

ALLIANZ AKTIENGESELLSCHAFT

Form 6-K

December 12, 2005

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

December 12, 2005

Commission file Number: 1-15154

ALLIANZ AKTIENGESELLSCHAFT

Königinstrasse 28

80802 Munich

Germany

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

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This Report on Form 6-K consists of interim financial statements of Allianz Aktiengesellschaft (Allianz AG) for the period ended September 30, 2005 with comparative figures for September 30, 2004, including a reconciliation to U.S. GAAP, for purposes of incorporation by reference into certain registration statements filed by Allianz AG with the U.S. Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 12, 2005

ALLIANZ AKTIENGESELLSCHAFT

By: /s/ Dr. Joerg Weber
Name: Dr. Joerg Weber

Title: Head of Group Management Reporting

By: /s/ Jonathan Wismer
Name: Jonathan A. Wismer

Title: Group Management Reporting

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| 99.1 | Allianz Group unaudited consolidated financial statements as of and for the nine months ended September 30, 2005 and 2004, including a reconciliation to U.S. GAAP. |

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Exhibit 99.1

ALLIANZ GROUP

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

as of and for the nine months ended September 30, 2005 and 2004

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Table of Contents**Allianz Group****Consolidated Balance Sheets**

As of September 30, 2005 and as of December 31, 2004

| | | September 30, | December 31, |
|--|------|-------------------|----------------|
| | | 2005 | 2004 |
| | Note | mn (unaudited) | mn |
| ASSETS | | | |
| Intangible assets | 4 | 15,465 | 15,147 |
| Investments in associated enterprises and joint ventures | | 3,470 | 5,757 |
| Investments | 5 | 276,177 | 248,327 |
| Loans and advances to banks | 6 | 150,048 | 181,543 |
| Loans and advances to customers | 7 | 193,179 | 195,680 |
| Financial assets carried at fair value through income | 8 | 235,097 | 240,574 |
| Cash and cash equivalents | | 24,093 | 15,628 |
| Amounts ceded to reinsurers from reserves for insurance and investment contracts | 9 | 23,533 | 22,310 |
| Deferred tax assets | | 15,242 | 14,139 |
| Other assets | | 52,894 | 51,213 |
| Total assets | | 989,198 | 990,318 |
| | | September 30, | December 31, |
| | | 2005 | 2004 |
| | Note | mn (unaudited) | mn |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | |
| Shareholders equity | 10 | 48,588 | 37,691 |
| Participation certificates and subordinated liabilities | 11 | 14,547 | 13,230 |
| Reserves for insurance and investment contracts | 12 | 356,489 | 326,380 |
| Liabilities to banks | 13 | 147,998 | 191,347 |
| Liabilities to customers | 14 | 159,907 | 157,137 |
| Certificated liabilities | 15 | 58,645 | 57,752 |
| Financial liabilities carried at fair value through income | 16 | 141,085 | 145,137 |
| Other accrued liabilities | 17 | 13,797 | 13,984 |
| Other liabilities | 18 | 29,154 | 31,271 |
| Deferred tax liabilities | | 15,544 | 14,350 |
| Deferred income | | 3,444 | 2,039 |
| Total shareholders equity and liabilities | | 989,198 | 990,318 |

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Allianz Group

Consolidated Income Statements (unaudited)

for the three months and nine months ended September 30, 2005 and 2004

| | Note | Three months | | Nine months | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | ended | | ended | |
| | | September 30, | | September 30, | |
| | | 2005 | 2004 | 2005 | 2004 |
| | | mn | mn | mn | mn |
| Premiums earned (net) | 19 | 13,994 | 13,830 | 42,292 | 41,829 |
| Interest and similar income | 20 | 5,282 | 5,181 | 16,597 | 15,773 |
| Income from investments in associated enterprises and joint ventures (net) | 21 | 80 | 68 | 962 | 707 |
| Other income from investments | 22 | 1,008 | 783 | 3,487 | 4,137 |
| Income from financial assets and liabilities carried at fair value through income (net) | 23 | 617 | 346 | 1,099 | 1,305 |
| Fee and commission income, and income from service activities | 24 | 2,074 | 1,616 | 5,989 | 4,962 |
| Other income | 25 | 408 | 678 | 1,679 | 1,791 |
| Total income | | 23,463 | 22,502 | 72,105 | 70,504 |
| Insurance and investment contract benefits (net) | 26 | (13,375) | (12,318) | (40,194) | (38,860) |
| Interest and similar expenses | 27 | (1,387) | (1,460) | (4,700) | (4,234) |
| Other expenses from investments | 28 | (310) | (651) | (925) | (2,102) |
| Loan loss provisions | 29 | 132 | (51) | 88 | (273) |
| Acquisition costs and administrative expenses (net) | 30 | (6,141) | (5,806) | (17,598) | (17,286) |
| Amortization of goodwill | | | (297) | | (885) |
| Other expenses | 31 | (724) | (730) | (2,707) | (2,770) |
| Total expenses | | (21,805) | (21,313) | (66,036) | (66,410) |
| Earnings from ordinary activities before taxes | | 1,658 | 1,189 | 6,069 | 4,094 |
| Taxes | 32 | (530) | (497) | (1,541) | (1,240) |
| Minority interests in earnings | | (334) | (224) | (1,020) | (884) |
| Net income | | 794 | 468 | 3,508 | 1,970 |
| Basic earnings per share | 33 | 2.03 | 1.28 | 9.11 | 5.37 |
| Diluted earnings per share | 33 | 2.02 | 1.27 | 9.06 | 5.35 |

Table of Contents**Allianz Group****Consolidated Statements of Changes in Shareholders' Equity (unaudited)**

for the nine months ended September 30, 2005 and 2004

| | Paid in capital | Revenue reserves | Foreign currency translation adjustments | Unrealized gains and losses (net) | Shareholders equity before minority interests | Minority interests in shareholders equity | Shareholders equity |
|--|--------------------|---------------------|---|--|--|--|------------------------|
| | mn | mn | mn | mn | mn | mn | mn |
| Balance as of December 31, 2003, as previously reported | 19,347 | 6,914 | (1,916) | 4,247 | 28,592 | 8,367 | 36,959 |
| Effect of implementation of new accounting standards (Note 2) | | (2,821) | 23 | 2,199 | (599) | (1,101) | (1,700) |
| Balance as of December 31, 2003, as adjusted | 19,347 | 4,093 | (1,893) | 6,446 | 27,993 | 7,266 | 35,259 |
| Foreign currency translation adjustments | | | 99 | 17 | 116 | 15 | 131 |
| Changes in the group of consolidated companies | | (22) | 14 | 5 | (3) | | (3) |
| Treasury shares | | 43 | | | 43 | | 43 |
| Unrealized gains and losses (net) | | | | (704) | (704) | 39 | (665) |
| Net income | | 1,970 | | | 1,970 | 884 | 2,854 |
| Dividends paid | | (551) | | | (551) | (432) | (983) |
| Miscellaneous | | 104 | | | 104 | (433) | (329) |
| Balance as of September 30, 2004 | 19,347 | 5,637 | (1,780) | 5,764 | 28,968 | 7,339 | 36,307 |
| Balance as of December 31, 2004, as previously reported | 19,433 | 8,478 | (2,680) | 5,597 | 30,828 | 9,531 | 40,359 |
| Effect of implementation of new accounting standards (Note 2) | | (2,585) | 46 | 1,706 | (833) | (1,835) | (2,668) |
| Balance as of December 31, 2004, as adjusted | 19,433 | 5,893 | (2,634) | 7,303 | 29,995 | 7,696 | 37,691 |
| Foreign currency translation adjustments | | | 1,428 | 44 | 1,472 | 34 | 1,506 |
| Changes in the group of consolidated companies | | (195) | 2 | (13) | (206) | 106 | (100) |
| Capital paid in | 2,064 | | | | 2,064 | | 2,064 |
| Treasury shares | | 1,640 | | | 1,640 | | 1,640 |
| Unrealized gains and losses (net) | | | | 2,191 | 2,191 | 466 | 2,657 |
| Net income | | 3,508 | | | 3,508 | 1,020 | 4,528 |
| Dividends paid | | (674) | | | (674) | (594) | (1,268) |
| Miscellaneous | | (172) | | | (172) | 42 | (130) |
| Balance as of September 30, 2005 | 21,497 | 10,000 | (1,204) | 9,525 | 39,818 | 8,770 | 48,588 |

Table of Contents**Allianz Group****Consolidated Statements of Cash Flows (unaudited)****for the nine months ended September 30, 2005 and 2004**

| Nine months ended September 30, | 2005 | 2004 |
|---|-----------------|-----------------|
| | mn | mn |
| Operating activities | | |
| Net income | 3,508 | 1,970 |
| Change in unearned premiums | 1,712 | 1,469 |
| Change in aggregate policy reserves (without aggregate policy reserves for life insurance products in accordance with SFAS 97) | 12,283 | 10,912 |
| Change in reserve for loss and loss adjustment expenses | 2,759 | 2,091 |
| Change in other insurance reserves (without change in the reserve for latent premium refunds from unrealized investment gains and losses) | 2,745 | 1,714 |
| Change in deferred acquisition costs | (1,716) | (544) |
| Change in funds held by others under reinsurance business assumed | (10) | 457 |
| Change in funds held under reinsurance business ceded | (1,240) | 477 |
| Change in accounts receivable/payable on reinsurance business | (84) | (49) |
| Change in trading securities (including trading liabilities) | 8,513 | (22,059) |
| Change in loans and advances to banks and customers | 34,657 | (38,888) |
| Change in liabilities to banks and customers | (40,857) | 47,255 |
| Change in certificated liabilities | 797 | 2,397 |
| Change in other receivables and liabilities | (1,388) | 5,392 |
| Change in deferred tax assets/liabilities (without change in deferred tax assets/liabilities from unrealized investment gains and losses) | (52) | 164 |
| Non-cash investment income/expenses | (4,470) | (3,024) |
| Amortization of goodwill | | 885 |
| Other | 1,518 | (1,958) |
| Net cash flow provided by operating activities | 18,675 | 8,661 |
| Investing activities | | |
| Change in securities available-for-sale | (19,716) | (9,648) |
| Change in investments held-to-maturity | 200 | (607) |
| Change in real estate | (53) | (1,457) |
| Change in other investments | 3,124 | 861 |
| Change in cash and cash equivalents from the acquisition of consolidated affiliated companies | | (1,293) |
| Other | (284) | (1,528) |
| Net cash flow used in investing activities | (16,729) | (13,672) |
| Financing activities | | |
| Change in participation certificates and subordinated liabilities | 1,311 | 1,232 |
| Change in investments held on account and at risk of life insurance policyholders | (8,916) | (6,177) |
| Change in aggregate policy reserves for life insurance products according to SFAS 97 | 10,404 | 4,365 |
| Cash inflow from capital increases | 2,064 | |
| Dividend payouts | (1,268) | (983) |
| Other from shareholders capital and minority interests (without change in revenue reserve from unrealized investment gains and losses) | 2,862 | 1,830 |
| Net cash flow provided by financing activities | 6,457 | 267 |

| | | |
|--|---------------|----------------|
| Effect of exchange rate changes on cash and cash equivalents | 62 | 14 |
| Change in cash and cash equivalents | 8,465 | (4,730) |
| Cash and cash equivalents at beginning of period | 15,628 | 25,528 |
| Cash and cash equivalents at end of period | 24,093 | 20,798 |

The data for the Allianz Group's consolidated statements of cash flows was prepared in accordance with International Financial Reporting Standards (IFRS).

Outflows for taxes on income amounted to 969 mn (2004: 885 mn).

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Allianz Group

Notes to the Consolidated Financial Statements (unaudited)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

1 Basis of presentation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted under European Union (EU) regulations in accordance with clause 315a of the German Commercial Code (HGB). EU regulations require full compliance with IFRS with the exception of the IAS 39 carve-out rules. Nevertheless, the endorsement by the EU, i.e. the elimination of the carve-out-rule, is expected before year-end 2005 and thus the fair value option for liabilities is already applied. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards continue to be cited as International Accounting Standards (IAS). All standards currently applicable have been adopted in the preparation of these consolidated financial statements.

For years through 2004, IFRS did not provide specific guidance concerning the reporting of insurance and reinsurance contracts. 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. See Note 2 regarding changes to IFRS effective January 1, 2005. The financial statements are presented in Euros ().

In certain cases, prior reporting period figures were reclassified in the consolidated balance sheet and in the consolidated income statement to make them comparable with the presentation of the current reporting period. These reclassifications had no impact on income.

2 Recently adopted accounting pronouncements

Effective January 1, 2005, the Allianz Group adopted IAS 32 revised, Financial Instruments: Disclosure and Presentation (IAS 32 revised) and IAS 39 revised, Financial Instruments: Recognition and Measurement (IAS 39 revised).

IAS 39 revised prohibits reversals of impairment losses on equity securities. According to the Allianz Group's previous accounting policy, if the amount of an impairment previously recorded on an equity security decreases, the impairment was reversed. IAS 39 revised required retrospective application of this change; therefore, the Allianz Group's previously issued consolidated financial statements were required to be restated to include the effects of this change. As a result of the adoption of this provision of IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

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| <u>(Debit) Credit</u> | Three months | | Nine months |
|---|---------------|--|---------------|
| | ended | | ended |
| | September 30, | | September 30, |
| | 2004 | | 2004 |
| | mn | | mn |
| Other income from investments | (15) | | (262) |
| Insurance and investment contract benefits (net) | (27) | | 93 |
| Other expenses from investments | 34 | | 100 |
| Taxes | 5 | | 18 |
| Minority interests in earnings | (1) | | (5) |
| Net impact on previously reported net income | (4) | | (56) |

In accordance with 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. As a result of the adoption of IAS 32 revised, the Allianz Group was required to reclassify the minority interests in shareholders' equity of certain consolidated investment funds to liabilities. These liabilities are

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

required to be recorded at redemption amount with changes recorded in the consolidated income statement.

Further, IAS 39 revised created a new category, designated at fair value through income, for financial assets. Financial assets designated at fair value through income are recognized at fair value with changes recognized in net income. As a result of being required to record the liabilities related to the previously mentioned consolidated investment funds at the redemption amount due to the adoption of IAS 32 revised, the Allianz Group reclassified the related investments from securities available-for-sale to financial assets designated at fair value through income. IAS 39 revised required retrospective application of these changes.

As a result of the adoption of these provisions of IAS 32 revised and IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

| (Debit) Credit | Three months | Nine months |
|---|--------------------------------|--------------------------------|
| | ended September 30, 2004 | ended September 30, 2004 |
| | mn | mn |
| Interest and similar income | (9) | (38) |
| Other income from investments | (54) | (130) |
| Income from financial assets and liabilities carried at fair value through income (net) | 38 | 125 |
| Insurance and investment contract benefits (net) | 10 | (33) |
| Other expenses from investments | 27 | 82 |
| Taxes | (4) | (2) |
| Minority interests in earnings | (7) | 2 |
| Net impact on previously reported net income | 1 | 6 |

In addition, as a result of the adoption of IAS 39 revised, the Allianz Group reclassified certain securities available-for-sale to loans and advances to banks and loans and advances to customers. As a result of the adoption of this provision of IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

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| <u>(Debit) Credit</u> | Three months | | Nine months |
|---|---------------|--|---------------|
| | ended | | ended |
| | September 30, | | September 30, |
| | 2004 | | 2004 |
| | mn | | mn |
| Other income from investments | 11 | | 8 |
| Other income | (11) | | (8) |
| Other expenses from investments | 33 | | 45 |
| Other expenses | (33) | | (45) |
| Net impact on previously reported net income | _____ | | _____ |

Effective January 1, 2005, the Allianz Group adopted 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 with changes recognized in the income statement and 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.

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. As a result of the adoption 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

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

the Allianz Group's previous accounting policy, the Class B Plan was considered an equity settled plan.

Further, IFRS 2 requires that equity settled plans include a best estimate of the number of equity instruments 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 equity instruments be recognized when incurred.

As a result of the adoption of IFRS 2, the Allianz Group recorded the following effects in its consolidated income statements:

| <u>(Debit) Credit</u> | Three months ended September 30, 2004 | Nine months ended September 30, 2004 |
|---|--|---|
| | mn | mn |
| Acquisition and administrative expenses (net) | (60) | (206) |
| Taxes | 12 | 50 |
| Minority interests in earnings | 29 | 84 |
| Net impact on previously reported net income | (19) | (72) |

Effective January 1, 2005, the Allianz Group adopted IFRS 3, Business Combinations (IFRS 3). In accordance with IFRS 3, a company must cease the amortization of goodwill and intangible assets with an indefinite 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 ceased amortization of goodwill and brand names.

Effective January 1, 2005, the Allianz Group adopted 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 regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. As a result, the Allianz Group principally continues to apply the provisions of US GAAP for the recognition and measurement of

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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. As a result of the adoption of IFRS 4, certain contracts were reclassified as investment contracts. This change did not have a material effect on the Allianz Group's shareholders' equity as of December 31, 2003.

Further, the Allianz Group reclassified the assets related to unit-linked insurance and investment contracts to financial assets designated at fair value through income and the related liabilities to financial liabilities designated at fair value through income as allowed under the EU insurance directives.

As a result of this reclassification, the Allianz Group recorded the following effects in its consolidated income statements:

| <u>(Debit) Credit</u> | Three months ended September 30, 2004 | Nine months ended September 30, 2004 |
|---|--|---|
| | <u>mn</u> | <u>mn</u> |
| Income from financial assets and liabilities carried at fair value through income (net) | 12 | (105) |
| Insurance and investment contract benefits (net) | (12) | 105 |
| Net impact on previously reported net income | 0 | 0 |

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Impairments of equity securities

IAS 39 revised requires a change to the Allianz Group's impairment criteria for available-for-sale equity securities. An equity security is considered to be impaired if there is objective evidence that the cost of the equity security may not be recovered. IAS 39 revised requires that a significant or prolonged decline in the fair value of an equity security below cost is considered to be objective evidence of impairment. The Allianz Group established, beside the existing qualitative impairment criteria, new quantitative impairment criteria for equity securities to define significant or prolonged decline. To satisfy the significant criteria, the Allianz Group has established a policy that an equity security is considered impaired if the fair value is below the weighted-average cost by more than 20%. To satisfy the prolonged criteria, the Allianz Group established a policy that an equity security is considered impaired if the fair value is below the weighted-average cost for greater than nine months. Each of these policies is applied independently at the subsidiary level.

In addition, IAS 39 revised does not allow an adjusted cost basis to be established upon impairment of an equity security. Rather, each reporting period, if the fair value is less than the original cost basis of the equity security, the security is analyzed for impairment based upon the Allianz Group's impairment criteria. At each reporting date, for equity securities that are determined to be impaired based upon the Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. According to the Allianz Group's previously applied accounting policy, upon the recognition of an impairment of an equity security, an adjusted cost basis was established. Therefore, at each reporting period, if the fair value was less than the adjusted cost basis of the equity security, the security was analyzed for impairment based upon the Allianz Group's impairment criteria.

As a result, the Allianz Group recorded the following effects in the consolidated income statements:

| (Debit) Credit | Three months | Nine months |
|--|--------------------------------|--------------------------------|
| | ended September 30, 2004 | ended September 30, 2004 |
| | mn | mn |
| Other income from investments | 111 | 742 |
| Insurance and investment contract benefits (net) | 17 | (138) |
| Other expenses from investments | (157) | (199) |
| Taxes | (15) | (70) |
| Minority interests in earnings | (3) | (68) |

| | | |
|---|-------------|------------|
| Net impact on previously reported net income | (47) | 267 |
|---|-------------|------------|

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Fair value option for financial liabilities

IAS 39 revised created a new category, designated at fair value through income, for financial assets and liabilities. Both, financial assets and liabilities designated at fair value through income are recognised at fair value with changes recognised in net income. The Allianz Group already implemented this new rule for financial assets as of January 1, 2005. The implementation of this regulation with regard to financial liabilities was not allowed because the EU did not endorse it based on the revised IAS 39. In June 2005 the IASB adjusted the fair value regulation and considered the concerns raised by the EU. It is expected that the EU will endorse the new rules in the fourth quarter 2005. Thus, the Allianz Group already applied the fair value option for financial liabilities retrospectively in the third quarter due to the forthcoming EU endorsement.

This change did not have a material effect on net income for the three and nine months ended September 30, 2004.

Discretionary participating features

IFRS 4 contains specific guidance for contracts with discretionary participation features (DPF). These include other contracts that have additional payments where the timing or amount is at the discretion of the company. Based on this definition the Allianz Group recognised retrospectively a deferred premium refund for specific contracts for the Swiss business.

This change did not have a material effect on net income for the three and nine months ended September 30, 2004.

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

3 Segment reporting**Business Segment Information Consolidated Balance Sheets**

As of September 30, 2005 and as of December 31, 2004

| | Property-Casualty | | Life/Health | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 |
| | mn | mn | mn | mn |
| ASSETS | | | | |
| Intangible assets | 2,230 | 2,185 | 4,012 | 4,075 |
| Investments in associated enterprises and joint ventures | 48,231 | 48,359 | 4,038 | 5,532 |
| Investments | 86,612 | 81,245 | 173,886 | 154,920 |
| Loans and advances to banks | 13,632 | 7,424 | 56,984 | 56,699 |
| Loans and advances to customers | 2,006 | 6,224 | 27,658 | 28,808 |
| Financial assets carried at fair value through income | 3,285 | 1,137 | 61,708 | 46,668 |
| Cash and cash equivalents | 2,336 | 1,665 | 1,574 | 968 |
| Amounts ceded to reinsurers from reserves for insurance and investment contracts | 14,561 | 12,337 | 10,827 | 16,382 |
| Deferred tax assets | 7,597 | 6,816 | 3,849 | 3,451 |
| Other assets | 21,579 | 20,045 | 23,501 | 20,362 |
| Total segment assets | 202,069 | 187,437 | 368,037 | 337,865 |

| | Property-Casualty | | Life/Health | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 |
| | mn | mn | mn | mn |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | | |
| Participation certificates and subordinated liabilities | 7,307 | 5,497 | 140 | 141 |
| Reserves for insurance and investment contracts | 86,931 | 83,095 | 271,574 | 249,854 |
| Liabilities to banks | 2,605 | 1,358 | 1,082 | 1,241 |

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| | | | | |
|--|----------------|----------------|----------------|----------------|
| Liabilities to customers | 5,080 | 5,336 | 74 | 165 |
| Certificated liabilities | 9,668 | 11,405 | 4 | 68 |
| Financial liabilities carried at fair value through income | 1,252 | 530 | 56,679 | 44,776 |
| Other accrued liabilities | 6,032 | 5,960 | 856 | 1,016 |
| Other liabilities | 13,652 | 12,352 | 16,371 | 21,280 |
| Deferred tax liabilities | 8,310 | 7,894 | 5,172 | 4,539 |
| Deferred income | 124 | 161 | 124 | 139 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total segment liabilities | 140,961 | 133,588 | 352,076 | 323,219 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

*) Shareholders' equity and minority interests in shareholders' equity.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|-----------------------|----------------------|-----------------------|----------------------|---------------------------|----------------------|-----------------------|----------------------|
| September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 |
| mn | mn | mn | mn | mn | mn | mn | mn |
| 2,541 | 2,526 | 6,682 | 6,362 | | (1) | 15,465 | 15,147 |
| 2,764 | 3,037 | 3 | 3 | (51,566) | (51,174) | 3,470 | 5,757 |
| 16,672 | 17,736 | 800 | 529 | (1,793) | (6,103) | 276,177 | 248,327 |
| 81,281 | 119,025 | 274 | 144 | (2,123) | (1,749) | 150,048 | 181,543 |
| 171,348 | 168,346 | 85 | 29 | (7,918) | (7,727) | 193,179 | 195,680 |
| 169,914 | 192,746 | 307 | 131 | (117) | (108) | 235,097 | 240,574 |
| 20,054 | 13,097 | 588 | 431 | (459) | (533) | 24,093 | 15,628 |
| | | | | (1,855) | (6,409) | 23,533 | 22,310 |
| 3,588 | 3,679 | 202 | 187 | 6 | 6 | 15,242 | 14,139 |
| 10,131 | 15,341 | 3,407 | 2,942 | (5,724) | (7,477) | 52,894 | 51,213 |
| 478,293 | 535,533 | 12,348 | 10,758 | (71,549) | (81,275) | 989,198 | 990,318 |

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|------------------------------|----------------------|-----------------------|----------------------|---------------------------|----------------------|-----------------------|----------------------|
| September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 |
| mn | mn | mn | mn | mn | mn | mn | mn |
| 7,308 | 7,815 | | | (208) | (223) | 14,547 | 13,230 |
| 4 | 4 | | | (2,020) | (6,573) | 356,489 | 326,380 |
| 144,644 | 189,187 | 41 | 7 | (374) | (446) | 147,998 | 191,347 |
| 161,718 | 158,127 | 500 | 294 | (7,465) | (6,785) | 159,907 | 157,137 |
| 49,610 | 47,041 | 4 | 4 | (641) | (766) | 58,645 | 57,752 |
| 83,277 | 99,934 | | | (123) | (103) | 141,085 | 145,137 |
| 5,115 | 5,783 | 1,794 | 1,225 | | | 13,797 | 13,984 |
| 4,482 | 8,859 | 1,290 | 709 | (6,641) | (11,929) | 29,154 | 31,271 |
| 1,989 | 1,860 | 73 | 57 | | | 15,544 | 14,350 |
| 3,170 | 1,737 | 26 | 2 | | | 3,444 | 2,039 |
| 461,317 | 520,347 | 3,728 | 2,298 | (17,472) | (26,825) | 940,610 | 952,627 |
| Shareholders equity*) | | | | | | 48,588 | 37,691 |

| | | |
|--|----------------|----------------|
| Total shareholders equity and liabilities | 989,198 | 990,318 |
|--|----------------|----------------|

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Business Segment Information Consolidated Income Statements

for the three months ended September 30, 2005 and 2004

| | Property-Casualty | | Life/Health | |
|---|-------------------|-----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Three months ended September 30, | mn | mn | mn | mn |
| Premiums earned (net) | 9,788 | 9,840 | 4,206 | 3,990 |
| Interest and similar income | 906 | 932 | 2,846 | 2,693 |
| Income from associated enterprises and joint ventures (net) | 152 | 72 | 54 | 82 |
| Other income from investments | 329 | 207 | 639 | 443 |
| Income from financial assets and liabilities carried at fair value through income (net) | (65) | 3 | 291 | 103 |
| Fee and commission income, and income from service activities | 451 | 243 | 53 | 52 |
| Other income | 176 | 281 | 211 | 387 |
| Total income | 11,737 | 11,578 | 8,300 | 7,750 |
| Insurance and investment contract benefits (net) | (7,247) | (6,853) | (6,128) | (5,465) |
| Interest and similar expenses | (243) | (369) | (102) | (212) |
| Other expenses from investments | (74) | (319) | (187) | (275) |
| Loan loss provisions | (3) | 2 | 6 | (1) |
| Acquisition costs and administrative expenses (net) | (2,799) | (2,654) | (1,077) | (1,199) |
| Amortization of goodwill | | (96) | | (40) |
| Other expenses | (505) | (337) | (149) | (176) |
| Total expenses | (10,871) | (10,626) | (7,637) | (7,368) |
| Earnings from ordinary activities before taxes | 866 | 952 | 663 | 382 |
| Taxes | (277) | (452) | (147) | (186) |
| Minority interests in earnings | (181) | (132) | (140) | (71) |
| Net income | 408 | 368 | 376 | 125 |

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|----------------|----------------|------------------|--------------|---------------------------|--------------|-----------------|-----------------|
| 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| mn | mn | mn | mn | mn | mn | mn | mn |
| | | | | | | 13,994 | 13,830 |
| 1,643 | 1,751 | 23 | 16 | (136) | (211) | 5,282 | 5,181 |
| 54 | 29 | | | (180) | (115) | 80 | 68 |
| 44 | 130 | 1 | | (5) | 3 | 1,008 | 783 |
| 375 | 244 | 16 | (1) | | (3) | 617 | 346 |
| 772 | 701 | 968 | 778 | (170) | (158) | 2,074 | 1,616 |
| 35 | 42 | 5 | 6 | (19) | (38) | 408 | 678 |
| 2,923 | 2,897 | 1,013 | 799 | (510) | (522) | 23,463 | 22,502 |
| | | | | | | (13,375) | (12,318) |
| (1,165) | (1,092) | (11) | (3) | 134 | 216 | (1,387) | (1,460) |
| (49) | (56) | | (1) | | | (310) | (651) |
| 129 | (54) | | | | 2 | 132 | (51) |
| (1,558) | (1,440) | (891) | (657) | 184 | 144 | (6,141) | (5,806) |
| | (65) | | (96) | | | | (297) |
| (57) | (177) | (25) | (95) | 12 | 55 | (724) | (730) |
| (2,700) | (2,884) | (927) | (852) | 330 | 417 | (21,805) | (21,313) |
| 223 | 13 | 86 | (53) | (180) | (105) | 1,658 | 1,189 |
| (74) | 134 | (34) | 9 | 2 | (2) | (530) | (497) |
| (26) | (22) | (12) | (13) | 25 | 14 | (334) | (224) |
| 123 | 125 | 40 | (57) | (153) | (93) | 794 | 468 |

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Business Segment Information Consolidated Income Statements

for the nine months ended September 30, 2005 and 2004

| Nine months ended September 30, | Property-Casualty | | Life/Health | |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Premiums earned (net) | 28,522 | 28,827 | 13,770 | 13,002 |
| Interest and similar income | 3,067 | 3,076 | 8,786 | 8,383 |
| Income from associated enterprises and joint ventures (net) | 1,305 | 1,560 | 724 | 283 |
| Other income from investments | 1,143 | 1,647 | 2,082 | 1,931 |
| Income from financial assets and liabilities carried at fair value through income (net) | (166) | (22) | 291 | 168 |
| Fee and commission income, and income from service activities | 1,266 | 672 | 136 | 154 |
| Other income | 817 | 650 | 669 | 971 |
| Total income | 35,954 | 36,410 | 26,458 | 24,892 |
| Insurance and investment contract benefits (net) | (19,884) | (20,575) | (20,285) | (18,285) |
| Interest and similar expenses | (1,125) | (1,121) | (340) | (542) |
| Other expenses from investments | (270) | (912) | (498) | (672) |
| Loan loss provisions | (3) | (1) | 3 | (2) |
| Acquisition costs and administrative expenses (net) | (8,305) | (7,928) | (3,055) | (3,331) |
| Amortization of goodwill | | (287) | | (119) |
| Other expenses | (1,985) | (1,412) | (499) | (630) |
| Total expenses | (31,572) | (32,236) | (24,674) | (23,581) |
| Earnings from ordinary activities before taxes | 4,382 | 4,174 | 1,784 | 1,311 |
| Taxes | (909) | (1,069) | (282) | (442) |
| Minority interests in earnings | (724) | (725) | (394) | (283) |
| Net income | 2,749 | 2,380 | 1,108 | 586 |

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|----------------|----------------|------------------|----------------|---------------------------|----------------|-----------------|-----------------|
| 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| mn | mn | mn | mn | mn | mn | mn | mn |
| | | | | | | 42,292 | 41,829 |
| 5,100 | 4,878 | 67 | 47 | (423) | (611) | 16,597 | 15,773 |
| 238 | 116 | | | (1,305) | (1,252) | 962 | 707 |
| 596 | 515 | 6 | 7 | (340) | 37 | 3,487 | 4,137 |
| 953 | 1,160 | 21 | 2 | | (3) | 1,099 | 1,305 |
| 2,412 | 2,310 | 2,661 | 2,283 | (486) | (457) | 5,989 | 4,962 |
| 249 | 195 | 22 | 23 | (78) | (48) | 1,679 | 1,791 |
| 9,548 | 9,174 | 2,777 | 2,362 | (2,632) | (2,334) | 72,105 | 70,504 |
| | | | | (25) | | (40,194) | (38,860) |
| (3,615) | (3,162) | (37) | (10) | 417 | 601 | (4,700) | (4,234) |
| (137) | (364) | | (2) | (20) | (152) | (925) | (2,102) |
| 88 | (271) | | | | 1 | 88 | (273) |
| (4,336) | (4,446) | (2,427) | (2,010) | 525 | 429 | (17,598) | (17,286) |
| | (194) | | (285) | | | | (885) |
| (207) | (513) | (84) | (319) | 68 | 104 | (2,707) | (2,770) |
| (8,207) | (8,950) | (2,548) | (2,626) | 965 | 983 | (66,036) | (66,410) |
| 1,341 | 224 | 229 | (264) | (1,667) | (1,351) | 6,069 | 4,094 |
| (308) | 225 | (51) | 42 | 9 | 4 | (1,541) | (1,240) |
| (77) | (104) | (34) | (40) | 209 | 268 | (1,020) | (884) |
| 956 | 345 | 144 | (262) | (1,449) | (1,079) | 3,508 | 1,970 |

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

The following table sets forth the total revenues, operating profit and IFRS net income for each of our business segments for the three months and nine months ended September 30, 2005 and 2004, as well as IFRS consolidated net income of the Allianz Group.

| | Property-Casualty | | Life/Health | |
|---|-------------------|--------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Three months ended September 30, | | | | |
| Total revenues ^{*)} | 10,472 | 10,432 | 11,116 | 10,841 |
| Operating profit | 696 | 1,138 | 478 | 378 |
| Earnings from ordinary activities before taxes | 866 | 952 | 663 | 382 |
| Taxes | (277) | (452) | (147) | (186) |
| Minority interests in earnings | (181) | (132) | (140) | (71) |
| Net income (loss) | 408 | 368 | 376 | 125 |
| Nine months ended September 30, | | | | |
| Total revenues ^{*)} | 34,439 | 34,646 | 34,942 | 31,946 |
| Operating profit | 3,090 | 2,898 | 1,283 | 1,048 |
| Earnings from ordinary activities before taxes | 4,382 | 4,174 | 1,784 | 1,311 |
| Taxes | (909) | (1,069) | (282) | (442) |
| Minority interests in earnings | (724) | (725) | (394) | (283) |
| Net income (loss) | 2,749 | 2,380 | 1,108 | 586 |

^{*)}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.

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| | | Banking | | Asset Management | | Consolidation Adjustments | | Total Group | |
|--|--|--------------|------------|------------------|--------------|---------------------------|----------------|--------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | mn | mn | mn | mn | mn | mn | mn | mn |
| | | 1,542 | 1,527 | 708 | 564 | (63) | (228) | 23,775 | 23,136 |
| | | 250 | 136 | 299 | 217 | | | 1,723 | 1,869 |
| | | 223 | 13 | 86 | (53) | (180) | (105) | 1,658 | 1,189 |
| | | (74) | 134 | (34) | 9 | 2 | (2) | (530) | (497) |
| | | (26) | (22) | (12) | (13) | 25 | 14 | (334) | (224) |
| | | 123 | 125 | 40 | (57) | (153) | (93) | 794 | 468 |
| | | 4,611 | 4,948 | 1,933 | 1,664 | (192) | (612) | 75,733 | 72,592 |
| | | 759 | 567 | 785 | 578 | | | 5,917 | 5,091 |
| | | 1,341 | 224 | 229 | (264) | (1,667) | (1,351) | 6,069 | 4,094 |
| | | (308) | 225 | (51) | 42 | 9 | 4 | (1,541) | (1,240) |
| | | (77) | (104) | (34) | (40) | 209 | 268 | (1,020) | (884) |
| | | 956 | 345 | 144 | (262) | (1,449) | (1,079) | 3,508 | 1,970 |

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Property-Casualty Insurance Segment

| | Three months | | Nine months | |
|---|---------------|--------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Gross premiums written | 10,472 | 10,432 | 34,439 | 34,646 |
| Premiums earned (net) ¹⁾ | 9,788 | 9,840 | 28,522 | 28,827 |
| Current income from investments (net) ²⁾ | 776 | 721 | 2,622 | 2,387 |
| Insurance benefits (net) ³⁾ | (7,225) | (6,803) | (19,845) | (20,249) |
| Net acquisition costs and administrative expenses ⁴⁾ | (2,648) | (2,540) | (7,954) | (7,619) |
| Other operating income/(expenses)(net) | 5 | (80) | (255) | (448) |
| Operating profit | 696 | 1,138 | 3,090 | 2,898 |
| Net capital gains and impairments on investments ⁵⁾ | 296 | (112) | 1,040 | 982 |
| Net trading income/(expenses) ⁶⁾ | (108) | (1) | (269) | (36) |
| Intra-group dividends and profit transfer | 143 | 96 | 1,207 | 1,145 |
| Interest expense on external debt | (160) | (199) | (630) | (654) |
| Amortization of goodwill ⁷⁾ | | (96) | | (287) |
| Restructuring charges | (1) | | (56) | |
| Other non-operating income/(expenses) (net) | | 126 | | 126 |
| Earnings from ordinary activities before taxes | 866 | 952 | 4,382 | 4,174 |
| Taxes | (277) | (452) | (909) | (1,069) |
| Minority interests in earnings | (181) | (132) | (724) | (725) |
| Net income | 408 | 368 | 2,749 | 2,380 |
| Loss ratio ⁸⁾ in % | 72.9 | 66.4 | 68.2 | 68.2 |
| Expense ratio ⁹⁾ in % | 24.1 | 24.5 | 24.8 | 25.0 |
| Combined ratio in % | 97.0 | 90.9 | 93.0 | 93.2 |

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- 1) Net of earned premiums ceded to reinsurers of 1,614 million and 4,071 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,518 million and 9M 2004: 4,079 million).
- 2) Net of investment management expenses of 88 million and 257 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 79 million and 9M 2004: 244 million), and interest expenses of 21 million and 136 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 99 million and 9M 2004: 341 million).
- 3) Comprises net claims incurred of 7,130 million and 19,456 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 6,529 million and 9M 2004: 19,655 million), net expenses from changes in other net underwriting provisions of 44 million and 130 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 398 million), and net expenses for premium refunds of 51 million and 259 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 62 million and 9M 2004: 196 million). Net expenses for premium refunds were adjusted for income of 6 million and 24 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: million and 9M 2004: 220 million), related to policyholders' participation of net capital gains and impairments on investments, as well as net trading income/(expenses), that were excluded from the determination of operating profit.
- 4) Comprises net acquisition costs of 1,426 million and 4,277 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,435 million and 9M 2004: 4,314 million), administrative expenses of 937 million and 2,799 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 977 million and 9M 2004: 2,885 million), and expenses for service agreements of 285 million and 878 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 128 million and 9M 2004: 420 million). 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 280 million and 1,068 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 88 million and 9M 2004: 1,517 million), and net impairments on investments of 16 million and 28 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 200 million and 9M 2004: 535 million). These amounts are net of policyholders' participation.
- 6) Net trading income/(expenses) are net of policyholders' participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net claims incurred to net premiums earned.
- 9) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Life/Health Insurance Segment

| | Three months | | Nine months | |
|---|---------------|-------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Statutory premiums ¹⁾ | 11,116 | 10,841 | 34,942 | 31,946 |
| Gross premiums written | 4,508 | 4,465 | 14,643 | 14,579 |
| Premiums earned (net) ²⁾ | 4,206 | 3,990 | 13,770 | 13,002 |
| Current income from investments (net) ³⁾ | 2,764 | 2,597 | 8,547 | 8,156 |
| Insurance benefits (net) ⁴⁾ | (5,697) | (5,254) | (18,005) | (17,136) |
| Net acquisition costs and administrative expenses ⁵⁾ | (955) | (1,083) | (2,705) | (2,989) |
| Net trading income/(expenses) | 163 | 69 | (185) | 62 |
| Other operating income/(expenses) (net) | (3) | 59 | (139) | (47) |
| Operating profit | 478 | 378 | 1,283 | 1,048 |
| Net capital gains and impairments on investments ⁶⁾ | 183 | 42 | 431 | 315 |
| Intra-group dividends and profit transfer | 20 | 2 | 88 | 67 |
| Amortization of goodwill ⁷⁾ | | (40) | | (119) |
| Restructuring charges | (18) | | (18) | |
| Earnings from ordinary activities before taxes | 663 | 382 | 1,784 | 1,311 |
| Taxes | (147) | (186) | (282) | (442) |
| Minority interests in earnings | (140) | (71) | (394) | (283) |
| Net income | 376 | 125 | 1,108 | 586 |
| Statutory expense ratio ⁸⁾ in % | 8.5 | 10.1 | 7.7 | 9.6 |

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

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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 259 million and 780 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 463 million and 9M 2004: 1,519 million).
- 3) Net of investment management expenses of 117 million and 332 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 102 million and 9M 2004: 309 million), and interest expenses of 2 million and (-) million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 24 million and 9M 2004: (35) million).
- 4) Net insurance benefits were adjusted for income of 428 million and 2,279 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 1,152 million), 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 598 million and 1,617 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 712 million and 9M 2004: 1,959 million), administrative expenses of 323 million and 993 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 342 million and 9M 2004: 941 million), and expenses for service agreements of 34 million and 95 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 29 million and 9M 2004: 89 million). 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 191 million and 510 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 139 million and 9M 2004: 423 million), and net impairments on investments of 8 million and 79 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 97 million and 9M 2004: 108 million). These amounts are net of policyholders' participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned (statutory).

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Banking Segment

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|----------------------------------|---------------|------------------|---------------|---------------------------------|---------------|-------------------|---------------|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Banking Segment | Dresdner Bank | Banking Segment | Dresdner Bank | Banking Segment | Dresdner Bank | Banking Segment | Dresdner Bank |
| | mn | mn | mn | mn | mn | mn | mn | mn |
| Net interest income | 532 | 517 | 685 | 655 | 1,641 | 1,588 | 1,815 | 1,753 |
| Net fee and commission income | 635 | 599 | 598 | 569 | 2,017 | 1,909 | 1,974 | 1,858 |
| Net trading income | 375 | 358 | 244 | 250 | 953 | 916 | 1,159 | 1,165 |
| Operating revenues | 1,542 | 1,474 | 1,527 | 1,474 | 4,611 | 4,413 | 4,948 | 4,776 |
| Administrative expenses | (1,421) | (1,373) | (1,337) | (1,293) | (3,940) | (3,786) | (4,110) | (3,969) |
| Net loan loss provisions | 129 | 130 | (54) | (54) | 88 | 84 | (271) | (271) |
| Operating profit | 250 | 231 | 136 | 127 | 759 | 711 | 567 | 536 |
| Net capital gains and impairments on investments | (5) ¹⁾ | (4) | 78 ₁₎ | 77 | 541 ₁₎ | 542 | 170 ₁₎ | 161 |
| Restructuring charges | (5) | (5) | (11) | (11) | (10) | (10) | (127) | (127) |
| Other non-operating income/(expenses)(net) | (17) | (25) | (125) | (119) | 51 | 43 | (192) | (182) |
| Amortization of goodwill ²⁾ | | | (65) | (65) | | | (194) | (194) |
| Earnings from ordinary activities before taxes | 223 | 197 | 13 | 9 | 1,341 | 1,286 | 224 | 194 |
| Taxes | (74) | (65) | 134 | 129 | (308) | (294) | 225 | 235 |
| Minority interests in earnings | (26) | (19) | (22) | (18) | (77) | (60) | (104) | (56) |
| Net income | 123 | 113 | 125 | 120 | 956 | 932 | 345 | 373 |
| Cost-income ratio ³⁾ in % | 92.2 | 93.1 | 87.6 | 87.7 | 85.4 | 85.8 | 83.1 | 83.1 |

¹⁾ Comprises primarily net realized gains on investments of 29 million and 649 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 145 million and 9M 2004: 511 million), and net impairments on investments of 34 million and 112 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 71 million and 9M 2004: 371 million). For the three and nine months ended September 30, 2005, net impairments on investments includes 9 million and 28 million, respectively, (3Q 2004: 12 million and 9M 2004: 23 million) of scheduled depreciation of real estate used by third parties.

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- 2) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 3) Represents ratio of administrative expenses to operating revenues.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Asset Management Segment

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|----------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Asset Management Segment | Allianz Global Investors | Asset Management Segment | Allianz Global Investors | Asset Management Segment | Allianz Global Investors | Asset Management Segment | Allianz Global Investors |
| | mn | mn | mn | mn | mn | mn | mn | mn |
| Operating revenues | 708 | 698 | 564 | 558 | 1,933 | 1,906 | 1,664 | 1,658 |
| Operating expenses | (409) | (403) | (347) | (346) | (1,148) | (1,129) | (1,086) | (1,085) |
| Operating profit | 299 | 295 | 217 | 212 | 785 | 777 | 578 | 573 |
| Acquisition-related expenses | (213) | (213) | (174) | (174) | (556) | (556) | (557) | (557) |
| thereof: | | | | | | | | |
| Deferred purchases of interests in PIMCO ¹⁾ | (213) | (213) | (111) | (111) | (519) | (519) | (364) | (364) |
| Retention payments for management and employees of PIMCO and Nicholas Applegate | | | (31) | (31) | (12) | (12) | (98) | (98) |
| Amortization charges relating to capitalized bonuses for PIMCO management | | | (32) | (32) | (25) | (25) | (95) | (95) |
| Amortization of goodwill ²⁾ | | | (96) | (96) | | | (285) | (285) |
| Earnings from ordinary activities before taxes | 86 | 82 | (53) | (58) | 229 | 221 | (264) | (269) |
| Taxes | (34) | (32) | 9 | 9 | (51) | (49) | 42 | 42 |
| Minority interests in earnings | (12) | (12) | (13) | (13) | (34) | (32) | (40) | (40) |
| Net income (loss) | 40 | 38 | (57) | (62) | 144 | 140 | (262) | (267) |
| Cost-income ratio ³⁾ in % | 57.8 | 57.7 | 61.5 | 62.0 | 59.4 | 59.2 | 65.3 | 65.4 |

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-
- 1) Effective January 1, 2005, and applied retrospectively, under IFRS, the PIMCO LLC Class B Unit Purchase Plan (Class B Plan) is considered a cash settled plan, resulting in changes in the fair value of the shares issued to be recognized as expense.
 - 2) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
 - 3) Represents ratio of operating expenses to operating revenues.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Supplementary Information to the Consolidated Balance Sheets**4 Intangible assets**

| | September 30, 2005 | December 31, 2004 |
|---------------------------------|-------------------------------|------------------------------|
| | mn | mn |
| Goodwill | 12,097 | 11,677 |
| Present value of future profits | 1,398 | 1,522 |
| Software | 1,030 | 972 |
| Brand names | 740 | 740 |
| Loyalty bonuses | | 33 |
| Other | 200 | 203 |
| Total | 15,465 | 15,147 |

Changes in goodwill for the nine months ended September 30, 2005, were as follows:

| | |
|--|---------------|
| | mn |
| Cost as of December 31, 2004 | 11,901 |
| Accumulated impairments as of December 31, 2004 | (224) |
| Carrying value as of December 31, 2004 | 11,677 |
| Additions | 57 |
| Disposals | (45) |
| Foreign currency translation adjustments | 408 |
| Carrying value as of September 30, 2005 | 12,097 |
| Accumulated impairments as of September 30, 2005 | 224 |

Cost as of September 30, 2005

12,321

Additions include goodwill from

increasing the interest in GamePlan Financial Marketing LLC, Woodstock, by 60.0% to 100.0%,

the acquisition of 100.0% interest in Bettercare Group Limited, Kingston upon Thames.

Disposals include goodwill from

reducing the interest in Cadence Capital Management Inc., Delaware, by 100.0% to 0.0%.

5 Investments

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | mn | mn |
| Securities held-to-maturity | 4,986 | 5,179 |
| Securities available-for-sale | 258,797 | 230,919 |
| Real estate used by third parties | 10,781 | 10,628 |
| Funds held by others under reinsurance contracts assumed | 1,613 | 1,601 |
| Total | 276,177 | 248,327 |

Securities available-for-sale

| | Amortized cost | | Unrealized gains | | Unrealized losses | | Fair values | |
|-------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 |
| | mn | mn | mn | mn | mn | mn | mn | mn |
| Equity securities | 35,671 | 32,106 | 17,293 | 12,488 | (212) | (394) | 52,752 | 44,200 |
| Government bonds | 115,136 | 106,155 | 7,470 | 5,375 | (346) | (235) | 122,260 | 111,295 |
| Corporate bonds | 77,986 | 69,083 | 4,344 | 3,629 | (197) | (95) | 82,133 | 72,617 |
| Other | 1,483 | 2,721 | 170 | 90 | (1) | (4) | 1,652 | 2,807 |
| Total | 230,276 | 210,065 | 29,277 | 21,582 | (756) | (728) | 258,797 | 230,919 |

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Nine months ended September 30, | Gross realized gains | | Gross realized losses | |
|---------------------------------|----------------------|--------------|-----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Equity securities | 2,383 | 2,997 | (257) | (408) |
| Debt securities | 789 | 849 | (226) | (241) |
| Other | 24 | 26 | (8) | (43) |
| Total | 3,196 | 3,872 | (491) | (692) |

6 Loans and advances to banks

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Loans | 67,429 | 59,543 |
| Reverse repurchase agreements and collateral paid for securities borrowing transactions | 66,334 | 103,406 |
| Short-term investments and certificates of deposit | 9,248 | 7,729 |
| Other | 7,282 | 11,096 |
| Loans and advances to banks | 150,293 | 181,774 |
| Loan loss allowance | (245) | (231) |
| Total | 150,048 | 181,543 |

7 Loans and advances to customers

| September 30, 2005 | December 31, 2004 |
|-----------------------|----------------------|
|-----------------------|----------------------|

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| | mn | mn |
|---|----------------|----------------|
| Loans | 116,514 | 119,832 |
| Reverse repurchase agreements and collateral paid for securities borrowing transactions | 61,425 | 70,459 |
| Other | 16,869 | 9,293 |
| | <hr/> | <hr/> |
| Loans and advances to customers | 194,808 | 199,584 |
| Loan loss allowance | (1,629) | (3,904) |
| | <hr/> | <hr/> |
| Total | 193,179 | 195,680 |
| | <hr/> | <hr/> |

8 Financial assets carried at fair value through income

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | mn | mn |
| Financial assets held for trading | 170,569 | 194,439 |
| Financial assets for unit linked contracts | 51,663 | 41,409 |
| Financial assets designated at fair value through income | 12,865 | 4,726 |
| | <hr/> | <hr/> |
| Total | 235,097 | 240,574 |
| | <hr/> | <hr/> |

Financial assets held for trading comprised the following:

| | September 30, 2005 | December 31, 2004 |
|----------------------------------|-----------------------|----------------------|
| | mn | mn |
| Fixed-income securities | 124,382 | 153,858 |
| Equities | 25,725 | 20,033 |
| Derivative financial instruments | 20,462 | 20,548 |
| | <hr/> | <hr/> |
| Total | 170,569 | 194,439 |
| | <hr/> | <hr/> |

9 Amounts ceded to reinsurers from reserves for insurance and investment contracts

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | mn | mn |
| Unearned premiums | 1,607 | 1,238 |
| Aggregate policy reserves | 9,134 | 10,276 |
| Reserves for loss and loss adjustment expenses | 12,688 | 10,684 |
| Other insurance reserves | 104 | 112 |

| | | |
|--------------|---------------|---------------|
| Total | <u>23,533</u> | <u>22,310</u> |
|--------------|---------------|---------------|

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

10 Shareholders equity

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | mn | mn |
| Issued capital | 1,037 | 988 |
| Capital reserve | 20,460 | 18,445 |
| Revenue reserves | 10,063 | 10,498 |
| Treasury shares | (63) | (4,605) |
| Foreign currency translation adjustments | (1,204) | (2,634) |
| Unrealized gains and losses (net) | 9,525 | 7,303 |
| Shareholders equity before minority interests | 39,818 | 29,995 |
| Minority interests in shareholders equity | 8,770 | 7,696 |
| Total | 48,588 | 37,691 |

On February 18, 2005, the Allianz Group issued a subordinated bond with 11.2 mn detachable warrants, which allow the holder to purchase a share of Allianz AG. The warrants are exercisable at any time during their 3 year term and have an exercise price of 92 per share. The warrants were recorded in capital reserve at the premium received of 174 mn on their issuance date. As a result of the exercise of 9 mn warrants during the third quarter 2005, the consideration received of 828 mn was recorded in issued capital, 23 mn, and capital reserve, 805 mn. During the third quarter 2005, the Allianz Group issued 10,116,850 shares for proceeds of 1,062 mn, which was recorded in issued capital, 26 mn, and capital reserve 1,036 mn.

Minority interests in shareholders equity are comprised of the following:

| | September 30, 2005 | December 31, 2004 |
|-----------------------------------|-----------------------|----------------------|
| | mn | mn |
| Unrealized gains and losses (net) | 1,685 | 1,206 |
| Share of earnings | 1,020 | 1,168 |
| Other equity components | 6,065 | 5,322 |

| | | |
|--------------|--------------|--------------|
| Total | 8,770 | 7,696 |
|--------------|--------------|--------------|

The primary subsidiaries of the Allianz Group included in minority interests in shareholders' equity are AGF Group, Paris and RAS Group, Milan.

11 Participation certificates and subordinated liabilities

| | September 30, 2005 | December 31, 2004 |
|----------------------------|-----------------------|----------------------|
| | mn | mn |
| Allianz AG ^{*)} | | |
| Subordinated bonds | 6,188 | 4,775 |
| Participation certificates | 85 | 85 |
| Subtotal | 6,273 | 4,860 |
| Banking subsidiaries | | |
| Subordinated liabilities | 4,179 | 4,779 |
| Hybrid equity | 1,599 | 1,500 |
| Participation certificates | 1,520 | 1,526 |
| Subtotal | 7,298 | 7,805 |
| All other subsidiaries | | |
| Subordinated liabilities | 931 | 520 |
| Hybrid equity | 45 | 45 |
| Subtotal | 976 | 565 |
| Total | 14,547 | 13,230 |

^{*)} Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz AG.

On February 18, 2005, the Allianz Group issued a subordinated bond with a principal amount of 1,400 mn. The subordinated bond is perpetual, however, the Allianz Group has the right to call the bond after 12 years. The subordinated bond has a coupon rate of 4.375%.

On January 27, 2005, the AGF Group issued a subordinated bond with a principal amount of 400 mn. The subordinated bond is perpetual and has a coupon rate of 4.625%.

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

12 Reserves for insurance and investment contracts

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | mn | mn |
| Unearned premiums | 14,478 | 12,050 |
| Aggregate policy reserves | 244,286 | 229,873 |
| Reserves for loss and loss adjustment expenses | 68,176 | 62,331 |
| Reserves for premium refunds | 28,741 | 21,237 |
| Other insurance reserves | 808 | 889 |
| Total | 356,489 | 326,380 |

Reserves for loss and loss adjustment expenses are comprised of the following:

| | September 30, 2005 | December 31, 2004 |
|-------------------|-----------------------|----------------------|
| | mn | mn |
| Property-Casualty | 61,133 | 55,536 |
| Life/Health | 7,043 | 6,795 |
| Total | 68,176 | 62,331 |

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty insurance segment for the nine months ended September 30, 2005, were as follows:

2005
mn

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| | |
|---|-----------------|
| Gross reserves for loss and loss adjustment expenses as of January 1, | 55,536 |
| Amount ceded to reinsurers | (10,029) |
| | <hr/> |
| Net reserves for loss and loss adjustment expenses as of January 1, | 45,507 |
| | <hr/> |
| Loss and loss adjustment expenses incurred (net) | |
| Current year | 19,846 |
| Prior years | (593) |
| | <hr/> |
| Subtotal | 19,253 |
| | <hr/> |
| Loss and loss adjustment expenses paid (net) | |
| Current year | (7,599) |
| Prior years | (9,277) |
| | <hr/> |
| Subtotal | (16,876) |
| | <hr/> |
| Foreign currency translation adjustments | 1,369 |
| | <hr/> |
| Net reserves for loss and loss adjustment expenses as of September 30, | 49,253 |
| Amount ceded to reinsurers | 11,880 |
| | <hr/> |
| Gross reserves for loss and loss adjustment expenses as of September 30, | 61,133 |
| | <hr/> |

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Asbestos and Environmental (A&E) Reserves

In the United States, the planned external review of the asbestos & environmental (or A&E) liability reserves at Fireman's Fund had no net impact at the Allianz Group level as a result of already sufficient reserves, absent a \$ 56 mn loss caused by the increase in provisions for uncollectible reinsurance recoverables.

13 Liabilities to banks

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Payable on demand | 16,775 | 14,003 |
| Repurchase agreements and collateral received from securities lending transactions | 51,262 | 78,675 |
| Term deposits and certificates of deposit | 77,339 | 96,736 |
| Other | 2,622 | 1,933 |
| Total | 147,998 | 191,347 |

14 Liabilities to customers

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Savings deposits | 2,313 | 2,410 |
| Home loan savings deposits | 3,292 | 3,214 |
| Payable on demand | 53,336 | 50,946 |
| Repurchase agreements and collateral received from securities lending transactions | 43,900 | 49,276 |
| Term deposits and certificates of deposit | 55,130 | 49,124 |

| | | |
|--------------|----------------|----------------|
| Other | 1,936 | 2,167 |
| Total | 159,907 | 157,137 |

15 Certificated liabilities

| | September 30, 2005 | December 31, 2004 |
|--------------------------------|-----------------------|----------------------|
| | mn | mn |
| Allianz AG^{*)} | | |
| Senior bonds | 4,776 | 5,741 |
| Exchangeable bonds | 2,316 | 2,742 |
| Money market securities | 1,202 | 1,428 |
| Subtotal | 8,294 | 9,911 |
| Banking subsidiaries | | |
| Certificated liabilities | 25,705 | 25,140 |
| Money market securities | 23,831 | 21,693 |
| Subtotal | 49,536 | 46,833 |
| All other subsidiaries | | |
| Certificated liabilities | 415 | 458 |
| Money market securities | 400 | 550 |
| Subtotal | 815 | 1,008 |
| Total | 58,645 | 57,752 |

^{*)} Includes senior bonds, exchangeable bonds and money market securities issued by Allianz Finance B.V., Allianz Finance II B.V. and Allianz Finance Corporation and guaranteed by Allianz AG.

On February 18, 2005, the Allianz Group issued a senior exchangeable bond, Basket Index Tracking Equity Linked Securities (BITES), with a principal amount of 1,262 mn. The redemption value of the BITES is linked to the performance of the DAX Index. The BITES were issued at a DAX reference level of 4,205.115. The Allianz Group will redeem the BITES with shares of BMW AG, Munich Re and/or Siemens AG. The BITES have a term of 3 years, however, the Allianz Group has the right to redeem the BITES at anytime during their term. The holders of the BITES have the right to exchange the BITES during their term at the redemption value. An outperformance premium is paid annually equal to 0.75% of the average DAX Index during the reference period prior to the payment date. Upon redemption of the BITES by the Allianz Group or at maturity, the holders of the BITES receive a redemption premium of 1.75% of the redemption

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

value. The Allianz Group has recorded an embedded derivative related to this transaction in financial liabilities carried at fair value through income of 253 mn as of September 30, 2005.

On March 23, 2005, the Allianz Group repaid in cash a senior exchangeable bond with a face amount of 1,700 mn.

On August 26, 2005, the Allianz Group repaid a senior bond with a face amount of CHF 1,500 mn.

16 Financial liabilities carried at fair value through income

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Financial liabilities held for trading | 87,084 | 102,141 |
| Financial liabilities for unit linked contracts | 51,663 | 41,409 |
| Liabilities for puttable equity instruments | 2,112 | 1,386 |
| Financial liabilities designated at fair value through income | 226 | 201 |
| Total | 141,085 | 145,137 |

Financial liabilities held for trading are comprised of the following:

| | September 30, 2005 | December 31, 2004 |
|-----------------------------------|-----------------------|----------------------|
| | mn | mn |
| Obligations to deliver securities | 55,310 | 72,804 |
| Derivative financial instruments | 23,357 | 23,018 |
| Other trading liabilities | 8,417 | 6,319 |

| | | |
|--------------|---------------|----------------|
| Total | 87,084 | 102,141 |
|--------------|---------------|----------------|

17 Other accrued liabilities

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Reserves for pensions and similar obligations | 5,788 | 5,738 |
| Accrued taxes | 1,440 | 1,408 |
| Miscellaneous accrued liabilities | 6,569 | 6,838 |
| Total | 13,797 | 13,984 |

Of the accrued taxes, 1,304 mn (2004: 1,278 mn) is attributed to taxes on income.

18 Other liabilities

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------|----------------------|
| | mn | mn |
| Funds held under reinsurance business ceded | 7,541 | 8,706 |
| Accounts payable on direct insurance business | 7,233 | 8,199 |
| Accounts payable on reinsurance business | 1,649 | 1,694 |
| Other liabilities | 12,731 | 12,672 |
| Total | 29,154 | 31,271 |

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Supplementary Information to the Consolidated Income Statements

19 Premiums earned (net)

| Three months ended September 30, | Property-Casualty | | | Life/Health | | | Total |
|----------------------------------|-------------------|---------------------------|---------------------|--------------|---------------------------|---------------------|---------------------|
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn | mn |
| 2005 | | | | | | | |
| Premiums written | | | | | | | |
| Direct | 9,357 | | 9,357 | 4,447 | | 4,447 | 13,804 |
| Assumed | 1,115 | (58) | 1,057 | 61 | | 61 | 1,118 |
| Subtotal | 10,472 | (58) | 10,414 | 4,508 | | 4,508 | 14,922 |
| Ceded | (1,493) | | (1,493) | (258) | 58 | (200) | (1,693) |
| Net | 8,979 | (58) | 8,921 | 4,250 | 58 | 4,308 | 13,229 |
| Premiums earned | | | | | | | |
| Direct | 10,285 | | 10,285 | 4,406 | | 4,406 | 14,691 |
| Assumed | 1,116 | (59) | 1,057 | 59 | | 59 | 1,116 |
| Subtotal | 11,401 | (59) | 11,342 | 4,465 | | 4,465 | 15,807 |
| Ceded | (1,613) | | (1,613) | (259) | 59 | (200) | (1,813) |
| Net | 9,788 | (59) | 9,729 | 4,206 | 59 | 4,265 | 13,994 |
| 2004 | | | | | | | |
| Premiums written | | | | | | | |
| Direct | 9,351 | | 9,351 | 4,391 | | 4,391 | 13,742 |
| Assumed | 1,081 | (207) | 874 | 74 | (7) | 67 | 941 |
| Subtotal | 10,432 | (207) | 10,225 | 4,465 | (7) | 4,458 | 14,683 |
| Ceded | (1,323) | 7 | (1,316) | (462) | 207 | (255) | (1,571) |

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| | | | | | | | |
|------------------------|---------------|--------------|---------------|--------------|------------|--------------|---------------|
| Net | 9,109 | (200) | 8,909 | 4,003 | 200 | 4,203 | 13,112 |
| Premiums earned | | | | | | | |
| Direct | 10,273 | | 10,273 | 4,380 | | 4,380 | 14,653 |
| Assumed | 1,084 | (207) | 877 | 74 | (5) | 69 | 946 |
| Subtotal | 11,357 | (207) | 11,150 | 4,454 | (5) | 4,449 | 15,599 |
| Ceded | (1,517) | 5 | (1,512) | (464) | 207 | (257) | (1,769) |
| Net | 9,840 | (202) | 9,638 | 3,990 | 202 | 4,192 | 13,830 |

*) After elimination of intra-Allianz Group transactions between segments.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Nine months ended September 30, | Property-Casualty | | | Life/Health | | | Total |
|---------------------------------|-------------------|---------------------------|---------------------|---------------|---------------------------|---------------------|---------------------|
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn | mn |
| 2005 | | | | | | | |
| Premiums written | | | | | | | |
| Direct | 31,656 | | 31,656 | 14,467 | | 14,467 | 46,123 |
| Assumed | 2,783 | (171) | 2,612 | 176 | (1) | 175 | 2,787 |
| Subtotal | 34,439 | (171) | 34,268 | 14,643 | (1) | 14,642 | 48,910 |
| Ceded | (4,364) | 1 | (4,363) | (782) | 171 | (611) | (4,974) |
| Net | 30,075 | (170) | 29,905 | 13,861 | 170 | 14,031 | 43,936 |
| Premiums earned | | | | | | | |
| Direct | 29,954 | | 29,954 | 14,375 | | 14,375 | 44,329 |
| Assumed | 2,638 | (169) | 2,469 | 175 | (1) | 174 | 2,643 |
| Subtotal | 32,592 | (169) | 32,423 | 14,550 | (1) | 14,549 | 46,972 |
| Ceded | (4,070) | 1 | (4,069) | (780) | 169 | (611) | (4,680) |
| Net | 28,522 | (168) | 28,354 | 13,770 | 168 | 13,938 | 42,292 |
| 2004 | | | | | | | |
| Premiums written | | | | | | | |
| Direct | 31,835 | | 31,835 | 14,162 | | 14,162 | 45,997 |
| Assumed | 2,811 | (568) | 2,243 | 416 | (12) | 404 | 2,647 |
| Subtotal | 34,646 | (568) | 34,078 | 14,578 | (12) | 14,566 | 48,644 |
| Ceded | (4,362) | 12 | (4,350) | (1,516) | 568 | (948) | (5,298) |
| Net | 30,284 | (556) | 29,728 | 13,062 | 556 | 13,618 | 43,346 |
| Premiums earned | | | | | | | |
| Direct | 30,149 | | 30,149 | 14,106 | | 14,106 | 44,255 |
| Assumed | 2,756 | (572) | 2,184 | 416 | (13) | 403 | 2,587 |
| Subtotal | 32,905 | (572) | 32,333 | 14,522 | (13) | 14,509 | 46,842 |
| Ceded | (4,078) | 13 | (4,065) | (1,520) | 572 | (948) | (5,013) |

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| | | | | | | | |
|------------|---------------|--------------|---------------|---------------|------------|---------------|---------------|
| Net | 28,827 | (559) | 28,268 | 13,002 | 559 | 13,561 | 41,829 |
|------------|---------------|--------------|---------------|---------------|------------|---------------|---------------|

*) After elimination of intra-Allianz Group transactions between segments.

20 Interest and similar income

| | Three months | | Nine months | |
|--|---------------------|--------------|---------------------|---------------|
| | ended September 30, | | ended September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Securities held-to-maturity | 66 | 44 | 192 | 204 |
| Securities available-for-sale | 2,343 | 2,090 | 7,557 | 6,879 |
| Real estate used by third parties | 225 | 237 | 770 | 690 |
| Lending, money market transactions and loans | 2,586 | 2,605 | 7,889 | 7,438 |
| Leasing agreements | 17 | 12 | 63 | 35 |
| Other interest-bearing instruments | 45 | 193 | 126 | 527 |
| Total | 5,282 | 5,181 | 16,597 | 15,773 |

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Net interest income from the banking segment

| | Segment | Consolidation adjustments | Group ^{*)} |
|---|------------|------------------------------|---------------------|
| | mn | mn | mn |
| Three months ended September 30, 2005 | | | |
| Interest and similar income | 1,643 | (10) | 1,633 |
| Interest expense | (1,165) | 19 | (1,146) |
| Net interest income | 478 | 9 | 487 |
| Loan loss provisions | 129 | | 129 |
| Net interest income after loan loss provisions | 607 | 9 | 616 |
| Three months ended September 30, 2004 | | | |
| Interest and similar income | 1,751 | (7) | 1,744 |
| Interest expense | (1,092) | 22 | (1,070) |
| Net interest income | 659 | 15 | 674 |
| Loan loss provisions | (54) | | (54) |
| Net interest income after loan loss provisions | 605 | 15 | 620 |

*) After elimination at intra-Allianz Group transactions between segments.

| | Segment | Consolidation adjustments | Group ^{*)} |
|---|--------------|------------------------------|---------------------|
| | mn | mn | mn |
| Nine months ended September 30, 2005 | | | |
| Interest and similar income | 5,100 | (26) | 5,074 |
| Interest expense | (3,615) | 58 | (3,557) |
| Net interest income | 1,485 | 32 | 1,517 |
| Loan loss provisions | 88 | | 88 |

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| | | | |
|---|--------------|-----------|--------------|
| Net interest income after loan loss provisions | 1,573 | 32 | 1,605 |
| Nine months ended September 30, 2004 | | | |
| Interest and similar income | 4,878 | (18) | 4,860 |
| Interest expense | (3,162) | 50 | (3,112) |
| Net interest income | 1,716 | 32 | 1,748 |
| Loan loss provisions | (271) | | (271) |
| Net interest income after loan loss provisions | 1,445 | 32 | 1,477 |

*) After elimination at intra-Allianz Group transactions between segments.

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

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

| | Three months | | Nine months | |
|---|---------------|-------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Income | | | | |
| Current income | 64 | 60 | 211 | 219 |
| Reversal of impairments | | 2 | | 2 |
| Realized gains from investments in associated enterprises and joint ventures | 22 | 48 | 810 | 727 |
| Subtotal | 86 | 110 | 1,021 | 948 |
| Expenses | | | | |
| Impairments | | (32) | (39) | (53) |
| Realized losses from investments in associated enterprises and joint ventures | (3) | (8) | (13) | (181) |
| Miscellaneous expenses | (3) | (2) | (7) | (7) |
| Subtotal | (6) | (42) | (59) | (241) |
| Total | 80 | 68 | 962 | 707 |

22 Other income from investments

| Three months | | Nine months | |
|---------------|------|---------------|------|
| ended | | ended | |
| September 30, | | September 30, | |
| 2005 | 2004 | 2005 | 2004 |

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| | mn | mn | mn | mn |
|--|--------------|------------|--------------|--------------|
| Realized gains from investments | | | | |
| Securities available-for-sale | 874 | 699 | 3,196 | 3,872 |
| Real estate used by third parties | 132 | 72 | 282 | 183 |
| Subtotal | 1,006 | 771 | 3,478 | 4,055 |
| Reversals of impairments from investments | | | | |
| Securities held-to-maturity | | | 2 | |
| Securities available-for-sale | 2 | 15 | 7 | 75 |
| Real estate used by third parties | | (3) | | 7 |
| Subtotal | 2 | 12 | 9 | 82 |
| Total | 1,008 | 783 | 3,487 | 4,137 |

23 Income from financial assets and liabilities carried at fair value through income (net)

| | Three months | | Nine months | |
|--|---------------|------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Income from financial assets and liabilities held for trading: | | | | |
| Banking segment ^{*)} | 380 | 247 | 964 | 1,160 |
| Other segments ^{*)} | 62 | 65 | (440) | 24 |
| Subtotal | 442 | 312 | 524 | 1,184 |
| Income from financial assets and liabilities designated at fair value through income | 175 | 34 | 575 | 121 |
| Total | 617 | 346 | 1,099 | 1,305 |

^{*)} After elimination of intra-Allianz Group transactions between segments.

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Income from financial assets and liabilities held for trading of the Banking segment⁸⁾ comprises:

| | Three months | | Nine months | |
|--|---------------|------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Trading in interest products | 204 | 208 | 359 | 665 |
| Trading in equity products | 131 | 50 | 126 | 177 |
| Foreign exchange/precious metals trading | 64 | (8) | 188 | 101 |
| Other trading activities | (19) | (3) | 291 | 217 |
| Total | 380 | 247 | 964 | 1,160 |

Income from financial assets and liabilities held for trading for the nine months ended September 30, 2005, includes expenses of 465 mn (2004: 288 mn) from derivative financial instruments used by the Property-Casualty and Life/Health insurance segments for which hedge accounting is not applied. This includes expenses from derivative financial instruments embedded in exchangeable bonds of 376 mn (2004: 10 mn), income from derivative financial instruments which economically hedge the exchangeable bonds, however which do not qualify for hedge accounting, of 191 mn (2004: 16 mn) and expenses from other derivative financial instruments of 280 mn (2004: 294 mn).

24 Fee and commission income, and income from service activities

| Three months | | Nine months | |
|---------------|------|---------------|------|
| ended | | ended | |
| September 30, | | September 30, | |
| 2005 | 2004 | 2005 | 2004 |

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| | mn | mn | mn | mn |
|--------------------------------|-------------------|-------------------|---------------------|-------------------|
| Banking segment ^{*)} | 690 | 622 | 2,182 | 2,081 |
| Asset Management ^{*)} | 939 | 752 | 2,578 | 2,219 |
| Other segments ^{*)} | 445 ₁₎ | 242 ₁₎ | 1,229 ₂₎ | 662 ₂₎ |
| Total | 2,074 | 1,616 | 5,989 | 4,962 |

1) Includes fee revenue from Four Seasons Health Care Ltd., Wilmslow and Bettercare Group Limited, Kingston upon Thames of 268 mn and mn for the three months ended September 30, 2005 and September 30, 2004, respectively.

2) Includes fee revenue from Four Seasons Health Care Ltd., Wilmslow and Bettercare Group Limited, Kingston upon Thames of 419 mn and 39 mn for the nine months ended September 30, 2005 and September 30, 2004, respectively.

*) After elimination of intra-Allianz Group transactions between segments.

Net fee and commission income from the Banking segment^{)}*

| | Three months | | Nine months | |
|--------------------------------------|---------------|------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Fee and commission income | 690 | 622 | 2,182 | 2,081 |
| Fee and commission expenses | (125) | (96) | (373) | (312) |
| Net fee and commission income | 565 | 526 | 1,809 | 1,769 |

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Net fee and commission income from Allianz Group's banking segment, by type of business comprised the following:

| | Three months | | Nine months | |
|---|---------------|------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Securities business | 262 | 160 | 819 | 707 |
| Underwriting business | 15 | 15 | 50 | 69 |
| Mergers and acquisitions advisory | 53 | 33 | 155 | 123 |
| Foreign commercial business | 17 | 16 | 47 | 47 |
| Payment transactions (domestic and foreign) | 88 | 93 | 266 | 279 |
| Other | 130 | 209 | 472 | 544 |
| Net fee and commission income | 565 | 526 | 1,809 | 1,769 |

25 Other income

| | Three months | | Nine months | |
|--|---------------|------|---------------|------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Foreign currency transaction gains | 60 | (22) | 457 | 227 |
| Fees | 94 | 251 | 307 | 525 |
| Release of miscellaneous accrued liabilities | 46 | 12 | 230 | 108 |
| Income from assets held for disposal | 7 | | 17 | |
| Income from reinsurance business | 28 | 50 | 95 | 163 |

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| | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Release of allowance for doubtful accounts | 7 | 8 | 50 | 44 |
| Income from other assets | 15 | | 19 | 19 |
| Realized gains from sales of loans and advances | 20 | 15 | 99 | 4 |
| Other | 131 | 364 | 405 | 701 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 408 | 678 | 1,679 | 1,791 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

*) After elimination of intra-Allianz Group transactions between segments.

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

26 Insurance and investment contract benefits (net)*Property-Casualty*

| | Three months ended September 30, | | | | | |
|------------------------------|----------------------------------|---------------------------|---------------------|----------------|---------------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn |
| GROSS | | | | | | |
| Claims | | | | | | |
| Claims paid | (6,421) | 82 | (6,339) | (6,513) | 159 | (6,354) |
| Change in loss reserves | (2,793) | (3) | (2,796) | (796) | (9) | (805) |
| Subtotal | (9,214) | 79 | (9,135) | (7,309) | 150 | (7,159) |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | (37) | (11) | (48) | (221) | 53 | (168) |
| Other | (8) | | (8) | (59) | 3 | (56) |
| Subtotal | (45) | (11) | (56) | (280) | 56 | (224) |
| Expenses for premium refunds | (66) | | (66) | (72) | 1 | (71) |
| Total | (9,325) | 68 | (9,257) | (7,661) | 207 | (7,454) |
| CEDED REINSURANCE | | | | | | |
| Claims | | | | | | |
| Claims paid | 714 | (5) | 709 | 672 | (1) | 671 |
| Change in loss reserves | 1,369 | 5 | 1,374 | 108 | (1) | 107 |
| Subtotal | 2,083 | | 2,083 | 780 | (2) | 778 |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | (3) | | (3) | 16 | | 16 |
| Other | (11) | | (11) | 1 | | 1 |
| Subtotal | (14) | | (14) | 17 | | 17 |
| Expenses for premium refunds | 9 | | 9 | 11 | | 11 |

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| | | | | | | |
|------------------------------|----------------|-------------|----------------|----------------|------------|----------------|
| Total | 2,078 | | 2,078 | 808 | (2) | 806 |
| NET | | | | | | |
| Claims | | | | | | |
| Claims paid | (5,707) | 77 | (5,630) | (5,841) | 158 | (5,683) |
| Change in loss reserves | (1,424) | 2 | (1,422) | (688) | (10) | (698) |
| Subtotal | (7,131) | 79 | (7,052) | (6,529) | 148 | (6,381) |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | (40) | (11) | (51) | (205) | 53 | (152) |
| Other | (19) | | (19) | (58) | 3 | (55) |
| Subtotal | (59) | (11) | (70) | (263) | 56 | (207) |
| Expenses for premium refunds | (57) | | (57) | (61) | 1 | (60) |
| Total | (7,247) | 68 | (7,179) | (6,853) | 205 | (6,648) |

*) After elimination of intra-Allianz Group transactions between segments.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Property-Casualty

| | Nine months ended September 30, | | | | | |
|------------------------------|---------------------------------|---------------------------|---------------------|-----------------|---------------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn |
| GROSS | | | | | | |
| Claims | | | | | | |
| Claims paid | (19,270) | 201 | (19,069) | (20,054) | 461 | (19,593) |
| Change in loss reserves | (3,520) | 1 | (3,519) | (1,877) | 3 | (1,874) |
| Subtotal | (22,790) | 202 | (22,588) | (21,931) | 464 | (21,467) |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | (125) | (46) | (171) | (380) | 119 | (261) |
| Other | (22) | (1) | (23) | (147) | 4 | (143) |
| Subtotal | (147) | (47) | (194) | (527) | 123 | (404) |
| Expenses for premium refunds | (308) | | (308) | (442) | 1 | (441) |
| Total | (23,245) | 155 | (23,090) | (22,900) | 588 | (22,312) |
| CEDED REINSURANCE | | | | | | |
| Claims | | | | | | |
| Claims paid | 2,200 | (7) | 2,193 | 2,219 | (4) | 2,215 |
| Change in loss reserves | 1,133 | 9 | 1,142 | 57 | | 57 |
| Subtotal | 3,333 | 2 | 3,335 | 2,276 | (4) | 2,272 |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | 2 | | 2 | 21 | | 21 |
| Other | 1 | | 1 | 2 | | 2 |
| Subtotal | 3 | | 3 | 23 | | 23 |
| Expenses for premium refunds | 25 | | 25 | 26 | | 26 |
| Total | 3,361 | 2 | 3,363 | 2,325 | (4) | 2,321 |
| NET | | | | | | |
| Claims | | | | | | |

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| | | | | | | |
|------------------------------|-----------------|-------------|-----------------|-----------------|------------|-----------------|
| Claims paid | (17,070) | 194 | (16,876) | (17,835) | 457 | (17,378) |
| Change in loss reserves | (2,387) | 10 | (2,377) | (1,820) | 3 | (1,817) |
| Subtotal | (19,457) | 204 | (19,253) | (19,655) | 460 | (19,195) |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | (123) | (46) | (169) | (359) | 119 | (240) |
| Other | (21) | (1) | (22) | (145) | 4 | (141) |
| Subtotal | (144) | (47) | (191) | (504) | 123 | (381) |
| Expenses for premium refunds | (283) | | (283) | (416) | 1 | (415) |
| Total | (19,884) | 157 | (19,727) | (20,575) | 584 | (19,991) |

*) After elimination of intra-Allianz Group transactions between segments.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

*Life/Health***Three months ended September 30,**

| | 2005 | | | 2004 | | |
|------------------------------|----------------|---------------------------|---------------------|----------------|---------------------------|---------------------|
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn |
| GROSS | | | | | | |
| Benefits paid | (4,125) | 5 | (4,120) | (3,940) | 2 | (3,938) |
| Change in reserves | | | | | | |
| Aggregate policy reserves | (1,297) | | (1,297) | (1,320) | | (1,320) |
| Other | 138 | (5) | 133 | (41) | (1) | (42) |
| Subtotal | (5,284) | | (5,284) | (5,301) | 1 | (5,300) |
| Expenses for premium refunds | (1,106) | | (1,106) | (532) | | (532) |
| Total | (6,390) | | (6,390) | (5,833) | 1 | (5,832) |
| CEDED REINSURANCE | | | | | | |
| Benefits paid | 264 | (81) | 183 | 352 | (159) | 193 |
| Change in reserves | | | | | | |
| Aggregate policy reserves | 37 | 11 | 48 | 100 | (53) | 47 |
| Other | (45) | 2 | (43) | (87) | 6 | (81) |
| Subtotal | 256 | (68) | 188 | 365 | (206) | 159 |
| Expenses for premium refunds | 6 | | 6 | 3 | | 3 |
| Total | 262 | (68) | 194 | 368 | (206) | 162 |
| NET | | | | | | |
| Benefits paid | (3,861) | (76) | (3,937) | (3,588) | (157) | (3,745) |
| Change in reserves | | | | | | |
| Aggregate policy reserves | (1,260) | 11 | (1,249) | (1,220) | (53) | (1,273) |
| Other | 93 | (3) | 90 | (128) | 5 | (123) |
| Subtotal | (5,028) | (68) | (5,096) | (4,936) | (205) | (5,141) |
| Expenses for premium refunds | (1,100) | | (1,100) | (529) | | (529) |
| Total | (6,128) | (68) | (6,196) | (5,465) | (205) | (5,670) |

*) After elimination of intra-Allianz Group transactions between segments.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Life/Health

| | Nine months ended September 30, | | | | | |
|------------------------------|---------------------------------|---------------------------|---------------------|-----------------|---------------------------|---------------------|
| | 2005 | | | 2004 | | |
| | Segment | Consolidation adjustments | Group ^{*)} | Segment | Consolidation adjustments | Group ^{*)} |
| | mn | mn | mn | mn | mn | mn |
| GROSS | | | | | | |
| Benefits paid | (13,413) | 7 | (13,406) | (13,047) | 4 | (13,043) |
| Change in reserves | | | | | | |
| Aggregate policy reserves | (3,470) | | (3,470) | (3,253) | | (3,253) |
| Other | 168 | (9) | 159 | (112) | (1) | (113) |
| Subtotal | (16,715) | (2) | (16,717) | (16,412) | 3 | (16,409) |
| Expenses for premium refunds | (4,410) | (25) | (4,435) | (3,252) | | (3,252) |
| Total | (21,125) | (27) | (21,152) | (19,664) | 3 | (19,661) |
| CEDED REINSURANCE | | | | | | |
| Benefits paid | 821 | (200) | 621 | 1,226 | (461) | 765 |
| Change in reserves | | | | | | |
| Aggregate policy reserves | (10) | 46 | 36 | 147 | (119) | 28 |
| Other | 13 | (1) | 12 | (4) | (6) | (10) |
| Subtotal | 824 | (155) | 669 | 1,369 | (586) | 783 |
| Expenses for premium refunds | 16 | | 16 | 10 | (1) | 9 |
| Total | 840 | (155) | 685 | 1,379 | (587) | 792 |
| NET | | | | | | |
| Benefits paid | (12,592) | (193) | (12,785) | (11,821) | (457) | (12,278) |
| Change in reserves | | | | | | |
| Aggregate policy reserves | (3,480) | 46 | (3,434) | (3,106) | (119) | (3,225) |
| Other | 181 | (10) | 171 | (116) | (7) | (123) |
| Subtotal | (15,891) | (157) | (16,048) | (15,043) | (583) | (15,626) |
| Expenses for premium refunds | (4,394) | (25) | (4,419) | (3,242) | (1) | (3,243) |
| Total | (20,285) | (182) | (20,467) | (18,285) | (584) | (18,869) |



*) After elimination of intra-Allianz Group transactions between segments.

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

27 Interest and similar expenses

| | Three months | | Nine months | |
|--------------------------|----------------|----------------|----------------|----------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Deposits | (718) | (541) | (1,875) | (1,604) |
| Certificated liabilities | (464) | (322) | (1,544) | (912) |
| Subtotal | (1,182) | (863) | (3,419) | (2,516) |
| Other interest expenses | (205) | (597) | (1,281) | (1,718) |
| Total | (1,387) | (1,460) | (4,700) | (4,234) |

28 Other expenses from investments

| | Three months | | Nine months | |
|-----------------------------------|---------------|--------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Realized losses from investments | | | | |
| Securities held-to-maturity | | | | (1) |
| Securities available-for-sale | (169) | (139) | (491) | (692) |
| Real estate used by third parties | (3) | (13) | (13) | (42) |
| Subtotal | (172) | (152) | (504) | (735) |

| | | | | |
|---|--------------|--------------|--------------|----------------|
| Impairments from investments | | | | |
| Securities held-to-maturity | (1) | (1) | (2) | (3) |
| Securities available-for-sale | (88) | (302) | (193) | (644) |
| Real estate used by third parties | 15 | (134) | (30) | (547) |
| Subtotal | (74) | (437) | (225) | (1,194) |
| Depreciation of real estate used by third parties | (64) | (62) | (196) | (173) |
| Total | (310) | (651) | (925) | (2,102) |

29 Loan loss provisions

| | Three months | | Nine months | |
|--|---------------|-------------|---------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Additions to allowances including direct impairments | (59) | (249) | (628) | (1,039) |
| Amounts released | 147 | 170 | 639 | 664 |
| Recoveries on loans previously impaired | 44 | 28 | 77 | 102 |
| Total | 132 | (51) | 88 | (273) |

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

30 Acquisition costs and administrative expenses (net)

| Three months ended September 30, | 2005 | | | 2004 | | |
|---|----------------|------------------------------|----------------|----------------|------------------------------|----------------|
| | Segment | Consolidation adjustments | Group*) | Segment | Consolidation Adjustments | Group*) |
| | mn | mn | mn | mn | mn | mn |
| PROPERTY-CASUALTY | | | | | | |
| Acquisition costs | | | | | | |
| Payments | (1,558) | | (1,558) | (1,612) | | (1,612) |
| Less commissions and profit received on reinsurance business ceded | 210 | | 210 | 198 | (1) | 197 |
| Change in deferred acquisition costs | (79) | | (79) | (21) | | (21) |
| Total acquisition costs (net) | (1,427) | | (1,427) | (1,435) | (1) | (1,436) |
| Administrative expenses | (936) | 4 | (932) | (977) | 16 | (961) |
| Underwriting costs (net) | (2,363) | 4 | (2,359) | (2,412) | 15 | (2,397) |
| Expenses for management of investments | (151) | 7 | (144) | (114) | 6 | (108) |
| Expenses from service agreements | (285) | 5 | (280) | (128) | 2 | (126) |
| Total acquisition costs and administrative expenses (net) | (2,799) | 16 | (2,783) | (2,654) | 23 | (2,631) |
| LIFE/HEALTH | | | | | | |
| Acquisition costs | | | | | | |
| Payments | (911) | | (911) | (1,031) | | (1,031) |
| Less commissions and profit received on reinsurance business ceded | 27 | (4) | 23 | 27 | (16) | 11 |
| Change in deferred acquisition costs | 285 | | 285 | 292 | | 292 |
| Total acquisition costs (net) | (599) | (4) | (603) | (712) | (16) | (728) |
| Administrative expenses | (322) | | (322) | (342) | 1 | (341) |
| Underwriting costs (net) | (921) | (4) | (925) | (1,054) | (15) | (1,069) |
| Expenses for management of investments | (123) | 38 | (85) | (115) | 31 | (84) |
| Expenses from service agreements | (33) | 7 | (26) | (30) | (7) | (37) |
| | (1,077) | 41 | (1,036) | (1,199) | 9 | (1,190) |

| Total acquisition costs and administrative expenses (net) | | | | | | |
|--|----------------|------------|----------------|----------------|-----------|----------------|
| BANKING | | | | | | |
| Personnel expenses | (897) | | (897) | (803) | | (803) |
| Operating expenses | (526) | 9 | (517) | (535) | 25 | (510) |
| Fee and commission expenses | (135) | 10 | (125) | (102) | 6 | (96) |
| Total acquisition costs and administrative expenses | (1,558) | 19 | (1,539) | (1,440) | 31 | (1,409) |
| ASSET MANAGEMENT | | | | | | |
| Personnel expenses | (465) | | (465) | (357) | | (357) |
| Operating expenses | (139) | 5 | (134) | (69) | 5 | (64) |
| Fee and commission expenses | (287) | 103 | (184) | (231) | 76 | (155) |
| Total acquisition costs and administrative expenses | (891) | 108 | (783) | (657) | 81 | (576) |

*) After elimination of intra-Allianz Group transactions between segments.

Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

| Nine months ended September 30, | 2005 | | | 2004 | | |
|--|----------------|---------------------------|--------------------|----------------|---------------------------|--------------------|
| | Segment | Consolidation adjustments | Group [*] | Segment | Consolidation adjustments | Group [*] |
| | mn | mn | mn | mn | mn | mn |
| PROPERTY-CASUALTY | | | | | | |
| Acquisition costs | | | | | | |
| Payments | (5,085) | | (5,085) | (5,096) | | (5,096) |
| Less commissions and profit received on reinsurance business ceded | 648 | (1) | 647 | 631 | (2) | 629 |
| Change in deferred acquisition costs | 159 | | 159 | 151 | 4 | 155 |
| Total acquisition costs (net) | (4,278) | (1) | (4,279) | (4,314) | 2 | (4,312) |
| Administrative expenses | (2,798) | 32 | (2,766) | (2,885) | 60 | (2,825) |
| Underwriting costs (net) | (7,076) | 31 | (7,045) | (7,199) | 62 | (7,137) |
| Expenses for management of investments | (351) | 21 | (330) | (309) | 15 | (294) |
| Expenses from service agreements | (878) | 12 | (866) | (420) | 4 | (416) |
| Total acquisition costs and administrative expenses (net) | (8,305) | 64 | (8,241) | (7,928) | 81 | (7,847) |
| LIFE/HEALTH | | | | | | |
| Acquisition costs | | | | | | |
| Payments | (2,761) | | (2,761) | (2,879) | | (2,879) |
| Less commissions and profit received on reinsurance business ceded | 111 | (32) | 79 | 192 | (64) | 128 |
| Change in deferred acquisition costs | 1,032 | | 1,032 | 728 | | 728 |
| Total acquisition costs (net) | (1,618) | (32) | (1,650) | (1,959) | (64) | (2,023) |
| Administrative expenses | (992) | 1 | (991) | (941) | 2 | (939) |
| Underwriting costs (net) | (2,610) | (31) | (2,641) | (2,900) | (62) | (2,962) |
| Expenses for management of investments | (350) | 112 | (238) | (342) | 87 | (255) |
| Expenses from service agreements | (95) | 22 | (73) | (89) | 20 | (69) |
| Total acquisition costs and administrative expenses (net) | (3,055) | 103 | (2,952) | (3,331) | 45 | (3,286) |
| BANKING | | | | | | |
| Personnel expenses | (2,346) | | (2,346) | (2,489) | | (2,489) |

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| | | | | | | |
|--|----------------|------------|----------------|----------------|------------|----------------|
| Operating expenses | (1,596) | 51 | (1,545) | (1,621) | 48 | (1,573) |
| Fee and commission expenses | (394) | 21 | (373) | (336) | 24 | (312) |
| Total acquisition costs and administrative expenses | (4,336) | 72 | (4,264) | (4,446) | 72 | (4,374) |
| ASSET MANAGEMENT | | | | | | |
| Personnel expenses | (1,243) | | (1,243) | (1,078) | | (1,078) |
| Operating expenses | (390) | 18 | (372) | (252) | 13 | (239) |
| Fee and commission expenses | (794) | 268 | (526) | (680) | 218 | (462) |
| Total acquisition costs and administrative expenses | (2,427) | 286 | (2,141) | (2,010) | 231 | (1,779) |

*) After elimination of intra-Allianz Group transactions between segments.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Acquisition costs and administrative expenses in the Property-Casualty and Life/Health insurance segments include the personnel and operating expenses of the Property-Casualty and Life/Health insurance segments allocated to the functional areas acquisition of insurance policies, administration of insurance policies and management of investments. Other personnel and operating expenses of the Property-Casualty and Life/Health insurance segments are included in insurance and investment contract benefits (net) (claims settlement expenses) and other expenses.

All personnel and operating expenses of the Banking segment are reported under acquisition costs and administrative expenses.

31 Other expenses

| | Three months | | Nine months | |
|--|---------------|--------------|----------------|----------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Corporate expenses | (238) | (266) | (600) | (657) |
| Restructuring charges | (2) | (6) | (85) | (133) |
| Foreign currency transaction losses | (110) | 18 | (597) | (258) |
| Expense of transferring or increasing miscellaneous or accrued liabilities | (136) | (62) | (409) | (243) |
| Bad debt expense | 4 | (16) | (85) | (100) |
| Fees | (31) | (50) | (128) | (141) |
| Expenses resulting from reinsurance business | 7 | 1 | (5) | (36) |
| Amortization of intangible assets | (18) | (29) | (66) | (92) |
| Direct charge to policy reserve | (16) | (21) | (57) | (59) |
| Amortization of capitalized loyalty bonuses to senior management of PIMCO | | | | |
| Group | | (32) | (25) | (95) |
| Fire protection tax | (30) | (20) | (90) | (92) |
| Interest on accumulated policyholder dividends | (24) | (25) | (75) | (78) |
| Expenses for assistance to victims under joint and several liability and road casualties | (24) | (25) | (78) | (77) |
| Other | (106) | (197) | (407) | (709) |
| Total | (724) | (730) | (2,707) | (2,770) |

32 Taxes

| | Three months | | Nine months | |
|---------------------------|---------------|--------------|----------------|----------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Current taxes | (595) | (372) | (1,536) | (1,027) |
| Deferred taxes | 78 | (120) | 29 | (186) |
| Total income taxes | (517) | (492) | (1,507) | (1,213) |
| Other taxes | (13) | (5) | (34) | (27) |
| Total | (530) | (497) | (1,541) | (1,240) |

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

Other Information**33 Other information*****Number of employees***

The Allianz Group had a total of 178,462 (2004: 176,501^{*)}) employees as of September 30, 2005. 73,178 (2004: 75,667) of these were employed in Germany and 105,284 (2004: 100,834^{*)}) in other countries. The number of employees undergoing training decreased by 440 to 4,466.

^{*)} increase of 14,321 reflects changes in scope of consolidation in 2004

Personnel expenses

| | Three months | | Nine months | |
|--|----------------------|--------------|----------------------|--------------|
| | ended | | ended | |
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Salaries and wages | 2,269 | 2,104 | 6,632 | 6,404 |
| Social security contributions and employee assistance | 374 | 329 | 1,079 | 1,050 |
| Expenses for pensions and other post-retirement benefits | 163 | 124 | 505 | 445 |
| Total | 2,806 | 2,557 | 8,216 | 7,899 |

Earnings per share

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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 September 30, 2005, 1,175,554 (2004: 1,175,554) participation certificates issued by Allianz AG were outstanding which can potentially be converted to 1,469,443 (2004: 1,469,443) Allianz shares and therefore have a dilutive effect.

The Allianz Group's share-based compensation plans and warrants issued by Allianz AG with potentially dilutive securities of 1,195,053 are included in the calculation of diluted earnings per share for the nine months ended September 30, 2005.

| | Three months ended September 30, 2005 | Three months ended September 30, 2004 | Nine months ended September 30, 2005 | Nine months ended September 30, 2004 |
|---|--|--|---|---|
| | mn | mn | mn | mn |
| Numerator for basic earnings per share (net income) | 794 | 468 | 3,508 | 1,970 |
| Effect of dilutive securities | 2 | 1 | 2 | 2 |
| Numerator for diluted earnings per share (net income after assumed conversion) | 796 | 469 | 3,510 | 1,972 |
| Denominator for basic earnings per share (weighted-average shares excluding treasury shares held by the Allianz Group) | 390,716,685 | 366,815,372 | 384,869,124 | 366,792,461 |
| Potential dilutive securities | 2,629,010 | 1,469,443 | 2,664,496 | 1,469,443 |
| Denominator for diluted earnings per share (weighted-average shares after assumed conversion) | 393,345,695 | 368,284,815 | 387,533,620 | 368,261,904 |
| | | | | |
| Basic earnings per share | 2.03 | 1.28 | 9.11 | 5.37 |
| Diluted earnings per share | 2.02 | 1.27 | 9.06 | 5.35 |

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The weighted average number of shares does not include 2,758,450 (2004: 17,926,289) treasury shares held by the Allianz Group for the nine months ended September 30, 2005. The potential settlement of the equity-linked borrowing has not been included in the calculation of diluted earnings per share as it is anti-dilutive.

34 Subsequent events

Merger of Allianz AG and RAS and conversion to SE

On September 11, 2005, Allianz AG and Riunione Adriatica di Sicurta S.p.A. (RAS) announced their intention to merge. On October 13, 2005, Consob, the Italian financial markets authority, approved Allianz AG's tender offer document relating to the voluntary offer to purchase all ordinary and savings shares, it does not already own, of RAS. The offer period began on October 20, 2005. The acceptance period will close on November 23 and the payment date is expected for November 30, 2005.

The offer represents a preparatory step of a broad repositioning plan for the Allianz Group and its Italian operations, the general terms of which were approved by the boards of Allianz AG and RAS. The cornerstone of this repositioning plan is the ultimate merger of RAS into Allianz AG, with Allianz AG converting into a European Company (Societas Europaea or SE). Additionally, RAS will contribute its insurance and other financial services business, with the exception of the participations in certain foreign subsidiaries, to a newly incorporated, wholly owned Italian subsidiary that will continue the corporate name RAS S.p.A. .

Based on full acceptance of the voluntary tender offer, the cost of the entire transaction will be approximately 5.7 billion. However, this amount may vary, depending upon the acceptance rate of the voluntary tender offer and the exchange ratio between Allianz AG shares and RAS ordinary and savings shares, which will be determined in mid-December 2005.

Approximately 2.2 billion, in aggregate, was secured in the third quarter 2005 from equity-based financing and an equity-linked borrowing. In this context, approximately 1.1 billion was placed out of authorized capital without pre-emptive rights and a 1.1 billion equity-linked borrowing was executed with a variable redemption amount linked to the share price of Allianz AG, which can be settled, at the Allianz Group's option, in cash or 10.7 million Allianz AG shares. The remaining amount will be financed through internal funds, as well as hybrid debt and senior debt.

Hurricane Wilma

As a result of hurricane Wilma in October 2005, the Allianz Group currently estimates its loss, net of reinsurance, at approximately 124 mn. The Allianz Group will continue to monitor this development through the fourth quarter 2005 and may make adjustments to this estimate accordingly.

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Table of Contents**Allianz Group****Notes to the Consolidated Financial Statements (Continued)**

as of September 30, 2005 and December 31, 2004 and for the three months and nine months ended September 30, 2005 and 2004

35 Summary of significant differences between the accounting principles used in the preparation of the consolidated financial statements and accounting principles generally accepted in the United States of America

The consolidated financial statements of the Allianz Group are presented in accordance with IFRS. IFRS differs in certain respects from US GAAP. The following table represents the reconciliation of the Allianz Group's net income for the nine months ended September 30, 2005 and 2004 and shareholders' equity as of September 30, 2005 and December 31, 2004 between IFRS⁽¹⁾ and US GAAP:

| | Net Income | | Shareholders Equity | |
|--|---------------------|-------|------------------------|--------------|
| | For the nine months | | As of | As of |
| | ended September 30, | | September 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Amounts determined in accordance with IFRS ⁽¹⁾ , as previously reported | 3,508 | 1,828 | 39,818 | 30,828 |
| Effect of implementation of new accounting standards ⁽¹⁾ | | 142 | | (833) |
| Amounts determined in accordance with IFRS, as adjusted ⁽¹⁾ | 3,508 | 1,970 | 39,818 | 29,995 |
| Adjustments in respect to: | | | | |
| (a) Goodwill and intangible assets | (203) | 700 | 3,597 | 3,519 |
| (b) Employee benefit plans | (17) | (17) | (465) | (509) |
| (c) Investments | (876) | (587) | 838 | 626 |
| (d) Restructuring charges | (16) | 48 | 17 | 33 |
| (e) Deferred compensation | (11) | (11) | 17 | 28 |
| (f) Guarantees | (29) | (22) | (51) | (22) |
| (g) Financial assets and liabilities designated at fair value through income | (124) | | (4) | 38 |
| (h) Insurance liabilities | 23 | 2 | 91 | 35 |
| (i) Share based compensation | 280 | 122 | 753 | 403 |
| Total US GAAP adjustments | (973) | 235 | 4,793 | 4,151 |
| (j) Income taxes | 185 | 133 | (894) | (730) |
| (k) Minority interests in earnings/in shareholders' equity | 51 | 66 | (54) | (36) |

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| | | | | |
|--|-------|-------|--------|--------|
| Effect of US GAAP adjustments | (737) | 434 | 3,845 | 3,385 |
| Amount determined in accordance with US GAAP | 2,771 | 2,404 | 43,633 | 33,380 |
| Net income per share in accordance with US GAAP: | | | | |
| Basic | 7.20 | 6.55 | | |
| Diluted | 7.16 | 6.53 | | |

(1) Shareholders' equity before minority interests. See reconciliation of minority interests in shareholders' equity following.

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Valuation and recognition differences

The following describes the valuation and recognition differences presented in the reconciliation of the Allianz Group's net income and shareholders' equity between IFRS and US GAAP.

(a) Goodwill and intangible assets

A summary of the reconciliation adjustments relating to goodwill and intangible assets for the nine months ended September 30 is as follows:

| | Net Income | | Shareholders | |
|---------------------------|---------------------|------------|---------------|--------------|
| | For the nine months | | Equity | |
| | ended September 30, | | As of | As of |
| | 2005 | 2004 | September 30, | December 31, |
| | mn | mn | 2005 | 2004 |
| Goodwill | (5) | 867 | 2,419 | 2,143 |
| Brand names | | 31 | 43 | 43 |
| Core deposits | (44) | (44) | 303 | 347 |
| Customer base intangibles | (154) | (154) | 832 | 986 |
| Total | (203) | 700 | 3,597 | 3,519 |

Goodwill In accordance with US GAAP, goodwill is not subject to amortization; however, it is tested for impairment annually at a reporting unit level, or more frequently based upon facts and circumstances. For years through December 31, 2004, goodwill was amortized over its estimated useful life in accordance with IFRS. As of January 1, 2005, goodwill is not subject to amortization in accordance with IFRS.

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Further, as described in Note 2, the Allianz Group revised its accounting policy for accounting under IFRS for the acquisition or disposal of a minority interest in shareholders' equity for subsidiaries, companies under control, of the Allianz Group. As a result, the acquisition of a minority interest in shareholders' equity does not result in an allocation of the acquisition cost to the respective fair value of the assets and liabilities acquired. Rather, the excess of the acquisition cost over the Allianz Group's carrying amount of the minority interest in shareholders' equity is recognized as a reduction of revenue reserves. Similarly, the excess of the Allianz Group's carrying amount of the minority interest in shareholders' equity over acquisition cost is recognized as an increase of revenue reserves. In addition, upon the disposal of an interest in a subsidiary which the Allianz Group continues to control, the excess of the sales price over the Allianz Group's carrying amount of the interest is recognized as an increase of revenue reserves. Similarly, upon the disposal of an interest in a subsidiary which the Allianz Group continues to control, the excess of the Allianz Group's carrying amount of the interest over the sales price is recognized as a decrease of revenue reserves. The Allianz Group has applied this accounting policy to any acquisition or disposal of a minority interest in shareholders' equity on or after January 1, 2005. In accordance with US GAAP, the acquisition of a minority interest results in the allocation of the acquisition cost to the respective fair value of the assets and liabilities acquired. Further, in accordance with US GAAP, the difference between the sales price and carrying amount of an interest in a subsidiary is recognized in net income.

For the nine months ended September 30, 2005, the reconciliation adjustment to net income represents the elimination of the recognition of negative goodwill as a result of the adoption of IFRS as negative goodwill had previously been recognized under US GAAP as a result of the adoption of SFAS

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142. For the nine months ended September 30, 2004, the reconciliation adjustment to net income represents the reversal of goodwill amortization recorded in accordance with IFRS and the effects of a different cost basis for disposals. The reconciliation adjustments to shareholders' equity represents the effects of the reversal of accumulated amortization related to goodwill, net of a lower cost basis for goodwill in accordance with US GAAP as a result of the allocation of a portion of the purchase price of Dresdner Bank AG to core deposits and customer base intangibles as of September 30, 2005 and 2004 and the recognition of goodwill under US GAAP purposes related to the purchase of minority interests which is recorded as a reduction of revenue reserves for IFRS as of September 30, 2005.

Brand names In accordance with US GAAP, intangible assets with an indefinite life are not subject to amortization; however, they are tested for impairment annually, or more frequently based upon facts and circumstances. In connection with the Allianz Group's acquisition of Dresdner Bank AG, a portion of the purchase price was allocated to the brand names "Dresdner Bank" and "dit", which in accordance with US GAAP are considered to have an indefinite life. For years through December 31, 2004, these brand names are being amortized over a period of 20 years in accordance with IFRS. As of January 1, 2005, in accordance with IFRS, brand names are considered to have an indefinite life and therefore are no longer subject to amortization.

For the nine months ended September 30, 2004, the reconciliation adjustment to net income represents the reversal of amortization expense recorded in accordance with IFRS. The reconciliation adjustment shareholders' equity represents the effects of reversal of accumulated amortization recorded in accordance with IFRS.

Core deposits In connection with the Allianz Group's acquisition of Dresdner Bank AG, a portion of the purchase price was allocated to core deposits in accordance with US GAAP. In accordance with IFRS, a similar intangible asset was not recorded, resulting in a higher amount of the purchase price being allocated to goodwill. Core deposits are amortized over their expected useful lives, which range from 7.3 to 11.5 years. The weighted average original useful lives for the core deposits are 9.5 years. Therefore, the reconciliation adjustments to net income and shareholders' equity represent recognition of amortization expense and accumulated amortization, respectively, of core deposits under US GAAP.

Customer base intangibles In connection with the Allianz Group's acquisition of Dresdner Bank AG, a portion of the purchase price was allocated to customer base intangibles in accordance with US GAAP. In accordance with IFRS, a similar intangible asset was not recorded, resulting in a higher amount of the purchase price being allocated to goodwill. Customer base intangibles are amortized over their expected useful lives, which range from 7.5 to 16.6 years. The weighted average original useful lives for the customer base intangibles are 8.9 years. Therefore, the reconciliation adjustment to net income and shareholders' equity represents the recognition of amortization expense and accumulated amortization, respectively, of customer base intangibles under US GAAP.

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(b) Employee benefit plans

A summary of the reconciliation adjustments relating to employee benefit plans for the nine months ended September 30 is as follows:

| | Net Income | | Shareholders | |
|--------------------------------------|---------------------|------|---------------|--------------|
| | | | Equity | |
| | For the nine months | | As of | As of |
| | ended September 30, | | September 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Transition obligation | (12) | (12) | 3 | 15 |
| Prior service cost | (5) | (5) | 100 | 105 |
| Additional minimum pension liability | | | (568) | (629) |
| Total | (17) | (17) | (465) | (509) |

Transition obligation In accordance with IFRS, the Allianz Group did not record a transition adjustment upon the adoption of IAS 19, *Employee Benefits*, as the accrual at the time of adoption was equal to the difference between the projected benefit obligation and the plan assets at the time of adoption.

In accordance with US GAAP, a transition obligation was calculated as the difference between the projected benefit obligation less the plan assets and the benefit accrual under domestic rules. The transition obligation must be amortized on a straight-line basis over the average remaining service period of plan participants or over 15 years if the average remaining service period is less than 15 years. For US GAAP purposes, the Allianz Group is amortizing the unrecognized transition obligation over 19 years, ending in 2005. The Allianz Group adopted SFAS No. 87, *Employers' Accounting for Pensions* (SFAS 87), effective January 1, 1998. The Allianz Group was unable to adopt SFAS 87 as of its effective date, January 1, 1987, due to the unavailability of actuarial data. The 19 year amortization period was applied retroactively to January 1, 1987 to effectively extinguish the transition obligation at the same date as if SFAS 87 were adopted on the effective date.

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Therefore, the reconciliation adjustment to net income and shareholders' equity represents recognition of amortization expense and unrecognized transition obligation under US GAAP, respectively.

Prior service cost In accordance with IFRS, the vested portion of past service cost, which is the increase in the present value of the obligation due to changes in the benefit entitlement that is allocated to prior periods' service, is recognized immediately in full. The unvested portion of past service cost is amortized on a straight-line basis from the point in time when the past service cost arises until the obligation is anticipated to become vested. In accordance with US GAAP, both the vested and unvested portions are amortized on a straight-line basis over the average future service lives of the active participants. Therefore, the reconciliation adjustment to net income and shareholders' equity represents recognition of amortization expense and unrecognized prior service cost, respectively.

Additional minimum pension liability In accordance with US GAAP, if the accumulated benefit obligation exceeds the fair value of plan assets, an additional minimum pension liability (including unfunded accrued pension cost) that is at least equal to the unfunded accumulated benefit obligation is recorded. Recognition of an additional minimum liability is required if an unfunded accumulated benefit obligation exists and (a) an asset has been recognized as prepaid pension cost, (b) the

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liability already recognized as unfunded accrued pension cost is less than the unfunded accumulated benefit obligation, or (c) no accrued or prepaid pension cost has been recognized. Also, in accordance with US GAAP, an equal amount is capitalized as an intangible asset up to the amount of any unrecognized net transition obligation plus the unrecognized prior service costs, with the remainder charged to shareholders equity as a component of other comprehensive income. In accordance with IFRS, there are no such requirements for the recognition of an additional minimum pension liability. Therefore, the reconciliation adjustment to shareholders equity represents recognition of an additional minimum pension liability, net of the related intangible asset, under US GAAP.

(c) Investments

A summary of the reconciliation adjustments relating to investments for the nine months ended September 30 is as follows:

| | Net Income | | Shareholders Equity | |
|--|--|--------------|------------------------|-----------------------|
| | For the nine months ended September 30, | | As of September 30, | As of December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | mn | mn | mn | mn |
| Impairments of equity securities | (704) | (324) | | |
| Reversal of impairments of debt securities | 4 | | | |
| Realized gains from equity securities | | (141) | | |
| Foreign currency exchange differences from debt securities | (183) | | | |
| Loans and receivables | | | 1,057 | 852 |
| Reversal of impairments of real estate | 3 | | (38) | (41) |
| Realized gains from real estate | 4 | (122) | (181) | (185) |
| Total | (876) | (587) | 838 | 626 |

Impairments of equity securities As described in Note 2, the adoption of IAS 39 revised required a change to the Allianz Group's impairment criteria for available-for-sale equity securities. In addition, IAS 39 revised required that the Allianz Group no longer establish an adjusted cost

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basis upon the recognition of an impairment of equity security. IAS 39 revised required retrospective application of these changes. As of January 1, 2005, the Allianz Group adopted these changes to its accounting policies for US GAAP. However, under US GAAP, retrospective application of these policies was not allowed; therefore, the Allianz Group was required to apply these changes only prospectively under US GAAP.

For the nine months ended September 30, 2005, the reconciliation adjustment to net income represents the differences in impairments and realized gains and losses from equity securities, net of policyholder participation, recognized from the application of these accounting policies with different transition rules. For the nine months ended September 30, 2004, the reconciliation adjustment to net income represents the elimination of impairments of equity securities, net of policyholder participation, that result from the retrospective application of these changes to the Allianz Group's accounting policies under IFRS.

Reversals of impairments of debt securities In accordance with IFRS, if the amount of the impairment previously recorded on a fixed income security decreases and the decrease can be objectively

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related to an event occurring after the impairment, such as an improvement in the debtor's credit rating, the impairment is reversed through net income. Such reversals can not result in a carrying amount of a security in excess of the carrying amount prior to the impairment. In accordance with US GAAP, reversals of impairments recorded on debt securities are not permitted. Therefore, the reconciliation adjustment to net income represents the elimination of the reversal of impairments on debt securities, net of policyholder participation, under IFRS.

Realized gains from equity securities On the date the Allianz Group no longer exercises significant influence over an investee accounted for under the equity method, the investment is transferred to securities available for sale and it is recorded at fair value with its previous carrying amount becoming its cost basis. The carrying amount prior to transfer, as determined in accordance with IFRS and US GAAP may be different. Subsequent to the transfer, these differences in cost basis are realized upon disposal of the equity securities. As a result of the sale of certain equity securities, which previously were accounted for as associated companies, a difference in the cost basis resulted in a lower amount of realized gains in accordance with US GAAP than in accordance with IFRS.

Foreign currency exchange differences from debt securities In accordance with IFRS, foreign currency exchange differences from debt securities are recognized in net income. In accordance with US GAAP, foreign currency exchange differences from debt securities are recognized directly in equity as foreign currency translation adjustments. Therefore, the reconciliation adjustment to net income for the nine months ended September 30, 2005, represents the elimination of the foreign currency exchange differences from debt securities, net of policyholder participation, under US GAAP. During the nine months ended September 30, 2005, the Allianz Group significantly increased its average balance of debt securities denominated in a foreign currency. This increase, together with the strengthening of the Euro, resulted in the significant amount of foreign currency exchange gains recognized in net income under IFRS. During the nine months ended September 30, 2004, foreign currency exchange differences were not material to the Allianz Group's net income.

Loans and receivables As described in Note 2, as a result of the adoption of IAS 39 revised, the Allianz Group reclassified certain available-for-sale debt securities to loans and advances to banks and loans and advances to customers. IAS 39 revised required retrospective application of this change to the Allianz Group's accounting policies. In accordance with US GAAP, these securities continue to be classified as available-for-sale debt securities. Therefore, the reconciliation adjustment to shareholders' equity represents the unrealized gains and losses related to the available-for-sale debt securities, net of policyholder participation, under US GAAP.

Reversals of impairments of real estate In accordance with IFRS, if the amount of a previously recognized impairment decreases, the impairment is reversed through net income. However, such reversals do not result in a carrying amount that exceeds what would have been the carrying amount had the impairment not been recorded. In accordance with US GAAP, reversals of impairments recorded on real estate are not permitted. Therefore, the reconciliation adjustments to net income and shareholders' equity represent the elimination of reversals of impairments of real estate less the related accumulated depreciation.

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Realized gains from real estate The Allianz Group entered into certain sales leaseback transactions that resulted in the Allianz Group recognizing realized gains from the sale of the real estate and treating the leases as operating leases in accordance with IFRS. In accordance with US GAAP, the Allianz Group is required to defer and amortize over the related lease term these realized gains. Therefore, the reconciliation adjustment to net income and shareholder's equity represents the reversals of realized gains net of accumulated amortization.

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(d) Restructuring charges

Under IFRS, restructuring provisions include certain early retirement provisions that are recognized in their entirety upon the employee accepting the early retirement offer. Under US GAAP, these early retirement provisions are recognized over the service period. Therefore, the reconciliation adjustment to net income and shareholder's equity represents the reversal of compensation expense.

(e) Deferred compensation

In accordance with terms of employment contracts, the Allianz Group has deferred the payment of certain amounts of incentive compensation awards to employees. Employees vest in the deferred amounts over three years. In accordance with IFRS, these deferred amounts are recognized as expense in the year of the award, which is when the Allianz Group is constructively obligated to pay the award. In accordance with US GAAP, the deferred amounts are recognized as expense over the period in which the employee provides services to the Allianz Group, which is considered to be the three-year vesting period. Therefore, the reconciliation adjustment to net income and shareholder's equity represents the reversal of compensation expense.

(f) Guarantees

Under IFRS, guarantees related to indemnifications are not recorded unless it is probable a loss will occur. In accordance with US GAAP, guarantees related to indemnification contracts are required to be recorded at fair value. Related to the sale of certain investments during 2004, the Allianz Group recorded a liability related to guarantees for US GAAP.

(g) Financial asset and liabilities designated at fair value through income

As described in Note 2, as a result of the adoption of IAS 39 revised, the Allianz Group reclassified certain available-for sale securities to financial assets designated at fair value through income as a result of the change as described in the following paragraph regarding adoption of IAS 32 revised. In addition, the Allianz Group reclassified certain loans to banks and loans to customers to financial assets designated at fair value and certain financial liabilities to financial liabilities designated at fair value through income in the Banking Segment to reduce accounting mismatches. Under US GAAP, these financial assets and liabilities will continue to be accounted for according to their previous accounting basis.

In addition, as described in Note 2, as a result of the adoption of IAS 32 revised, the Allianz Group was required to reclassify the minority interests in shareholders' equity of certain consolidated investment funds to liabilities. These liabilities are required to be recorded at redemption amount with changes recognized in net income. As the redemption amount of these liabilities is their fair value, these liabilities are included in financial liabilities carried at fair value through income as liabilities for puttable equity instruments. IAS 39 revised required retrospective application of this change. Under US GAAP, these puttable equity instruments will continue to be classified as minority interests.

(h) Insurance liabilities

As described in Note 2, the adoption of IFRS 4 resulted in the Allianz Group recognizing a liability for certain discretionary participating features. IFRS 4 requires retrospective application of these changes. Under US GAAP, these discretionary participating features are recognized in equity. Therefore, the reconciliation adjustment to net income and shareholders' equity represents the elimination of these liabilities under US GAAP.

(i) Share based compensation

As described in Note 2, the adoption of IFRS 2 resulted in a change to the Allianz Group's accounting policy for the Class B Plan of PIMCO

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LLC. As a result of the shares issued under the Class B plan being puttable by the holder, the shares issued are required to be classified a cash settled plan under IFRS. Therefore, the shares issued under the plan are recognized as liabilities and measured at fair value with changes recognized in net income. IFRS 2 requires retrospective application of this change. Under US GAAP, the Class B Plan continues to be classified an equity settled plan. Therefore, the reconciliation adjustment to net income and shareholders' equity represents the elimination of the additional compensation expense recognized under IFRS for these shares.

(j) Income taxes

The reconciliation adjustment to net income represents the effect of the US GAAP adjustments on income taxes. The reconciliation adjustment to shareholders' equity represents effect of the US GAAP adjustments on income taxes.

The Allianz Group has elected to utilize the portfolio method in its US GAAP accounting treatment for the accumulated deferred tax amounts recorded within stockholders' equity which relate to the net unrealized gains of available-for-sale securities that are no longer taxable. Under the portfolio method, the accumulated deferred tax amounts recorded within stockholders' equity will not be recognized in the income statement as income tax expense in future periods as long as the Allianz Group maintains an available-for-sale investment portfolio.

(k) Minority interest in earnings

The following table represents the reconciliation of the Allianz Group's minority interests in shareholders' equity between IFRS and US GAAP as of September 30, 2005 and December 31, 2004:

| Minority interests in | |
|------------------------------|---------------------|
| shareholders' equity | |
| As of | As of |
| September 30, | December 31, |

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| | <u>2005</u> | <u>2004</u> |
|--|---------------|--------------|
| | mn | mn |
| Amounts determined in accordance with IFRS | 8,770 | 7,696 |
| Valuation and recognition differences as a result of US GAAP adjustments as noted above | 54 | 36 |
| Reclassification of puttable instruments related to consolidated investment funds from liabilities | 1,203 | 1,389 |
| Reclassification of puttable instruments related to share based compensation to liabilities | 620 | 410 |
| | <u>10,647</u> | <u>9,531</u> |
| Amounts determined in accordance with US GAAP | 10,647 | 9,531 |

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