedge currency risk. The proportion of gains or losses arising from valuation of the hedging instrument, which is classified as an effective hedge, is recognized in shareholders' equity, while the ineffective part is recognized in the consolidated income statement.

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when management determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. When a fair value hedge is discontinued, the Allianz Group continues to carry the derivative financial instrument on the consolidated balance sheet at its fair value, and no longer recognizes changes in fair value of the hedged item in the consolidated income statement. When hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to carry the derivative financial instrument on the consolidated balance sheet at its fair value and any net unrealized gains and losses accumulated in shareholders' equity are recognized immediately in the consolidated income statement. When a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to carry the derivative financial instrument on the consolidated balance sheet at its fair value and any net unrealized gains or losses accumulated in shareholders' equity remain in shareholders' equity until the disposal of the foreign entity.

Derivative financial instruments are netted when there is a legally enforceable right to offset and when the Allianz Group intends to settle on a net basis.

Cash and cash equivalents
Cash and cash equivalents include balances with banks payable on demand, balances with central banks, checks and cash on hand, treasury bills (to the extent they are not included in trading assets), and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of six months from the date of acquisition. Cash and cash equivalents are stated at their face value, with holdings of foreign notes and coins valued at year-end closing prices.

Reinsurance
Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance benefits. Assets and liabilities related to reinsurance are reported on a gross basis. Amounts ceded to reinsurers from insurance reserves are estimated in a manner consistent with the claim liability associated with the reinsured risks. Accordingly, revenues and expenses related to reinsurance agreements are recognized consistent with the underlying risk of the business reinsured.

Income taxes
The tax shown in the Allianz Group's consolidated income statement consists of the taxes actually charged to individual Allianz Group enterprises and changes in deferred tax assets and liabilities.

The calculation of deferred tax is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized if sufficient future taxable income is available for realization.

Other assets
Other assets, amongst others, consist of real estate owned by the Allianz Group and used for its own activities, equipment, accounts receivable,

deferred policy acquisition costs, deferred sales inducements, prepaid expenses and miscellaneous assets.

Real estate owned by the Allianz Group used for its own activities (e.g., real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. Costs for repairs and maintenance are expensed, while improvements if they extend the useful life of the asset are capitalized. An impairment is recognized when the recoverable amount of these assets is less than their carrying amount.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

Receivables are recorded at face value less any payments received, net of appropriate valuation allowances.

Deferred policy acquisition costs generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. Such acquisition costs are deferred, to the extent they are recoverable, and amortized over the life of the related contracts.

Sales inducements on insurance contracts that meet the following criteria are deferred and amortized using the same methodology and assumptions used to amortize deferred policy acquisition costs:

- recognized as part of insurance reserves,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Asset securitizations

The Allianz Group transfers financial assets to certain special purpose entities (SPEs) in revolving securitizations of commercial mortgage or other loan portfolios. The Allianz Group consolidates these SPEs as the Allianz Group continues to control the financial assets transferred and retains the servicing of such loans.

Leases

Property and equipment holdings are used by the Allianz Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, and are not recorded on the Allianz Group's consolidated balance sheet. Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Supplementary information on equity and liabilities

Shareholders' equity

Paid-in capital includes issued capital and capital reserves. Issued capital represents the mathematical per share value received from the issuance of shares. Capital reserves represent the premium (additional paid in capital) received from the issuance of shares.

Revenue reserves include the retained earnings of the Allianz Group and treasury stock. In the case of acquisitions prior to January 1, 1995, translation differences arising on first-time consolidation have also been recorded in revenue reserves. Treasury stock held by the Allianz Group is stated as own shares held by the Allianz Group. These shares are deducted from shareholders' equity at cost. Gains and losses arising from trading in treasury stock held by the Allianz Group are added to revenue reserves after income tax has been deducted.

Any translation differences, including those arising in the process of equity consolidation, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses on investments available-for-sale include derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Certificated liabilities, participation certificates and subordinated liabilities

Certificated liabilities, participation certificates and subordinated liabilities are initially measured at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability. Non-interest bearing liabilities such as zero-coupon bonds are valued at their present value on initial recognition and written up in accordance with the effective interest method at the effective interest rate.

Insurance reserves

Insurance reserves include unearned premiums, aggregate policy reserves, reserves for loss and loss adjustment expenses, the reserve for premium refunds, premium deficiency reserves and other insurance reserves.

For short-duration insurance contracts, such as property-casualty contracts, in accordance with SFAS 60, premiums written to be earned in future years, are recorded as **unearned premiums**. These premiums are earned in subsequent years in relation to the exact risk coverage period. Unearned premiums for reinsurance business assumed are generally based on the calculations of the cedent. Deferred policy acquisition costs for short-duration insurance contracts are amortized over the periods in which the related premiums are earned.

The **aggregate policy reserves** for long-duration insurance contracts, such as traditional life and health products, are computed in accordance with SFAS 60 using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked-in thereafter. Deferred policy acquisition costs and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves. The aggregate policy reserves, deferred policy acquisition costs and PVFP are adjusted for a provision of adverse deviation, which is used to provide a margin for fluctuation and uncertainty inherent in the assumption setting process.

The aggregate policy reserves for traditional participating insurance contracts are computed in accordance with SFAS 120 using the net level premium method. The method uses best estimate assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or are used in determining the dividends. Deferred policy acquisition costs and PVFP for traditional participating products are amortized over the expected life of the contracts in proportion to estimated gross margins (EGMs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in the period revised.

The aggregate policy reserves for universal life-type and investment contracts in accordance with SFAS 97 is equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. Deferred policy acquisition costs and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to estimated gross profits (EGPs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPs are recognized in the period revised.

Current and historical client data, as well as industry data, are used to determine the assumptions. Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of aggregate policy reserves were as follows:

	Traditional participating insurance contracts (SFAS 120)	Long-duration insurance contracts (SFAS 60)
Aggregate policy reserves	3 – 4 %	2.5 – 7 %
Deferred acquisition costs	5 – 6 %	5 – 7 %

In connection with the adoption of SOP 03-1 effective January 1, 2004, insurance reserves include liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to non-traditional contracts, annuitization options, and sales inducements. These liabilities are calculated based on contractual obligations using actuarial assumptions. Contractually agreed sales inducements to contract holders include persistency bonuses and are accrued over the period in which the insurance contract must remain in force to qualify for the inducement.

Reserves for loss and loss adjustment expenses are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported (IBNR) reserves.

Case reserves for reported claims are based on estimates of future payments that will be made in respect of claims, including LAE relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. Since nothing is known about the occurrence, the Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyzes are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Late reported claim trends, claim severity, exposure growth and future inflation are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature imprecise due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends, and legislative changes. The Allianz Group attempts to reduce the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and an analysis of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. The current reserves for loss and loss adjustment expenses for asbestos claims are based on the estimate of an external independent actuarial report which was completed in 2002. Our United States property-casualty subsidiaries have commissioned a new report. We anticipate that this report will be completed during 2005. The new actuarial report could result in Allianz Group adjusting its reserves for loss and loss adjustment expenses for asbestos claims.

The **reserves for premium refunds** includes the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRS based financial statements and the local financial statements (latent reserve for premium refunds), which will reverse and enter into future deferred profit participation calculations. These differences are recognized on a future accrual basis and reported in profit participation accounts. Unrealized gains and losses recognized in connection with the valuation of securities available-for-sale are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve. Any dividends allocated or disbursed over and above the reserve are recorded in other expenses.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country	Base	Percentage
Germany		
Life	all sources of Profit	90 %
Health	all sources of Profit	80 %
France		
Life	investments	80 %
Italy		
Life	investments	85 %
Switzerland		
Group Life	all sources of Profit	90 %

Premium deficiency reserves are calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover unamortized acquisition costs, then a premium deficiency is recognized.

Other insurance reserves include experience-rated and other premium refunds in favor of policyholders.

Liabilities to banks and customers

Liabilities to banks and customers includes repurchase ("repo") transactions and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counter-party, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If control of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are retained in the Allianz Group's consolidated balance sheet and are valued in accordance with the accounting principles for trading assets or investments. The proceeds of the sale are reported under liabilities to banks or liabilities to customers, as appropriate, within the Allianz Group's consolidated balance sheet. Interest expenses from repo transactions are accrued over the durations of the agreements and reported in interest and similar expenses in the Allianz Group's consolidated income statement.

In securities lending transactions the Allianz Group generally receives cash collaterals which are reported as liabilities to banks or liabilities to customers in the Group´s balance sheet. Fees received are shown as interest income the the Group´s income statement.

Trading liabilities

Trading liabilities primarily include derivative financial instruments that do not meet the criteria for hedge accounting with negative market values and obligations to deliver assets arising from short sales of securities, which are carried out in order to benefit from short-term price fluctuations. The securities required to close out short sales are obtained through securities borrowing or reverse repurchase agreements. These liabilities are valued the same as trading assets.

Other accrued liabilities

The Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 22. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

For each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of: a) 10 % of the projected benefit obligation at that date; or b) 10 % of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized in net periodic benefit cost in the consolidated income statement over the expected average remaining working lives of the employees participating in the plans.

Accrued taxes are calculated in accordance with relevant local tax regulations.

Miscellaneous accrued liabilities primarily include reserves for restructuring, anticipated losses arising from non-insurance business, litigation, employees (e.g., early retirement, phased retirement, employee awards for long service, and vacation) and agents (e.g., unpaid commissions).

Restructuring reserves are defined by programs, which will lead to material changes in the entity's business purpose. The relevant program must be bindingly planned, executed and monitored.

Other liabilities

Other liabilities include funds held under reinsurance business ceded, accounts payable on direct insurance business, accounts payable on reinsurance business, and miscellaneous liabilities. These liabilities are reported at redemption value.

Supplementary information on net income

Premiums

Property-casualty insurance premiums are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Health insurance premiums for long duration contracts such as non-cancelable and guaranteed renewable contracts that are expected to remain in force over an extended period of time are recognized as earned when due. Premiums for short duration health insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Life insurance premiums on traditional life insurance policies are recognized as earned when due. Premiums on short duration life insurance policies are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Benefits are recognized when incurred.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the cost of insurance, surrenders and policy administration and are included within premiums earned on the Allianz Group's consolidated income statement. Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Interest and similar income/expense

Interest income and interest expense are recognized on an accrual basis. Interest income from lending business is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities and interest recognized on finance leases. Dividends are recognized in income when received. Interest on finance leases is recognized in income over the term of the respective lease so a constant period yield based on the net investment is attained.

Trading income (net)

Trading income comprises all realized and unrealized gains and losses from trading assets and trading liabilities. In addition, commissions and all interest and all dividend income attributable to trading operations and related interest expense and transaction costs are included in this line item.

Income (net) from investments in associated enterprises and joint ventures

Income from investments in associated enterprises and joint ventures includes dividends from equity securities and the share of net income from enterprises accounted for using the equity method. Dividends are recognized in income when received. Income from investments in associated enterprises and joint ventures is presented net of related expenses.

Fee and commission income and expenses

In addition to traditional commission income received on security transactions, fee and commission income in the securities business also includes commissions received in relation to private placements, syndicated loans and financial advisory services. Other fees reflect commissions received for trust and custody services, for the brokerage of insurance policies, credit cards, home loans, savings contracts and real estate. Fee and commission income is recognized in Allianz Group's banking operations when the corresponding service is provided.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income in the Allianz Group's consolidated income statement.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which are recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution and servicing fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of assets under management.

Administration fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of assets under management.

Other supplementary information

Stock based compensation plans

The Allianz Group accounts for its stock based compensation plans under the fair value recognition provisions of SFAS 123, **Accounting for Stock-Based Compensation**, whereby stock-based compensation cost is measured at the grant date based on the value of the awards granted and is recognized as expense over the vesting period. For rights redeemed by the issue of shares, the fair value is determined at the date of grant. The corresponding compensation expense is accrued over the vesting period and increases revenue reserves in shareholders' equity. For awards to be settled in cash, the total compensation expense is initially measured as the difference between the current share price and the reference price (or exercise) price, if any, of the award and is recognized as expense over the vesting period. The amount of total compensation expense for these awards is remeasured at each reporting date based on the underlying share price and is recorded in other accrued liabilites until paid. Compensation expense is reversed in the period in which an unvested award is forfeited. The Allianz Group stock-based compensation plans are more fully described in Note 46.

Reclassifications

For reasons of comparability with the current reporting year, some prior-year figures were adjusted in the consolidated balance sheet and the consolidated income statement through reclassifications that do not affect net income or shareholders' equity.

Explanation of the accounting and valuation policies differing from German law

The most important differences are summarized below:

Assets

The definition of an asset is broader under IFRS rules than under the German Commercial Code (HGB). By its reference to the creation of future commercial benefit for the company without any prerequisite of an acquisition against payment, items such as software developed in-house also must be reported in the accounts under IFRS as assets.

Special funds

Under IAS-SIC 12 all investment funds in which the Group has holdings in excess of 50.0% are included within the scope of consolidation. Under HGB the units of special funds are recognized in the balance sheet.

Shareholders' equity

Shareholders' equity increases overall because

- trading assets and large proportions of the investments are shown in the balance sheet at market value, and

_ insurance reserves in property and casualty insurance are lower under IFRS because they are not calculated in accordance with the prudence concept but are based on best-estimate future claims experience.

Calculation of profit
There are substantial differences between accounting treatment under IFRS rules and HGB in the case of investments, trading activities and reserves. The following summary explains the most important aspects of IFRS which differ from HGB:

Claim equalization reserves Claim equalization reserves and major risk reserves are not allowed under IFRS because they do not represent a present obligation toward third parties. The net result for the year is not affected by transfers to or from such reserves.

Claims reserves Claims reserves tend to be somewhat lower under IFRS because they are not calculated in accordance with the prudence concept but at the best estimate of the ultimate cost.

Acquisition costs Under IFRS acquisition costs are capitalized and amortized over the term of the policy.

Valuation at equity All participations of between 20 % and 50 % are valued using the equity method, i.e. at the corresponding proportion of the shareholders' equity. It is therefore irrelevant whether a significant influence is actually exercised or not. This means that the valuation includes a proportion of the net profit of the enterprises concerned.

Fund for general banking risks According to HGB, provisions may be made for general banking risks pursuant to clause 340 f of the HGB, setting aside a special item pursuant to clause 340 g of HGB. This is, however, not permitted for consolidated financial statements under IFRS rules.

Treasury shares Under IFRS rules, treasury shares held for account of Group companies are deducted from shareholders' equity. Gains or losses from trading in own shares are added to, or subtracted from, equity with no impact on the income statement. According to HGB, own shares must be reported as assets, with reserves for treasury shares set aside at the same time. Also, in financial statements prepared according to HGB, gains or losses from trading in own shares would be transferred to the income statement and reported under trading income.

Goodwill Goodwill is amortized against income over its useful life under IFRS as follows:

_ over 10 years for property and casualty insurance companies,

_ over 20 years for life and health companies,

_ over 10 years for banking companies,

_ over 20 years for asset management companies.

In accordance with HGB, goodwill was charged against revenue reserves without affecting earnings.

3 Restatement of prior period consolidated financial statements, changes to significant accounting and valuation policies, recently issued accounting pronouncements, and recently adopted accounting pronouncements

Restatement of Prior Period Consolidated Financial Statements
For the year ended December 31, 2002, gross unrealized losses on available-for-sale equity securities included € 764 mn related to nine specific equity securities (the "Nine Positions") for which the Allianz Group did not record impairments in 2002 although they were 20 % or more below the Allianz Group weighted-average acquisition cost for the 6 months preceding December 31, 2002. As a result of a comprehensive analysis of each of the Nine Positions, the Allianz Group had concluded that the unrealized losses on those securities were not indicative of objective evidence of impairment. For the year ended December 31, 2003, the Allianz Group continued to monitor and analyze the status of the Nine Positions, consistent with its disclosed policies, and as a result recorded impairments on seven of the Nine Positions during 2003. The remaining 2 securities recovered in value such that no impairments were necessary in 2003. Such activity was reflected in Allianz Group's 2003 consolidated financial statements presented in its Annual Report (**Geschäftsbericht**) released in March 2004.

Subsequent to the release in March 2004 of the Annual Report (Geschäftsbericht), the Allianz Group has restated its 2002 consolidated financial statements to recognize impairments on the Nine Positions. Further, the Allianz Group restated its 2003 consolidated financial statements to reflect the reversal of the impairments recorded in 2003 on seven of the Nine Positions, and the recognition of corresponding recoveries, if any, on such positions experienced in 2003, including the aforementioned recoveries on two of the securities, consistent with the requirements of IFRS.

The impact of the restatement of the Allianz Group's consolidated net income (loss) and basic and diluted earnings per share for the years ended December 31, 2003 and 2002 are as follows:

	2003 € mn[1]	2002 € mn[1]
Net income (loss) – as previously reported	1,616	(1,229)
Gross adjustment	732	(764)
Attribution to insurance policyholder participation	(399)	440
Tax effect	(16)	39
Minority interest	(43)	18
Net income (loss) – as restated	**1,890**	**(1,496)**
Basic earnings per share – as previously reported[2]	4.78	(4.44)
Impact on basic earnings per share	0.81	(0.96)
Basic earnings per share – as restated	**5.59**	**(5.40)**
Diluted earnings per share – as previously reported[2]	4.77	(4.44)
Impact on diluted earnings per share	0.80	(0.96)
Diluted earnings per share – as restated	**5.57**	**(5.40)**

[1] Except per share data
[2] Adjusted for the capital increase in April 2003.

The Allianz Group's impairment policy for investment securities is more fully described in Note 2.

Changes to accounting, valuation and reporting policies

Prior to 2003, the Allianz Group accounted for its stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, **Accounting for Stock Issued to Employees** (APB 25). In the third quarter of 2003, the Allianz Group adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, **Accounting for Stock-Based Compensation** (SFAS 123). Under the fair value recognition provisions of SFAS 123, stock-based compensation cost is measured at the grant date based on the value of the awards granted and is recognized as expense over the vesting period. The Allianz Group elected to use the modified prospective method as permitted by and described in SFAS No. 148, **Accounting for Stock-Based Compensation – Transition and Disclosure** ("SFAS 148"). Under this method, stock-based employee compensation cost is recognized from the beginning of 2003 as if the fair value method of accounting had been used to account for all employee awards granted, modified, or settled in years beginning after December 15, 1994. Prior period financial statements were not restated.

The following table illustrates the effect on the Allianz Group's consolidated net income and earnings per share as if the fair value method had been applied to all outstanding and unvested awards in all years presented.

Years ended 12/31	2004 € mn*	2003 € mn*	2002 € mn*
Net income, as reported	2,199	1,890	(1,496)
Share-based compensation expense included in reported net income, net of related tax effects	313	206	67
Share-based compensation expense determined under fair value method for all awards, net of related tax effects	(313)	(206)	(68)
Pro forma net income (loss)	**2,199**	**1,890**	**(1,497)**
Earnings (loss) per share			
Basic – as reported	6.01	5.59	(5.40)
Basic – pro forma	6.01	5.59	(5.40)
Diluted – as reported	5.98	5.57	(5.40)
Diluted – pro forma	5.98	5.57	(5.40)

*) Except per share data

The Allianz Group stock-based compensation plans are more fully described in Note 46.

Recently issued accounting pronouncements

In December 2003, the IASB issued the revised IAS 32, **Financial Instruments: Disclosure and Presentation** ("IAS 32 revised"). According to IAS 32 revised, a financial instrument qualifies as a financial liability of the issuer if it gives the holder the right to put the instrument back to the issuer for cash or another financial asset (a 'puttable instrument'). The classification as a financial liability is independent of considerations such as when the right is exercisable, how the amount payable or receivable upon exercise of the right is determined, and whether the puttable instrument has a fixed maturity. IAS 32 revised is effective on January 1, 2005. As a result, the Allianz Group will recognize certain financial liabilities, related to certain consolidated investment funds that were previously considered equity and recognized as minority interests in shareholders' equity in the consolidated balance sheet.

In December 2003, the IASB issued the revised IAS 39, **Financial Instruments: Recognition and Measurement** ("IAS 39 revised"). IAS 39 revised is effective January 1, 2005. IAS 39 revised prohibits reversals of impairment losses on equity securities that are classified as available for sale. According to the Allianz Group's previous accounting policy, if the amount of an impairment previously recorded on an available for sale equity security decreases, the impairment was reversed. As IAS 39 revised requires retrospective application, the Allianz Group's consolidated financial statements will be restated to include the effects of this change.

Further, IAS 39 revised, created a new category, designated at fair value through profit and loss, for financial assets and liabilities. Financial assets and liabilities designated at fair value through profit will be recognized at fair value with change recognized in net income.

In December 2003 and April 2004, the IASB issued improvements to 15 standards. Each of these revised standards are effective on January 1, 2005. As a result of the adoption of IAS 1 revised, the Allianz Group will reclassify minority interests in shareholders's equity into equity in the consolidated balance sheet as of Janruary 1, 2005.

In February 2004, the IASB issued IFRS 2, **Share Based Payments** ("IFRS 2"). In accordance with IFRS 2, share-based compensation plans are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as expense in the income statement, with an increase in shareholders' equity, over the vesting period. Cash settled plans are measured at fair value at each reporting date and recognized as liabilities. Changes in the fair value of cash settled plans are recognized as expense in the income statement. Share based compensation plans that have settlement alternatives must be accounted for as cash settled plans if the company has "an obligation to settle in cash". A company is considered to have a cash settled plan if the shares issued are redeemable, either mandatorily or at the counter-party's option. In this respect, IFRS 2 has incorporated the "puttable instrument" concept of IAS 32 revised, which requires that such instruments be classified as liabilities rather than equity instruments. IFRS 2 is effective January 1, 2005. As a result of the implementation of IFRS 2, the PIMCO LLC Class B Unit Purchase Plan ("Class B Plan") is considered a cash settled plan as the equity instruments issued are puttable at the counter-party's option. According to the Allianz Group's previous accounting policy, Class B Plan was considered an equity settled plan.

Further, IFRS 2 requires that share-based compensation plans include a best estimate of the amount of number of shares that are expected to vest in determining the amount of expense to be recognized. The Allianz Group's previous accounting policy required that forfeitures of shares be recognized when incurred.

In March 2004, the IASB issued IFRS 3, Business Combinations ("IFRS 3"). In accordance with IFRS 3, a company must cease the amortization of goodwill and intangible assets with a definite life and rather test for impairment on an annual basis in addition to whenever there is an indication that the carrying value is not recoverable. As a result of the adoption on IFRS 3 on January 1, 2005, the Allianz Group will cease amortization of goodwill and brand names.

In March 2004, the IASB issued IFRS 4, Insurance Contracts ("IFRS 4"). IFRS 4 represents the completion of phase I and is a transitional standard until the IASB has more fully addressed the recognition and measurement of insurance contracts. IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. IFRS 4 permits a company to continue with its previously adopted accounting policies with regards to recognition and measurement of insurance contracts. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with IAS 39 revised. IFRS 4 is effective on January 1, 2005. As a result of the adoption of IFRS 4, certain contracts will be classified as investment contracts under IFRS 4.

Recently adopted accounting pronouncements

Effective January 1, 2004, the Allianz Group adopted American Institute of Certified Public Accountants ("AICPA") Statement of Position 03-1, **Accounting and Reporting by Insurance Enterprises for certain Nontraditional Long-Duration Contracts and for Separate Accounts ("SOP 03-1")**. The most significant accounting implications of SOP 03-1 for the Allianz Group are as follows:

- reporting and measuring assets and liabilities of certain unit linked contracts as general account assets and liabilities, when specified criteria are not met,
- capitalizing sales inducements that meet specified criteria and amortizing such amounts over the life of the contracts using the same methodology as used for amortizing deferred policy acquisition costs, and immediately expensing those sales inducements not meeting such criteria,
- recognizing a liability for guaranteed minimum death and similar mortality and morbidity benefits only for contracts determined to incorporate mortality and morbidity risk that is other than nominal and when the risk charges made for a period are not proportionate to the risk borne for the period,
- for contracts containing an annuitization benefit option contract feature, an additional liability is established, if a provision for such a contract feature is not required under other applicable accounting standards and if the present value of expected annuitization payments at the expected annuitization date exceeds the expected account balance at the expected annuitization date, and
- recognizing contract holder liabilities for persistency bonuses and other sales inducements.

The effect of initially adopting SOP 03-1 was reported in the consolidated statements of changes in shareholders' equity in the amount of € 10 mn, net of taxes. In addition, the Allianz Group reclassified € 26,238 mn of assets and liabilities from separate accounts to general accounts.

4 Consolidation

Scope of the consolidation

In addition to Allianz AG, 156 (2003: 193; 2002: 213) German and 907 (2003: 972; 2002: 1,045) foreign enterprises have been consolidated as of December 31, 2004. In addition, 68 (2003: 61; 2002: 74) German and 29 (2003: 39; 2002: 79) foreign investment funds were also consolidated as of December 31, 2004.

Of the entities that have been consolidated as of December 31, 2004, 9 (2003: 10; 2002: 12) subsidiaries have been consolidated where Allianz AG owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. (CreditRas) and Antoniana Veneta Popolare Vita S.p.A. (Antoniana), in all periods presented. Allianz AG controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other sharesholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the subsidiaries' general manager, in the case of CreditRas and Duerrevita (merged in 2002 with CreditRas), and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. In addition, all management functions of these subsidiaries are performed by Allianz Group employees and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholder each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas, Duerrevita (merged in 2002 with CreditRas) and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

As of December 31, 2004, there were 11 (2003: 13; 2002: 12) joint ventures that were accounted for using the equity method; each of these enterprises is managed by Allianz AG together with a third party not consolidated in the Allianz Group's consolidated financial statements.

Additionally, there were 181 (2003: 170; 2002: 198) associated enterprises accounted for using the equity method as of December 31, 2004.

All affiliated companies, joint ventures, and associated enterprises are individually listed in the disclosure of equity investments filed with the Commercial Register in Munich. All private companies are also listed and identified separately in this disclosure of equity investments, for which the consolidated financial statements and the Allianz Group management report are exempt in accordance with the application of clause 264 b of the German Commercial Code (HGB).

Acquisitions

The following are the significant companies consolidated for the first-time for the years ended December 31, 2004, 2003 and 2002:

		Effects on the Consolidated Financial Statements in Year of Acquisition[1)]			
Principal New Acquisitions	Date of First-time Consolidation	Gross Premiums € mn	Net Income € mn	Goodwill[2)] € mn	Amortization of Goodwill € mn
2004					
Four Seasons Health Care Ltd., Wilmslow	8/31/2004	163[3)]	2	141	–
2003					
–	–	–	–	–	–
2002					
Slovenská poist' ovna a.s., Bratislava	7/22/2002	125	(8)	138	(7)

1) Consolidated in the business segments.
2) On the date of first-time consolidation.
3) Income from service agreements

2004 Acquisitions

Four Seasons Health Care Ltd., Wilmslow On August 16, 2004, the Allianz Group acquired 100.0% of Four Seasons Health Care Ltd., Wilmslow at a purchase price of € 1,167 mn. Four Seasons Health Care Ltd., Wilmslow operates care homes and specialist centres in England, Scotland and Northern Ireland.

PIMCO Advisors L.P., Delaware In January, April and November 2004, the Allianz Group increased its interest in PIMCO Advisors L.P., Delaware, by a total of 9.7% to 93.6%, resulting in additional goodwill of € 583 mn. The acquisition cost for the additional interest was € 598 mn.

2004 Divestitures

The principal companies deconsolidated in the course of the year are presented in the following table:

	Effects on the Consolidated Financial Statements for 2004[1]			
	Date of Deconsolidation	Gross Premiums	Net Income	Disposed Goodwill charged to Income[2]
		€ mn	€ mn	€ mn
Allianz of Canada, Inc., Toronto	12/9/2004	458	105	31
Allianz President General Insurance Co. Ltd., Taipeh	9/27/2004	69	10	4
ENTENIAL, Guyancourt	2/4/2004	–	–	(5)

[1] Consolidated in the business segments.
[2] At the date of deconsolidation.

2003 Acquisitions
In the course of the year, no major subsidiaries were acquired or consolidated for the first time.

The Allianz Group acquired the following additional interests in already consolidated subsidiaries:

Riunione Adriatica di Sicurtà S.p.A., Milan On February 17, 2003, the Allianz Group increased its interest in Riunione Adriatica di Sicurtà S.p.A., Milan, by 4.4 % to 55.5 %, resulting in additional goodwill of € 146 mn. The acquisition cost for the additional interest was € 810 mn.

Münchener und Magdeburger Agrarversicherung AG, München On December 2, 2003, the Allianz Group increased its interest in Münchener und Magdeburger Agrarversicherung AG, Munich, by 6.1 % to 58.5 %. The acquisition cost for the additional interest was € 0.2 mn.

PIMCO Advisors L.P., Delaware In April 2003, July 2003 and October 2003, the Allianz Group increased its interest in PIMCO Advisors L.P., Delaware, by a total of 14.4 % to 83.9 %, resulting in additional goodwill of € 624 mn. The acquisition cost for the additional interest was € 640 mn.

2003 Divestitures
The principal companies deconsolidated in the course of the year are presented in the following table:

	Effects on the Consolidated Financial Statements for 2003[1]			
	Date of Deconsolidation	Gross Premiums	Net Income	Disposed Goodwill charged to Income[2]
		€ mn	€ mn	€ mn
AFORE Allianz Dresdner S.A. de C.V., Mexico City	11/11/2003	–	10	117
AGF AZ Chile Vida, Santiago de Chile	4/29/2003	–	–	–
AGF Belgium Bank S.A., Brussels	12/15/2003	–	(5)	–
Allianz Parkway Integrated Care Pte Ltd., Singapore	9/30/2003	7	–	–
Merchant Investors Assurance Company Ltd., Bristol	10/3/2003	3	–	–
Pioneer Allianz Life Assurance Corporation, Metro Manila	1/14/2003	–	–	–

[1] Consolidated in the business segments
[2] At the date of deconsolidation

2002 Acquisitions

Slovenská poist'ovna a. s., Bratislava On July 22, 2002, the Allianz Group acquired 66.8 % of Slovenská poist'ovna a. s. at a purchase price of € 142 mn. Slovenská poist'ovna operates in both the property-casualty and the life/health insurance business segments. An additional 25.8 % and 6.5 % interests were acquired on July 29, 2002 and December 20, 2002, respectively. The total acquisition cost for the 99.1 % interest in Slovenská poist'ovna amounted to € 216 mn, resulting in goodwill of € 138 mn.

Allianz Lebensversicherungs-AG, Stuttgart On January 15, 2002, the Allianz Group increased its interest in Allianz Lebensversicherungs-AG by 40.5 % to 91.0 %, resulting in additional goodwill of € 633 mn. The acquisition cost for the additional interest was € 2,587 mn.

Frankfurter Versicherungs-AG, Frankfurt am Main On June 28, 2002, the Allianz Group increased its interest in Frankfurter Versicherungs-AG by 50.0 % to 100.0%, resulting in additional goodwill of € 57 mn. The acquisition cost for the additional interest was € 930 mn.

Bayerische Versicherungsbank AG, Munich On June 28, 2002, the Allianz Group increased its interest in Bayerische Versicherungsbank AG by 45.0 % to 90.0 %, resulting in additional goodwill of € 94 mn. The acquisition cost for the additional interest was € 858 mn.

Dresdner Bank AG, Frankfurt am Main On January 15, 2002, June 28, 2002, July 2, 2002 and August 23, 2002, the Allianz Group increased its interest in Dresdner Bank AG by 21.5 % to 100.0 %, resulting in additional goodwill of € 2,002 mn. The acquisition cost for the additional interest totaled € 6,338 mn.

2002 Divestitures

Deutsche Hyp Deutsche Hypothekenbank AG, Frankfurt am Main In August 2002, Deutsche Hyp Deutsche Hypothekenbank AG (Deutsche Hyp) was merged into Eurohypo AG, a company into which Commerzbank AG, Deutsche Bank AG and Dresdner Bank AG merged their mortgage lending subsidiaries. The proceeds from the sale of Deutsche Hyp amounted to € 1,411 mn.

5 Segment Reporting

As a result of the Allianz Group's worldwide organization, the business activities of the Allianz Group are first segregated by product and type of service: insurance activities, banking activities and asset management activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property-casualty and life/health categories. Thus, the Allianz Group's segments are structured as Property-Casualty, Life/Health, Banking and Asset Management. Based on various legal, regulatory and other operational issues associated with operating entities in jurisdictions worldwide, the segments of the Allianz Group are also further analyzed by geographical areas or regions in matrixes that comprise a number of profit and service-center segments (see following pages). This geographic analysis is performed to provide further understanding of trends and results underlying the segment data.

Property-Casualty

The Allianz Group is the largest German property-casualty insurance company based on gross premiums written in 2004. Principal product lines offered primarily within Germany include automobile liability and other automobile insurance, fire and property insurance, personal accident insurance, liability insurance and legal expense insurance. The Allianz Group is also among the largest property-casualty insurance companies in other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group conducts its property-casualty insurance operations in these countries through five main groups of operating entities in France, primarily offering automobile, property, injury and liability for both individual and corporate customers; Italy, operating in all personal and commercial property-casualty lines in particular personal automobile insurance; the United Kingdom, offering products generally similar to those offered by the Allianz Group's German property-casualty operations as well as a number of specialty products, including extended warranty and pet insurance; Switzerland, offering property-casualty insurance, travel and assistance insurance, conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide; and Spain, offering a wide variety of traditional personal and commercial property-casualty insurance products, with an emphasis on automobile insurance.

Life/Health

The Allianz Group is the largest provider of life insurance and the third-largest provider of health insurance in Germany as measured by gross premiums written in 2004. Germany is the Allianz Group's most important market for life/health insurance. The Allianz Group's German life insurance companies offer a comprehensive and unified range of life insurance and life insurance-related products on both an individual and group basis. The main classes of coverage offered include endowment life insurance, annuity policies, term life insurance, unit-linked annuities, and other life insurance-related forms of cover, which are provided as riders to other policies and on a stand-alone basis. The Allianz Group's German health insurance companies provide a wide range of health insurance products, including full private healthcare coverage for the self-employed, salaried employees and civil servants, supplementary insurance for people insured under statutory health insurance plans, daily sickness allowance for the self-employed and salaried employees, hospital daily allowance, supplementary care insurance and foreign travel medical expenses insurance. The Allianz Group also maintains significant life/health operations in the United States, offering a wide variety of life insurance, fixed and variable annuity contracts, including equity-indexed annuities to individuals, and long-term care insurance to individual and corporate customers. Italy and France are also markets where the Allianz Group maintains a significant presence offering products such as unit-linked and investment-oriented products, health insurance and individual and group life insurance.

Banking

The Allianz Group's banking operations primarily comprise the operations of the Dresdner Bank Group, whose principal banking products and services include traditional commercial banking activities such as deposit taking, lending (including residential mortgage lending) and cash management, as well as corporate finance advisory services, mergers and acquisitions advisory services, capital and money market services, securities underwriting and securities trading and derivatives business on its own account and for its customers. The Allianz Group operates through the domestic and international branch network of the Dresdner Bank Group and through various subsidiaries both in Germany and abroad, some of which also have branch networks.

Asset Management

The Allianz Group's asset management segment operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The Allianz Group managed approximately € 1,078 bn of third-party assets, Allianz Group's own investments and separate account assets on a worldwide basis as of December 31, 2004, with key management centers in Munich, Frankfurt, London, Paris, Singapore, Hong Kong, Milan, Westport, Connecticut, and San Francisco, San Diego and Newport Beach, California. As measured by total assets under management at December 31, 2004, the Allianz Group is one of the five largest asset managers in the world. The United States is the Allianz Group's largest geographic region for third-party assets under management comprising approximately 70 % (2003: 69 % and 2002: 69 %). The Allianz Group's total income from asset management operations, before consolidation adjustments, represented approximately 3 % (2003: 3 %; 2002: 3 %) of its consolidated total income in 2004.

Business Segment Information – Consolidated Balance Sheets as of December 31, 2004 and 2003

ASSETS	Property-Casualty		Life/Health	
	2004	2003	2004	2003
	€ mn	€ mn	€ mn	€ mn
Intangible assets	2,185	2,520	4,075	4,351
Investments in associated enterprises and joint ventures	48,359	48,385	5,532	5,717
Investments	85,566	80,920	217,098	196,335
Separate account assets	–	–	15,851	32,460
Loans and advances to banks	7,424	9,693	3,582	2,103
Loans and advances to customers	2,545	3,033	26,560	28,155
Trading assets	629	1,375	27,886	1,646
Cash and cash equivalents	1,665	1,769	968	1,103
Amounts ceded to reinsurers from insurance reserves	12,337	14,400	16,382	16,875
Deferred tax assets	6,582	7,148	3,370	3,373
Other assets	20,045	23,628	20,362	19,747
Total segment assets	**187,337**	**192,871**	**341,666**	**311,865**

EQUITY AND LIABILITIES	Property-Casualty		Life/Health	
	2004	2003	2004	2003
	€ mn	€ mn	€ mn	€ mn
Participation certificates and subordinated liabilities	5,497	4,006	141	65
Insurance reserves	83,193	83,946	278,570	233,868
Separate account liabilities	–	–	15,848	32,460
Liabilities to banks	1,358	8,687	1,241	1,662
Liabilities to customers	5,336	–	165	–
Certificated liabilities	11,405	17,757	68	90
Trading liabilities	347	353	2,164	1,396
Other accrued liabilities	5,960	5,594	1,016	1,242
Other liabilities	12,395	15,503	21,289	20,528
Deferred tax liabilities	7,832	7,469	4,718	4,148
Deferred income	160	135	139	557
Total segment liabilities	**133,483**	**143,450**	**325,359**	**296,016**

Banking		Asset Management		Consolidation Adjustments		Group	
2004	2003	2004	2003	2004	2003	2004	2003
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
2,526	2,847	6,362	6,544	(1)	–	15,147	16,262
3,112	3,303	3	6	(51,174)	(50,969)	5,832	6,442
22,462	27,732	529	565	(6,103)	(10,485)	319,552	295,067
–	–	–	–	–	–	15,851	32,460
117,217	106,794	144	160	(1,749)	(1,239)	126,618	117,511
166,761	182,304	29	24	(7,727)	(10,257)	188,168	203,259
191,463	143,167	131	125	(108)	(159)	220,001	146,154
13,097	22,987	431	365	(533)	(696)	15,628	25,528
–	–	–	–	(6,409)	(6,214)	22,310	25,061
3,664	3,768	187	75	6	–	13,809	14,364
15,311	13,837	3,492	3,744	(7,428)	(7,152)	51,782	53,804
535,613	**506,739**	**11,308**	**11,608**	**(81,226)**	**(87,171)**	**994,698**	**935,912**

Banking		Asset Management		Consolidation Adjustments		Group	
2004	2003	2004	2003	2004	2003	2004	2003
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
7,815	8,263	–	–	(223)	(104)	13,230	12,230
4	35	–	–	(6,572)	(6,378)	355,195	311,471
–	–	–	–	–	–	15,848	32,460
189,194	168,770	7	111	(446)	(914)	191,354	178,316
158,264	156,390	294	378	(6,785)	(2,040)	157,274	154,728
47,060	51,371	4	72	(766)	(5,952)	57,771	63,338
99,733	83,307	–	–	(103)	(221)	102,141	84,835
5,783	6,611	409	461	–	–	13,168	13,908
8,871	7,295	1,263	1,509	(11,985)	(13,110)	31,833	31,725
1,879	1,836	57	56	–	–	14,486	13,509
1,738	1,738	2	3	–	–	2,039	2,433
520,341	**485,616**	**2,036**	**2,590**	**(26,880)**	**(28,719)**	**954,339**	**898,953**
		Shareholders' equity and minority interests in shareholders' equity				**40,359**	**36,959**
				Total equity and liabilities		**994,698**	**935,912**

Business Segment Information – Consolidated Income Statements for the years ended December 31, 2004, 2003 and 2002

	Property-Casualty			Life/Health		
	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn
Premiums earned (net)	38,193	37,277	36,458	18,596	18,701	18,675
Interest and similar income	4,057	4,190	4,473	11,236	11,102	11,215
Income (net) from associated enterprises and joint ventures	2,438	3,611	8,494	438	712	445
Other income from investments	1,918	4,892	3,652	2,317	4,294	4,932
Trading income (net)	(47)	(1,490)	207	1,350	218	244
Fee and commission income, and income from service activities	1,038	522	521	224	234	200
Other income	1,058	1,770	1,751	1,236	1,431	825
Total income	**48,655**	**50,772**	**55,556**	**35,397**	**36,692**	**36,536**
Insurance benefits (net)	(26,929)	(26,923)	(28,932)	(26,403)	(23,528)	(21,013)
Interest and similar expenses	(1,561)	(1,667)	(1,564)	(125)	(422)	(434)
Other expenses from investments	(1,044)	(3,141)	(3,857)	(1,054)	(5,622)	(8,989)
Loan loss provisions	(7)	(10)	(7)	(3)	(3)	(10)
Acquisition costs and administrative expenses	(10,004)	(9,972)	(10,521)	(4,399)	(3,713)	(4,263)
Amortization of goodwill	(381)	(383)	(370)	(159)	(398)	(174)
Other expenses	(2,793)	(2,947)	(2,999)	(1,608)	(2,150)	(1,806)
Total expenses	**(42,719)**	**(45,043)**	**(48,250)**	**(33,751)**	**(35,836)**	**(36,689)**
Earnings from ordinary activities before taxes	5,936	5,729	7,306	1,646	856	(153)
Taxes	(1,490)	(641)	495	(469)	(583)	(54)
Minority interests in earnings	(1,121)	(407)	(806)	(369)	(235)	184
Net income (loss)	**3,325**	**4,681**	**6,995**	**808**	**38**	**(23)**

Banking			Asset Management			Consolidation Adjustments			Group		
2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
–	–	–	–	–	–	–	–	–	56,789	55,978	55,133
6,523	8,089	13,336	62	78	119	(825)	(867)	(933)	21,053	22,592	28,210
84	27	2,071	–	10	(12)	(2,183)	(1,330)	(6,600)	777	3,030	4,398
584	751	1,430	20	16	35	(23)	49	(694)	4,816	10,002	9,355
1,502	1,486	1,081	11	30	(1)	(3)	(1)	(24)	2,813	243	1,507
3,085	2,956	2,925	3,110	2,892	2,918	(634)	(544)	(462)	6,823	6,060	6,102
293	521	432	67	33	126	(98)	(5)	(163)	2,556	3,750	2,971
12,071	**13,830**	**21,275**	**3,270**	**3,059**	**3,185**	**(3,766)**	**(2,698)**	**(8,876)**	**95,627**	**101,655**	**107,676**
–	–	–	–	–	–	6	19	156	(53,326)	(50,432)	(49,789)
(4,223)	(5,284)	(9,509)	(13)	(29)	(89)	485	841	945	(5,437)	(6,561)	(10,651)
(461)	(912)	(2,225)	(2)	(6)	(22)	(184)	(167)	227	(2,745)	(9,848)	(14,866)
(344)	(1,014)	(2,222)	–	–	(2)	–	–	–	(354)	(1,027)	(2,241)
(6,008)	(6,590)	(7,581)	(2,380)	(2,300)	(2,473)	551	458	336	(22,240)	(22,117)	(24,502)
(244)	(263)	(241)	(380)	(369)	(377)	–	–	–	(1,164)	(1,413)	(1,162)
(872)	(1,967)	(1,034)	(442)	(458)	(551)	537	126	292	(5,178)	(7,396)	(6,098)
(12,152)	**(16,030)**	**(22,812)**	**(3,217)**	**(3,162)**	**(3,514)**	**1,395**	**1,277**	**1,956**	**(90,444)**	**(98,794)**	**(109,309)**
(81)	(2,200)	(1,537)	53	(103)	(329)	(2,371)	(1,421)	(6,920)	5,183	2,861	(1,633)
286	1,025	154	(34)	16	92	(20)	37	120	(1,727)	(146)	807
(101)	(104)	25	(171)	(183)	(230)	505	104	157	(1,257)	(825)	(670)
104	**(1,279)**	**(1,358)**	**(152)**	**(270)**	**(467)**	**(1,886)**	**(1,280)**	**(6,643)**	**2,199**	**1,890**	**(1,496)**

Business Segment Information – Insurance as of and for the years ended December 31, 2004, 2003 and 2002

PROPERTY-CASUALTY	Premiums earned (net)			Loss ratio[1]		
	2004	2003	2002	2004	2003	2002
	€ mn	€ mn	€ mn	%	%	%
1. Europe						
Germany	10,712	10,478	10,265	64.5	71.4	74.2
Italy	4,840	4,645	4,490	68.1	70.9	74.8
France	4,484	4,453	4,066	73.5	79.8	84.5
Great Britain	2,012	1,827	1,875	63.6	67.1	68.1
Switzerland	1,659	1,599	1,611	72.9	71.0	70.3
Spain	1,454	1,337	1,171	72.2	75.9	77.0
2. America						
NAFTA Region	3,932	4,037	4,689	64.7	70.0	94.6
South America	378	408	494	64.7	71.3	67.0
3. Asia-Pacific	1,243	1,171	1,134	72.8	71.7	78.5
4. Specialty Lines						
Allianz Global Risks Rückversicherungs-AG	1,072	1,038	559	68.9	70.9	100.8
Credit Insurance	901	845	857	40.8	49.3	72.1
Travel Insurance and Assistance Services	863	784	740	59.8	60.6	62.0
Allianz Marine & Aviation	475	417	578	64.4	65.5	75.2
5. Other	4,168	4,238	3,929	76.9	73.2	77.7
6. Consolidation adjustments[4]	–	–	–			
Total	**38,193**	**37,277**	**36,458**	**67.7**	**71.5**	**78.2**

LIFE/HEALTH	Premiums earned (net)		
	2004	2003	2002
	€ mn	€ mn	€ mn
1. Europe			
Germany Life	8,936	8,788	8,249
Germany Health	3,019	2,959	2,794
France	1,545	1,509	1,449
Italy	1,088	1,169	1,219
Switzerland	504	542	624
Spain	576	530	493
2. USA	428	598	924
3. Asia-Pacific	1,131	1,303	1,605
4. Other	1,369	1,303	1,318
5. Consolidation adjustments[4]	–	–	–
Total	**18,596**	**18,701**	**18,675**

[1] The loss ratio represents net claims incurred as a percentage of net premiums earned.

[2] The expense ratio represents net acquisition costs and administrative expenses as a percentage of net premiums earned.

[3] Group's own investments, which reflect the definition of investments as used by management for controlling purposes, are presented before consolidation adjustments representing the elimination of intra-Allianz Group investment holdings held by Allianz Group companies in different geographic regions. Real estate owned by the Allianz Group and used for its own activities is, however, not considered by management to be an investment and, therefore, does not mirror the real estate category under Note 39 to our Consolidated Financial Statements, which includes real estate owned by the Allianz Group and used for its own activities in the real estate category. For further information on the composition of group's own investments, see Note 39 to the Consolidated Financial Statements.

Expense ratio[2]			Net income (loss)			Group's own investments[3]	
2004	2003	2002	2004	2003	2002	2004	2003
%	%	%	€ mn	€ mn	€ mn	€ mn	€ mn
25.1	25.7	28.3	1,923	4,217	8,752	101,971	106,223
22.4	22.9	22.7	513	318	510	12,772	14,134
24.9	24.4	26.4	839	83	121	23,219	22,123
29.8	29.0	30.0	208	186	233	4,411	3,431
19.7	25.3	23.8	88	22	25	4,433	4,089
18.7	19.6	20.6	105	57	36	2,165	1,854
28.0	28.2	32.9	492	(124)	(976)	16,729	18,184
33.3	32.6	34.8	23	3	24	499	506
23.7	23.8	24.8	88	47	(62)	2,902	2,740
28.8	27.9	41.7	52	77	(257)	2,324	1,227
28.2	32.7	34.2	100	60	33	2,634	2,669
31.8	31.3	32.5	6	2	4	574	509
29.2	21.8	21.1	81	64	17	1,223	1,378
25.0	24.0	24.2	289	394	348	27,820	27,924
			(1,482)	(725)	(1,813)	(60,306)	(63,946)
25.2	**25.5**	**27.5**	**3,325**	**4,681**	**6,995**	**143,370**	**143,045**

Statutory expense ratio[5]			Net income (loss)			Group's own investments[3]	
2004	2003	2002	2004	2003	2002	2004	2003
%	%	%	€ mn	€ mn	€ mn	€ mn	€ mn
10.4	6.8	9.4	156	(58)	49	119,299	112,144
9.3	10.4	10.6	49	(22)	36	14,839	13,310
17.3	16.5	17.9	121	96	(15)	54,325	43,954
4.4	3.5	5.0	148	108	151	41,145	19,049
9.8	8.6	12.3	31	(14)	(59)	7,860	7,736
5.8	6.3	6.7	22	16	13	5,067	4,327
5.2	4.6	4.8	259	145	(45)	19,514	16,774
13.2	10.8	13.5	(33)	(272)	(56)	5,332	4,288
19.5	20.0	26.0	62	47	(88)	11,711	11,069
			(7)	(8)	(9)	(631)	(619)
9.1	**7.9**	**10.0**	**808**	**38**	**(23)**	**278,461**	**232,032**

[4] Represents elimination of intercompany transactions between Allianz Group companies in different geographic regions. In the life/health insurance segment, consolidation adjustments also include the elimination of intercompany transactions between Germany Life and Germany Health.

[5] The statutory expense ratio represents net acquisition costs and administrative expenses as a percentage of net premiums earned (statutory).

Business Segment Information – Banking for the years ended December 31, 2004, 2003 and 2002

Banking operations (Current Reporting Structure)[1)]

Years Ended 12/31	2004		2003	
	Operating revenues[2)]	Earnings after taxes and before goodwill amortization[3)]	Operating revenues[2)]	Earnings after taxes and before goodwill amortization[3)]
	€ mn	€ mn	€ mn	€ mn
Personal Banking	1,861	3	1,870	(121)
Private & Business Banking	1,154	193	1,108	151
Corporate Banking	1,039	298	1,065	206
Dresdner Kleinwort Wasserstein	2,074	181	2,174	246
IRU	383	21	632	(871)
Corporate Other	(268)	(250)	(577)	(641)
Dresdner Bank	**6,243**	**446**	**6,272**	**(1,030)**
Other Banks[4)]	220	3	459	118
Subtotal	**6,463**	**449**	**6,731**	**(912)**
Amortization of goodwill	–	(244)	–	(263)
Minority interests	–	(101)	–	(104)
Total	**6,463**	**104**	**6,731**	**(1,279)**

Banking operations (2003 Reporting Structure)[1)]

Years Ended 12/31	2003		2002	
	Operating revenues[2)]	Earnings after taxes and before goodwill amortization[3)]	Operating revenues[2)]	Earnings after taxes and before goodwill amortization[3)]
	€ mn	€ mn	€ mn	€ mn
Private and Business Clients	3,229	(173)	3,198	(304)
Corporates & Markets	3,727	(273)	3,877	(1,642)
Other	(225)	(466)	539	804
Subtotal	**6,731**	**(912)**	**7,614**	**(1,142)**
Amortization of goodwil	–	(263)	–	(241)
Minority interests	–	(104)	–	25
Total	**6,731**	**(1,279)**	**7,614**	**(1,358)**

1) The Current Reporting Structure reflects (a) the splitting of the former Private and Business Clients division into two new divisions, Personal Banking and Private & Business Banking, effective in 2004, (b) the reorganization of the banking divisions in 2003, including the splitting of the former Corporates & Markets division into two new divisions, Corporate Banking and Dresdner Kleinwort Wasserstein, as well as the formation of IRU, and (c) the reclassification of the banking operations, other than the Dresdner Bank, that were included within the former Private and Business Clients division and the former Corporates & Markets division to the former Other division. Furthermore, for the purpose of presenting the results of operations of Dresdner Bank separately from others within the banking segment, the former Other division has been split into Corporate Other division and Other Banks. The 2003 Reporting Structure, however, does not reflect any of these reorganizations.

2) Consists of net interest and similar income, net fee and commission income and net trading income. Operating revenue is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks but other banks, may calculate operating income on a different basis and accordingly may not be comparable to operating income as used herein. With effect from January 1, 2004, current income(loss) from investments in associated enterprises and joint ventures is included within operating revenues. This change resulted in a decrease of € 12 mn and an increase of € 70 mn to operating revenues in 2003 and 2002, respectively. Furthermore, operating revenues excludes income from service activities, which resulted in a decrease of € 22 mn to operating revenues in 2002.

3) Represents earnings after taxes before minority interests and excludes amortization of goodwill.

4) Consists of non-Dresdner Bank banking operations within our banking segment.

Banking operations

	Operating revenues[1]			Earnings after taxes and before goodwill amortization[2]		
	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn
Germany	4,258	3,401	4,619	694	(282)	1,858
Rest of Europe	1,695	2,397	1,700	(137)	26	(999)
NAFTA	359	385	854	149	(351)	(1,527)
Rest of world	151	548	441	90	197	(474)
Subtotal	**6,463**	**6,731**	**7,614**	**796**	**(410)**	**(1,142)**
Consolidation adjustments[3]	–	–	–	(347)	(502)	–
Total	**6,463**	**6,731**	**7,614**	**449**	**(912)**	**(1,142)**

[1] Consists of net interest income, net fee and commission income, and net trading income. Operating revenue is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks but other banks may calculate the operating income on the basis of different components and thus, may not be comparable to the operating income as used herein. With effect from January 1, 2004, current income(loss) from investments in associated enterprises and joint ventures is included within operating revenues. This change resulted in a decrease of € 12 mn and an increase of € 70 mn to operating revenues in 2003 and 2002, respectively. Furthermore, operating revenues excludes income from service activities, which resulted in a decrease of € 22 mn to operating revenues in 2002.

[2] Represents earnings after taxes before minority interests and excludes amortization of goodwill.

[3] Represents elimination of intercompany transactions between Allianz Group companies in different geographical regions.

Business Segment Information – Operating Profit for the years ended December 31, 2004 and 2003

The Allianz Group evaluates the results of its property-casualty, life/health insurance, banking and asset management segments using a financial performance measure referred to herein as "operating profit". The Allianz Group defines 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 the Allianz Group's consolidated financial performance, the Allianz Group believes that the presentation of operating results enhances the understanding and comparability of the performance of its operating segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of its businesses. For example, the Allianz Group believes that trends in the underlying profitability of its 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 the Allianz Group has 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 the Allianz Group's discretion. Operating profit is not a substitute for earnings from ordinary activities before taxation or net income as determined in accordance with IFRS. The Allianz Group's definition of operating profit may differ from similar measures used by other companies, and may change over time.

The following table sets forth the total revenues, operating profit and IFRS net income for each of our business segments for the years 2004 and 2003, as well as IFRS consolidated net income of the Allianz Group.

	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Consolidation adjustments € mn	Group € mn
Year ended 12/31/2004						
Total revenues[*)]	43,780	45,177	6,463	2,308	(836)	96,892
Operating profit	3,979	1,418	603	856	–	6,856
Earnings from ordinary activities before taxes	**5,936**	**1,646**	**(81)**	**53**	**(2,371)**	**5,183**
Taxes	(1,490)	(469)	286	(34)	(20)	(1,727)
Minority interests in earnings	(1,121)	(369)	(101)	(171)	505	(1,257)
Net income (loss)	**3,325**	**808**	**104**	**(152)**	**(1,886)**	**2,199**
Year ended 12/31/2003						
Total revenues[*)]	43,420	42,319	6,731	2,238	(929)	93,779
Operating profit/(loss)	2,437	1,265	(369)	733	–	4,066
Earnings from ordinary activities before taxes	**5,729**	**856**	**(2,200)**	**(103)**	**(1,421)**	**2,861**
Taxes	(641)	(583)	1,025	16	37	(146)
Minority interests in earnings	(407)	(235)	(104)	(183)	104	(825)
Net income (loss)	**4,681**	**38**	**(1,279)**	**(270)**	**(1,280)**	**1,890**

[*)] Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, as well as asset management segment's operating revenues.

Property-Casualty Insurance Segment

Years ended 12/31	2004 € mn	2003 € mn
Gross premiums written	43,780	43,420
Premiums earned (net)[1]	38,193	37,277
Current income from investments (net)[2]	3,101	2,594
Insurance benefits (net)[3]	(26,661)	(27,319)
Net acquisition costs and administrative expenses[4]	(9,630)	(9,511)
Other operating income/(expenses) (net)	(1,024)	(604)
Operating profit	**3,979**	**2,437**
Net capital gains and impairments on investments[5]	1,287	5,320[6]
Net trading income/(expense)[7]	(49)	(1,490)
Intra-group dividends and profit transfer	1,963	676
Interest expense on external debt	(863)	(831)
Amortization of goodwill	(381)	(383)
Earnings from ordinary activities before taxes	**5,936**	**5,729**
Taxes	(1,490)	(641)
Minority interests in earnings	(1,121)	(407)
Net income	**3,325**	**4,681**
Loss ratio[8] in %	67.7	71.5
Expense ratio[9] in %	25.2	25.5
Combined ratio in %	**92.9**	**97.0**

[1] Net of earned premiums ceded to reinsurers of € 5,298 mn (2003: € 5,539 mn).
[2] Net of investment management expenses of € 352 mn (2003: € 412 mn) and interest expenses of € 482 mn (2003: € 883 mn).
[3] Comprises net claims incurred of € 25,867 mn (2003: € 26,659 mn), changes in other net underwriting provisions of € 470 mn (2003: € 326 mn) and net expenses for premium refunds of € 324 mn (2003: € 334 mn). Net expenses for premium refunds were adjusted for income of € 268 mn (2003: expense of € 396 mn) related to policyholders' participation of net capital gains and impairments on investments as well as net trading income/(expense) that were excluded from the determination of operating profit.
[4] Comprises net acquisition costs of € 5,781 mn (2003: € 5,509 mn) and administrative expenses of € 3,849 mn (2003: € 4,002 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the Consolidated Financial Statements.
[5] Comprises net realized gains on investments of € 1,482 mn (2003: € 6,449 mn), and net impairments on investments of € 195 mn (2003: € 1,129 mn). These amounts are net of policyholders' participation.
[6] Includes significant net realized gains from sales of certain shareholdings.
[7] Net trading income/(expense) are net of policyholders' participation.
[8] Represents ratio of net claims incurred to net premiums earned.
[9] Represents ratio of net acquisition costs and administrative expenses to net premiums earned.

Life/Health Insurance Segment

Years ended 12/31	2004 € mn	2003 € mn
Statutory premiums[1]	45,177	42,319
Gross premiums written	20,716	20,689
Premiums earned (net)[2]	18,596	18,701
Current income from investments (net)[3]	10,852	10,744
Insurance benefits (net)[4]	(25,079)	(24,189)
Net acquisition costs and administrative expenses[5]	(3,905)	(3,192)
Net trading income	1,350	218
Other operating income/(expenses) (net)	(396)	(1,017)
Operating profit	**1,418**	**1,265**
Net capital gains and impairments on investments[6]	224	(114)[7]
Intra-group dividends and profit transfer	163	103
Amortization of goodwill	(159)	(398)
Earnings from ordinary activities before taxes	**1,646**	**856**
Taxes	(469)	(583)
Minority interests in earnings	(369)	(235)
Net income	**808**	**38**
Statutory expense ratio[7] in %	9.1	7.9

[1] Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
[2] Net of earned premiums ceded to reinsurers of € 2,048 mn (2003: € 1,953 mn).
[3] Net of investment management expenses of € 450 mn (2003: € 493 mn) and interest expenses of € 33 mn (2003: € 23 mn).
[4] Net insurance benefits were adjusted for an income of € 1,324 mn (2003: expense of € 661 mn) relating to the policyholders' participation of net capital gains and impairments on investments that were excluded from the determination of operating profit.
[5] Comprises net acquisition costs of € 2,635 mn (2003: € 1,885 mn) and administrative expenses of € 1,270 mn (2003: € 1,307 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the Consolidated Financial Statements.
[6] Comprises net realized gains on investments of € 253 mn (2003: € 169 mn), and net impairments on investments of € 29 mn (2003: € 283 mn). These amounts are net of policyholders' participation.
[7] Includes realized gains of € 743 mn from sales of Credit Lyonnais shares in 2003.
[8] Represents ratio of net acquisition costs and administrative expenses to net premiums earned (statutory).

Banking Segment

Years Ended 12/31	2004		2003	
	Banking Segment	Dresdner Bank	Banking Segment	Dresdner Bank
	€ mn	€ mn	€ mn	€ mn
Net interest income	2,368	2,275	2,793	2,391
Net fee and commission income	2,593	2,460	2,452	2,387
Net trading income	1,502	1,508	1,486	1,494
Operating revenues	**6,463**	**6,243**	**6,731**	**6,272**
Administrative expenses	(5,516)	(5,307)	(6,086)	(5,739)
Net loan loss provisions	(344)	(337)	(1,014)	(1,015)
Operating profit (loss)	**603**	**599**	**(369)**	**(482)**
Net capital gains and impairments on investments	140[1)]	134	(123)[1)]	(170)
Restructuring charges	(292)	(290)	(892)	(840)
Other non-operating income/(expenses) (net)	(288)	(278)	(553)	(613)
Amortization of goodwill	(244)	(244)	(263)	(270)
Earnings from ordinary activities before taxes	**(81)**	**(79)**	**(2,200)**	**(2,375)**
Taxes	286	281	1,025	1,075
Minority interests in earnings	(101)	(60)	(104)	(5)
Net income (loss)	**104**	**142**	**(1,279)**	**(1,305)**
Cost-income ratio[2)] in %	85.4	85.0	90.4	91.5

[1)] Comprises primarily net realized gains on investments of € 472 mn (2003: € 240 mn), and net impairments on investments of € 356 mn (2003: € 437 mn).
[2)] Represents ratio of administrative expenses to operating revenues.

After the divestment of our French mortgage banking subsidiary, Entenial, in January 2004, the Allianz Group's banking segment's results of operations are almost exclusively represented by Dresdner Bank, accounting for 96.6 % of the total banking segment's operating revenues in 2004.

Asset Management Segment

Years Ended 12/31	2004		2003	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Operating revenues	2,308	2,301	2,238	2,238
Operating expenses	(1,452)	(1,450)	(1,505)	(1,505)
Operating profit (loss)	**856**	**851**	**733**	**733**
Acquisition-related expenses[1)]	(423)	(423)	(467)	(467)
Amortization of goodwill	(380)	(380)	(369)	(369)
Earnings from ordinary activities before taxes	**53**	**48**	**(103)**	**(103)**
Taxes	(34)	(34)	16	16
Minority interests in earnings	(171)	(171)	(183)	(183)
Net income (loss)	**(152)**	**(157)**	**(270)**	**(270)**
Cost-income ratio[2)] in %	62.9	63.0	67.2	67.2

1) Comprises amortization charges of € 125 mn (2003: € 137 mn) relating to capitalized loyalty bonuses for PIMCO management, and charges of € 125 mn (2003: € 159 mn) relating to retention payments for the management and employees of PIMCO and Nicholas Applegate, as well as charges of € 173 mn (2003: € 171 mn) in connection with the deferred purchases of interests in PIMCO.

2) Represents ratio of operating expenses to operating revenues.

The Allianz Group's asset management segment's results of operations are almost exclusively represented by Allianz Global Investors, which accounted for 99.7 % of the Allianz Group's total asset management segment's operating revenues in 2004.

Supplementary Information on Allianz Group Assets

6 Intangible assets

	12/31/2004 € mn	12/31/2003 € mn
Goodwill	11,677	12,370
PVFP	1,522	1,658
Software	972	1,064
Brand names	740	782
Loyalty bonuses	33	158
Other	203	230
Total	**15,147**	**16,262**

Amortization expense of intangible assets is estimated to be € 479 mn in 2005, € 430 mn in 2006, € 411 mn in 2007, € 389 mn in 2008 and € 371 mn in 2009.

Goodwill

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Gross amount capitalized as of 12/31 previous year	17,259	17,262	14,963
Accumulated amortization as of 12/31 previous year	(4,889)	(3,476)	(2,314)
Value stated as of 12/31 previous year	12,370	**13,786**	**12,649**
Translation differences	(270)	(560)	(532)
Value stated as of 1/1	12,100	**13,226**	**12,117**
Reclassification	–	–	(228)
Additions	803	782	3,059
Disposals	(62)	(225)	–
Impairment	–	(224)	–
Amortization	(1,164)	(1,189)	(1,162)
Value stated as of 12/31	**11,677**	**12,370**	**13,786**
Accumulated amortization as of 12/31	6,030	4,889	3,476
Gross amount capitalized as of 12/31	**17,707**	**17,259**	**17,262**

The impairment charge of € 224 mn in 2003 concerns Allianz Life Insurance Company Ltd., Seoul. In the course of the annual goodwill impairment review the amount of the impairment was determined on the basis of an evaluation of future cash flows from the existing contract portfolio and new business. This amount reflects the effects of persistently lower interest rates in the capital markets and the overall unsatisfactory earnings performance of the company.

The reclassification in 2002 represents the goodwill in associated companies, which beginning in 2002, is recognized as part of the investments in associated enterprises and joint ventures within the Allianz Group's consolidated balance sheet.

This reclassification is comprised of:

- € 181 mn related to Münchener Rückversicherungs-AG, Munich, and
- € 47 mn related to AV Packaging GmbH and Schmalbach-Lubeca AG, Munich.

PVFP

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Gross amount capitalized as of 12/31 previous year	2,699	2,619	1,999
Accumulated amortization as of 12/31 previous year	(1,041)	(851)	(625)
Value stated as of 12/31 previous year	**1,658**	**1,768**	**1,374**
Translation differences	(5)	(33)	(25)
Value stated as of 1/1	**1,653**	**1,735**	**1,349**
Additions	47	–	608
Changes in the group of consolidated companies	(4)	(5)	(48)
Change in assumptions	–	118	–
Amortization	(174)	(190)	(141)
Value stated as of 12/31	**1,522**	**1,658**	**1,768**
Accumulated amortization as of 12/31	1,215	1,041	851
Gross amount capitalized as of 12/31	**2,737**	**2,699**	**2,619**

The additions in 2002 include primarily € 525 mn related to an increase in ownership interest from 40.5 % to 91.0 % in Allianz Lebensversicherungs-AG, Stuttgart.

The amount of interest accrued on unamortized PVFP in 2004 was € 94 mn (2003: € 102 mn; 2002: € 78 mn).

The percentage of PVFP as of December 31, 2004 that is expected to be amortized in 2005 is 13.97 % (12.89 % in 2006, 11.61 % in 2007, 10.17 % in 2008 and 9.04 % in 2009).

Software

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Gross amount capitalized as of 12/31 previous year	3,083	2,692	2,439
Accumulated amortization as of 12/31 previous year	(2,019)	(1,411)	(1,003)
Value stated as of 12/31 previous year	**1,064**	**1,281**	**1,436**
Translation differences	(6)	(20)	(19)
Value stated as of 1/1	**1,058**	**1,261**	**1,417**
Additions	757	713	497
Changes in the group of consolidated companies	(70)	(69)	(68)
Disposals	(232)	(233)	(157)
Amortization	(541)	(608)	(408)
Value stated as of 12/31	**972**	**1,064**	**1,281**
Accumulated amortization as of 12/31	2,560	2,019	1,411
Gross amount capitalized as of 12/31	**3,532**	**3,083**	**2,692**

The Allianz Group's consolidated balance sheet value of software amounting to € 972 mn at December 31, 2004 (2003: € 1,064 mn) includes € 608 mn (2003: € 598 mn) for software developed in-house and € 364 mn (2003: € 466 mn) for software purchased from third parties.

Brand names and loyalty bonuses

During the year ended December 31, 2002, assets of € 224 mn (2001: € 659 mn) were recognized for the value of the brand names "Dresdner Bank" and "dit" (Deutscher Investment-Trust) in connection with the acquisition of Dresdner Bank AG. The accumulated amortization of the brand names amounted to € 143 mn at December 31, 2004 (2003: € 101 mn) .

The accumulated amortization of the capitalized loyalty bonuses for senior management of the PIMCO Group amounted to € 680 mn at December 31, 2004 (2003: € 555 mn).

7 Investments in associated enterprises and joint ventures

	12/31/2004 € mn	12/31/2003 € mn
Total stated value	**5,832**	**6,442**
Total market value	6,372	7,135

The market value is primarily based on stock exchange quotations and internal valuations.

The amount of investments in associated enterprises and joint ventures that relates to banks was € 2,385 mn (2003: € 2,686 mn).

Loans to associated enterprises and joint ventures and fixed income securities available-for-sale issued by associated enterprises and joint venture held by the Allianz Group amounted to € 19,011 mn as of December 31, 2004.

8 Investments

	12/31/2004 € mn	12/31/2003 € mn
Securities held-to-maturity	5,179	4,683
Securities available-for-sale	302,144	277,871
Real estate used by third parties	10,628	10,501
Funds held by others under reinsurance contracts assumed	1,601	2,012
Total	**319,552**	**295,067**

Securities held-to-maturity

	12/31/2004 € mn	12/31/2003 € mn
Government bonds	2,186	1,747
Corporate bonds	2,951	2,597
Other	42	339
Total	**5,179**	**4,683**

Securities available-for-sale

	Amortized cost		Unrealized gains		Unrealized losses		Fair values	
	12/31/2004 € mn	12/31/2003 € mn	12/31/2004 € mn	12/31/2003 € mn	12/31/2004 € mn	12/31/2003 € mn	12/31/2004 € mn	12/31/2003 € mn
Equity securities	38,313	43,021	8,844	6,363	(1,206)	(1,114)	45,951	48,270
Government bonds	143,863	131,486	8,085	4,744	(270)	(626)	151,678	135,604
Corporate bonds	95,792	86,238	5,256	3,722	(123)	(301)	100,925	89,659
Other	3,509	4,280	90	69	(9)	(11)	3,590	4,338
Total	**281,477**	**265,025**	**22,275**	**14,898**	**(1,608)**	**(2,052)**	**302,144**	**277,871**

The following tables present proceeds from sales, gross realized gains, and gross realized losses of securities available-for-sale:

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Proceeds from Sales			
Government bonds	60,669	62,137	50,063
Corporate bonds	32,295	29,986	22,451
Equity securities	18,357	34,809	39,371
Other	9,489	7,751	3,289
Total	**120,810**	**134,683**	**115,174**
Gross Realized Gains			
Government bonds	478	980	1,040
Corporate bonds	617	829	768
Equity securities	2,498	5,533	6,124
Other	19	20	40
Total	**3,612**	**7,362**	**7,972**
Gross Realized Losses			
Government bonds	222	259	354
Corporate bonds	200	271	487
Equity securities	899	4,478	7,210
Other	11	10	12
Total	**1,332**	**5,018**	**8,063**

Contractual maturities

The amortized cost and estimated fair value of securities available-for-sale and securities held-to-maturity with fixed maturities as of December 31, 2004, by contractual maturity, are as follows:

	Available-for-sale		Held-to-maturity	
	Amortized cost	Fair values	Amortized cost	Fair values
	€ mn	€ mn	€ mn	€ mn
Contractual term to maturity				
Due in 1 year or less	26,314	26,992	523	528
Due after 1 year and in less than 5 years	99,286	103,943	1,446	1,530
Due after 5 years and in less than 10 years	76,595	81,313	1,903	1,991
Due after 10 years	40,969	43,945	1,307	1,338
Total	**243,164**	**256,193**	**5,179**	**5,387**

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

Securities lending and borrowing and repurchase and reverse repurchase agreements

Certain entities within the Allianz Group participate in securities lending arrangements whereby specific securities are loaned to other institutions for short periods of time. The Allianz Group had € 28,147 mn of loaned securities outstanding as of December 31, 2004 (2003: € 34,941 mn). The fair value of collateral accepted that can be sold or repledged amounted to € 40,474 mn at December 31, 2004 (2003: € 43,503 mn), of which € 14,275 mn was sold or repledged as of December 31, 2004. The Allianz Group has a variety of collateral policies in place. Collateral requirements vary depending on the type of facility and whether or not any existing contracts are in place with clients. The minimum level varies by collateral type, more risky collateral types demanding a higher degree of collateralization.

The Allianz Group has entered into reverse repurchase agreement transactions with related collateral fair value of € 176,249 mn and € 166,006 mn as of December 31, 2004 and 2003, respectively, which consists primarily of government and corporate debt securities. In addition, the fair value of collateral that has been sold or repledged on reverse repurchase agreements transactions was € 131,838 mn and € 56,947 mn as of December 31, 2004 and 2003, respectively.

Liabilities to banks and liabilities to customers also includes outstanding repurchase agreements. Securities owned and pledged as collateral under repurchase agreements had a carrying value of € 117,468 mn and € 47,118 mn as of December 31, 2004 and 2003, respectively, and primarily consisted of government and corporate debt securities.

Real estate used by third-parties

	2004	2003	2002
	€ mn	€ mn	€ mn
Gross capitalized values as of 12/31 previous year	13,672	13,621	14,545
Accumulated amortization as of 12/31 previous year	(3,171)	(2,874)	(2,541)
Value stated as of 12/31 previous year	**10,501**	**10,747**	**12,004**
Translation differences	(5)	(184)	(80)
Reclassifications	–	345–	
Value stated as of 1/1	**10,496**	**10,908**	**11,924**
Additions	1,669	712	1,117
Changes in the Group of consolidated companies	83	(228)	(712)
Disposals	(709)	(594)	(1,249)
Depreciation and impairments	(911)	(297)	(333)
Value stated as of 12/31	**10,628**	**10,501**	**10,747**
Accumulated amortization as of 12/31	4,082	3,171	2,874
Gross capitalized values as of 12/31	**14,710**	**13,672**	**13,621**

The fair value of real estate used by third parties as of December 31, 2004 was € 14,181 mn (2003: € 13,804 mn). Depreciation expense on real estate includes impairments of € 653 mn for the year ended December 31, 2004 (2003: € 30 mn; 2002: € 104 mn). Real estate pledged as security, and other restrictions on title, amounted to € 61 mn as of December 31, 2004 (2003: € 60 mn). Commitments outstanding at December 31, 2004 to purchase real estate amounted to € 52 mn (2003: € 51 mn).

9 Loans and advances to banks and customers

Loans and advances to banks net of the loan loss allowance

	12/31/2004 € mn	12/31/2003 € mn	12/31/2002 € mn
Loans	5,419	4,439	5,213
Reverse repurchase agreements and collateral paid for securities borrowing transactions	103,406	91,201	59,061
Short-term investments and certificates of deposit	8,481	10,686	8,328
Other	9,543	11,485	14,628
Loans and advances to banks	**126,849**	**117,811**	**87,230**
Loan loss allowance	(231)	(300)	(408)
Loans and advances to banks net of loan loss allowance	**126,618**	**117,511**	**86,822**

Receivables due within one year totaled € 123,022 mn (2003: € 115,455 mn), and those due after more than one year totaled € 3,827 mn (2003: € 2,356 mn).

Loans and advances to customers net of the loan loss allowance, by type of customer

	12/31/2004 € mn	12/31/2003 € mn	12/31/2002 € mn
Corporate customers	130,095	136,360	123,082
Public authorities	3,269	3,270	2,989
Private customers	58,708	69,054	68,572
Loans and advances to customers	**192,072**	**208,684**	**194,643**
Loan loss allowance	(3,904)	(5,425)	(6,559)
Loans and advances to customers, net of loan loss allowance	**188,168**	**203,259**	**188,084**

Loans and advances to customers by type of loan

	12/31/2004 € mn	12/31/2003 € mn
Loans	112,320	120,717
Reverse repurchase agreements and collateral paid for securities borrowing transactions	70,459	63,296
Other	9,293	24,671
Loans and advances to customers	**192,072**	**208,684**

Loans and advances due within one year totaled € 97,666 mn (2003: € 131,471 mn), and those due after more than one year totaled € 94,406 mn (2003: € 77,213 mn).

Unearned income related to discounts deducted from loan balances as of December 31, 2004 was € 103 mn (2003: € 340 mn).

Loans and advances to customers include amounts receivable under finance leases at their net investment value totaling € 1,247 mn (2003: € 933 mn). The corresponding gross investment value of these leases amounts to € 1,517 mn (2003: € 1,030 mn), and the associated unrealized finance income is € 270 mn (2003: € 97 mn). The residual values of the entire leasing portfolio were fully insured as of December 31, 2004 and 2003. Lease payments received during 2004 were recognized as income in the amount of € 42 mn (2003: € 80 mn; 2002: € 141 mn). An allowance for uncollectable lease payments was not recorded at December 31, 2004 (2003: € 42 mn). The total amounts receivable under leasing arrangements include € 371mn (2003: € 114 mn) due within one year, € 388 mn (2003: € 450 mn) due within one to five years, and € 758 mn (2003: € 466 mn) due after more than five years, as of December 31, 2004.

Loan loss allowance

The overall volume of risk provisions includes loan loss allowances deducted from loans and advances to banks and customers in the amount of € 4,135 mn (2003: € 5,725 mn; 2003: € 6,967 mn) and provisions for contingent liabilities, such as guarantees, loan commitments and other obligations included in other accrued liabilities in the amount of € 371 mn (2003:€ 549 mn; 2002: € 633 mn).

Changes in the loan loss allowance

	Counterparty risks			Country risks			General			Total		
Years ended 12/31	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn
As of 1/1	5,304	6,415	7,200	270	367	428	700	818	933	6,274	7,600	8,561
Changes in the Allianz Group of consolidated companies	(251)	(60)	(928)	–	–	–	(62)	(3)	(63)	(313)	(63)	(991)
Additions charged to the income statement	1,313	2,154	2,927	117	42	111	9	4	90	1,439	2,200	3,128
Charge-offs	(1,900)	(2,034)	(1,893)	–	(7)	–	–	–	–	(1,900)	(2,041)	(1,893)
Amounts released	(756)	(858)	(575)	(119)	(95)	(208)	(98)	(150)	(34)	(973)	(1,103)	(817)
Other additions/reductions	6	(67)	(97)	1	4	54	13	34	(102)	20	(29)	(145)
Changes due to currency translation	(31)	(246)	(219)	(8)	(41)	(18)	(2)	(3)	(6)	(41)	(290)	(243)
As of 12/31	**3,685**	**5,304**	**6,415**	**261**	**270**	**367**	**560**	**700**	**818**	**4,506**	**6,274**	**7,600**

The effects of the deconsolidation of Deutsche Hyp in 2002 are shown in the line "Changes in the Allianz Group of consolidated companies".

At December 31, 2004 the Allianz Group had € 6,732 mn (2003: € 9,498 mn) of impaired loans of which € 6,048 mn (2003: € 8,722 mn) had a related valuation allowance. For the year ended December 31, 2004, the average balance in impaired loans was € 8,479 mn (2003: € 11,780 mn) and the interest income recognized on impaired loans was € 104 mn (2003: € 117 mn; 2002: € 131 mn).

The loan portfolio contains non-accrual loans of € 5,605 mn (2003: € 8,374 mn). The total amount of loans with provisions against the principal include € 2,092 mn (2003: € 3,068 mn) of loans on which the Allianz Group continues accruing interest with a specific allowance against the total interest accrued. The interest income not recognized from loans on non-accrual status amounted to € 244 mn (2003: € 367 mn; 2002: € 470 mn). The amount of interest collected and recorded on non-accrual loans in 2004 was approximately € 49 mn (2003: € 49 mn; 2002: € 66 mn).

Restructured loans totaled € 71 mn as of December 31, 2004 (2003: € 207 mn).

At December 31, 2004, the Allianz Group had € 48 mn (2003: € 129 mn) of commitments to lend additional funds to borrowers whose loans are non-performing or whose terms have been previously restructured.

10 Trading assets

	2004 € mn	2003 € mn
Equities	41,383	15,553
Fixed-income securities	158,012	111,529
Derivative financial instruments	20,606	18,947
Other trading assets	–	125
Total	**220,001**	**146,154**

Equities and fixed-income securities held in trading assets are primarily marketable and listed securities. The fixed-income securities include € 88,291 mn (2003: € 67,300 mn) from public-sector issuers and € 69,721 mn (2003: € 44,229 mn) from other issuers.

The portion of trading gains and losses from trading securities held at December 31, 2004, amounted to € 2,285 mn (2003: € 2,213 mn) and to € 2,555 mn (2003: € 1,794 mn), respectively.

Trading assets includes € 26,238 mn of assets related to unit linked contracts that do not meet the criteria for classification as separate account assets.

11 Cash and cash equivalents

	12/31/2004 € mn	12/31/2003 € mn
Balances with banks payable on demand	12,621	19,021
Balances with central banks	1,384	4,053
Checks and cash on hand	963	1,520
Treasury bills, discounted treasury notes and similar treasury securities	465	799
Bills of exchange	195	135
Total	**15,628**	**25,528**

Compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 264 mn (2003: € 3,357 mn), including balances held with the Deutsche Bundesbank of € 221 mn (2003: € 3,321 mn), for the credit institutions of the Allianz Group as of December 31, 2004.

12 Amounts ceded to reinsurers from insurance reserves

	12/31/2004 € mn	12/31/2003 € mn
Unearned premiums	1,238	1,242
Aggregate policy reserves	10,276	10,923
Reserves for loss and loss adjustment expenses	10,684	12,765
Other insurance reserves	112	131
Total	**22,310**	**25,061**

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses, and protect capital resources. The majority of the business ceded by the Allianz Group is placed on a quota-share basis. For its property-casualty business, the Allianz Group retained € 50 mn in 2004, € 50 mn in 2003 and € 38 mn in 2002. The limits for catastrophe events were € 125 mn in 2004, € 75 mn for 2003 and € 50 mn in 2002. For life business, the Allianz Group retains up to € 4 mn on a per risk basis and up to € 5 mn per event.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the Allianz Group from primary liability under the reinsured policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which includes the claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes any risks of collectibility to which it is exposed are not significant, and historically the Allianz Group companies have not experienced difficulty in collecting from their reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial measures to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of December 31, 2004 and 2003.

Concentrations the Allianz Group has with individual reinsurers include Munich Re, Swiss Reinsurance Company, GE Global Insurance Holding Corporation and SCOR.

13 Other assets

	12/31/2004 € mn	12/31/2003 € mn
Real estate used for its own activities	6,042	5,020
Equipment	1,470	1,626
Accounts receivable on direct insurance business	7,579	8,096
Accounts receivable on reinsurance business	2,137	2,522
Other receivables	11,617	16,596
Other assets	4,894	4,084
Deferred policy acquisition costs	13,474	12,497
Prepaid expenses	4,569	3,363
Total	**51,782**	**53,804**

Real estate owned by the Allianz Group used for its own activities

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Gross capitalized values as of 12/31 previous year	6,543	6,854	6,175
Accumulated depreciation as of 12/31 previous year	(1,523)	(1,422)	(1,078)
Value stated as of 12/31 previous year	**5,020**	**5,432**	**5,097**
Translation differences	(19)	(77)	(56)
Reclassification	–	(345)	–
Value stated as of 1/1	**5,001**	**5,010**	**5,041**
Additions	1,373	877	883
Changes in the Allianz Group of consolidated companies	691	(1)	(17)
Disposals	(789)	(765)	(131)
Depreciation	(234)	(101)	(344)
Value stated as of 12/31	6,042	**5,020**	**5,432**
Accumulated depreciation as of 12/31	1,757	1,523	1,422
Gross capitalized values as of 12/31	**7,799**	**6,543**	**6,854**

The fair value of real estate owned by the Allianz Group used for its own activities as of December 31, 2004 amounted to € 7,232 mn (2003: € 5,741 mn). Assets pledged as security and other restrictions on title amounted to € 34 mn (2003: € 28 mn). At December 31, 2004, commitments outstanding to purchase real estate amounted to € 47 mn (2003: € 39 mn).

Equipment

The gross capitalized values totaled € 7,186 mn as of December 31, 2004 (2003: € 6,919 mn). Accumulated depreciation amounted to € 5,716 mn as of December 31, 2004 (2003: € 5,293) mn. At December 31, 2004, commitments outstanding to purchase items of equipment amounted to € 100 mn (2003: € 111 mn).

Accounts receivable on direct insurance business

Accounts receivable on direct insurance business amounted to € 4,041 mn (2003: € 4,349 mn) for policyholders and € 3,671 mn (2003: € 3,936 mn) for agents and other distributors. Allowance for doubtful amounts related to direct insurance business amounted to € 133 mn (2003: € 189 mn).

The accounts receivable on direct insurance business and accounts receivable on reinsurance business are due within one year.

Other receivables

Other receivables include tax refunds amounting to € 2,227 mn (2003: € 2,381 mn) and interest and rental receivables amounting to € 5,286 mn (2003: € 5,394 mn). Of the tax refunds, € 1,671 mn (2003: € 1,821 mn) are attributable to tax on income.

Other receivables due within one year amounted to € 10,518 mn (2003: € 7,299 mn), and those due after more than one year totaled € 1,099 mn (2003: € 9,297 mn).

Other assets

Included in other assets are derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting totaling € 969 mn (2003: € 868 mn) and deferred sales inducements of € 303 mn.

Changes in the deferred sales inducements for the year ended December 31 were:

	2004 € mn
Value stated as of 1/1	–
Transfer from insurance reserves	89
Cumulative effect adjustment due to implementation of SOP 03-1	23
Additions	222
Amortization	(31)
Value stated as of 12/31	**303**

Deferred policy acquisition costs

Property-Casualty

	2004 € mn	2003 € mn	2002 € mn
Value stated as of 12/31 previous year	3,380	3,158	3,156
Translation differences	(51)	(86)	(110)
Value stated as of 1/1	**3,329**	**3,072**	**3,046**
Additions	1,732	450	375
Changes in the Allianz Group of consolidated companies	(60)	2	(36)
Amortization	(1,569)	(120)	(227)
Impairments	–	(24)	–
Value stated as of 12/31	**3,432**	**3,380**	**3,158**

Life/Health

	2004 € mn	2003 € mn	2002 € mn
Value stated as of 12/31 previous year	9,117	7,370	8,036
Translation differences	(712)	(521)	(342)
Value stated as of 1/1	**8,405**	**6,849**	**7,694**
Additions	2,888	2,525	1,624
Changes in the Allianz Group of consolidated companies	(158)	153	(1,551)
Amortization	(1,093)	(410)	(397)
Value stated as of 12/31	10,042	**9,117**	**7,370**
Total	**13,474**	**12,497**	**10,528**

Supplementary Information on Allianz Group Liabilities and Equity

14 Shareholders' equity

Shareholders' equity is comprised of the following as of December 31:

	2004 € mn	2003 € mn
Issued capital	988	985
Capital reserve	18,445	18,362
Revenue reserves	13,083	11,460
Treasury stock	(4,605)	(4,546)
Foreign currency translation adjustments	(2,680)	(1,916)
Unrealized gains and losses (net)	5,597	4,247
Total	**30,828**	**28,592**

Issued capital

In November 2004, 1,056,250 shares were issued at a price of € 81.61 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 1,051,191 shares at prices ranging from € 57.13 to € 69.37 per share. The remaining 5,059 shares were sold on the Frankfurt stock exchange at an average price of € 95.74 per share. The shares issued in 2004 are qualifying shares from the beginning of the year of issue.

In November 2003, 965,625 shares were issued at a price of € 82.95 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 944,625 shares at prices ranging from € 58.07 to € 70.51 per share. The remaining 21,000 shares were sold on the Frankfurt stock exchange at an average price of € 92.07 per share.

In April 2003, 117,187,500 shares with participation rights were issued in connection with a capital increase, which raised approximately € 4.4 bn based on a subscription price of € 38.00 per share. Expenses from the capital increase amounted to € 116 mn after taxes, and diminished revenue reserves accordingly.

All shares issued in 2003 are qualifying shares from the beginning of the year of issue.

In November 2002, 137,625 shares held by Allianz AG were issued at a price of € 114.00 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 136,222 shares at prices between € 79.80 and € 96.90 per share. The remaining 1,403 shares were sold on the Frankfurt stock exchange at an average price of € 90.60 per share. The shares issued in 2002 are qualifying shares from the beginning of the year of issue.

Issued capital at December 31, 2004 amounted to € 987,584,000 divided into 385,775,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

As of December 31, 2004, the Allianz Group had € 450,000,000 (175,781,250 shares) of authorized unisssued capital (Authorized Capital 2004/I) which can be issued at any time up to May 4, 2009. The Management Board, with approval of the Supervisory Board, is authorized to exclude the pre-emptive rights of shareholders if the shares are issued against a contribution in kind and, in certain cases, if they are issued against a cash contribution.

As of December 31, 2004, the Allianz Group had € 7,296,000 (2,850,000 shares) of authorized unissued capital (Authorized Capital 2004/II) which can be issued at any time up to May 4, 2009. The Management Board, with approval of the Supervisory Board, is authorized to exclude the pre-emptive rights of shareholders if the shares are issued to employees of the Allianz Group.

Further, as of December 31, 2004, Allianz AG had € 250,000,000 (97,256,250 shares) of unissued conditional authorized capital which will be issued upon exercise of any subscription or conversion rights granted to holders of bonds issued by Allianz AG or any of its subsidiaries or upon satisfaction of conversion obligations resulting from such bonds.

Treasury stock

In connection with an exchange offer to the holders of Allianz AG participation certificates, a total of 6,148,110 of Allianz AG treasury shares were exchanged for participation certificates of Allianz AG as of January 16, 2003.

The Annual General Meeting on May 5, 2004 (2003: April 29, 2003), authorized Allianz AG to acquire its own shares for other purposes pursuant to clause 71 (1) no. 8 of the German Stock Corporation Law (Aktiengesetz). During 2004 and 2003, the authorization was used to acquire 0 and 293,686 shares of Allianz AG, respectively.

In order to enable Dresdner Bank AG to trade in shares of Allianz AG, the Annual General Meeting on May 5, 2004 authorized the Allianz Group's domestic or foreign credit institutions in which Allianz AG has a majority holding to acquire treasury stock for trading purposes pursuant to clause 71 (1) no. 7 of the German Stock Corporation Law (Aktiengesetz). In accordance with this authorization, the credit institutions in the Allianz Group purchased 29,685,678 (2003: 32,891,597; 2002: 93,726,589) of Allianz AG's shares or acquired them by way of securities borrowing during the course of 2004 at an average price of € 88.84 per share (2003: € 76.67; 2002: € 179.86), which included previously held Allianz AG shares. 29,092,223 shares (2003: 32,339,227; 2002: 92,448,634) were disposed of or ceded from borrowed holdings during the course of 2004 at an average price of € 88.82 per share (2003: € 77.74; 2002: € 181.11). The losses arising from treasury stock transactions during the year ended December 31, 2004, were € 53 mn (2003: gain of € 7 mn; 2002: losses of € 23 mn), which were transferred to revenue reserves.

Composition of the treasury stock

Years ended 12/31	2004			2003			2002		
	Acquision costs € mn	Number of shares	Issued capital %	Acquision costs € mn	Number of shares	Issued capital %	Acquision costs € mn	Number of shares	Issued capital %
Allianz AG	50	424,035	0.11	50	424,035	0.11	1,510	6,286,100	2.36
Dresdner Bank Group	4,554	18,480,664	4.79	4,495	17,814,376	4.63	4,448	17,302,311	6.49
Other enterprises	1	10,502	–	1	7,641	–	–	–	–
Total	**4,605**	**18,915,201**	**4.90**	**4,546**	**18,246,052**	**4.74**	**5,958**	**23,588,411**	**8.85**

Changes to the number of issued shares outstanding

Years ended 12/31	2004	2003	2002
As of 1/1	366,472,698	242,977,214	241,189,535
Additions			
Exchange against participation Certificates	–	6,148,110	–
Capital increase for cash	–	117,187,500	–
Transfer to the exchange company	–	–	1,797,357
Capital increase for employee shares	1,056,250	965,625	137,625
Subtotal	**367,528,948**	**367,278,449**	**243,124,517**
Reductions on account of acquisition of treasury stock			
Acquisition for other purposes	(2,861)	(293,686)	–
Acquisition for trading purposes	(666,288)	(512,065)	(147,303)
As of 31/12	**366,859,799**	**366,472,698**	**242,977,214**

Dividends

The Management Board will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 1.75 (2003: € 1.50) per qualifying share for the fiscal year 2004. Details on the recommendation for appropriation of profit are provided in the Allianz Group Management Report.

15 Minority interests in shareholders' equity

	12/31/2004 € mn	12/31/2003 € mn
Unrealized gains and losses	1,045	620
Share of earnings	1,257	825
Other equity components	7,229	6,922
Total	**9,531**	**8,367**

The primary subsidiaries of the Allianz Group included in minority interests in 2004 and 2003 are the AGF Group, Paris, the RAS Group, Milan, and the PIMCO Group, Delaware.

16 Participation certificates and subordinated liabilities

	2005 € mn[1]	2006 € mn[1]	2007 € mn[1]	2008 € mn[1]	2009 € mn[1]	Thereafter € mn[1]	12/31/2004 Total € mn[1]	12/31/2003 Total € mn[1]
Allianz AG[2]								
Subordinated bonds	–	–	–	–	–	4,775	4,775	3,377
Interest rate (range in %)	–	–	–	–	–	5.50 – 7.25		
Participation certificates[3]	–	85	–	–	–	–	85	85
Interest rate (range in %)	–	–	–	–	–	–		
Subtotal	**–**	**85**	**–**	**–**	**–**	**4,775**	**4,860**	**3,462**
Banking subsidiaries								
Subordinated liabilities	1,105	380	811	404	633	1,446	4,779	5,183
Interest rate (range in %)	3.90 – 5.45	0.0 – 7.7	0.0 – 7.8	1.35 – 4.40	2.0 – 10.38	2.0 – 10.38		
Hybrid equity	–	–	–	–	–	1,500	1,500	1,561
Interest rate (range in %)	–	–	–	–	–	3.50 – 8.15		
Participation certificates[4]	10	5	644	845	–	22	1,526	1,511
Interest rate (range in %)	9.15	8.8	8.00 – 8.125	7.00 – 7.125	–	5.20 – 7.190		
Subtotal	**1,115**	**385**	**1,455**	**1,249**	**633**	**2,968**	**7,805**	**8,255**
All other subsidiaries								
Subordinated liabilities	–	–	–	57	–	463	520	468
Interest rate (range in %)	–	–	–	6.84	–	2.93 – 6.62		
Hybrid equity	–	–	–	–	–	45	45	45
Interest rate (range in %)	–	–	–	–	–	3.62		
Subtotal	**–**	**–**	**–**	**57**	**–**	**508**	**565**	**513**
Total	**1,115**	**470**	**1,455**	**1,306**	**633**	**8,251**	**13,230**	**12,230**

[1] Except for rates.
[2] Includes subordinated bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz AG.
[3] The terms of the profit participation certificates provide for an annual cash distribution of 240% of the dividend paid by Allianz AG per one Allianz AG share. If certain conditions are met, the holders of profit participation certificates also have a subscription right to new profit participation certificates; to this extent, the subscription rights of Allianz AG shareholders is excluded. Holders of profit participation certificates do not have voting rights, or any rights to convert the certificates into Allianz AG shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors. Profit participation certificates can be redeemed by holders upon twelve months prior notice every fifth year. The next call date is December 31, 2006. Allianz AG has the right to call the profit participation certificates for redemption, upon six months' prior notice every fifth year. The next call date is December 31, 2006. Upon redemption by Allianz AG, the cash redemption price per certificate would be equal to 122.9% of the then current price of one Allianz AG share during the last three months preceding the recall of the participation certificate. In lieu of redemption for cash, Allianz AG may offer 10 Allianz AG ordinary shares per 8 profit participation certificates.
[4] Participation certificates issued by the Dresdner Bank Group which entitle holders to annual interest payments, which take priority over its shareholders' dividend entitlements. They are subordinated to obligations for all other creditors of the issuer, except those similarly subordinated, and share in losses of the respective issuers in accordance with the conditions attached to the participation certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

17 Insurance reserves

	12/31/2004 € mn	12/31/2003 € mn
Unearned premiums	12,050	12,198
Aggregate policy reserves	255,436	217,895
Reserves for loss and loss adjustment expenses	62,331	63,182
Reserves for premium refunds	24,489	17,338
Premium deficiency reserves	138	138
Other insurance reserves	751	720
Total	**355,195**	**311,471**

Unearned premiums

	12/31/2004 € mn	12/31/2003 € mn
Property-Casualty	11,822	11,962
Life/Health	228	236
Total	**12,050**	**12,198**

Aggregate policy reserves

	12/31/2004 € mn	12/31/2003 € mn
Traditional Participating Insurance Contracts (SFAS 120)		
Property-Casualty	7,297	7,513
Life/Health	110,142	107,663
Subtotal	**117,439**	**115,176**
Universal-Life Type and Investment Contracts (SFAS 97)		
Life/Health	99,546	67,317
Subtotal	**99,546**	**67,317**
Long-duration Insurance Contracts (SFAS 60)		
Life/Health	38,451	35,402
Subtotal	**38,451**	**35,402**
Total	**255,436**	**217,895**

Aggregate policy reserves for universal life type and investment contracts includes € 26,238 mn of liabilities related to unit-linked contracts that do not meet the criteria for classification as separate account liabilities.

Participating life business represented approximately 70 % and 71 % of the Allianz Group's gross insurance in-force at December 31, 2004 and 2003, respectively. Participating policies represented approximately 64 % (2003: 60 %) of the gross premiums written and 61 % (2003: 56 %) of the life premiums earned in 2004. Conventional participating reserves were approximately 49 % (2003: 56 %) of the Allianz Group's consolidated aggregate policy reserves as of December 31, 2004.

Reserves for loss and loss adjustment expenses

	12/31/2004 € mn	12/31/2003 € mn
Property-Casualty	55,536	56,644
Life/Health	6,795	6,538
Total	**62,331**	**63,182**

Changes in the reserves for loss and loss adjustment expenses for property-casualty insurance

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Reserves for loss and loss adjustment expenses as of 1/1			
Gross	56,644	60,054	61,876
Amount ceded to reinsurers	(12,049)	(14,588)	(16,156)
Net	**44,595**	**45,466**	**45,720**
Claims (net)			
Claims in the year under review	25,643	25,712	27,130
Previous years claims	(446)	279	646
Subtotal	**25,197**	**25,991**	**27,776**
Claims paid (net)			
Claims in the year under review	(11,374)	(11,860)	(12,642)
Previous years claims	(11,818)	(13,155)	(12,143)
Subtotal	**(23,192)**	**(25,015)**	**(24,785)**
Currency translation adjustments	(469)	(1,822)	(3,367)
Change in the group of consolidated companies	(624)	(25)	122
Reserves for loss and loss adjustment expenses as of 12/31			
Net	45,507	44,595	45,466
Amount ceded to reinsurers	10,029	12,049	14,588
Gross	**55,536**	**56,644**	**60,054**

Previous years claims (net) reflects the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. The Allianz Group recorded additional income of € 446 mn during the year ended December 31, 2004 (2003: losses of € 279 mn and 2002: losses of € 646 mn) with respect of losses occurring in prior years. These amounts as percentages of the net balance of the beginning of the year were 1.0% in 2004 (2003: 0.6 % and 2002: 1.4 %).

Reserves for premium refunds

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Amounts already allocated under local statutory or contractual regulations			
As of 1/1	7,326	7,131	10,088
Translation differences	6	(35)	(14)
Changes in Allianz Group consolidated companies	27	(7)	81
Change	1,435	237	(3,024)
As of 12/31	**8,794**	**7,326**	**7,131**
Latent reserves for premiums refunds			
As of 1/1	10,012	9,059	11,501
Translation differences	6	(24)	4
Change due to fluctuations in market value	5,139	1,960	(488)
Changes in Allianz Group consolidated companies	71	1,031	233
Changes due to valuation differences charged (credited) to income	467	(2,014)	(2,191)
As of 12/31	**15,695**	**10,012**	**9,059**
Total	**24,489**	**17,338**	**16,190**

In addition to the amounts allocated to policyholders of the Allianz Group, amounts totaling € 3,277 mn (2003: € 3,514 mn; 2002: € 3,680 mn) were directly credited from surplus.

18 Liabilities to banks

	12/31/2004 € mn	12/31/2003 € mn
Payable on demand	14,003	13,427
Repurchase agreements and collateral received from securities lending transactions	78,675	52,460
Term deposits and certificates of deposit*)	96,743	102,087
Other	1,933	10,342
Liabilities to banks	**191,354**	**178,316**

*) Including registered bonds totaling € 2,724 mn for the year ended December 31, 2004 (2003: € 3,045 mn).

Liabilities to banks due within one year totaled € 180,723 mn (2003: € 165,125 mn) and those due after more than one year totaled € 10,631 mn (2003: € 13,191 mn) as of December 31, 2004.

Liabilities to domestic banks amounted to € 80,329 mn (2003: € 81,635 mn) and liabilities to foreign banks amounted to € 111,025 mn (2003: € 96,681 mn) as of December 31, 2004.

19 Liabilities to customers

	12/31/2004 € mn	12/31/2003 € mn
Savings deposits	2,410	2,667
Home loan savings deposits	3,214	3,116
Payable on demand	50,946	57,132
Repurchase agreements and collateral received from securities lending transactions	49,276	40,416
Term deposits and certificates of deposit*)	49,261	49,715
Other	2,167	1,682
Liabilities to customers	**157,274**	**154,728**

*) Including registered bonds totaling € 6,887 mn for the year ended December 31, 2004 (2003: € 6,747 mn).

Liabilities to customers by type of customer

	Germany € mn	Other countries € mn	Total € mn
12/31/2004			
Corporate customers	41,002	75,189	116,191
Public authorities	1,529	6,471	8,000
Private customers	27,807	5,276	33,083
Liabilities to customers	**70,338**	**86,936**	**157,274**
12/31/2003			
Corporate customers	41,620	70,867	112,487
Public authorities	1,122	3,365	4,487
Private customers	29,448	8,306	37,754
Liabilities to customers	**72,190**	**82,538**	**154,728**

Liabilities to customers include € 24,989 mn (2003: € 27,834 mn) of non-interest bearing deposits as of December 31, 2004. Liabilities to customers due within one year totaled € 148,449 mn (2003: € 139,698 mn) and those due after more than one year totaled € 8,825 mn (2003: € 15,030 mn) as of December 31, 2004.

20 Certificated liabilities

The Allianz Group issues fixed and floating rate debt denominated in various currencies, predominantly in Euros. The interest rates for the floating rate debt issues are generally based on the London Inter-Bank Offered Rate (LIBOR), although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The following table summarizes the contractual maturity dates of the Allianz Group's certificated liabilities as December 31, 2004:

	2005 € mn[1]	2006 € mn[1]	2007 € mn[1]	2008 € mn[1]	2009 € mn[1]	Thereafter € mn[1]	12/31/2004 Total € mn[1]	12/31/2003 Total € mn[1]
Allianz AG[2]								
Senior bonds	1,053	–	2,194	1,623	–	871	5,741	5,514
Interest rate (range in %)	0.00 – 3.00	–	4.63 – 5.75	5.00	–	5.63		
Exchangeable bonds	1,711	1,031	–	–	–	–	2,742	3,645
Interest rate (range in %)	2.00	1.25	–	–	–	–		
Money market securities	854	–	–	–	–	–	854	1,484
Interest rate (range in %)	2.13	–	–	–	–	–		
Subtotal	**3,618**	**1,031**	**2,194**	**1,623**	**–**	**871**	**9,337**	**10,643**
Banking subsidiaries								
Certificated liabilities	5,104	4,266	4,980	4,093	3,739	2,977	25,159	35,031
Interest rate (range in %)	2.48–12.75	2.45 – 9.90	2.40 – 13.84	2.30 – 9.85	2.30 – 10.20	2.30 – 11.80		
Money market securities	21,693	–	–	–	–	–	21,693	16,256
Interest rate (range in %)	2.10–2.27	–	–	–	–	–		
Subtotal	**26,797**	**4,266**	**4,980**	**4,093**	**3,739**	**2,977**	**46,852**	**51,287**
All other subsidiaries								
Certificated liabilities	–	–	–	7	2	449	458	254
Interest rate (range in %)	–	–	–	3.50 – 7.22	3.00	5.62 – 7.50		
Money market securities	1,124	–	–	–	–	–	1,124	1,154
Interest rate (range in %)	0.00 – 2.08	–	–	–	–	–		
Subtotal	**1,124**	**–**	**–**	**7**	**2**	**449**	**1,582**	**1,408**
Total	**31,539**	**5,297**	**7,174**	**5,723**	**3,741**	**4,297**	**57,771**	**63,338**

[1] Except for rates.
[2] Includes bonds and exchangeable bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz AG.

21 Trading liabilities

	12/31/2004 € mn	12/31/2003 € mn
Derivative financial instruments	23,018	20,391
Obligations to deliver securities	72,804	61,476
Other trading liabilities	6,319	2,968
Total	**102,141**	**84,835**

22 Other accrued liabilities

	12/31/2004 € mn	12/31/2003 € mn
Reserves for pensions and similar obligations	5,738	5,669
Accrued taxes	1,408	2,066
Miscellaneous accrued liabilities	6,022	6,173
Total	**13,168**	**13,908**

Reserves for pensions and similar obligations

	12/31/2004 € mn	12/31/2003 € mn
Reserves for pensions	5,738	5,303
Reserves for postretirement benefits other than pensions	–	366
Total	**5,738**	**5,669**

As of January 1, 2004, reserves for postretirement benefits other than pensions are included in reserves for pensions. Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit in nature, while pension plans in other countries are either defined benefit or defined contribution in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Changes in the reserve for defined benefit plans

Years ended 12/31	2004 € mn	2003 € mn
Value stated as of 12/31 previous year	5,303	5,312
Reclassification	377	–
Translation differences	(6)	(8)
Value stated as of 1/1	**5,674**	**5,304**
Changes in Allianz Group consolidated companies	(27)	(22)
Expenses	672	621
Payments	(581)	(600)
Value stated as of 12/31	**5,738**	**5,303**

Funded Status

The following table summarizes the funded status of the defined benefit plans as of December 31:

	12/31/2004 € mn	12/31/2003 € mn
Projected benefit obligation	13,410	11,957
Thereof		
direct commitments of Allianz Group enterprises	6,649	5,930
commitments through plan assets	6,761	6,027
Fair value of plan assets	6,287	5,790
Funded status	7,123	6,167
Unrecognized net actuarial loss	(1,389)	(853)
Unamortized prior service cost	4	(11)

Amounts recognized in the Allianz Group's consolidated balance sheet as of December 31:

	12/31/2004 € mn	12/31/2003 € mn
Prepaid benefit cost	(131)	–
Accrued benefit cost	5,869	5,303
Net amount recognized	**5,738**	**5,303**

As of December 31, 2004, postretirement health benefits included in the projected benefit obligation and net amount recognized amounted to € 97 mn and € 107 mn, respectively.

The accumulated benefit obligation for all defined benefit plans was € 12,499 mn and € 11,054 mn at December 31, 2004 and 2003, respectively.

Information for defined benefit plans with an accumulated benefit obligation in excess of plan assets as of December 31:

	12/31/2004 € mn	12/31/2003 € mn
Projected benefit obligation	12,273	11,546
Accumulated benefit obligation	11,465	10,685
Fair value of plan assets	5,188	5,367

The net periodic benefit cost recognized in the Allianz Group's consolidated income statements consist of the following components:

Years ended 12/31	2004	2003	2002
	€ mn	€ mn	€ mn
Components of net periodic benefit cost			
Service cost	313	314	274
Interest cost	676	606	591
Expected return on plan assets	(366)	(312)	(329)
Amortization of			
Prior service cost recognized	5	26	123
Net loss recognized	8	6	5
(Income)/expenses of plan curtailments or settlements	36	(19)	2
Net periodic benefit cost	**672**	**621**	**666**

Included in the net periodic benefit cost for the year ended December 31, 2004, is € 7 mn related to postretirement health benefits.

Most of the amounts expensed are charged in the Allianz Group's consolidated income statement as acquisition and administrative expenses, and loss and loss adjustment expenses (claims settlement expenses).

The actual return on plan assets amounted to € 431 mn, € 379 mn and losses of € 256 mn during the years ended December 31, 2004, 2003 and 2002.

Assumptions

The assumptions for the actuarial computation of the projected benefit obligation, accumulated benefit obligation and the net periodic benefit cost depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted-average assumptions, for the Allianz Group's pension plans, used to determine projected and accumulated benefit obligation:

Years ended 12/31	2004	2003
	%	%
Discount rate	4.9	5.5
Rate of compensation increase	2.7	2.8
Rate of pension increase	1.6	1.9

The weighted-average assumptions used to determine net periodic benefit cost:

Years ended 12/31	2004	2003
	%	%
Discount rate	5.5	5.7
Expected long-term return on plan assets	6.4	6.6
Rate of compensation increase	2.8	2.9
Rate of pension increase	1.9	1.8

The weighted expected long-term return on plan assets for the year 2004 was derived from the following target allocation and expected long-term rate of return for each asset category:

Asset category	Target allocation	Weighted expected long-term rate of return
	%	%
Equity securities	29.5	8.6
Debt securities	66.1	5.4
Real estate	4.2	6.5
Other	0.2	0.5
Total	**100.0**	**6.4**

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The pension plan's weighted-average asset allocations by asset category are as follows for the years ended December 31:

Asset category	2004	2003
	%	%
Equity securities	26.2	23.8
Debt securities	69.7	70.9
Real estate	2.6	2.9
Other	1.5	2.4
Total	**100.0**	**100.0**

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase its actual equity securities allocation to be more in line with its target equity securities allocation by decreasing its holdings in debt securities.

Contributions

The Allianz Group expects to contribute € 140 mn to its pension plans during the year ended December 31, 2005.

Estimated future benefit payments

The following estimated future benefit payments are based on the same assumptions used to measure the Allianz Group's projected and accumulated benefit obligations at December 31, 2004, and reflect expected future service, as appropriate.

	€ mn
2005	570
2006	587
2007	619
2008	651
2009	702
Years 2010 – 2014	3,708

Defined contribution plans

Defined contribution pension plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions (premiums). The main pension fund is the Versicherungsverein des Bankgewerbes a.G., Berlin, which covers most of the banking employees in Germany.

Amounts expensed by the Allianz Group for defined contribution pension plans were € 110 mn for the year ended December 31, 2004 (2003: € 105 mn; 2002: € 123 mn).

Miscellaneous accrued liabilities

Miscellaneous accrued liabilities primarily include provisions for restructuring of € 739 mn (2003: € 845 mn), reserves for the lending business of € 371 mn (2003: € 549 mn), reserves for employee expenses amounting to € 2,635 mn (2003: € 2,224 mn), loss reserves from the non-insurance business amounting to € 243 mn (2003: € 319 mn), reserves for litigation amounting to € 155 mn (2003: € 142 mn), and commission reserves for agents amounting to € 333 mn (2003: € 198 mn).

Reserves for restructuring

As of December 31, 2004, the Allianz Group has provisions for restructuring for a number of restructuring programs in various segments. With the exception of those provisions for restructuring related to Dresdner Bank AG, none of the individual restructuring programs is significant. These provisions for restructuring mainly include personnel costs, which result from severance payments for employee terminations, and contract termination costs, include those relating to the termination of lease contracts, that will arise in connection with the implementation of the respective initiatives. Restructuring charges are shown separately in the Allianz Group's consolidated income statement in other expenses.

Changes in the provisions for restructuring for the years ended December 31, were:

	2004 € mn	2003 € mn	2002 € mn
Provisions as of 1/1	845	404	478
New provisions	189	398	199
Additions to existing provisions	144	330	89
Release of provisions recognized in previous years	(73)	(54)	(87)
Release of provisions via payments	(282)	(212)	(234)
Changes in consolidation	(55)	(7)	(18)
Translation differences	(6)	(14)	(23)
Other	(23)	–	–
Provisions as of 12/31	**739**	**845**	**404**

Changes in the provisions for restructuring for Dresdner Bank AG for the year ended December 31, 2004:

	2004 € mn	2003 € mn	2002 € mn
Provisions as of 1/1	815	365	419
New provisions	132	389	127
Additions to existing provisions	143	324	89
Release of provisions recognized in previous years	(62)	(47)	(87)
Release of provisions via payments	(274)	(196)	(142)
Changes in consolidation	(55)	(7)	(18)
Translation differences	(6)	(13)	(23)
Other	(23)	–	–
Provisions as of 12/31	**670**	**815**	**365**

23 Other liabilities

	12/31/2004 € mn	12/31/2003 € mn
Funds held under reinsurance business ceded	8,706	8,608
Accounts payable on direct insurance business	8,199	7,813
Accounts payable on reinsurance business	1,694	1,878
Other liabilities	13,234	13,426
Total	**31,833**	**31,725**

Accounts payable on direct insurance business and accounts payable on reinsurance are due within one year. Of the remaining other liabilities, € 10,884 mn (2003: € 8,593 mn) are due within one year, and € 2,350 mn (2003: € 4,833 mn) are due after more than one year.

Other liabilities primarily include liabilities arising from tax charges on income totaling € 1,163 mn (2003: € 1,601 mn), interest and rental liabilities amounting to € 471 mn (2003: € 472 mn), social security liabilities of € 241 mn (2003: € 197 mn), derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting of € 1,254 mn (2003: € 933 mn), and unprocessed sales totaling € 473 mn (2003: € 577 mn). Of the tax liabilities € 619 mn (2003: € 979 mn) are attributable to taxes on income.

24 Deferred income

This item includes miscellaneous deferred income positions amounting to € 2,039 mn (2003: € 2,433 mn), which is primarily comprised of accrued interest of € 1,737 mn (2003: € 1,681 mn).

Supplementary Information on the Allianz Group Consolidated Income Statement

25 Premiums earned (net)

	Property-Casualty			Life/Health			Total
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Group*)
Years ended 12/31	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
2004							
Premiums written							
Direct	40,460	–	40,460	20,246	–	20,246	60,706
Assumed	3,320	(794)	2,526	470	(11)	459	2,985
Subtotal	**43,780**	**(794)**	**42,986**	**20,716**	**(11)**	**20,705**	**63,691**
Ceded	(5,331)	11	(5,320)	(2,045)	794	(1,251)	(6,571)
Net	**38,449**	**(783)**	**37,666**	**18,671**	**783**	**19,454**	**57,120**
Premiums earned							
Direct	40,156	–	40,156	20,174	–	20,174	60,330
Assumed	3,335	(799)	2,536	470	(13)	457	2,993
Subtotal	**43,491**	**(799)**	**42,692**	**20,644**	**(13)**	**20,631**	**63,323**
Ceded	(5,298)	13	(5,285)	(2,048)	799	(1,249)	(6,534)
Net	**38,193**	**(786)**	**37,407**	**18,596**	**786**	**19,382**	**56,789**
2003							
Premiums written							
Direct	40,675	–	40,675	20,002	–	20,002	60,677
Assumed	2,745	(711)	2,034	687	(11)	676	2,710
Subtotal	**43,420**	**(711)**	**42,709**	**20,689**	**(11)**	**20,678**	**63,387**
Ceded	(5,415)	11	(5,404)	(1,951)	711	(1,240)	(6,644)
Net	**38,005**	**(700)**	**37,305**	**18,738**	**700**	**19,438**	**56,743**
Premiums earned							
Direct	40,111	–	40,111	19,967	1	19,968	60,079
Assumed	2,705	(712)	1,993	687	(11)	676	2,669
Subtotal	**42,816**	**(712)**	**42,104**	**20,654**	**(10)**	**20,644**	**62,748**
Ceded	(5,539)	11	(5,528)	(1,953)	711	(1,242)	(6,770)
Net	**37,277**	**(701)**	**36,576**	**18,701**	**701**	**19,402**	**55,978**

*) After eliminating intra-Allianz Group transactions between segments.

	Property-Casualty			Life/Health			Total
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Group*)
Years ended 12/31	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
2002							
Premiums written							
Direct	40,410	37	40,447	19,998	(37)	19,961	60,408
Assumed	2,883	(788)	2,095	666	(16)	650	2,745
Subtotal	**43,293**	**(751)**	**42,542**	**20,664**	**(53)**	**20,611**	**63,153**
Ceded	(6,165)	15	(6,150)	(1,996)	789	(1,207)	(7,357)
Net	**37,128**	**(736)**	**36,392**	**18,668**	**736**	**19,404**	**55,796**
Premiums earned							
Direct	39,786	37	39,823	19,998	(37)	19,961	59,784
Assumed	2,907	(788)	2,119	666	(16)	650	2,769
Subtotal	**42,693**	**(751)**	**41,942**	**20,664**	**(53)**	**20,611**	**62,553**
Ceded	(6,235)	16	(6,219)	(1,989)	788	(1,201)	(7,420)
Net	**36,458**	**(735)**	**35,723**	**18,675**	**735**	**19,410**	**55,133**

*) After eliminating intra-Allianz Group transactions between segments.

26 Interest and similar income

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Income from			
Securities held-to-maturity	269	329	384
Securities available-for-sale	12,336	12,355	13,747
Real estate used by third parties	974	986	1,141
Lending, money market transactions and loans	6,725	8,079	11,058
Leasing agreements	42	80	141
Other interest-bearing instruments	707	763	1,739
Total	**21,053**	**22,592**	**28,210**

Interest and similar income includes dividend income of € 1,150 mn (2003: € 1,512 mn; 2002: € 1,806 mn).

Net interest margin from the banking business*)

Years ended 12/31	2004			2003			2002		
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest and similar income	6,523	(30)	6,493	8,089	(47)	8,042	13,336	(37)	13,299
Interest expense	(4,223)	60	(4,163)	(5,284)	59	(5,225)	(9,509)	217	(9,292)
Net interest margin	2,300	30	2,330	**2,805**	**12**	**2,817**	**3,827**	**180**	**4,007**
Less loan loss provisions	(344)	–	(344)	(1,014)	–	(1,014)	(2,222)	–	(2,222)
Net interest margin after loan loss provisions	**1,956**	**30**	**1,986**	**1,791**	**12**	**1,803**	**1,605**	**180**	**1,785**

*) After eliminating intra-Allianz Group transactions between segments.

27 Income (net) from investments in associated enterprises and joint ventures

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Income			
Current income	251	35	736
Reversal of impairments	9	5	3
Realized gains from investments in associated enterprises and joint ventures	856	3,966	4,381
Subtotal	**1,116**	**4,006**	**5,120**
Expenses			
Impairments	(59)	(237)	–
Realized losses on investments in associated enterprises and joint ventures	(271)	(727)	(708)
Miscellaneous expenses	(9)	(12)	(14)
Subtotal	**(339)**	**(976)**	**(722)**
Total	**777**	**3,030**	**4,398**

In 2004, € 749 mn (2003: € 3,023 mn; 2002: € 4,391 mn) of the income (net) from investments in associated enterprises and joint ventures is attributable to associated enterprises.

28 Other income from investments

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Realized gains on investments			
Securities held-to-maturity	–	–	2
Securities available-for-sale	3,612	7,362	7,972
Real estate used by third parties	361	494	670
Other investments	–	12	10
Subtotal	**3,973**	**7,868**	**8,654**
Reversals of impairments on investments			
Securities held-to-maturity	–	3	2
Securities available-for-sale	786	2,129	679
Real estate used by third parties	57	2	14
Other investments	–	–	6
Subtotal	**843**	**2,134**	**701**
Total	**4,816**	**10,002**	**9,355**

29 Trading income (net)

Trading income of € 2,813 mn for the year ending December 31, 2004 (2003: € 243 mn; 2002: € 1,507 mn) includes trading income of the Allianz Group's banking segment totaling € 1,502 mn (2003: € 1,485 mn; 2002: € 1,081 mn) and trading income of the Allianz Group's property-casualty and life/health insurance segments of € 1,301 mn (2003: expense of € 1,273 mn; 2002: income of € 424 mn).*)

*) After eliminating intra-Allianz Group transactions between segments.

Trading income of banking segment

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Trading in interest products	771	664	738
Trading in equity products	219	146	(49)
Foreign exchange/precious metals trading	149	358	301
Other trading activities*)	363	317	91
Total	**1,502**	**1,485**	**1,081**

*) Other trading activities of the banking segment includes expenses from the application of IAS 39 for the year ending December 31, 2004 totaling € 340 mn (2003: € 161 mn).

Trading income of the property-casualty and life/health segments is comprised of expenses amounting to € 284 mn (2003: expense of € 1,359 mn; 2002: income of € 412 mn) from derivative financial instruments used by Allianz Group insurance companies for which hedge accounting is not applied under IAS 39 and other trading income of € 1,585 mn (2003: € 86 mn; 2002: € 12 mn).

During the year ended December 31, 2003, equity exposure was substantially reduced through the use of derivatives and direct sales. Futures and put options on indexes were used for hedging purposes that did not meet the criteria for hedge accounting. The change in the fair value of the derivatives of this macro hedge are recognized as trading income in the Allianz Group's consolidated income statement, while the corresponding changes in the fair value of the underlying equities were directly recognized in the Allianz Group's consolidated shareholders' equity. The changes in the fair value of the respective underlying equities were recognized in the Allianz Group's consolidated income statement only at the time of their realization in the capital market. The use of derivatives for macro hedges that did not meet the criteria for hedge accounting resulted in a loss of € 1,351 mn for year ending December 31, 2003.

During the years ended December 31, 2004, 2003 and 2002, gains on derivative financial instruments embedded in exchangeable bonds issued amounted to € 6 mn, € 2 mn and € 387 mn. Also included in trading income are losses totaling € 290 mn (2003: € 10 mn loss; 2002: € 25 mn gain) arising from the use of other derivative financial instruments by Allianz Group insurance companies.

Other trading income of the life/health insurance segments includes income of € 1,256 mn related to assets of unit linked contracts that do not meet the criteria for classification as separate account assets.

30 Fee and commission income, and income from service activities

Of total fee and commission income, and income from service activities of € 6,823 mn for the year ending December 31, 2004 (2003: € 6,060 mn; 2002: € 6,102 mn), € 2,804 mn (2003: € 2,705 mn; 2002: € 2,784 mn) is attributable to the Allianz Group's banking operations and € 3,015 mn in 2004 (2003: € 2,815 mn; 2002: € 2,816 mn) is attributable to the Allianz Group's asset management operations.*)

Net fee and commission income from the Allianz Group's banking operations*)

Years ended 12/31	2004			2003			2002		
	Segment € mn	Consolidation adjustments € mn	Group*) € mn	Segment € mn	Consolidation adjustments € mn	Group*) € mn	Segment € mn	Consolidation adjustments € mn	Group*) € mn
Fee and commission income	3,085	(281)	2,804	2,956	(251)	2,705	2,925	(141)	2,784
Fee and commission expenses	(492)	27	(465)	(504)	43	(461)	(267)	22	(245)
Net fee and commission income	**2,593**	**(254)**	**2,339**	**2,452**	**(208)**	**2,244**	**2,658**	**(119)**	**2,539**

*) After eliminating intra-Allianz Group transactions between segments.

Net fee and commission income from the Allianz Group's banking operations, by type of business, is comprised of the following*):

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Securities business	951	1,027	812
Payment transactions	375	372	368
Mergers and acquisitions advisory	155	110	237
Underwriting business (new issues)	95	104	103
Foreign commercial business	63	64	66
Other	700	567	953
Net fee and commission income	**2,339**	**2,244**	**2,539**

Net fee and commission income from the Allianz Group's asset management operations

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Fee and commission income	3,015	2,815	2,816
Fee and commission expenses	(614)	(520)	(465)
Net fee and commission income	**2,401**	**2,295**	**2,351**

Net fee and commission income from the Allianz Group's asset management*) operations, by type of business, is comprised of the following:

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Management fees	1,256	1,128	1,264
Advisory fees	1,139	1,073	1,091
Other	6	94	(4)
Net fee and commission income	**2,401**	**2,295**	**2,351**

31 Other income

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Foreign currency transaction gains	481	1,010	664
Fees	540	729	647
Release of miscellaneous accrued liabilities	202	433	414
Income from reinsurance business	214	254	190
Gains from the disposal of real estate used for own activities and equipment	199	29	115
Income from other assets	199	73	86
Other	721	1,222	855
Total	**2,556**	**3,750**	**2,971**

*) After eliminating intra-Allianz Group transactions between segments.

32 Insurance benefits (net)

PROPERTY-CASUALTY*)

Years ended 12/31	2004			2003			2002		
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
GROSS									
Claims									
Claims paid	27,321	(668)	26,653	29,718	(670)	29,048	30,730	(675)	30,055
Change in loss reserves	722	(6)	716	(423)	(6)	(429)	2,722	(63)	2,659
Subtotal	**28,043**	**(674)**	**27,369**	**29,295**	**(676)**	**28,619**	**33,452**	**(738)**	**32,714**
Change in other reserves									
Aggregate policy reserves	436	(169)	267	292	(53)	239	404	(130)	274
Other	52	(3)	49	76	(1)	75	(84)	–	(84)
Subtotal	**488**	**(172)**	**316**	**368**	**(54)**	**314**	**320**	**(130)**	**190**
Expenses for premium refunds	634	(1)	633	(59)	2	(57)	129	65	194
Total	**29,165**	**(847)**	**28,318**	**29,604**	**(728)**	**28,876**	**33,901**	**(803)**	**33,098**
CEDED REINSURANCE									
Claims									
Claims paid	(3,467)	6	(3,461)	(4,038)	5	(4,033)	(5,277)	7	(5,270)
Change in loss reserves	1,291	(2)	1,289	1,402	3	1,405	327	5	332
Subtotal	**(2,176)**	**4**	**(2,172)**	**(2,636)**	**8**	**(2,628)**	**(4,950)**	**12**	**(4,938)**
Change in other reserves									
Aggregate policy reserves	(17)	–	(17)	(38)	–	(38)	(1)	–	(1)
Other	(1)	–	(1)	(4)	–	(4)	9	–	9
Subtotal	**(18)**	**–**	**(18)**	**(42)**	**–**	**(42)**	**8**	**–**	**8**
Expenses for premium refunds	(42)	–	(42)	(3)	–	(3)	(27)	–	(27)
Total	**(2,236)**	**4**	**(2,232)**	**(2,681)**	**8**	**(2,673)**	**(4,969)**	**12**	**(4,957)**
NET									
Claims									
Claims paid	23,854	(662)	23,192	25,680	(665)	25,015	25,453	(668)	24,785
Change in loss reserves	2,013	(8)	2,005	979	(3)	976	3,049	(58)	2,991
Subtotal	**25,867**	**(670)**	**25,197**	**26,659**	**(668)**	**25,991**	**28,502**	**(726)**	**27,776**
Change in other reserves									
Aggregate policy reserves	419	(169)	250	254	(53)	201	403	(130)	273
Other	51	(3)	48	72	(1)	71	(75)	–	(75)
Subtotal	**470**	**(172)**	**298**	**326**	**(54)**	**272**	**328**	**(130)**	**198**
Expenses for premium refunds	592	(1)	591	(62)	2	(60)	102	65	167
Total	**26,929**	**(843)**	**26,086**	**26,923**	**(720)**	**26,203**	**28,932**	**(791)**	**28,141**

*) After eliminating intra-Allianz Group transactions between segments.

LIFE/HEALTH*)

Years ended 12/31	2004			2003			2002		
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
GROSS									
Benefits paid	18,424	(6)	18,418	18,358	(5)	18,353	16,723	(34)	16,689
Change in reserves									
Aggregate policy reserves	5,230	–	5,230	5,219	–	5,219	5,805	–	5,805
Other	144	2	146	379	(3)	376	459	(6)	453
Subtotal	**23,798**	**(4)**	**23,794**	**23,956**	**(8)**	**23,948**	**22,987**	**(40)**	**22,947**
Expenses for premium refunds	4,300	(6)	4,294	1,492	(22)	1,470	150	(223)	(73)
Total	**28,098**	**(10)**	**28,088**	**25,448**	**(30)**	**25,418**	**23,137**	**(263)**	**22,874**
CEDED REINSURANCE									
Benefits paid	(1,701)	668	(1,033)	(1,938)	670	(1,268)	(1,850)	702	(1,148)
Change in reserves									
Aggregate policy reserves	12	169	181	86	54	140	15	130	145
Other	8	9	17	(51)	6	(45)	(268)	63	(205)
Subtotal	**(1,681)**	**846**	**(835)**	**(1,903)**	**730**	**(1,173)**	**(2,103)**	**895**	**(1,208)**
Expenses for premium refunds	(14)	1	(13)	(17)	1	(16)	(21)	3	(18)
Total	**(1,695)**	**847**	**(848)**	**(1,920)**	**731**	**(1,189)**	**(2,124)**	**898**	**(1,226)**
NET									
Benefits paid	16,723	662	17,385	16,420	665	17,085	14,873	668	15,541
Change in reserves									
Aggregate policy reserves	5,242	169	5,411	5,305	54	5,359	5,820	130	5,950
Other	152	11	163	328	3	331	191	57	248
Subtotal	**22,117**	**842**	**22,959**	**22,053**	**722**	**22,775**	**20,884**	**855**	**21,739**
Expenses for premium refunds	4,286	(5)	4,281	1,475	(21)	1,454	129	(220)	(91)
Total	**26,403**	**837**	**27,240**	**23,528**	**701**	**24,229**	**21,013**	**635**	**21,648**

*) After eliminating intra-Allianz Group transactions between segments.

33 Interest and similar expenses

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Deposits	2,128	2,859	3,533
Certificated liabilities	1,385	1,764	4,480
Subtotal	**3,513**	**4,623**	**8,013**
Other interest expenses	1,924	1,938	2,638
Total	**5,437**	**6,561**	**10,651**

The interest expense for certificated liabilities includes € 269 mn (2003: € 288 mn; 2002: € 363 mn) and € 155 mn (2003: € 171 mn; 2002: € 80 mn) for Allianz Finance B.V. and Allianz Finance II B.V., respectively.

34 Other expenses from investments

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Realized losses from investments			
Securities held-to-maturity	1	3	4
Securities available-for-sale	1,332	5,018	8,063
Real estate used by third parties	52	102	131
Other investment securities	–	2	6
Subtotal	**1,385**	**5,125**	**8,204**
Impairments from investments			
Securities held-to-maturity	4	10	31
Securities available-for-sale	445	4,412	6,287
Real estate used by third parties	653	30	104
Other investment securities	–	4	11
Subtotal	**1,102**	**4,456**	**6,433**
Depreciation on real estate used by third parties	258	267	229
Total	**2,745**	**9,848**	**14,866**

35 Loan loss provisions

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Additions to allowances including direct impairments	1,439	2,200	3,128
Amounts released	(973)	(1,103)	(817)
Recoveries on loans previously impaired	(112)	(70)	(70)
Loan loss provisions	**354**	**1,027**	**2,241**

36 Acquisition costs and administrative expenses

Acquisition costs and administrative expenses are comprised of the following:

Years ended 12/31	2004			2003			2002		
	Segment	Consolidation adjustments	Group[*)]	Segment	Consolidation adjustments	Group[*)]	Segment	Consolidation adjustments	Group[*)]
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
PROPERTY–CASUALTY[*)]									
Acquisition costs									
Payments	6,813	–	6,813	6,676	–	6,676	6,974	4	6,978
Less commissions and profit received on reinsurance business ceded	(864)	3	(861)	(920)	2	(918)	(1,004)	3	(1,001)
Change in deferred acquisition costs	(168)	(31)	(199)	(247)	42	(205)	(197)	3	(194)
Total acquisition costs	**5,781**	**(28)**	**5,753**	**5,509**	**44**	**5,553**	**5,773**	**10**	**5,783**
Administrative expenses	3,849	(42)	3,807	4,002	(95)	3,907	4,218	(117)	4,101
Underwriting costs (net)	**9,630**	**(70)**	**9,560**	**9,511**	**(51)**	**9,460**	**9,991**	**(107)**	**9,884**
Expenses for management of investments	374	(27)	347	461	(28)	433	530	(20)	510
Total acquisition costs and administrative expenses	**10,004**	**(97)**	**9,907**	**9,972**	**(79)**	**9,893**	**10,521**	**(127)**	**10,394**
LIFE/HEALTH[*)]									
Acquisition costs									
Payments	4,413	–	4,413	3,900	–	3,900	3,978	(3)	3,975
Less commissions and profit received on reinsurance business ceded	(241)	73	(168)	(247)	52	(195)	(295)	116	(179)
Change in deferred acquisition costs	(1,537)	–	(1,537)	(1,768)	–	(1,768)	(1,437)	(1)	(1,438)
Total acquisition costs	**2,635**	**73**	**2,708**	**1,885**	**52**	**1,937**	**2,246**	**112**	**2,358**
Administrative expenses	1,270	(3)	1,267	1,307	(2)	1,305	1,364	(6)	1,358
Underwriting costs (net)	**3,905**	**70**	**3,975**	**3,192**	**50**	**3,242**	**3,610**	**106**	**3,716**
Expenses for management of investments	494	(125)	369	521	(107)	414	653	(100)	553
Total acquisition costs and administrative expenses	**4,399**	**(55)**	**4,344**	**3,713**	**(57)**	**3,656**	**4,263**	**6**	**4,269**

*) After eliminating intra-Allianz Group transactions between segments.

Years ended 12/31	2004			2003			2002		
	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)	Segment	Consolidation adjustments	Group*)
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
BANKING*)									
Personnel expenses	3,325	–	3,325	3,637	(1)	3,636	4,335	–	4,335
Operating expenses	2,191	(57)	2,134	2,449	(33)	2,416	2,979	3	2,982
Fee and commission expenses	492	(27)	465	504	(43)	461	267	(22)	245
Total acquisition costs and administrative expenses	**6,008**	**(84)**	**5,924**	**6,590**	**(77)**	**6,513**	**7,581**	**(19)**	**7,562**
ASSET MANAGEMENT*)									
Personnel expenses	1,148	–	1,148	1,219	–	1,219	1,337	–	1,337
Operating expenses	314	(11)	303	325	(9)	316	491	(16)	475
Fee and commission expenses	918	(304)	614	756	(236)	520	645	(180)	465
Total acquisition costs and administrative expenses	**2,380**	**(315)**	**2,065**	**2,300**	**(245)**	**2,055**	**2,473**	**(196)**	**2,277**

*) After eliminating intra-Allianz Group transactions between segments.

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 management of investments. Other personnel and operating expenses are reported under insurance benefits (claims settlement expenses) and other expenses.

All personnel and operating expenses in banking business are reported under acquisition costs and administrative expenses.

37 Other expenses

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Overhead expenses	1,027	1,129	1,279
Restructuring charges	347	942	261
Foreign currency transaction losses	336	676	624
Expense of transferring or increasing miscellaneous or accrued liabilities	390	671	648
Expenses for service activities	466	577	525
Fees	582	388	286
Expenses resulting from reinsurance business	343	348	541
Amortization and impairments of intangible assets	141	261	308
Direct charge to policy reserve	95	171	256
Amortization of capitalized loyalty bonuses to senior management of PIMCO Group	125	137	155
Fire protection tax	113	118	104
Interest on accumulated policyholder dividends	103	108	110
Expenses for assistance to victims under joint and several liability and road casualties	101	97	117
Other	1,009	1,773	884
Total	**5,178**	**7,396**	**6,098**

38 Taxes

The Allianz Group's earnings from ordinary activites before income taxes and minority interests is composed of the following:

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Germany	1,092	880	(960)
Other countries	4,038	1,926	(747)
Total	**5,130**	**2,806**	**(1,707)**

Taxes are comprised of the following for the years ended December 31:

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Current taxes			
Germany	373	660	160
Other countries	930	850	684
Subtotal	**1,303**	**1,510**	**844**
Deferred taxes			
Germany	12	(1,204)	(571)
Other countries	359	(215)	(1,154)
Subtotal	**371**	**(1,419)**	**(1,725)**
Total income taxes	**1,674**	**91**	**(881)**
Other taxes	53	55	74
Total	**1,727**	**146**	**(807)**

The 2004 current income tax expense included a charge of € 17 mn (2003: charge of € 531 mn) related to prior periods.

Of the deferred tax charge for the reporting year, € 68 mn (2003: income of € 256 mn) are attributable to the recognition of deferred taxes on temporary differences. The change of applicable tax rates due to changes in tax law produced deferred tax income of € 39 mn (2003: € 26 mn).

The tax rates used in the calculation of the Allianz Group deferred taxes are the applicable national rates, which in 2004 and 2003 ranged from 12.5 % to 46.1 %. Changes to tax rates already adopted on December 31, 2004, are taken into account. For reasons of commensurability and because of the Allianz Group's current tax loss situation in Germany, the Allianz Group refrained from applying the increased corporate tax rate of 26.5 %, which was adopted as part of the Flood Victim Solidarity Act and concerns the year 2003 only.

Tax deferrals are recognized if a future reversal of the difference is expected. Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization. In 2004 a deferred tax charge of € 129 mn (2003: € 0 mn) was recognized due to a devaluation of deferred tax assets on tax losses carried forward. Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax charge diminished by € 193 mn (2003: € 33 mn). The recognition of deferred tax assets on losses carried forward from earlier periods, for which no deferred taxes had yet been recognized or which had been devalued resulted in a deferred tax income of € 87 mn (2003: income of € 443 mn).

The non-recognition of deferred taxes on tax losses for the current fiscal year increased tax charges by € 83 mn (2003: € 254 mn). The above-mentioned effects are shown in the reconciliation statement as "effects of tax losses".

Unused tax losses carried forward at December 31, 2004 of € 16,566 mn (2003: € 17,633 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 11,097 mn (2003: € 11,301 mn) of the tax losses carried forward can be utilized without time limitation.

Losses carried forward are scheduled according to their expiry periods as follows:

Years ending	€ mn
2005	135
2006	278
2007	222
2008	629
2009	308
2010	19
2011	47
2012	11
2013	6
2014	4
>10 years	3,810
Unrestricted	11,097
Total	**16,566**

The recognized income tax charge for 2004 is € 154 mn (2003: lower than expected by € 782 mn; 2002: lower than expected by € 335 mn) higher than the expected income tax charge. The following table shows the reconciliation of the expected income tax charge of the Allianz Group with the effectively recognized tax charge. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after consolidation effects are taken into account.

	2004 € mn	2003 € mn	2002 € mn
Expected income tax rate	29.6 %	31.1 %	32.0 %
Expected income tax charge/(credit)	**1,520**	**873**	**(546)**
Municipal trade tax and similar taxes	234	(216)	(139)
Net tax exempt income	(369)	(1,541)	(1,359)
Amortization of goodwill	296	437	285
Effects of tax losses	(68)	(222)	801
Effects of German tax law changes	–	767	–
Other tax settlements	61	(7)	77
Effective income tax charge/(credit)	**1,674**	**91**	**(881)**
Effective tax rate (benefit)	**32.6 %**	**3.2 %**	**(51.6 %)**

The tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax and the solidarity surcharge and amounts to 26.38 % (2003: 27.96 %).

The effective tax rate is determined on the basis of the effective income tax charge, on earnings from ordinary activities (before income tax and before minority interests), net of other taxes.

The changes in German tax law passed in December 2003 have abolished the tax-exempt status of dividends and gains from the sale of interests in corporations for life and health insurance companies. In addition, the taxation regarding investment funds has been changed, partly with retroactive effect.

Due to the "moratorium" introduced by the "bill on the reduction of tax privileges", the dividend distribution proposed for fiscal 2004 and 2003 does not lead to a reduction of corporate taxes for 2004 and 2003 (2002: reduction of € 62 mn).

Deferred tax assets and liabilities are comprised of the following balance sheet headings:

	2004 € mn	2003 € mn
Deferred tax assets		
Intangible assets	308	127
Investments	1,517	1,606
Trading assets	186	415
Deferred acquisition costs	254	254
Tax losses carried forward	6,172	6,761
Other assets	1,484	1,462
Insurance reserves	3,128	2,866
Pensions and similar reserves	291	373
Other liabilities	1,304	1,508
Total deferred tax assets	**14,644**	**15,372**
Valuation allowance for deferred tax assets on tax losses carried forward	(835)	(1,008)
Net deferred tax assets	**13,809**	14,364
Deferred tax liabilities		
Intangible assets	630	638
Investments	4,518	3,601
Trading assets	990	1,210
Deferred acquisition costs	2,622	2,375
Other assets	926	811
Insurance reserves	2,539	2,547
Pensions and similar reserves	72	28
Other liabilities	2,189	2,299
Total deferred tax liabilities	**14,486**	**13,509**
Net deferred tax (liability)/asset	**(677)**	**855**

Deferred tax charge included in shareholders' equity in 2004 amounted to € 733 mn (2003: charge of € 427 mn).

Management of the Allianz Group believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets.

Allianz Life of North America Company (ALONA) has been under audit by the Internal Revenue Service (IRS) for the years ended December 31, 1991 through 1997. During the fourth quarter of 2004, ALONA and the IRS agreed on a proposed settlement of all open issues for those years. The agreement must be approved by the Joint Committee on Taxation and would result in a tax refund. The approval and resulting refund are anticipated to be final in 2005 and is expected to be material to the Allianz Group's consolidated financial statements.

39 Supplementary information on insurance business

Investments[*)]

	Property-Casualty		Life/Health		Total	
	2004 € mn	2003 € mn	2004 € mn	2003 € mn	2004 € mn	2003 € mn
Real estate						
Used by third parties	3,535	3,388	5,613	6,016	9,148	9,404
Used by Allianz Group	2,593	1,868	1,140	1,042	3,733	2,910
Total real estate	**6,128**	**5,256**	**6,753**	**7,058**	**12,881**	**12,314**
Investments in associated enterprises and joint ventures	1,061	1,487	1,747	1,734	2,808	3,221
Loans	2,953	2,520	19,461	18,780	22,414	21,300
Other securities						
Held-to-maturity	619	389	4,437	4,174	5,056	4,563
Available-for-sale	73,829	69,641	206,928	185,693	280,757	255,334
Trading assets	629	1,363	27,809	1,460	28,438	2,823
Total other securities	**75,077**	**71,393**	**239,174**	**191,327**	**314,251**	**262,720**
Other investments	5,888	10,578	1,709	2,078	7,597	12,656
Total	**91,107**	**91,234**	**268,844**	**220,977**	**359,951**	**312,211**

*) Presentation of investments is made in conformity with the European Union (EU) insurance accounting guideline and after eliminating intra-Allianz Group transactions between segments.

Investment income[1] (Property-Casualty and Life/Health)

	Property-Casualty			Life/Health			Total		
	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn	2004 € mn	2003 € mn	2002 € mn
Income from investments									
Current income	3,782	3,805	4,755	10,648	10,924	10,862	14,430	14,729	15,617
Income from revaluations	548	779	1,137	2,198	1,554	618	2,746	2,333	1,755
Realized investment gains	2,562	7,895	6,602	2,716	4,446	5,487	5,278	12,341	12,089
Subtotal	**6,892**	**12,479**	**12,494**	**15,562**	**16,924**	**16,967**	**22,454**	**29,403**	**29,461**
Investment expenses									
Amortization and impairments on investments	(936)	(2,338)	(2,563)	(801)	(2,568)	(3,327)	(1,737)	(4,906)	(5,890)
Realized investment losses	(903)	(3,362)	(1,887)	(1,130)	(4,641)	(6,595)	(2,033)	(8,003)	(8,482)
Investment management, interest charges and other investment expenses	(696)	(885)	(1,131)	(344)	(390)	(550)	(1,040)	(1,275)	(1,681)
Subtotal	**(2,535)**	**(6,585)**	**(5,581)**	**(2,275)**	**(7,599)**	**(10,472)**	**(4,810)**	**(14,184)**	**(16,053)**
Total	**4,357**	**5,894**	**6,913**	**13,287**	**9,325**	**6,495**	**17,644**	**15,219**	**13,408**

40 Supplementary information on banking business[2]

Subordinated assets

Assets are recorded as subordinated assets if, in the event of liquidation or bankruptcy, the related claim cannot be realized before the claims of other creditors are realized.

	2004 € mn	2003 € mn
Loans and advances to banks	2	10
Loans and advances to customers	142	77
Trading assets		
Other debt issuers	21	92
Equities and other non-fixed-income securities	4	6
Investment securities		
Equities and other non-fixed-income securities	30	22
Other debt issuers	17	75
Subordinated Assets	**216**	**282**

Volume of foreign currency exposure from banking operations

The amounts reported constitute aggregate Euro equivalents of a wide variety of currencies outside the European Monetary Union (EMU). Any differences between assets and liabilities are a result of differing valuation principles. Loans and advances to banks, loans and advances to customers, liabilities to banks and liabilities to customers are reported at amortized cost, while all derivative transactions are accounted for at fair value.

[1] Presentation of investment income is made in conformity with the European Union (EU) insurance accounting guideline and after eliminating intra-Allianz Group transactions between segments.
[2] After eliminating intra-Allianz Group transactions between segments.

	USD € mn	GBP € mn	Other € mn	Total 2004 € mn	Total 2003 € mn
Balance sheet items					
Assets	113,447	38,247	30,210	181,904	158,496
Liabilities	113,120	39,686	33,722	186,528	168,103

Collateral pledged for own liabilities of banking operations

For the following liabilities and contingencies, assets having the values indicated below were pledged as collateral:

	2004 € mn	2003 € mn
Liabilities to banks	102,843	108,925
Liabilities to customers	43,303	55,578
Contingent liabilities	–	7
Other commitments	1,719	431
Total collateralized liabilities	**147,865**	**164,941**

The following table presents the assets pledged as collateral for the above liabilities and contingencies:

	2004 € mn	2003 € mn
Loans and advances to banks	6,599	37,943
Loans and advances to customers	6,380	22,681
Trading assets	134,340	104,123
Investment securities	546	187
Property and equipment	–	7
Total value of collateral pledged	**147,865**	**164,941**

Structure of residual terms for banking operations

The following presents loans and advances and liabilities in the Allianz Group's banking operations according to their final maturity or call dates.

	Maturity at 12/31/2004				
	Total € mn	Up to 3 months € mn	> 3 months to 1 year € mn	> 1 year to 5 years € mn	More than 5 years € mn
Assets					
Loans and advances to banks	117,449	83,178	30,462	3,576	233
Loans and advances to customers[1)]	170,474	74,999	19,688	38,385	37,402
Total assets	**287,923**	**158,177**	**50,150**	**41,961**	**37,635**
Liabilities					
Participation certificates and subordinated liabilities	7,815	56	513	3,847	3,399
Term liabilities to banks[2)]	174,987	154,860	10,004	5,665	4,458
Liabilities to customers[2)]					
Savings deposits and home-loan savings deposits	5,345	1,370	3,793	147	35
Other terms liabilities to customers	101,833	88,461	5,707	1,809	5,856
Certificated liabilities	47,060	18,650	8,390	17,048	2,972
Total liabilities	**337,040**	**263,397**	**28,407**	**28,516**	**16,720**

[1)] Loans and advances to customers with a residual term of up to 3 months include € 9,837 mn of undated claims. These claims include credit lines available until further notice, overdraft facilities, called or overdue loans, unauthorized overdrafts, call money and internal account balances.
[2)] Excluding balances payable on demand.

Trustee business in banking operations

The following presents trustee business within the Allianz Group's banking operations not recorded in the balance sheet as of December 31:

	12/31/2004	12/31/2003
	€ mn	€ mn
Loans and advances to banks	3,920	3,426
Loans and advances to customers	1,889	2,319
Investment securities	950	828
Total assets*)	6,759	6,573
Liabilities to banks	1,044	997
Liabilities to customers	5,715	5,576
Total liabilities	6,759	6,573

*) Including € 5,016 mn (2003: € 5,101 mn) of trustee loans.

Other banking information

The Allianz Group had deposits that have been reclassified as loan balances of € 8,555 mn (2003: € 5,829 mn) and deposits with related parties of € 2,441 mn (2003: € 2,223 mn) at December 31, 2004. The Allianz Group received no deposits on terms other than those available in the normal course of banking operations. An amount of € 196 mn (2003: € 134 mn) eligible for refinancing with the central bank is held in cash funds.

The aggregate amount of certificates of deposit and other time deposits in the amount of € 100,000 or more issued by the Allianz Group's German offices at December 31, 2004 was € 77,498 mn, including banks and customers (2003: € 92,876 mn).

The aggregate amount of time deposits in the amount of € 100,000 or more issued by the Allianz Group's non-German offices at December 31, 2004 was € 26,505 mn, including banks and customers (2003: € 57,904 mn).

41 Derivative financial instruments

Use, treatment and reporting of derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rates and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual enterprises in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance companies in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter (OTC) products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. In the derivatives portfolios of the Allianz Group's banking operations 96 % of the positive replacement values, which are essential for assessing counterparty risk, involve counterparties with "investment grade" ratings. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

The following tables show the distribution of derivative positions on the Allianz Group's consolidated balance sheet date between its insurance segments and banking and asset management segments.

Property-Casualty and Life/Health Insurance Segments

Derivative financial instruments in the Property-Casualty and Life/Health insurance segments:

	Maturity by notional amount			12/31/2004			12/31/2003		
	Up to 1 year	1–5 years	Over 5 years	Notional principal amounts	Positive market values	Negative market values	Notional principal amounts	Positive market values	Negative market values
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of									
OTC									
Swaps	238	2,226	3,003	5,467	143	(113)	4,319	96	(84)
Swaptions	50	56	400	506	18	(2)	3,636	14	–
Caps	–	7,262	6,746	14,008	1	(87)	10,155	3	(50)
Futures	50	–	–	50	–	–	–	–	–
Options	–	–	247	247	4	–	325	–	(4)
Exchange traded									
Futures	16	–	–	16	1	–	–	–	–
Options	–	–	20	20	–	–	20	–	(1)
Total interest rate contracts	**354**	**9,544**	**10,416**	**20,314**	**167**	**(202)**	**18,455**	**113**	**(139)**
Equity index contracts, consisting of									
OTC									
Forwards	630	19	–	649	30	(18)	75	14	(2)
Swaps	796	116	–	912	–	(1)	1,347	–	(25)
Options	23,174	4,621	275	28,070	525	(2,092)	20,384	650	(1,366)
Warrants	–	–	–	–	–	–	60	5	(1)
Exchange traded									
Futures	475	–	–	475	5	(2)	299	3	(7)
Options	3,379	1,090	–	4,469	5	(33)	4,103	9	(31)
Forwards	–	–	–	–	–	–	989	375	–
Warrants	2	18	–	20	48	–	3	3	–
Total equity index contracts	**28,456**	**5,864**	**275**	**34,595**	**613**	**(2,146)**	**27,260**	**1,059**	**(1,432)**
Foreign exchange contracts, consisting of									
OTC									
Forwards	1,565	–	–	1,565	22	(15)	1,712	22	(52)
Swaps	964	58	88	1,110	175	–	1,388	157	(8)
Options	22	–	–	22	1	–	–	–	–
Total foreign exchange contracts	**2,551**	**58**	**88**	**2,697**	**198**	**(15)**	**3,100**	**179**	**(60)**
Credit contracts, consisting of									
OTC									
Options	5	–	–	5	–	–	–	–	–
Swaps	92	90	183	365	5	(1)	48	10	(7)
Total credit contracts	**97**	**90**	**183**	**370**	**5**	**(1)**	**48**	**10**	**(7)**
Total	**31,458**	**15,556**	**10,962**	**57,976**	**983**	**(2,364)**	**48,863**	**1,361**	**(1,638)**

Included under equity index option contracts are equity indexed annuities with negative fair values of € 2,039 mn and guaranteed minimum income benefits/guaranteed minimum death benefits with a positive fair value of € 37 mn.

The major exposures in equity contracts are in the form of options used for hedging the Allianz Group's insurance portfolio against market fluctuations. In managing interest rate risk, long-term interest income is primarily controlled by the use of interest rate caps. In addition, exchange rate fluctuations are hedged by synthetically transforming financial assets and liabilities in foreign currencies into Euro-denominated financial instruments through foreign exchange deals and currency swaps.

Banking and Asset Management Segments

Derivative financial instruments in the Banking and Asset Management segments:

	Maturity by notional amount			12/31/2004			12/31/2003		
	Up to 1 year	1–5 years	Over 5 years	Notional principal amounts	Positive market values	Negative market values	Notional principal amounts	Positive market values	Negative market values
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of									
OTC									
Forwards	96,462	9,326	–	105,788	25	(31)	99,794	35	(30)
Swaps	978,486	793,110	735,933	2,507,529	47,217	(45,823)	2,582,517	37,403	(35,519)
Swaptions	31,435	25,891	25,912	83,238	720	(1,708)	63,584	597	(1,472)
Caps	14,493	27,544	8,420	50,457	84	(73)	56,695	267	(120)
Floors	28,410	19,377	5,354	53,141	469	(313)	34,048	479	(376)
Options	650	236	112	998	21	(10)	1,765	17	(2)
Other	12,771	162	793	13,726	2	(89)	466	6	(28)
Exchange traded									
Futures	108,002	12,576	–	120,578	64	(25)	109,557	8	(7)
Options	28,846	–	–	28,846	2	(9)	39,723	14	(9)
Swaps	–	–	–	–	–	–	10	–	–
Total interest rate contracts	**1,299,555**	**888,222**	**776,524**	**2,964,301**	**48,604**	**(48,081)**	**2,988,159**	**38,826**	**(37,563)**
Equity index contracts, consisting of									
OTC									
Swaps	8,022	2,436	523	10,981	543	(686)	10,172	617	(564)
Options	77,448	187,624	8,800	273,872	3,647	(4,220)	128,033	3,731	(4,421)
Forwards	–	55	–	55	–	(1)	–	–	–
Warrants	–	–	20	20	1	–	20	2	–
Other	13	53	–	66	5	(8)	107	5	(11)
Exchange traded									
Futures	8,953	–	17	8,970	8	(33)	9,526	1	(38)
Options	39,554	20,857	2,322	62,733	1,734	(1,749)	50,869	1,517	(1,677)
Total equity index contracts	**133,990**	**211,025**	**11,682**	**356,697**	**5,938**	**(6,697)**	**198,727**	**5,873**	**(6,711)**
Foreign exchange contracts, consisting of									
OTC									
Forwards	398,677	7,044	137	405,858	7,312	(8,047)	291,518	6,237	(8,393)
Swaps	13,981	44,082	16,095	74,158	5,020	(4,501)	257,978	5,578	(4,025)
Options	139,565	20,048	5,505	165,118	3,837	(4,345)	100,166	1,351	(2,032)
Exchange traded									
Futures	1,518	106	–	1,624	17	(10)	1,215	13	(9)
Forwards	–	–	–	–	–	–	–	6	–
Total foreign exchange contracts	**553,741**	**71,280**	**21,737**	**646,758**	**16,186**	**(16,903)**	**650,877**	**13,185**	**(14,459)**
Credit contracts, consisting of									
OTC									
Credit default swaps	20,674	190,370	49,019	260,063	1,690	(1,523)	80,406	979	(981)
Total return swaps	2,157	2,631	2,898	7,686	747	(1,318)	4,092	343	(813)
Total credit contracts	**22,831**	**193,001**	**51,917**	**267,749**	**2,437**	**(2,841)**	**84,498**	**1,322**	**(1,794)**
Other contracts, consisting of									
OTC									
Precious metals	2,692	2,093	809	5,594	234	(196)	6,352	417	(344)
Other	3,051	756	77	3,884	26	(24)	1,132	131	(122)
Exchange traded									
Futures	530	109	–	639	–	–	6	–	–
Options	75	–	–	75	1	–	65	–	(4)
Total other	**6,348**	**2,958**	**886**	**10,192**	**261**	**(220)**	**7,555**	**548**	**(470)**
Total	**2,016,465**	**1,366,486**	**862,746**	**4,245,697**	**73,426**	**(74,742)**	**3,929,816**	**59,754**	**(60,997)**

The primary derivative financial instruments used include interest rate derivatives, in particular interest rate swaps which are primarily entered into during the course of trading activities by our banking companies.

The Allianz Group principally uses fair value hedging. Important hedging instruments used by banking entities are interest rate swaps and forwards and currency swaps and forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

The interest rate swaps used by banking entities in fair value hedges of the interest rate risk of certificated and subordinated liabilities had a total net fair value as of December 31, 2004 of € 707 mn (2003: € 453 mn). Thereof, interest rate swaps with a positive fair value of € 744 mn (2003: € 499 mn) are recorded in the Allianz Group's consolidated balance sheet in other assets, and interest rate swaps with a negative fair value of € 37 mn (2003: € 46 mn) are recorded in other liabilities. During 2004, the fair value of the interest rate swaps decreased by € 5 mn (2003: € 140 mn), whereas the certificated and subordinated liabilities hedged increased in fair value by € 13 mn (2003: € 159 mn), resulting in a net ineffectiveness of the hedge of € 8 mn (2003: € 19 mn) that is recognized in the Allianz Group's consolidated income statement as interest and similar income. For detailed information about certificated and subordinated liabilities, see Note 16 and Note 20, respectively.

The derivative financial instruments used for all fair value hedges of the Allianz Group had a total negative fair value at December 31, 2004 of € 282 mn (2003: € 55 mn). Ineffectiveness in fair value hedge transactions led to a net realized loss of € 10 mn (2003: net realized gain of € 1 mn) and was classified consistently with the respective hedged item; € 1 mn (2003: € 2 mn) was excluded from the assessment of hedge effectiveness.

In 2004, cash flow hedges were used to hedge variable cash flows exposed to interest rate fluctuations. As of December, 31, 2004 the interest rate swaps utilized had a negative fair value of € 4 mn (2003: € 5 mn) other reserves in shareholders' equity increased by € 0.3 mn (2003: decrease € 41 mn). Ineffectiveness of the cash flow hedges led to net realized losses of € 0.5 mn (2003: € 4 mn) in 2004.

As of December 31, 2002, foreign exchange hedging transactions in the form of foreign currency forwards with a total fair value of € 107 mn were outstanding with respect to hedges of currency risks related to a net investment in a foreign entity. This hedging strategy was terminated in the second quarter of 2003. Total unrealized gains of € 182 mn related to this hedging strategy remain in other reserves.

Derivative Financial Instruments Indexed to Allianz AG's stock

The Allianz Group enters into various types of option contracts indexed to Allianz AG shares with third-parties, both as a hedge of Allianz Group's future obligations under its Stock Appreciation Right incentive plans (SARs) and in connection with various banking products offered by the Dresdner Bank Group.

The following table summarizes these option positions:

		Maturity at 12/31/2004			Settlement at 12/31/2004			
	Total Allianz AG shares	Up to 1 year	1–5 years	More than 5 years	of which cash settled	of which share settled	Fair value € mn	Weighted-average strike price € mn
SARs								
Long calls options/warrants	3,163,416	–	1,413,416	1,750,000	3,163,416	–	68	171
Forward purchase contracts	1,890,160	1,890,160	–	–	1,890,160	–	29	83
Banking activities								
Long calls options/warrants	9,814,214	6,381,726	3,432,488	–	9,553,724	260,490	62	150
Long puts options/warrants	5,079,025	2,752,537	2,326,488	–	4,713,500	365,525	31	82
Short calls options/warrants	10,008,252	7,582,051	2,426,201	–	9,920,752	87,500	(58)	142
Short puts options/warrants	5,158,943	2,608,033	2,550,910	–	4,621,443	537,500	(23)	78

The above contracts are all accounted for as trading assets and liabilities, respectively, and are thus carried at fair value with changes in fair value recorded in earnings.

42 Fair value

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. If market prices are not available, the fair value is based on estimates using the present value of future cash flows method or another appropriate valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cash flows. Specific financial instruments are discussed below.

The Allianz Group uses the following methods and assumptions to determine fair values:

Cash and cash equivalents The carrying amount corresponds to the fair value due to its short-term nature.

Investments (including trading assets and liabilities) The fair value of fixed-term securities is based on market prices, provided these are available. If fixed-term securities are not actively traded, their fair value is determined on the basis of valuations by independent data suppliers. The fair value of equities is based on their stock-market prices. The carrying amount and the fair value for fixed-term securities and equities do not include the fair value of derivative contracts used to hedge the related fixed-term securities and equities.

The fair value of derivatives is derived from the value of the underlying assets and other market parameters. Exchange-traded derivative financial instruments are valued using the fair-value method and based on publicly quoted market prices. Valuation models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle in full all the future rights and obligations arising from the financial contract.

Loans and advances to banks and customers The fair value of loans is calculated using the discounted cash flow method. This method uses the effective yield of similar debt instruments. Where there is doubt regarding the repayment of the loan, the anticipated cash flows are discounted using a reasonable discount rate and include a charge for an element of uncertainty in cash flows.

Separate account assets and separate account liabilities The fair values of separate account assets were determined using the market value of the underlying investments. Fair values of separate accounts liabilities are equal to the fair value of the separate account assets.

Investment contracts with policyholders Fair values for investment and annuity contracts were determined using the cash surrender values of the policyholders' and contract holders' accounts.

Participation certificates, subordinated liabilities, and certificated liabilities The fair value of bonds and loans payable is estimated using discounted cash flow analyses, using interest rates currently offered for similar loans and other borrowings.

The following table presents the carrying amount and estimated fair value of the Allianz Group's financial instruments:

	12/31/2004		12/31/2003	
	Carrying Amount € mn	Fair Value € mn	Carrying Amount € mn	Fair Value € mn
Financial assets				
Securities held-to-maturity	5,179	5,387	4,683	4,832
Securities available-for-sale	302,144	302,144	277,871	277,871
Cash and cash equivalents	15,628	15,628	25,528	25,528
Loans and advances to banks and customers	314,786	316,740	320,770	321,219
Trading assets	220,001	220,001	146,154	146,154
Separate account assets	15,851	15,851	32,460	32,460
Derivative financial instruments included in other assets	969	969	868	868
Financial liabilities				
Investment contracts with policyholders	85,863	83,565	55,148	54,384
Separate account liabilities	15,848	15,848	32,460	32,460
Liabilities to banks and customers	348,628	348,555	333,044	332,939
Certificated liabilities, participation certificates and subordinated liabilities	71,001	72,903	75,568	77,009
Trading liabilities	102,141	102,141	84,835	84,835
Derivative financial instruments included in other liabilities	1,254	1,254	933	933

43 Related party transactions

Allianz Group companies maintain various types of ordinary course business relations (particularly in the area of insurance, banking and asset management) with related enterprises. In particular, the business relations with associated companies, which are active in the insurance business, take on various forms and may also include special service, computing, reinsurance, cost-sharing and asset management agreements, whose terms are deemed appropriate by management. Similar relationships may exist with pension funds, foundations, joint ventures and companies, which provide services to Allianz Group companies.

The following relates to material business relationships with associated enterprises and enterprises in which the Allianz Group held an ownership interest of between 10 % and 20 % during the last fiscal year and to enterprises which held such an ownership interest in Allianz AG as well as to transactions with associated individuals.

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Re)

In prior years, Allianz AG described Munich Re as a related party, primarily as a result of significant mutual cross-shareholdings, mutual board interlocks and important contractual relationships. Each of these factors has changed significantly in recent years, as described below.

Allianz Group reduced its ownership interest in Munich Re's share capital during the first quarter 2003 to below 20 %. Consequently, Munich Re was as of that time no longer accounted for as an associated company of the Allianz Group. During the fiscal year 2003, the Allianz Group further reduced its ownership interest in Munich Re and as of December 31, 2003 held only approximately 12.4 % of Munich Re's share capital. On March 2, 2004 the Allianz Group reduced its ownership interest in Munich Re's share capital to approximately 9.4 %. Consequently, Allianz's interest in Munich Re was no longer considered as a participation pursuant to German insurance group solvency rules. As of December 31, 2004 Allianz Group's ownership interest in Munich Re was approximately 9.8 % (the strategic holdings remained at approximately 9.4 %).

Munich Re also reduced its ownership interest in Allianz AG during 2003, and held as of December 31, 2003 approximately 12.2 % of Allianz AG's share capital, or approximately 12.8 % of the outstanding shares as of this date. Further reductions occurred during the fiscal year 2004. On August 6, 2004, Munich Re reduced its shareholding in Allianz AG to below 10 %. Afterwards, further reductions occurred and Munich Re held as of December 31, 2004 approximately 9.0 % of the share capital of Allianz AG or approximately 9.4 % of the outstanding shares of Allianz AG as of this date.

In the past, the relationship between Allianz AG and Munich Re was set forth in an agreement called "Principles of Cooperation" of May 2000. After several transactions during the previous fiscal years, in particular the reduction of mutual participations in other insurance companies and the reduction of the mutual cross-shareholdings, this agreement became irrelevant and was formally canceled with effect from December 31, 2003. Certain provisions regarding ordinary course quota share reinsurance remain in effect, as noted below.

In light of the above described material changes in the relationship between Allianz Group and Munich Re, in particular the significant reduction of the mutual shareholdings to below 10%, the cancellation of the "Principles of Cooperation" agreement and the termination of mutual board interlocks, we no longer consider Munich Re as a related party.

As Munich Re is one of the biggest reinsurers in the world, the reinsurance relationship between companies of the Allianz Group and Munich Re will continue. All reinsurance and retrocession agreements are a result of the ordinary course business within which Allianz Group companies purchase reinsurance coverage from, among other reinsurers, Munich Re. These reinsurance contracts cover world-wide business within all areas (life and health, as well as property and casualty) and are subject to arms-length conditions. A major part of the reinsurance premiums relates to a quota share agreement for 10.5% of the gross self-retention of the insurance business of the companies of the Allianz German Property Casualty Group via Allianz AG.

The Allianz Group written premiums that were ceded to or assumed from companies of the Munich Re Group in 2002 and 2003 are shown in the following table:

Years ended 12/31	2003 € mn	2002 € mn
Ceded premiums	2,250	2,300
Assumed premiums	650	600

Of the Allianz Group's total third-party reinsurance premiums ceded, approximately 33.9% and 31.3% were ceded to the Munich Re Group for the years ending December 31, 2003 and 2002, respectively. These amounts represented approximately 3.7% and 3.8% of the Allianz Group's gross premiums written for the years ending December 31, 2003 and 2002, respectively.

EXTREMUS Versicherungs-AG (EXTREMUS)

Allianz Versicherungs-AG holds a 16% interest in EXTREMUS, a terror risk insurance company which was founded in Germany in the aftermath of the terrorist attack of September 11, 2001. Until March 31, 2004, and on the basis of a € 10 bn state guarantee granted by the Federal Republic of Germany, EXTREMUS was able to provide excess coverage of up to € 13 bn for terror risks encountered in Germany. This coverage was reduced to € 10 bn on the basis of a reduced state guarantee of € 8 bn as of April 1, 2004. EXTREMUS provides terror risk insurance coverage to German Allianz Group companies and Allianz Versicherungs-AG is one of the reinsurers of EXTREMUS. All business relationships between Allianz Group companies and EXTREMUS are subject to market terms.

Loans to Members of the Board of Management and the Supervisory Board

In the normal course of business, and subject to applicable legal restrictions, members of the Board of Management and the Supervisory Board may be granted loans by Dresdner Bank AG and other Allianz Group companies. Other than such normal course loans, no loans have been granted since 2002 and at December 31, 2004, no loans to board members were outstanding.

Publication and notification of securities' transactions as required by clause 15a WpHG – Securities Trading Law (indications according to section 6.6 of the German Corporate Governance Code)

A transaction in Allianz securities for which publication is required by clause 15a WpHG was notified during fiscal 2004 by a member of the Supervisory Board of Allianz AG. The member concerned was Mr. Sultan Salam who sold 100 shares of the company for a price of € 95.92 per share on December 7, 2004.

44 Contingent liabilities, commitments and guarantees

Litigation

Allianz Group companies are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position or results of operations of Allianz Group, after consideration of any applicable reserves.

In May 2001, a consolidated class action complaint seeking class action status, in re Deutsche Telekom Securities Litigation, was filed in the United States District Court for the Southern District of New York by purported purchasers of Deutsche Telekom American Depositary Shares (ADSs). The securities were issued pursuant to a registration statement filed with the SEC on May 22, 2000 and pursuant to a prospectus dated June 17, 2000. Dresdner Bank AG, which was one of the underwriting syndicate's joint global coordinators, was one of the named defendants. The complaint alleges that the offering prospectus contained material misrepresentations and/or omissions relating to Deutsche Telekom. On January 28, 2005, Deutsche Telekom announced that, without conceding any wrongdoing, it had entered into a stipulation to settle all claims against a payment by it of USD 120 mn. The settlement, which requires U.S. court approval, would also resolve all claims involving the underwriters, including Dresdner Bank. As a result we do currently not expect any adverse effects resulting from this litigation for Dresdner Bank AG.

In July 2002, the German Federal Cartel Office (Bundeskartellamt) commenced an investigation against several property-casualty insurance companies in Germany, in connection with alleged coordinated behavior to achieve premium increases for the commercial and industrial property and liability insurance business and submitted written charges to several insurance companies, among them Allianz Versicherungs-AG, on July 19, 2003. A decision is still outstanding. We currently expect a decision of the German Federal Cartel Office in March 2005.

In December 2001 the European Commission commenced an investigation involving several insurance companies operating in London, including a subsidiary of Allianz AG, in connection with alleged anticompetitive behavior related to aviation war risk insurance in the London market. It is currently not possible to predict the outcome of this proceeding.

On November 5, 2001, a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including Allianz Global Risks U.S. Insurance Company. The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. In connection with the terrorist attack of September 11, 2001 we recorded net claims expense of approximately € 1.5 bn in 2001 for the Allianz Group on the basis of one occurrence. On December 6, 2004, a New York jury rendered a verdict that the World Trade Center attack constituted two occurrences under the alleged terms of various coverages. At December 31, 2004, this decision had no adverse impact on the Allianz Group's operating results. The final implications of this decision for the Allianz Group will not be determined until the completion of further proceedings.

On December 19, 2002, the insolvency administrator of KirchMedia GmbH & Co. KGaA (KirchMedia) made a formal demand on Dresdner Bank AG to compensate the insolvency assets (Insolvenzmasse) of KirchMedia for the loss of a 25 % shareholding in the Spanish television group Telecinco. This shareholding had been pledged by subsidiaries of KirchMedia to Dresdner Bank AG as collateral for a loan of € 500 mn from Dresdner Bank to KirchMedia's holding company, TaurusHolding GmbH & Co. KG (or TaurusHolding). Following TaurusHolding's default on the loan in April 2002 and insolvency in June 2002, Dresdner Bank AG enforced its security interest and acquired through a subsidiary the Telecinco shareholding in a forced auction sale. The insolvency administrator contends that the pledge was created under circumstances that cause it to be invalid or void and may initiate legal action against Dresdner Bank AG. The management of Dresdner Bank AG believes that there is no valid basis for the insolvency administrator's demand. At the end of June 2004, the 25 % shareholding in Telecinco was placed within Telecinco's initial public offering.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz AG as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz AG on the basis of an expert opinion, and its adequacy was confirmed by a court-appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure (Spruchverfahren), which is pending with the district court (Landgericht) of Frankfurt. Management believes, that a claim to increase the cash settlement does not exist. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all approximately 16 mn shares which were transferred to Allianz AG.

In September 2004, PEA Capital LLC, PA Fund Management LLC and PA Distributors LLC, all subsidiaries of Allianz Global Investors of America L.P. (formerly Allianz Dresdner Asset Management of America L.P.) entered into settlements with the U.S. Securities and Exchange Commission (SEC) and various state regulators related to matters involving market timing and revenue sharing. Since February 2004, Allianz Global Investors of America L.P and some of its subsidiaries have also been named as defendants in multiple civil U.S. lawsuits commenced as puntative class actions. These lawsuits relate generally to the same facts that were the subject of the regulatory proceedings settled in 2004 as described above. The outcome of these proceedings cannot be predicted at this stage.

Furthermore, the SEC is investigating practices in the mutual fund industry relating to mutual fund purchases of other mutual funds. Allianz Global Investors is cooperating with the SEC with respect to this review.

Other contingencies

Liquiditäts-Konsortialbank GmbH (LIKO) is a bank founded in 1974 in order to provide funding for German banks which experience liquidity problems. 30 % of LIKO shares are held by Deutsche Bundesbank, while the remaining shares are being held by other German banks and banking associations. The shareholders have provided capital of € 200 mn to fund LIKO; Dresdner Bank AG's participation is € 12.1 mn. Dresdner Bank AG is contingently liable to pay future assessments to LIKO up to € 60.5 mn. In addition, under clause 5 (4) of the Articles of Association of LIKO, Dresdner Bank AG is committed to a secondary liability, which arises if other shareholders do not fulfill their commitments to pay their respective future assessments. In all cases of secondary liability, the financial status of the other shareholders involved is sound.

Dresdner Bank AG is a member of the German banks' Joint Fund for Securing Customer Deposits (Joint Fund), which covers liabilities to each respective creditor up to specified amounts. As a member of the Joint Fund, which is itself a shareholder in LIKO, Dresdner Bank AG is liable with the other members of the Joint Fund for additional capital contributions, with the maximum being the amount of Dresdner Bank AG's annual contribution. In 2004, the Joint Fund did not levy a contribution (2003 and 2002: no contribution). Under section 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits, the Allianz Group has undertaken to indemnify the Federal Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses it may incur by reason of measures taken on behalf of any bank in which the Allianz Group owns a majority interest.

Dresdner Bank AG has unlimited liability with respect to its interest in Bankhaus Reuschel & Co. due to the legal form in which this enterprise is organized. The financial status of the other partners involved is sound.

During the course of the purchase of Nicholas Applegate, San Diego, an agreement was reached whereby part of the purchase price would become due in 2005 and would depend on the income growth of Nicholas Applegate:

- if average income growth during this period is at least 25 %, this purchase price component will be USD 1.09 bn, with bonus payments of USD 150 mn;
- if average income growth is between 10 % and 25 %, payments will be scaled down;
- if average income growth is below 10 %, no payments will be made.

Commitments

The Allianz Group engages in various lending and underwriting related commitments to meet the financing needs of its customers.

The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown may not be representative of actual liquidity requirements for such commitments:

	2004 € mn	2003 € mn
Underwriting commitments	126	–
Irrevocable loan commitments		
Advances	31,001	25,595
Stand-by facilities	8,238	7,909
Guarantee credits	1,229	2,817
Discount credits	65	40
Mortgage loans/public-sector loans	282	229
Total	**40,941**	**36,590**

Other principal commitments of the Allianz Group include the following:

For Allianz of America Inc., Wilmington, Allianz AG posted a surety declaration for obligations in connection with the acquisition of PIMCO Advisers L.P. ("PIMCO"). The Allianz Group had originally acquired a 69.5 % interest in PIMCO, whereby minority interestholders had the option of putting their share to Allianz of America, Inc. On December 31, 2004, the remaining interest of Pacific Life (the minority interest holder) in PIMCO was 5.35 %, resulting in a commitment to Pacific Life amounting to USD 603 mn on December 31, 2004.

In December 2002, Protektor Lebensversicherungs-AG (Protektor) was founded. Protektor is a life insurance company whose role is to protect policyholders of all German life insurers. Protektor intervenes in cases where other attempts to prevent insolvency of a German life insurer have failed. In such cases, Protektor takes over the contract portfolios of the respective company, managing and consolidating them with the goal of subsequently selling these portfolios. All life insurance companies in Germany are obliged to be shareholders of Protektor and thus to finance its capital. This obligation is limited to 1 % of the shareholders' own capital investments as of December 31, 2001. In addition, no shareholder of Protektor may hold more than 10 % of the capital of Protektor. Therefore, the obligation to finance Protektor is limited for each shareholder to a maximum of 10 % of € 5,230 mn. The latter amount will be subject to review in 2007. Therefore, Allianz Lebensversicherungs-AG's maximum obligation to Protektor is € 523 mn in the aggregate. During the year ended December 31, 2003, Protektor intervened in one case in which Allianz Lebensversicherungs-AG was required to contribute € 24 mn. No intervention was necessary during the year ended December 31, 2004. Consequently, Allianz Lebensversicherungs-AG's outstanding commitment to Protektor was € 499 mn at December 31, 2004. Pursuant to a reform of the German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG), which became effective in December 2004, a mandatory insurance guarantee scheme (Sicherungsfonds) was implemented and exists independent of Protektor. Each member of the scheme is obliged to make a certain annual contribution to the scheme. The exact amount of costs for each member will be calculated according to the provisions of a Federal Regulation which has not been enacted yet. The annual contribution of all members together equals 0.02 % of the sum of their technical provisions (net). The scheme is administered by a public bank, unless its functions and competences will be conferred on a legal entity under Private Law as a private trustee. It is likely that Protektor will become this trustee. The final impact of this new legislation on Protektor is currently unclear and subject to ongoing discussions.

Various Allianz Group companies have made commitments to invest in private equity funds totaling € 1,378 mn (2003: € 750 mn) as of December 31, 2004.

The Allianz Group occupies leased space in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment. Rental expense for the year ending December 31, 2004, was € 280 mn (2003: € 296 mn; 2002: € 185 mn).

As of December 31, 2004, the future minimum lease payments under non-cancelable operating leases were as follows:

	€ mn
2005	419
2006	308
2007	287
2008	259
2009	230
Thereafter	1,086
Subtotal	**2,589**
Subleases	(81)
Total (net)	**2,508**

In the context of the "Silver Tower" asset-backed program of the Dresdner Bank Group, in which third-party receivables and receivables of the Dresdner Bank Group are securitized, and which is refinanced by commercial paper, Dresdner Bank Group has granted short-term credit lines in the amount of € 10.5 bn in the event that a refinancing through commercial paper is not possible. As of December 31, 2004, € 0.01 bn of such credit lines had been used for refinancing instead of the placement of commercial paper. The risk exists that the Dresdner Bank Group would be required to use its own credit lines by up to further € 8.25 bn, which would accordingly raise its regulatory risk-weighted assets.

In the context of the Beethoven Funding Corporation, LLC („Beethoven"), an asset-backed commercial paper program administered by the Dresdner Bank Group in which third-party receivables are securitized and refinanced by commercial paper, Dresdner Bank Group has granted short-term liquidity lines in the amount of USD 4.42 bn. These liquidity lines provide Beethoven with an alternative source of funding apart from the placement of commercial paper notes. As of December 31, 2004, no liquidity lines have been drawn. Furthermore, Dresdner Bank Group has granted a letter of credit to Beethoven providing credit support to the underlying assets. As of December 31, 2004, the letter of credit limit was USD 224 mn, but the letter was undrawn. The risk exists that the Dresdner Bank Group would be required to fully fund either the liquidity facilities or the letter of credit for a maximum of USD 4.42 bn, which would accordingly raise its regulatory risk-weighted assets.

In addition the Allianz Group has made other commitments of € 1,068 mn referring to maintenance, real estate development, sponsoring and purchase obligations.

Guarantees

Maximum contractual monetary amounts of the guarantee contracts of the Allianz Group

Guarantee instruments	12/31/2004 € mn	12/31/2003 € mn
Credit guarantees	876	1,476
Other guarantees and warranties	13,291	16,223
Letters of credit[*)]	1,757	1,583
Liability on collateral pledged for third-party liabilities	8	8
Other	–	63
Total	**15,932**	**19,353**

[*)] Of which, letters of credit opened totaled € 894 mn (2003: € 919 mn) and letteres of credit confirmed totaled € 863 mn (2003: € 664 mn).

45 Other information

Employee information

At the end of 2004, the Allianz Group employed a total of 162,180 people (2003: 173,750; 2002: 181,651). Of those people, 75,667 (2003: 82,245; 2002: 86,768) were employed in Germany and 86,513 (2003: 91,505; 2002: 94,883) abroad. The number of employees undergoing training decreased by 1,157 in 2004 to 4,906 .

Personnel expenses

Years ended 12/31	2004 € mn	2003 € mn	2002 € mn
Salaries and wages	8,966	8,832	9,664
Social security contributions and employee assistance	1,466	1,548	1,532
Expenses for pensions and other post-retirement benefits	625	634	811
Total	**11,057**	**11,014**	**12,007**

Earnings per share

Basic earnings per share is computed by dividing the Allianz Group's consolidated net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the effect of potentially dilutive securities. As of December 2004, 1,175,554 (2003: 1,175,554) participation certificates issued by Allianz AG were outstanding which can potentially be converted to 1,469,443 (2003: 1,469,443) Allianz shares (on a weighted basis: 1,469,443 (2003: 1,271,446) Allianz shares) and therefore have a dilutive effect.

The Allianz Group's stock compensation plans with potentially dilutive securities of 729,596 are included in the calculation of diluted earnings per share for 2004.

The reconciliation of basic and dilutive earnings per share is as follows:

Reconciliation of basic and dilutive earnings per share

Years ended 12/31		2004	2003	2002
Numerator for basic earnings per share (net income)	**€ mn**	**2,199**	**1,890**	**(1,496)**
Effect of dilutive securities	€ mn	3	3	–
Numerator for diluted earnings per share (net income after assumed conversion)	**€ mn**	**2,202**	**1,893**	**(1,496)**
Denominator for basic earnings per share (weighted-average shares) – not including treasury shares held by the Allianz Group		**365,930,584**	**338,201,031**	**276,854,381**
Potential dilutive securities		2,199,039	1,585,044	–
Denominator for diluted earnings per share (adjusted weighted-average after assumed conversion)		**368,129,623**	**339,786,075**	**276,854,381**
Basic earnings per share		6.01	5.59	(5.40)
Diluted earnings per share		5.98	5.57	(5.40)

The weighted average number of shares does not include 18,915,201 (2003: 18,766,949; 2002: 23,658,308) treasury shares held by the Allianz Group.

46 Stock Based Compensation Plans in the Allianz Group and Management Compensation

Stock Based Compensation Plans

Stock purchase plans for employees

Shares in Allianz AG are offered to qualified employees in Germany and abroad within pre-defined timeframes at favorable conditions. In order to be qualified, employees must have been employed in continuous service, or had a position as an apprentice, for a period of six months prior to the share offer and notice of termination of employment must not have been served. Share purchase plans also include restrictions relating to the amount that the employee can invest in shares. All participating enterprises in Germany and abroad impose restrictions on the disposal of shares, however, the length of time varies from a minimum of one year to a maximum of five years, depending on the country involved. The shares are freely disposable after the expiration of the minimum holding period. The number of shares sold to employees under these plans was 1,051,191 during the year ended December 31, 2004 (2003: 944,625; 2002: 136,222). The difference between the exercise price and market price of Allianz shares of € 18 mn during the year ended December 31, 2004 (2003: € 16 mn; 2002: € 5 mn) was reported as part of compensation expense.

Since 2002 the AGF Group offered on a yearly basis AGF shares to qualified employees in France at favorable conditions. During the year ended December 31, 2004, 787,675 (2003: 1,214,304; 2002: 1,494,934) AGF shares were sold to employees. The plan imposes restrictions on the disposal of shares for a period of five years. The expense recorded during the year ended December 31, 2004 was € 8 mn (2003: € 11 mn; 2002: € 15 mn).

Allianz Group Equity Incentives Plans

Allianz Group Equity Incentives (GEI) plans support the orientation of senior management, in particular the Board of Management, toward the long-term increase of the value of the Allianz Group. Allianz Group senior management worldwide is entitled to participate in these GEI plans. During the year ended December 31, 2004, more than 600 senior managers in 35 countries and 81 companies participated.

During the year ended December 31, 1999, Allianz AG introduced Stock Appreciation Rights (SARs) through which part of total remuneration is directly tied to the development of the Allianz AG share price. During the year ended December 31, 2003, Restricted Stock Units (RSUs) with a 5-year vesting period were introduced.

Awards were granted by the respective companies in accordance with uniform Allianz Group-wide conditions. The grant price for SARs and RSUs applicable for the award is calculated on the basis of the average daily closing Allianz AG share price in Xetra trading on the ten trading days following the Annual General Meeting of Allianz AG. The grant price for the year ended December 31, 2004 was € 83.47 (2003: € 65.91) per share.

The number of SARs and RSUs offered is set individually for each participant and is determined on the basis of the grant price, the economic development of the value of Allianz AG and the respective responsible company in accordance with the Economic Value Added (EVA®) concept, a capital-cost based target performance of the Allianz AG share and individual elements such as fixed remuneration and performance.

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

Of the GEI plans, half of the value determined at the grant date is allocated to SAR and RSU, respectively. Depending on the different values calculated per SARs and RSUs at the grant date, participants in the plan receive a different number of SARs and RSUs.

SARs plan

Following a two-year vesting period, the SARs may be exercised at any time between the 2nd and the 7th anniversary of the effective date of the relevant plan, provided that

- during their contractual term, the price of Allianz AG shares has outperformed the Dow Jones Europe STOXX Price Index (600) at least once for a period of five consecutive stock exchange days; and
- the Allianz AG share price outperforms the reference price by at least 20% at the time when the rights are exercised. The reference price for the 1,788,458 SARs awarded during the year ended December 31, 2004, € 83.47 is the average closing price of Allianz AG shares for the first ten trading days after May 5, 2004, the date of the Annual General Meeting 2004.

Under the conditions of the SAR plans, Allianz Group companies are obligated to pay, in cash, the difference between the stock market price of Allianz AG shares on the day the rights are exercised and the reference price, as specified in the respective plan. The maximum difference is capped at 150% of the reference price. Upon exercise of the SARs, payment is made in the relevant local currency by the Allianz Group company granting the SARs. SARs not exercised by the last day of a plan will be exercised automatically where the necessary conditions have been met. Where these conditions have not been met or a plan participant ceases to be employed, the plan participant's SARs are forfeited.

SARs may be exercised before the end of the vesting period when an Allianz Group Company is sold to a third party. As Allianz of Canada was sold in 2004 certain plan participants exercised their rights (SAR 2003: 3,075).

SAR plan awards granted and forfeited

Grant Date	Vesting period years	Reference price €	SARs granted	SARs forfeited	SARs exercised
April 1999	2	264.23	294,341	16,731	–
April 2000	2	332.10	303,169	53,135	–
April 2001	2	322.14	445,462	65,185	–
April 2002	2	239.80	681,778	95,890	–
May 2003	2	65.91	1,508,209	86,176	3,075
May 2004	2	83.47	1,788,458	34,405	–

The fair value as of the grant date of the SARs during the year ended December 31, 2004 was € 55 mn (2003: € 41 mn; 2002: € 69 mn) based on standard option valuation methods (Black-Scholes or Binomial Method).

As of December 31, 2004, none of the awards currently exercisable have met the second condition defined above (20% increase of the share price). As of December 31, 2004, a total of 4,666,820 (2003: 3,061,673; 2002: 1,507,414) SARs were outstanding under SAR award grants.

The total compensation expense related to the SAR plan is calculated as the amount by which the quoted Allianz AG share price exceeds the SAR reference price. The total compensation expense is remeasured at each reporting period based on changes in the Allianz AG share price and is accrued over the two-year vesting period. As of December 31, 2004, the total compensation expense related to the 4,666,820 (2003: 3,061,673) outstanding SARs was € 66 mn (2003: € 54 mn). Taking into account the expired portion of the vesting period, a reserve of € 41 mn (2003: € 18 mn) was established on December 31, 2004, and reported in other accrued liabilities, with a corresponding € 23 mn (2003: € 18 mn) of compensation expense recognized in 2004. No liability or compensation expense was recorded in 2002, as the Allianz AG share price did not exceed the reference price of outstanding SARs at that time.

The Allianz Group has entered into call options on Allianz AG stock to hedge its future obligations under the SAR plans. See Note 41 for further information.

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Restricted Stock Units Plan (RSUs plan)

Under this plan, 749,030 (2003: 542,141) RSUs have been granted to senior management as of May 19, 2004, 732,477 of which remain outstanding as of December 31, 2004. The Allianz Group will exercise these rights uniformly for all plan participants on the first stock exchange day that succeeds the five-year vesting period. At the date of exercise, the Allianz Group can choose to settle the plan by:

- cash payment to the grantees in the amount of the average closing price of Allianz AG's share in the ten trading days preceding the end of the vesting period, or by
- issuing one Allianz AG share, or other equivalent equity instruments, per RSU to the beneficiaries.

RSUs may be exercised before the end of the vesting period when an Allianz Group Company is sold to a third party. As Allianz of Canada was sold in 2004 certain plan participants exercised their rights (RSU 2004 and 2003: 4,123).

The fair value as of the grant date of the 749,030 RSUs granted in 2004 was € 58 mn (2003: € 36 mn) based on the Allianz AG share price.

RSU plan awards and forfeited as of December 31, 2004

Grant date	Vesting period years	RSUs granted	RSUs forfeited	RSUs exercised
May 2003	5	542,141	28,914	1,292
May 2004	5	749,030	13,722	2,831

The total compensation expense related to the RSU plan is calculated as the amount of the quoted Allianz AG share price and is remeasured at each reporting period based on changes in the Allianz AG share price and is accrued over the five-year vesting period. As of December 31, 2004, the total compensation expense related to the 1,244,412 (2003: 541,394) outstanding RSUs was € 120 mn (2003: € 55 mn). Taking into account the expired portion of the vesting period, a reserve of € 24 mn (2003: € 6 mn) was established on December 31, 2004, and reported in other accrued liabilities, with a corresponding € 18 mn (2003: € 6 mn) of compensation expense recognized in 2004.

Share option plans of Allianz Group subsidiaries

PIMCO LLC Class B Unit Purchase Plan

When acquiring PIMCO Advisors L.P. (subsequently renamed Allianz Global Investors LP) during the year ended December 31, 2000, Allianz AG caused Allianz Global Investors LP to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of Pacific Investment Management Company LLC (PIMCO LLC). Under the Plan, participants acquired Class B equity units annually through 2004 for a total of 150,000 units. The holders of the Class B units have rights to a 15 % priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over three to five years and are subject to repurchase by Allianz Global Investors LP upon death, disability or termination of the participant. In addition, beginning in 2005, Allianz Global Investors LP will have the right to repurchase, and the participants will have the right to cause Allianz Global Investors LP to repurchase, a portion of the vested Class B equity units each year. At the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased.

During the year ending December 31, 2004, plan participants acquired 30,000 (2003: 35,375; 2002: 30,000) Class B equity units. In accordance with the provisions of SFAS 123, the value, as of grant date, of the Class B equity units issued during the year ending December 31, 2004, was determined by the Allianz Group to be € 253 mn (2003: € 235 mn; 2002: € 178 mn). The total number of Class B equity units held by plan participants as of December 31, 2004, was 145,305 (2003: 120,000). Compensation expense of € 189 mn was recognized during the year ended December 31, 2004 (2003: € 172 mn; 2002: € 95 mn) related to the Class B Plan.

AGF Group Stock Option Plan

The AGF Group has awarded stock purchase options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants. The primary objective of the stock option plan is to encourage the retention of key personnel of AGF Group and to link their compensation to the performance of AGF Group. These options are independent of the remuneration plans of the Allianz Group.

The AGF Group's stock options granted, exercised and expired/forfeited as of December 31, 2004:

Date Granted	Vesting period years	Options granted	Options exercised	Options expired/ forfeited
December 1994 and February 1996	2	1,218,855	1,084,107	134,748
December 1996	2	798,993	679,049	119,944
September 1997, October 1998 and October 1999	5	2,748,213	1,118,388	178,973
October 2000	2	1,020,240	3,000	83,132
October 2001	2	1,043,317	–	64,288
September 2002	2	850,000	10,130	–
September 2003	1	1,118,250	–	–
October 2004	1	1,116,600	–	–

All of the options granted have an exercise price of at least 85% of the market price on the day of grant. The maximum term for these options is eight years. The following table provides the weighted-average fair value of options granted as of the grant date and the assumptions used in calculating their fair value by application of the Black-Scholes option pricing model.

		2004	2003	2002
Weighted-average fair value of options granted	€	14.38	12.04	4.93
Weighted-average assumptions				
Risk free interest rate	%	3.5	4.0	4.4
Expected volatility	%	30.0	30.0	30.0
Dividend yield	%	3.5	2.5	4.0

The AGF Group's stock option activity during the periods indicated was as follows:

	Number of AGF Options	Weighted Average Exercise Price €
Balance as of 12/31/2002	4,889,654	45.15
Granted	1,118,250	42.64
Exercised	(81,028)	23.34
Forfeited	(8,687)	23.39
Balance as of 12/31/2003	**5,918,189**	**44.31**
Granted	1,116,600	51.49
Exercised	(584,128)	37.32
Forfeited/expired	(11,952)	23.05
Balance as of 12/31/2004	**6,438,709**	**46.23**

The following table summarizes information about the AGF Group's stock options outstanding and exercisable as of December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of exercise price	AGF options outstanding as of 12/31/2004	Weighted-average remaining contractual life years	Weighted-average exercise price	AGF options exercisable as of 12/31/2004	Weighted-average exercise price
€			€		€
30.00 – 39.99	865,931	5.6	33.61	865,931	33.61
40.00 – 49.99	3,522,070	2.6	45.13	3,522,070	45.13
50.00 – 59.99	2,050,708	6.0	53.45	934,108	55.80
Total	**6,438,709**	**5.1**	**46.23**	**5,322,109**	**44.98**

The AGF Group recorded compensation expense of € 16 mn during the year ended December 31, 2004 (2003: € 15 mn) related to these stock option awards.

RAS Group Stock Option Plan

The RAS Group has awarded eligible members of senior management with stock purchase options on RAS ordinary shares. Under these plans, options have been granted annually on January 31. Each of these award grants is subject to a vesting period of 18 months to 2 years and the options expire after a period of 6.5 to 7 years after the grant date.

Options may be exercised at any time after the vesting period and before expiration, provided that

- at the time of exercise, the RAS share price is at least 20% higher than the average share price in January of the grant year (for the 2001 award grant the hurdle is 10%), and
- the performance of the RAS share in the year of grant exceeds the Milan Insurance Index (MIBINSH Index) in the same year.

The RAS Group's stock options granted, exercised and expired/forfeited as of December 31, 2004:

Date Granted	Vesting period years	Options granted	Options exercised	Options expired/ forfeited
January 2001	1.5	711,000	123,000	53,000
January 2002	1.5	793,000	723,000	45,000
January 2003	2	850,000	–	49,000
January 2004	2	900,000	–	–

The following table provides the weighted-average fair value of options granted as of the grant date and the assumptions used in calculating their fair value by application of the Black-Scholes option pricing model.

		2004	2003	2002
Weighted-average fair value of options granted	€	1.51	4.68	5.47
Weighted-average assumptions				
Risk free interest rate	%	3.3	3.1	2.9
Expected volatility	%	17.0	13.5	13.5
Dividend yield	%	6.8	6.3	6.6

RAS Group stock option activity during the periods indicated was as follows:

	Number of RAS Options	Weighted Average Exercise Price €
Balance as of 12/31/2002	1,481,000	14.06
Granted	850,000	11.51
Exercised	–	–
Forfeited	(124,000)	13.33
Balance as of 12/31/2003	**2,207,000**	**13.14**
Granted	900,000	14.32
Exercised	(846,000)	13.28
Forfeited	–	–
Balance as of 12/31/2004	**2,261,000**	**13.55**

The average remaining period until expiration of the 2,261,000 (2003: 2,207,000) options still outstanding as of December 31, 2004, was 4.9 (2003: 4.8) years. As of December 31, 2004, 560,000 (2003: 1,425,000) options were exercisable which had a weighted average exercise price of € 15.24 (2003: € 14.08).

The RAS Group recorded compensation expense of € 3 mn (2003: € 3 mn) during the year ended December 31, 2004, related to these stock option awards.

Dresdner Kleinwort Wasserstein

Dresdner Kleinwort Wasserstein (DrKW) has awarded eligible employees a promise to deliver Allianz AG shares (share awards) on the vesting dates. In jurisdictions in which regulatory restrictions do not allow for delivery of shares, the awards are settled in cash (cash awards). Under the plan, 1,086,963 share awards and 74,651 cash awards were granted on February 10, 2004 with an fair value of € 113 mn. The awards vest in three installments in each of the 3 years following the initial award. Each year, immediately prior to vesting, the number of unvested shares (or notional shares for the cash awards) is adjusted up or down according to the performance adjustment.

The stock awards are treated as equity-settled awards. They are measured at fair value as of the award date and expensed over the three-year vesting period. As of December 31, 2004, the total number of forfeited share awards is 75,583. As of December 31, 2004, the total number of unvested share awards was 1,011,380, for which € 60 mn was expensed in 2004.

The cash awards are treated as cash-settled awards. The total compensation expense of the cash awards is remeasured at each reporting period based on changes in the Allianz AG share price and is expensed over the three-year vesting period. As of December 31, 2004 the total number of forfeited cash awards was 6,678. As of December 31, 2004, the total number of unvested cash awards was 67,973, for which € 4 mn was expensed in 2004.

Other stock option and shareholding plans

The Allianz Group has other local share-based compensation plans, including stock option and employee stock purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. The total expense, in the aggregate, recorded for these plans during the year ending December 31, 2004 was € 3 mn (2003: € 5 mn).

Compensation of the Management Board

As of December 31, 2004, the Management Board had 10 (2003: 11) members.

Compensation of the Management Board includes the basic salary as a fixed component as well as an annual bonus and a medium-term 3-year bonus as variable components. Other components are stock appreciation rights (SAR) and restricted stock units (RSU) which are awarded.

A detailed description and individual breakdown of the compensation of the Management Board is provided in the Compensation Report on pages 16 to 19 of this Annual Report. Information about the components of the stock-based compensation is provided on pages 181 and 186 of this Annual Report.

Compensation for the Board of Management

	2004		2003	
	€ thou	% of total	€ thou	% of total
Fixed compensation[*)]	6,480	25.3	7,336	32.1
Variable compensation	19,129	74.7	15,525	67.9
Total fixed and variable compensation	**25,609**	**100.0**	**22,861**	**100.0**
Group equity incentives (at grant date)	**12,393**		**9,474**	

*) 2003 information contains income-equivalent ancillary benefits. As of 2004, income-equivalent ancillary benefits are listed separately under Miscellaneous.

Fixed compensation

In the reporting year, fixed compensation of the Management Board amounted to € 6.5 mn. For 2004, fixed compensation represented 25 % (2003: 32 %) of the total fixed and variable compensation.

Variable compensation

Out of the total variable compensation, € 16 mn relate to services rendered during 2004. Of this amount, € 3.7 mn are allocations to the reserves for the three-year bonus (2003: € 3.9 mn). Whether the amounts set aside are actually paid to the Members of the Management Board upon expiration of the 3-year period, depends on whether the objectives for the entire underlying three-year period have been reached.

Allianz Group equity incentives

Group equity incentives are granted by the Allianz Group in the form of stock appreciation rights (SAR) and in the form of restricted stock units (RSU).

The granting price of the Group equity incentive programs for 2004 was € 83.47 (average of the daily closing rate of the Allianz share in Xetra trading on the 10 trading days following the Annual General Meeting on May 5, 2004).

The mathematical value of the rights granted to the Management Board in the reporting year was € 12.4 mn at the date of grant. Of this total, € 5.0 mn correspond to the mathematical value of the stock appreciation rights (SAR) granted and € 7.4 mn to the value of the restricted stock units (RSU) granted. The intrinsic value of the rights granted in the reporting year stood at € 11.4 mn at year-end. Of this total, € 2.1 mn correspond to the intrinsic value of stock appreciation rights (SAR) granted and € 9.3 mn to the intrinsic value of restricted stock units (RSU) granted.

No payouts were made on SARs or RSUs granted in previous years.

Outstanding Group Equity Incentives are valued on a quarterly basis and posted on the Allianz Group website. In 2004, relating to equity-based compensation granted in 2004 and prior years, an amount of € 5.4 mn (2003: € 2.9 mn) was expensed.

Miscellaneous

Income-equivalent ancillary benefits vary with the function and position of the recipient and are subject to personal income tax. They essentially include insurance coverage generally granted in the industry and the use of a company car. In the reporting year, € 0.3 mn (2003: € 0.2 mn) were granted in income-equivalent benefits in kind.

The members of the Management Board are either not receiving remuneration from mandates at Group companies or the remuneration paid to members of the Board of Management from such mandates is turned over to the company in full.

Pensions and similar benefits

The Allianz Group paid € 2.3 mn (2003: € 1.1 mn) to increase pension reserves and reserves for similar benefits for active members of the Management Board. On December 31, 2004, the pension and similar reserves for members of the Management Board who were active on this date amounted to € 25.8 mn (2003: € 21.4 mn).

Former members of the Board of Management

In 2004, pensions and other benefits payments for retired members of the Management Board and their beneficiaries amounted to € 4.2 mn (2003: € 8.2 mn). In 2004 no amount (2003: € 4.2 mn) was set aside for compensating the claims of former members of the Management Board. At December 31, 2004, the reserve for current pensions and future pensions for former members of the Management Board and their surviving dependents was € 36.5 mn (2003: € 39.8 mn).

Remuneration for the Supervisory Board

In fiscal 2004, remuneration for the Supervisory Board amounted to € 2.2 mn. This body has 20 members, 10 of which are elected by the shareholders and ten by the employees.

Breakdown of remuneration

	2004	
	€	%
Fixed remuneration	86,334	4
Variable remuneration	1,726,668	78
Committee remuneration	407,021	18
Total	**2,220,023**	**100**

Out of the total remuneration, € 2,158,002 relate to services rendered during 2004.

In connection with the exercise of Supervisory Board mandates or comparable mandates in other companies of the Allianz Group, Claudia Eggert-Lehmann was paid € 45,000, Peter Haimerl was paid € 61,875, Sultan Salam was paid € 45,000, Margit Schoffer was paid € 33,750 and Dr. Diethart Breipohl was paid € 42,456.

The names of all members of the Supervisory Board and of the Management Board are listed on pages 10 and 11, and information regarding their membership in other supervisory and comparable management bodies is shown on pages 196 to 199.

47 Events after the balance sheet date

On January 12, 2005, Regina Verwaltungsgesellschaft, comprising the Allianz Group, Munich Re and Commerzbank, sold its 24.2 % shareholdings of MAN at € 29 per share, totaling approximately € 1 bn, to institutional investors primarily within Germany and the United Kingdom.

On January 27, 2005, AGF issued € 400 mn of perpetual deeply subordinated notes targeted at French and Belgian investors. The notes pay an annual coupon of 4.625 %, corresponding to a spread of 107.2 basis points vs Bund.

On January 28, 2005, the Allianz Group successfully completed its "All-in-one" capital market transactions. The All-in-one capital market transactions 1) reduced the Allianz Group's equity gearing; 2) helped to deleverage the Allianz Group; and 3) helped Dresdner Bank to further reduce its non-strategic asset portfolio.

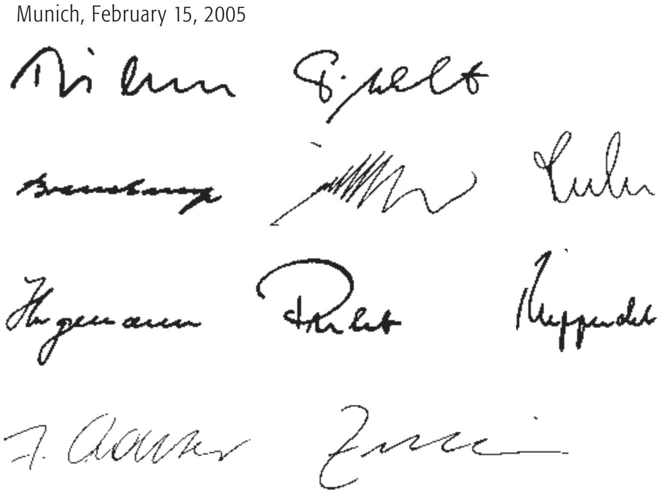
- Reduction of equity gearing: In order to further reduce its exposure to equities, the Allianz Group issued a three-year index linked exchangeable bond of € 1.2 bn. The redemption value of this security, BITES (or „Basket Index Tracking Equity-linked Securities"), is linked to the performance of the DAX Index and was issued at a DAX-reference level of 4,205.115. During the three-year term of this instrument, the Allianz Group may choose to redeem the bond with shares of BMW AG, Munich Re or Siemens AG. Investors will receive an annual outperformance premium of 0.75 % on the prevailing future DAX level and a repayment premium of 1.75 %, based on the DAX level at redemption. The BITES were placed with international institutional investors through JPMorgan.

- Deleveraging from rating perspective: The Allianz Group refinanced part of its 2005 € 2.7 bn maturing bonds through the issuance of a subordinated bond in the amount of € 1.4 bn. The subordinated bond, which bears a coupon of 4.375 % for the first twelve years, was issued at a price of 98.923%, yielding 4.493 % p.a. While this is a perpetual bond, it is callable by Allianz AG for the first time in 2017. Attached o the bond is 11.2 mn warrants on Allianz AG shares with a maturity of three years. The bond ex-warrants were placed with institutional investors through Dresdner Kleinwort Wasserstein.

- Reduction of non-strategic assets by Dresdner Bank: Dresdner Bank accomplished a further step in its strategy of reducing its non-strategic equity holdings. Dresdner Bank sold 17,155,008 Allianz AG shares at € 88.75 per share to investment bank JPMorgan. JPMorgan placed these shares in the market in the form of a Mandatory Exchangeable. This structure enabled the Allianz Group to benefit from a portion of Allianz AG's future share price appreciation.

On March 15, 2005, AGF sold its 22.3 % stake in Gecina to the Spanish property company Metrovacesa for € 89.75 per share, amounting to € 1,240 mn payable on December 30, 2005.

Munich, February 15, 2005



Allianz Aktiengesellschaft
The Board of Management

Selected subsidiaries and other holdings

OPERATING SUBSIDIARIES	Equity € mn	% owned[1]
AGIS Allianz Dresdner Informationssysteme GmbH, Munich	208	99.9
Allianz Capital Managers GmbH, Munich	7	100.0
Allianz Capital Partners GmbH, Munich	542	100.0
Allianz Dresdner Bauspar AG, Bad Vilbel	92	100.0
Allianz Global Investors Advisory GmbH, Frankfurt am Main	3	100.0
Allianz Global Investors AG, Munich	2,955	100.0
Allianz Global Risks Rückversicherungs-AG, Munich	602	100.0
Allianz Immobilien GmbH, Stuttgart	5	100.0
Allianz Lebensversicherungs-AG, Stuttgart	1,307	91.0
Allianz Marine & Aviation Versicherungs-AG, Hamburg	115	100.0
Allianz Pensionskasse AG, Stuttgart	112	100.0
Allianz Private Equity Partners GmbH, Munich	0.04	100.0
Allianz Private Krankenversicherungs-AG, Munich	320	100.0
Allianz ProzessFinanz GmbH, Munich	0.4	100.0
Allianz Versicherungs-AG, Munich	2,386	100.0
Allianz Zentrum für Technik GmbH, Munich	0.2	100.0
Bayerische Versicherungsbank AG, Munich	834	90.0
DEGI Deutsche Gesellschaft für Immobilienfonds mbH, Frankfurt am Main	23	94.0
Deutsche Lebensversicherungs-AG, Berlin	35	100.0
DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH, Frankfurt am Main	101	100.0
Dresdner Bank AG, Frankfurt am Main	10,547	100.0
dresdner bank investment management Kapitalanlagegesellschaft mbH, Frankfurt am Main	24	100.0
Euler Hermes Kreditversicherungs-AG, Hamburg	134	100.0
Frankfurter Versicherungs-AG, Frankfurt am Main	484	100.0
Lombardkasse AG, Berlin	24	100.0
Münchner und Magdeburger Agrarversicherung AG, Munich	5	58.5
Oldenburgische Landesbank AG, Oldenburg	435	89.3
Reuschel & Co. Kommanditgesellschaft, Munich	138	97.5
Vereinte Spezial Krankenversicherung AG, Munich	9	100.0
Vereinte Spezial Versicherung AG, Munich	45	100.0

OPERATING SUBSIDIARIES	Equity € mn	% owned[1]
Adriática de Seguros C.A., Caracas	19	97.0
AGF Asset Management S. A., Paris	53	99.9
AGF Belgium Insurance, Brussels	412	100.0
AGF Brasil Seguros S. A., Sao Paulo	92	69.4
AGF La Lilloise, Paris	35	99.9

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

OPERATING SUBSIDIARIES	Equity € mn	% owned [1]
Alba Allgemeine Versicherungs-Gesellschaft, Basel	19	100.0
Allianz Australia Limited, Sydney	477	100.0
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	22	77.9
Allianz Bulgaria Life Insurance Company Ltd., Sofia	7	99.0
Allianz Compañía de Seguros y Reaseguros S.A., Barcelona	504	99.9
Allianz Cornhill Insurance plc., London	1,052	98.0 [2]
Allianz EFU Health Insurance Ltd., Karachi	1	76.0
Allianz Egypt Insurance Company S.A.E., Cairo	6	85.0
Allianz Egypt Life Company S.A.E., Cairo	6	96.0
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	96	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	335	99.9
Allianz Europe Ltd., Amsterdam	745	100.0
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	7	100.0
Allianz General Insurance Company S.A., Athens	27	100.0
Allianz General Insurance Malaysia Berhad p.l.c., Kuala Lumpur	62	98.6
Allianz Global Investors Luxembourg S. A., Luxembourg	50	100.0
Allianz Global Investors of America L. P., Delaware	806	93.6
Allianz Global Risks US Insurance Company, Burbank	4,935	100.0
Allianz Hungária Biztosító Rt., Budapest	128	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	16	100.0
Allianz Insurance (Hong Kong) Limited, Hong Kong	8	100.0
Allianz Irish Life Holdings p.l.c., Dublin	299	66.4
Allianz Life Insurance Co. Ltd., Seoul	437	100.0
Allianz Life Insurance Company of North America, Minneapolis	2,370	100.0
Allianz Life Insurance Company S.A., Athens	21	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	20	100.0
Allianz Marine & Aviation France, Paris	115	99.9
Allianz México S.A. Compañía de Seguros, Mexico-City	59	100.0
Allianz Nederland Levensverzekering N.V., Utrecht	255	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	254	100.0
Allianz of America Inc., Wilmington	7,989	100.0
Allianz poistóvna a.s., Prague	73	100.0
Allianz President Life Insurance, Taipeh	44	50.0 [3]
Allianz Re Dublin Ltd., Dublin	15	100.0
Allianz Risk Transfer AG, Zurich	390	100.0
Allianz Slovenská poist’ovna a. s., Bratislava	213	84.6
Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A., Turin	252	97.9
Allianz Suisse Lebensversicherungs-Gesellschaft, Zurich	319	99.9
Allianz Suisse Versicherungs-Gesellschaft, Zurich	597	100.0
Allianz Tiriac Insurance S.A., Bucharest	30	51.6
Allianz Underwriters Insurance Company, Burbank	41	100.0
Allianz (UK) Limited, Guildford	660	100.0
Allianz Worldwide Care Ltd., Dublin	18	100.0
Allianz Zagreb d.d., Zagreb	10	80.1

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group’s share in the dependent enterprise is under 100%.
[2] 99.91% of the voting share capital.
[3] Controlled by Allianz.

OPERATING SUBSIDIARIES	Equity € mn	% owned [1]
Assurances Générales de France, Paris	5,903	62.0
Assurances Générales de France IART, Paris	2,286	99.9
Assurances Générales de France Vie, Paris	2,426	99.9
Banque AGF, Paris	448	99.9
Cadence Capital Management LLC, Boston	5	75.9
Colseguros Generales S. A., Bogota	23	99.9
Commercial Bank Allianz Bulgaria Ltd., Sofia	15	99.4
Compagnie d'Assurance de Protection Juridique S.A., Zug	9	100.0
Companhia de Seguros Allianz Portugal S.A., Lisbon	131	64.8
Dresdner Bank Luxemburg S.A., Luxembourg	907	100.0
Dresdner Bank (Schweiz) AG, Zurich	105	99.8
Dresdner International Management Services Ltd., Dublin	4	100.0
Dresdner Kleinwort Wasserstein (Japan) Ltd., Hong Kong	225	100.0
Dresdner Kleinwort Wasserstein (South East Asia) Ltd., Singapore	27	100.0
ELVIA Reiseversicherungs-Gesellschaft AG, Zurich	128	100.0
Euler Credito y Caution, Madrid	7	100.0
EULER HERMES SFAC. S.A., Paris	366	100.0
Eurovida, S.A. Compañía de Seguros y Reaseguros, Madrid	42	51.0
Fireman's Fund Insurance Company, Novato	3,138	100.0
Four Seasons Health Care Ltd., Wilmslow	177	100.0
GENIALLOYD S.p.A., Milan	44	99.9
Insurance Joint Stock Company „Allianz", Moscow	6	100.0
International Reinsurance Company S.A., Luxembourg	22	100.0
Lloyd Adriatico S.p.A., Triest	828	99.7
Mondial Assistance S.A., Paris Cedex	48	100.0
NFJ Investment Group LP, Dallas	2	100.0
Nicholas Applegate, San Diego	33	100.0
Oppenheimer Capital LLC, Delaware	4	100.0
Pacific Investment Management Company LLC, Delaware	145	91.0
PA Distributors LLC, Delaware	32	100.0
Privatinvest Bank AG, Salzburg	15	74.0
P.T. Asuransi Allianz Utama Indonesia Ltd., Jakarta	14	75.4
RAS Tutela Giudiziaria S.p.A., Milan	9	100.0
RB Vita S.p.A., Milan	215	100.0
RCM Capital Management LLC, San Francisco	25	100.0
RCM (UK) Ltd., London	26	100.0
Riunione Adriatica di Sicurtà S.p.A., Milan	4,767	55.5
T.U. Allianz Polska S.A., Warsaw	41	100.0
T.U. Allianz Polska Zycie S.A., Warsaw	7	100.0
Veer Palthe Voûte N.V., Gouda	17	100.0
Wm. H McGee & Co. Inc., New York	40	100.0

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.
[2] 99.99% of the voting share capital.
[3] Controlled by Allianz.

ASSOCIATED ENTERPRISES[1]	Equity € mn	% owned [2]
Eurohypo AG, Frankfurt am Main	6,177	28.5
GECINA, Paris La Défense	3,733	22.4
Bilfinger Berger AG, Mannheim	1,081	25.0
AGF ACTIONS ZONE EURO, Paris	700	35.3
Deutsche Schiffsbank AG, Bremen und Hamburg	493	40.0
MGL Münchner Gesellschaft für Luftfahrtwerte GmbH, Munich	427	50.0
Regina Verwaltungsgesellschaft mbH, Munich	348	50.0
Kommanditgesellschaft Allgemeine Leasing GmbH & Co., Grünwald	220	40.5
Oddo, Paris	195	27.0
AGF Emprunts d'Etat, Paris	179	35.3
AGF VALEUR DURABLES, Paris	173	30.2
AGF Japon, Paris	144	16.9 [4]
BNP-AK-DRESDNER BANK AS, Istanbul	111	33.3
AGF Europe Convertible, Paris	106	38.8
Edile Oblig, Paris	99	23.8
Rendite Partner Gesellschaft für Vermögensverwaltung-mbH, Frankfurt am Main	82	33.3
Koç Allianz Sigorta T.A.S., Istanbul	74	37.1
AGF UK, Paris	45	56.5 [4]
AV Packaging GmbH, Munich	40	50.9 [3]
Russian People's Insurance Society „Rosno", Moskow	55	45.7

[1] Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20 % and 50 % regardless of whether a significant influence is exercised or not. The presented associated enterprises represent 90 % of total carrying amount of investments in associated enterprises.
[2] Including shares held by dependent subsidiaries.
[3] Voting rights below 50.0 %
[4] (Only) significant influence

OTHER SELECTED HOLDINGS IN LISTED COMPANIES[1]	Market Value € mn	owned[2] %	Group equity € mn	Net Profit € mn	Balance sheet date
Banco Popular Espanol S.A., Madrid	1,043	9.5	4,946	888	12/31/2004
Banco Portuguès de Investimento (BPI – SGPS) S.A., Porto	191	8.7	1,490	174	12/31/2003
BASF AG, Ludwigshafen	749	2.6	15,878	977	12/31/2003
Bayer AG, Leverkusen	939	5.2	12,336	(1,349)	12/31/2003
Bayerische Motorenwerke AG, Munich	907	4.1	16,150	1,974	12/31/2003
Beiersdorf AG, Hamburg	530	7.3	1,831	301	12/31/2003
Crédit Agricole S.A., Paris	752	2.3	42,659	3,059	12/31/2003
E.ON AG, Düsseldorf	1,606	3.5	34,399	5,111	12/31/2003
Eni S.p.A., Rome	617	0.8	28,318	6,154	12/31/2003
Hana Bank, Seoul	181	5.0	2,295	366	12/31/2003
Heidelberger Druckmaschinen AG, Heidelberg	286	13.4	1,261	(695)	3/31/2004
KarstadtQuelle AG, Essen	170	10.6	1,709	113	12/31/2003

[1] Market value Greater-Equal to € 100 mn and percentage of shares owned Greater-Equal to 5%, or market value Greater-Equal to € 500 mn, without trading portfolio of banking business.
[2] Percentage includes equity participations held by dependent enerprises in full, even if the Group's share in this dependent enerprise is under 100% (including consolidated investment funds).

OTHER SELECTED HOLDINGS IN LISTED COMPANIES[1]	Equity € mn	owned[2] %	Group equity € mn	Net Profit € mn	Balance sheet date
Linde AG, Wiesbaden	629	11.5	3,886	109	12/31/2003
mg technologies ag, Frankfurt am Main	171	10.1	1,705	(198)	12/31/2003
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich	2,028	9.8	19,382	(468)	12/31/2003
RWE AG, Essen	1,094	4.8	9,065	936	12/31/2003
Schering AG, Berlin	1,259	11.8	2,918	446	12/31/2003
Siemens AG, Munich	729	1.3	27,384	3,571	9/30/2004
Total S.A., Paris	822	1.2	31,070	7,219	12/31/2003
Unicredito Italiano S.p.A., Milan	1,300	4.9	13,986	2,090	12/31/2003
Worms et Cie, Paris	367	14.8	2,012	112	12/31/2003
Zagrebacka Banka d.d., Zagreb	170	13.0	677	112	12/31/2003

[1] Market value Greater-Equal to € 100 mn and percentage of shares owned Greater-Equal to 5 %, and market value Greater-Equal to € 500 mn, without trading portfolio of banking business.

[2] Percentage includes equity participations held by dependent enerprises in full, even if the Group's share in this dependent enerprise is under 100% (including consolidated investment funds).

Other interests

Associated or other non-consolidated asset management companies hold the following shareholdings in the listed companies shown below.

	Equity investments held by asset management companies					Interest of the Allianz Group in the Asset Management companies
	Market value € mn	owned %	Group equity € mn	Net Profit € mn	Balance sheet date	owned %
Deutsche Lufthansa AG, Cologne	414	8.6	2,653	(984)	12/31/2003	50
MAN AG, Munich	1,004	24.2	2,784	235	12/31/2003	50

Disclosure of equity investments

Information is filed separately with the Commercial Register in Munich (HRB 7158) and published on our website together with the documentation for the Annual General Meeting.

Independent Auditor's Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Allianz Aktiengesellschaft, Munich, for the business year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors), and in supplementary compliance with Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards (IFRS).

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, on the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2004, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, March 11, 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gottfried Wohlmannstetter
Independent Auditor

Dr. Frank Pfaffenzeller
Independent Auditor

Joint Advisory Council of the Allianz Companies

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

Franz Fehrenbach
Chairman of the Board of Management Robert Bosch GmbH

Prof. Dr. Peter Gruss
President Max-Planck-Gesellschaft zur Förderung der Wissenschaften e. V.

Dr. Jürgen Hambrecht
Chairman of the Board of Management BASF Aktiengesellschaft

Prof. Dr. h. c. Hans-Olaf Henkel
President Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz e. V.

Dr. Jürgen Heraeus
Chairman of the Supervisory Board Heraeus Holding GmbH

Dr. Dieter Hundt
Senator h. c., Managing Partner Allgaier Werke GmbH

Dr. Jürgen F. Kammer
Chairman of the Supervisory Board Süd-Chemie AG

Dr. Hartmut Mehdorn
Chairman of the Board of Management Deutsche Bahn AG

Dr. h. c. Bernd Pischetsrieder
Chairman of the Board of Management Volkswagen AG

Prof. Dr. Klaus Pohle
Deutsches Rechnungslegungs Standards Committee e. V.

Harry Roels
Chairman of the Board of Management RWE Aktiengesellschaft

Dr. h. c. Rudolf Rupprecht
Former Chairman of the Board of Management MAN Aktiengesellschaft

Dr. h. c. Walter Scheel
Former President of the Federal Republic of Germany

Prof. Dr. Dr. h. c. Horst Siebert until December 31, 2004
Former President Institut für Weltwirtschaft an der Universität Kiel

Dr. Ron Sommer until December 31, 2004
Former Chairman of the Board of Management Deutsche Telekom AG

Dr. Jörg Spiekerkötter since April 1, 2004
Member of the Board of Management Schering AG

Holger Strait
Managing Partner J. G. Niederegger GmbH & Co. KG

Dr. h. c. Heinrich Weiss
Chairman of the Board of Management SMS GmbH

International Advisory Board

Dr. Dr. Heinrich von Pierer
Chairman Supervisory Board Siemens AG

Donald R. Argus AO
Chairman BHP Billiton Group

Belmiro de Azevedo
Presidente Sonae S. G. P. S., S. A.

Antony Burgmans
Chairman Unilever N. V.

Alfonso Cortina de Alcocer
Chairman Repsol YPF Foundation

Dr. Franz B. Humer
Chairman and CEO F. Hoffmann-La Roche Ltd.

Rahmi Koç
Honorary Chairman Board of Directors Koç Holding A. S.

Aarnout Loudon
Chairman Supervisory Board Akzo Nobel N.V.

Minoru Makihara
Senior Corporate Advisor, Former Chairman, President and CEO Mitsubishi Corporation

Jacques A. Nasser
Senior Partner One Equity Partners LLC

Dr. Marco Tronchetti Provera
Chairman and CEO Pirelli S. p. A.

Anthony Salim
President and CEO Salim Group

Louis Schweitzer
Président Directeur Général de Renault

Peter Sutherland
Chairman BP plc

Lord Vallance of Tummel
Vice Chairman The Royal Bank of Scotland Group plc

Javier Valls Taberner
Presidente del Consejo Banco Popular Español

Membership of Supervisory Board members in other corporate supervisory bodies

Dr. Henning Schulte-Noelle

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

Norbert Blix

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

Dr. Wulf H. Bernotat

Membership in other statutory supervisory boards in Germany
METRO AG, RAG AG (Chairman)
Membership in Group bodies E.ON Energie AG (Chairman), E.ON Ruhrgas AG (Chairman)

Membership in comparable*) supervisory bodies
Membership in Group bodies E.ON Nordic AB (Chairman), E.ON UK plc (Chairman), E.ON US Investments Corp. (Chairman), Sydkraft AB (Chairman)

Dr. Diethart Breipohl

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

Membership in comparable*) supervisory bodies
Assurances Générales de France, Crédit Lyonnais, Euler Hermes S. A.

Bertrand Collomb until December 31, 2004

Membership in comparable*) supervisory bodies
ATCO, Total, Vivendi Universal, Unilever
Membership in Group bodies Lafarge (Chairman)

Dr. Gerhard Cromme

Membership in other statutory supervisory boards in Germany
Axel Springer AG, Deutsche Lufthansa AG, E.ON AG, E.ON Ruhrgas AG, Hochtief AG, Siemens AG, ThyssenKrupp AG (Chairman), Volkswagen AG

Membership in comparable*) supervisory bodies
BNP PARIBAS S. A., Suez S. A.

Jürgen Dormann until May 5, 2004

Membership in other statutory supervisory boards in Germany
LION bioscience AG (Chairman)

Membership in comparable*) supervisory bodies
ABB Ltd. (Chairman), Aventis S. A. (Chairman)

Claudia Eggert-Lehmann

Membership in other statutory supervisory boards in Germany
Dresdner Bank AG

Hinrich Feddersen

Membership in other statutory supervisory boards in Germany
Basler Versicherung Beteiligungsgesellschaft mbH, Deutscher Ring Lebensversicherungs-AG

Peter Haimerl

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

Prof. Dr. Rudolf Hickel

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

Prof. Dr. Renate Köcher

Membership in other statutory supervisory boards in Germany
BASF AG, Infineon Technologies AG (since January 25, 2005), MAN AG

Igor Landau since January 1, 2005

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

Membership in comparable*) supervisory bodies
Crédit Commercial de France, Essilor S. A., Sanofi-Aventis S. A., Thomson

Frank Ley until May 4, 2005

Dr. Max Link since July 1, 2004

As of December 31, 2004 or (with members who resigned) day of resignation
*) We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Karl Neumeier

Herbert Pfennig until June 30, 2004

Membership in other statutory supervisory boards in Germany
Boerse-Stuttgart AG

Sultan Salam

Membership in other statutory supervisory boards in Germany
Dresdner Bank AG

Dr. Albrecht E. H. Schäfer from May 5, 2004 until May 4, 2005

Dr. Manfred Schneider

Membership in other statutory supervisory boards in Germany
Bayer AG (Chairman), DaimlerChrysler AG, Linde AG (Chairman), METRO AG, RWE AG, TUI AG

Margit Schoffer

Membership in other statutory supervisory boards in Germany
Dresdner Bank AG

Prof. Dr. Hermann Scholl until May 4, 2005

Membership in other statutory supervisory boards in Germany
BASF AG, Robert Bosch GmbH (Chairman)

Membership in comparable[*)] supervisory bodies
Robert Bosch Corporation, Robert Bosch Internationale Beteiligungen AG, Sanofi-Aventis S. A.

Prof. Jürgen E. Schrempp until June 30, 2004

Membership in other statutory supervisory boards in Germany
Membership in Group bodies DaimlerChrysler Services AG (Chairman)

Membership in comparable[*)] supervisory bodies
Compagnie Financière Richemont S. A., South African Coal, Oil and Gas Corporation (Sasol) Ltd., Vodafone Group plc
Membership in Group bodies DaimlerChrysler of South Africa (Pty) Ltd. S. A. (Chairman)

Prof. Dr. Dennis J. Snower since July 6, 2004

As of December 31, 2004 or (with members who resigned) day of resignation
*) We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Membership of Board of Management members in other corporate supervisory bodies

Michael Diekmann

Membership in other statutory supervisory boards in Germany
BASF AG, Linde AG (Deputy Chairman), Deutsche Lufthansa AG
Membership in Group bodies Allianz Global Investors AG (Chairman), Allianz Lebensversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman), Dresdner Bank AG (Chairman)

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

Dr. Paul Achleitner

Membership in other statutory supervisory boards in Germany
Bayer AG, MAN AG, RWE AG
Membership in Group bodies Allianz Global Investors AG, Allianz Immobilien GmbH (Chairman)

Detlev Bremkamp until December 31, 2005

Membership in other statutory supervisory boards in Germany
ABB AG (Deutschland), Hochtief AG
Membership in Group bodies Allianz Global Risks Rückversicherungs-AG (Chairman), Allianz Marine & Aviation Versicherungs-AG

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

Jan R. Carendi

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

Dr. Joachim Faber

Membership in other statutory supervisory boards in Germany
Bayerische Börse AG, Infineon Technologies AG
Membership in Group bodies DBI Dresdner Bank Investment Management Kapitalanlagegesellschaft mbH (Chairman) (until December 31, 2004), DEGI Deutsche Gesellschaft für Immobilienfonds mbH (Chairman), Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (Chairman)

Membership in comparable*) supervisory bodies
Società Metallurgica Italiana S. p. A. (until February 14, 2005)
Membership in Group bodies AGF Asset Management

Dr. Reiner Hagemann

Membership in other statutory supervisory boards in Germany
E.ON Energie AG, Schering AG, Steag AG (until December 31, 2004)
Membership in Group bodies Allianz Global Risks Rückversicherungs-AG, Allianz Private Krankenversicherungs-AG (Chairman), Bayerische Versicherungsbank AG (Chairman), Euler Hermes Kreditversicherungs-AG (Chairman), Frankfurter Versicherungs-AG (Chairman), Vereinte Spezial Versicherung AG (Chairman)

Membership in comparable*) supervisory bodies
Membership in Group bodies Allianz Cornhill Insurance plc, Allianz Elementar Lebensversicherungs-AG (Deputy Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG, Allianz Irish Life, Allianz Suisse Lebensversicherungs-AG, Allianz Suisse Versicherungs-AG, Euler Hermes S. A.

Dr. Helmut Perlet

Membership in other statutory supervisory boards in Germany
Membership in Group bodies Allianz Global Investors AG, Allianz Global Risks Rückversicherungs-AG, Dresdner Bank AG

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

As of December 31, 2004 or (with members who resigned) day of resignation
*) We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

Dr. Gerhard Rupprecht

Membership in other statutory supervisory boards in Germany
Fresenius AG, Heidelberger Druckmaschinen AG, Quelle AG, ThyssenKrupp Automotive AG

Membership in comparable*) supervisory bodies
Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman), Allianz Elementar Versicherungs-AG, Allianz Life Insurance Co. Ltd. Seoul, Allianz Life Insurance Company of North America

Dr. Herbert Walter

Membership in other statutory supervisory boards in Germany
Deutsche Börse AG, TSV München von 1860 GmbH & Co. KG aA

Membership in comparable*) supervisory bodies
Banco Popular Español S. A., Banco Portugues de Investimento S. A.

Dr. Werner Zedelius

Membership in comparable*) supervisory bodies
Rosno
Membership in Group bodies Allianz Australia Ltd., Allianz Hungária Biztositó Rt. (Chairman), Allianz Life Insurance Co. Ltd. Seoul (Chairman), Allianz pojistovna a. s. (Chairman), Allianz-Slovenska poistovna a. s. (Chairman), T. U. Allianz Polska S. A. (Chairman), T. U. Allianz Zycie Polska S. A. (Chairman)

As of December 31, 2004 or (with members who resigned) day of resignation
*) We regard memberships in other supervisory bodies as "comparable", if the company is listed on a stock exchange or has more than 500 employees.

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments of the insurance or banking business has not been included.

Acquisition cost
The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises
The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent Group holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses
The overall volume of provisions includes allowance for credit loss – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration.

General allowances for loan losses have been established, on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of certain country to serve its external debt. These country risk allowances are based on an internal country rating system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management
The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held for variable annuity policyholders, bank loans and advances, and investments held under management for third parties.

Associated enterprises
All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20 % and 50 %, regardless of whether a significant influence is actually exercised or not.

At amortized cost
Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Benefits (net) payable to policyholders
The expense of policyholder benefits (less amounts ceded in reinsurance) comprises loss and loss adjustment expenses, premium refunds, and the net change in insurance reserves.

Capital relating to participating certificates
Amount payable on redemption of participating certificates issued. The participating certificates of Allianz AG carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Cash flow statement
Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- normal operating activities
- investing activities
- financing activities

Certificated liabilities
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Consolidated interest (%)
The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities
Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach
With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is redemption made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

Coverage ratio
Represents ratio of total loan loss provisions to total risk elements according to SEC guide 3 (non-performing loans and potential problem loans).

Credit risk
The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current employer service cost
Net expense incurred in connection with a deferred benefit plan less any contributions made by the beneficiary to a pension fund.

Current value
The current value of an investment is normally the same as the market value. If the market value cannot be calculated directly, fair market value is used.

Deferred acquisition costs
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities
The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans
Under defined benefit plans, the enterprise or an external pension fund pledges to pay the beneficiary a benefit at a particular level; unlike the defined contribution plans, the level of the contributions payable by the enterprise are not fixed from the start. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to fixed set of rules.

Defined contribution plans
Under retirement plans in the form of defined contribution plans, the enterprise pledges to pay the beneficiary benefits at a pre-defined level. This effectively releases the enterprise from any further obligations beyond the contributions payable and at the same time precludes the enterprise from participating in the investment success of the contributions.

Derivative financial instruments (derivatives)
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings from ordinary activities
Pre-tax profit or loss from activities which an enterprise undertakes in the normal course of business. This does not include extraordinary items, i.e. income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and are therefore not expected to recur frequently or regularly.

Earnings per share (basic/diluted)
Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation
The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets (= shareholders' equity) of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio

Underwriting costs (including change in deferred acquisition costs) as a percentage of premiums earned.

Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS

U.S. Financial Accounting Standards on which the details of U.S. GAAP (Generally Accepted Accounting Principles) are based.

Forwards

The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Funds held by/for others under reinsurance contracts

Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures

Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill

Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition. Minority interests are always valued at carried-forward historical cost. Goodwill is amortized over its useful life.

Gross/Net

In insurance terminology the terms gross and net mean before and after deduction of reinsurance respectively. (Net is also referred to as "for own account"). In connection with income from interests in affiliated enterprises, joint ventures and associated enterprises, the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted. In the context of investments the term "net" is used where the relevant expenses (e.g. for investment management or valuation writedowns) have already been deducted from the income. This means that investment income (net) from investments in affiliated enterprises, joint ventures and associated enterprises signifies the net result from these investments.

Hedging

The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

IAS

International Accounting Standards.

IFRS

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

IFRS Framework

The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Investments held on account and at risk of life insurance policyholders

Mainly investments funding variable annuities plus investments to cover obligations under policies where the benefits are index-linked. Policyholders are entitled to the gains recorded on these investments, but also have to carry any losses.

Issued capital and capital reserve

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency
Number of losses in relation to the number of insured risks.

Loss ratio
Loss and loss adjustment expenses as a percentage of premiums earned.

Market value
The amount obtainable from the sale of an investment in an active market.

Minority interests in earnings
That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

Minority interests in shareholders' equity
Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

New cost basis
Historical cost adjusted by depreciation to reflect permanent diminution in value.

Options
Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives
Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Pension reserves
Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

Premiums written/earned
Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance
Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements
A repurchase ("repo") transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for trading assets or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate.

A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively.

Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest income/interest expenses and similar income/ expenses.

Reserve for loss and loss adjustment expenses
Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds
That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

Revenue reserves
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Securities available-for-sale
Securities available-for-sale are securities which are neither held with the intent that they will be held-to-maturity nor have been acquired for sale in the near term; securities available-for-sale are shown at their market value on the balance sheet date.

Securities held-to-maturity
Securities held-to-maturity comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

Segment reporting

Financial information based on the consolidated financial statements, reported by business segments (life/health, property/casualty, banking business and asset management) and by regions and products.

Subordinated assets

Assets are recorded as subordinated assets if, in the case of liquidation or bankruptcy, the related claim cannot be realized before the claims of other creditors are realized.

Subordinated liabilities

Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps

Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Trading assets

Trading assets are debt issues and stocks as other financing instruments (essentially derivatives, note loans und precious metals holding) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

Trading income

Trading income includes all realized and unrealized profits and losses from trading assets and trading liabilities. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

Trading liabilities

Trading liabilities include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Shorts sales of securities are recorded at market value on the balance sheet date. Derivatives shown as trading liabilities are valued the same way as trading assets.

Underwriting costs

Commissions, salaries, general expenses and other expenses relating to the acquisition and ongoing administration of insurance policies. The net figure is after expenses recovered from reinsurers have been deducted.

Unearned premiums

Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

Unrecognized past service cost

Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

U.S. GAAP

U.S. Generally Accepted Accounting Principles.

Variable annuities

The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

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International Presence

EUROPE

Germany

- Allianz Capital Managers GmbH
- Allianz Capital Partners GmbH
- Allianz Dresdner Bauspar AG
- Allianz Global Investors Advisory GmbH
- Allianz Global Investors AG
- Allianz Global Risks Rückversicherungs-AG
- Allianz Lebensversicherungs-AG
- Allianz Marine & Aviation Versicherungs-AG
- Allianz Private Krankenversicherungs-AG
- Allianz Versicherungs-AG
- Bayerische Versicherungsbank AG
- DEGI Deutsche Gesellschaft für Immobilienfonds mbH
- Deutsche Lebensversicherungs-AG
- DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH
- Dresdner Bank AG
- dresdnerbank investment management Kapitalanlagegesellschaft mbH
- Euler Hermes Kreditversicherungs-AG
- Eurohypo AG
- Frankfurter Versicherungs-AG
- Oldenburgische Landesbank AG
- Reuschel & Co. Kommanditgesellschaft

Austria

- Allianz Elementar Lebensversicherungs-Aktiengesellschaft
- Allianz Elementar Versicherungs-Aktiengesellschaft

Belgium

- AGF Belgium Insurance S. A.

France

- AGF Asset Management S. A.
- Assurances Générales de France IART S. A.
- Assurances Générales de France Vie S. A.
- Assurances Générales de France
- Banque AGF S. A.
- Euler Hermes SFAC S. A.
- Mondial Assistance S. A.

Greece

- Allianz General Insurance Company S. A.
- Allianz Life Insurance Company S. A.

Ireland

- Allianz Irish Life Holdings p. l. c.
- Allianz Worldwide Care Ltd.

Italy

- Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A.
- Lloyd Adriatico S. p. A.
- Riunione Adriatica di Sicurtà S. p. A.

Luxemburg

- Allianz Global Investors Luxembourg S. A.
- Dresdner Bank Luxembourg S. A.
- International Reinsurance Company S. A.

Netherlands

- Allianz Nederland Levensverzekering N. V.
- Allianz Nederland Schadeverzekering N. V.

Portugal

- Companhia de Seguros Allianz Portugal S. A.

Spain

- Allianz Compañía de Seguros y Reaseguros S. A.

Switzerland

- Allianz Risk Transfer N. V.
- Allianz Suisse Lebensversicherungs-Gesellschaft
- Allianz Suisse Versicherungs-Gesellschaft
- Dresdner Bank (Schweiz) AG
- ELVIA Reiseversicherungs-Gesellschaft AG

Turkey

- Koç Allianz Sigorta T.A.S.

United Kingdom

- Allianz Cornhill Insurance plc.
- Four Seasons Health Care Ltd.
- RCM (UK) Ltd.

The addresses of all Allianz companies can be found at www.allianzgroup.com/companies

EMERGING MARKETS (EUROPE)

Bulgaria
- Allianz Bulgaria Insurance and Reinsurance Company Ltd.
- Allianz Bulgaria Life Insurance Company Ltd.
- Commercial Bank Allianz Bulgaria Ltd.

Croatia
- Allianz Zagreb d. d.

Czech Republic
- Allianz pojistovna, a. s.

Hungary
- Allianz Hungária Biztosító Rt.

Poland
- T. U. Allianz Polska S. A.
- T. U. Allianz Polska Zycie S. A.

Romania
- Allianz Tiriac Insurance S .A.

Russian Federation
- Insurance Joint Stock Company „Allianz"
- Russian People's Insurance Society „Rosno"

Slovakia
- Allianz-Slovenská poist'ovna a. s.

AMERICA

Brazil
- AGF Brasil Seguros S. A.

Colombia
- Colseguros Generales S. A.

Mexico
- Allianz México S. A. Compañía de Seguros

U.S.A.
- Allianz Global Investors of America L.P.
- Allianz Global Risks US Insurance Company
- Allianz Life Insurance Company of North America
- Cadence Capital Management LLC
- Fireman's Fund Insurance Company
- NFJ Investment Group L.P.
- Nicholas Applegate
- PA Distributors LLC
- PEA Capital LLC
- RCM Capital Management LLC

Venezuela
- Adriática de Seguros C. A.

ASIA PACIFIC/AFRICA

Australia
- Allianz Australia Limited

China
- Allianz Insurance (Hong Kong) Limited

Indonesia
- PT Asuransi Allianz Utama Indonesia Ltd.

Japan
- Allianz Fire and Marine Insurance Japan Ltd.
- Dresdner Kleinwort Wasserstein (Japan) Limited

South Korea
- Allianz Life Insurance Co. Ltd.

Malaysia
- Allianz General Insurance Malaysia Berhad p.l.c.
- Allianz Life Insurance Malaysia Berhad p.l.c.

Pakistan
- Allianz EFU Health Insurance Ltd.

Singapore
- Allianz Insurance Company of Singapore Pte. Ltd.

Taiwan
- Allianz President Life Insurance Co. Ltd.

Egypt
- Allianz Egypt Insurance Company S. A. E.
- Allianz Egypt Life Company S. A. E.

Business segments
- Property-Casualty
- Life/Health
- Banking
- Asset Management
- Property-Casualty and Life/Health

ALLIANZ GROUP[1]		2004	Change from prev. year in %	2003	2002	2001	2000	1999	1998
Earnings									
Total revenues[2]	€ mn	96,892	3.3	93,779					
Operating profit	€ mn	6,856	68.6	4,066					
Property-Casualty	€ mn	3,979	63.3	2,437					
Life/Health	€ mn	1,418	12.1	1,265					
Banking	€ mn	603	n.m.	(369)					
Asset Management	€ mn	856	16.8	733					
Earnings before taxes	€ mn	5,183	81.2	2,861	(1,633)	1,768	4,913	4,804	4,910
Net income	€ mn	2,199	16.4	1,890	(1,496)	1,585	3,460	2,317	2,176
Balance sheet									
Investments	€ bn	320	8.3	295	285	345	281	271	240
Loans and advances	€ bn	315	(1.9)	321	275	301	35	31	39
Shareholders' equity	€ bn	31	7.8	29	22	32	36	30	25
Insurance reserves	€ bn	355	14.0	311	306	300	285	268	238
Liabilities to banks and customers	€ bn	349	4.7	333	285	313	15	14	16
Balance sheet total	€ bn	995	6.3	936	852	943	440	411	364
Returns									
Return on equity after taxes	%	7.4	(0.1) % pt	7.5	(5.6)	4.7	10.6	8.5	9.8
Return on equity before amortization of goodwill	%	11.3	(1.8) % pt	13.1	(1.3)	7.1	12.1	10.2	10.9
Share information									
Earnings per share	€	6.01	7.5	5.59	(5.40)	5.71	12.32	8.29	7.87
Earnings per share before amortization of goodwill	€	9.19	(5.9)	9.77	(1.21)	8.62	14.09	10.03	8.76
Dividend per share	€	1.75	16.7	1.50	1.50	1.50	1.50	1.25	1.12
Dividend payment	€ mn	674	22.3	551	374	364	367	307	276
Share price at year-end[3]	€	97.6	(2.5)	100.1	80.8	237.1	355.3	297.7	282.1
Market capitalization at year-end[4]	€ bn	35.9	(2.2)	36.7	22.0	64.2	98.0	81.8	77.6
Miscellaneous									
Employees		162,180	(6.7)	173,750	181,651	179,946	119,683	113,472	105,676
Assets under management	€ bn	1,078	8.2	996	989	1,126	700	382	343

[1] Items within the "Earnings" and "Balance sheet" sections are Allianz Group consolidated numbers.
[2] Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, and asset management segment's operating revenues.
[3] Adjusted for capital measures (capital increase).
[4] Excluding treasury shares.

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