ALLIANZ AKTIENGESELLSCHAFT
Form F-4/A
December 12, 2005
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As filed with the Securities and Exchange Commission on December 12, 2005

Registration No. 333-128715

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No. 1 to

FORM F-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLIANZ AKTIENGESELLSCHAFT

(Exact Name of Registrant as Specified in Its Charter)

Federal Republic of Germany	**6411**	**Not applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

Königinstrasse 28,

80802 Munich,

Germany

(011) 49 89 3800 0

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Peter Huehne

Chief Financial Officer

Allianz of America Corporation

777 San Marin Drive,

Novato, California 94998

(415) 899-2646

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies of Communications to:

Dr. Peter Hemeling

General Counsel

Allianz AG

Königinstrasse 28,

80802 Munich, Germany

(011) 49 89 3800 0

William D. Torchiana

Sullivan & Cromwell LLP

24, rue Jean Goujon

75008 Paris France

(011) 331 7304 5890

Approximate date of commencement of proposed sale to the public: As promptly as practicable after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**[(1)]	**Proposed Maximum Offering Price Per Unit**[(2)]	**Proposed Maximum Aggregate Offering Price**[(2)]	**Amount of Registration Fee**
Ordinary shares, without par value	•	Not applicable	$14,193,750	$1,670.60

(1) Allianz AG is registering a total of • ordinary shares, without par value (Allianz shares), in connection with the proposed merger of Riunione Adriatica di Sicurtà S.p.A. (RAS) with and into Allianz AG (the merger) described herein. This number is based on the (a) • ordinary shares of RAS (RAS ordinary shares) and • savings shares of RAS (RAS savings shares and, together with RAS ordinary shares, RAS shares) expected to be outstanding and held by U.S. residents (within the meaning of Rule 12g3-2(a) under the Securities Exchange Act of 1934) as of •, 2006, the expected record date for determination of the RAS shareholders entitled to vote on the merger and (b) an exchange ratio of • Allianz shares for each • RAS ordinary shares and of • Allianz shares for each • RAS savings shares pursuant to the merger.

(2) The proposed maximum aggregate offering price of all of the Allianz shares registered in connection with the merger is $14,193,750. Pursuant to Rules 457(f)(1) and 457(c) under the Securities Act and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the aggregate market value of the approximate number of RAS ordinary shares and RAS savings shares to be cancelled in the merger (calculated as set forth in note (1) above) based upon a market value of $22.71 per RAS ordinary share and $58.95 per RAS savings share, the average of the high and low sale prices per RAS ordinary share and per RAS savings share, respectively, on the Milan Stock Exchange on September 26, 2005.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This preliminary prospectus is not an offer to sell these securities and is not a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated December 12, 2005

Allianz AG

up to • million Ordinary Shares

This Prospectus relates to the delivery of ordinary shares (Allianz shares) of Allianz AG (Allianz), contemporaneously with its conversion into a European Company (*Societas Europaea*, or SE), to the holders of ordinary shares and savings shares of Riunione Adriatica di Sicurtà S.p.A. (RAS) in connection with the proposed merger of RAS with and into Allianz (the merger). As used in this Prospectus, unless the context otherwise requires, the term Allianz refers to Allianz AG and the terms we, us, our, Allianz Group and Group refer to Allianz and its dire indirect subsidiaries as a consolidated group, and the term RAS refers to Riunione Adriatica di Sicurtà S.p.A. and the term RAS Group refers to RAS and, as applicable, RAS and its direct and indirect subsidiaries as a consolidated group.

Upon effectiveness of the merger, Allianz will by operation of law change its legal form to become a European Company, as provided for under European Union (EU) law and regulations. Unless the context otherwise requires, as used in this Prospectus, Allianz shares refer to the ordinary shares of Allianz following its conversion into an SE, and Allianz SE refers to Allianz following its conversion into an SE.

Subject to requisite shareholder approvals, we and RAS have agreed that RAS shareholders will receive in connection with the merger:

- • of Allianz shares for each • RAS ordinary shares that they hold; and

- • of Allianz shares for each • RAS savings shares that they hold.

Holders of the RAS ordinary shares are to vote on the merger plan at an extraordinary meeting of shareholders scheduled for February 3, 2006, on first call, and February 4, 2006, on second call. Separately, holders of the RAS savings shares are to vote on the merger at a special meeting of savings shareholders scheduled for February 3, 4 and 6, 2006, on first call, second call and third call, respectively. The merger plan will not become effective unless (a) a resolution approving the merger plan is passed at the extraordinary meeting of holders of RAS ordinary shares with the affirmative vote of holders of at least two-thirds of the RAS ordinary share capital participating in the vote on the resolution and (b) a resolution approving the resolution described in (a) above is passed at the special meeting of holders of RAS savings shares with the affirmative vote of holders of the majority of the RAS savings shares participating in the vote on the resolution, representing at least 20% of the total amount of the RAS savings share capital. At December 1, 2005, we owned approximately 76.3% of the outstanding RAS ordinary shares and 71.3% of the outstanding RAS savings shares, and we intend to vote those shares in favor of the proposed merger. As a result, the resolutions described above are certain to pass.

Allianz shareholders will vote on the merger plan at an extraordinary meeting of shareholders, which is scheduled for February 8, 2006. The merger plan will not become effective unless a resolution approving it is passed with the affirmative vote of at least 75% of the Allianz share capital participating in the vote on the resolution.

The merger will become effective upon the registration of the merger in the commercial register for Allianz in Germany.

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND A PROXY. If you hold RAS shares through an intermediary such as a broker/dealer or clearing agency, you should consult with that intermediary about how to obtain information on the relevant shareholders meeting(s) of RAS.

The principal market on which Allianz shares trade is the Frankfurt Stock Exchange, where they trade under the symbol ALV (International Securities Identification Number DE 000840 4005). American Depositary Shares, or ADSs, each representing one-tenth of one Allianz share, are listed on the New York Stock Exchange under the symbol AZ. On December 5, 2005, the closing price of the shares on the XETRA trading system of the Frankfurt Stock Exchange was 128.39, and the closing price of the ADSs on the New York Stock Exchange was $15.13.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a crime.

We encourage you to read this Prospectus carefully, and in its entirety, including the list of risk factors relating to the merger that begins on page 8.

Prospectus dated •, 2005

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ADDITIONAL INFORMATION

This document incorporates important business and financial information about us from documents filed with the Securities and Exchange Commission that are not included in or delivered with this document. Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this Prospectus. Shareholders may obtain documents incorporated by reference into this Prospectus by requesting them in writing or by telephone from us at the following address, and may also use such address for any questions about the merger:

Allianz AG

Investor Relations

Königinstrasse 28

80802 Munich

Germany

Telephone: +49 1802 2554269

Fax: +49 89 3800 3899

E-Mail: investor.relations@allianz.com

In order to receive timely delivery of the documents in advance of the RAS meetings of shareholders, you should make your request no later than •, 2006.

Allianz files annual and special reports and other information with the Securities and Exchange Commission, which in this document we refer to as the SEC. You may read and copy any reports, statements or other information on file at the SEC s public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC filings are also available to the public from commercial document retrieval services. The Allianz filings, and the registration statement filed by Allianz of which this Prospectus forms a part, are available at the Internet Web site maintained by the SEC at *http://www.sec.gov*.

Allianz has filed a registration statement on Form F-4 to register with the SEC the Allianz shares that RAS shareholders would receive in connection with the merger.

The SEC permits Allianz to incorporate by reference information into this Prospectus. This means that Allianz can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this Prospectus, except for any information superseded by information contained directly in this Prospectus or by information contained in documents filed with or furnished to the SEC after the date of this Prospectus that is incorporated by reference into this Prospectus.

This Prospectus incorporates by reference Allianz s Annual Report on Form 20-F for the year ended December 31, 2004, which was filed with the SEC on April 19, 2005, and Allianz s Reports on Form 6-K, which were submitted with the SEC on November 15, 2005 and December 12, 2005, respectively. These documents contain important information about us and our financial condition. Allianz also incorporates by reference into this Prospectus additional documents that it may file with or submit to the SEC under Sections 13(a), 13(c), 14(a) and 15(d) of the Securities Exchange Act of 1934, as amended, from and including the date of this Prospectus to the dates of the respective RAS shareholders meetings held in connection with the merger. These include reports such as Annual Reports on Form 20-F and any other Reports on Form 6-K designated by Allianz as being incorporated by reference into this Prospectus.

The Allianz shares are listed and traded on all German stock exchanges, *i.e.*, the Frankfurt Stock Exchange, the Baden-Württemberg Stock Exchange in Stuttgart, the Berlin-Bremen Stock Exchange, the Düsseldorf Stock Exchange, the Hanseatic Stock Exchange in Hamburg, the Hanover Stock Exchange and the Munich Stock Exchange. The Allianz shares are also listed on the London Stock Exchange, SWX Swiss Exchange and Euronext Paris. Allianz ADSs are listed on the New York Stock Exchange, which in this document we refer to as the NYSE.

You can obtain any of the documents incorporated by reference through us or through the SEC s Internet Web site, in each case as described above.

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References in this Prospectus to $, U.S.$ and U.S. dollars are to United States dollars and references to and Euro are to the Euro, the single currency established for participants in the third stage of the European Economic and Monetary Union (or EMU), commencing January 1, 1999.

Unless as otherwise specified herein, the financial information included in this Prospectus is prepared in accordance with the new and revised International Financial Reporting Standards, effective January 1, 2005, as adopted under EU regulations in accordance with clause 315a of the German Commercial Code, which we refer to herein as IFRS or 2005 IFRS. Some of these new and revised IFRS required retrospective application to all years of a company s financial statements. As a result and pursuant to specific requirements and guidance of the SEC in connection with the filing of certain registration statements, the financial statements for the Allianz Group previously issued in connection with our Annual Report on Form 20-F for the year ended December 31, 2004 and the financial statements for the RAS Group previously issued in the initial filing of this registration statement with the SEC on September 30, 2005 have been revised to retrospectively apply 2005 IFRS and are included in this Prospectus. Retrospective application has the effect of applying 2005 IFRS to prior periods as if those accounting principles had always been used. Pre-2005 IFRS when used herein means IFRS effective as of December 31, 2004 as adopted under EU regulations in accordance with clause 292a of the German Commercial Code. For a more detailed description of 2005 IFRS compared to Pre-2005 IFRS, refer to Note 3 to our consolidated financial statements and Note 2 to the consolidated financial statements for RAS Group, which are included in this Prospectus.

This Prospectus is dated •, 2005. You should not assume that the information contained in, or incorporated by reference into, this Prospectus is accurate as of any date other than that date. Neither the mailing of this Prospectus to RAS shareholders nor the issuance by Allianz of ordinary shares in connection with the merger will create any implication to the contrary.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or a solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

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SUMMARY

This summary highlights selected information from this Prospectus. It does not contain all of the information that may be important to you. You should read carefully the entire Prospectus and the additional documents referred to in this Prospectus to fully understand the merger.

The Companies (see page 12)

Allianz AG

Königinstrasse 28

80802 Munich

Germany

Telephone: (011-49) 89-3800-0

We are among the world s largest financial services providers, offering insurance, banking and asset management products and services through property-casualty, life/health, banking and asset management business segments. We are the largest German property-casualty and life/health insurance company and one of the largest insurance groups in the world, based on gross premiums written and statutory premiums, respectively, in 2004. We are also among the largest insurance companies in other countries, including France, Italy (which includes our interest in RAS), the United Kingdom, Switzerland and Spain, based on gross premiums written in 2004. We are the second-largest German financial institution, based on market capitalization at December 31, 2004.

RAS S.p.A.

Corso Italia 23

20122 Milan

Italy

Telephone: (011-39) 02-7216-1

The RAS Group is one of the leading financial services providers in Italy, offering insurance, banking and asset management products and services. RAS is the fourth-largest property-casualty insurer and second-largest life/health insurer in Italy, based on gross premiums written and statutory premiums, respectively, in 2004. RAS also has insurance operations in Austria, Switzerland and Portugal. With RAS s acquisition of Banca Bnl Investmenti in 2004 and subsequent merger of these operations into RAS s subsidiary, RasBank, RAS has an increasing presence in Italy s financial services sector. Allianz is RAS s largest shareholder, holding 76.3% of RAS s total share capital as of December 1, 2005 after giving effect to the tender offer by Allianz for RAS shares, which expired on November 23, 2005 (see Relationship Between Allianz and RAS Tender Offer for RAS Shares and Additional Share Purchases).

The Merger (see page 43)

If the merger plan is approved by the RAS shareholders and by our shareholders, RAS will be merged with and into Allianz having effect upon the registration of the merger in the commercial register for Allianz in Germany. Upon effectiveness of the merger, Allianz, as the absorbing entity, will by operation of law change its legal form from a German stock corporation (*Aktiengesellschaft*) to a European Company (*Societas Europaea*, or SE), as provided for under EU law and regulations. Subject to requisite shareholder approvals, we and RAS have agreed that RAS shareholders will receive in connection with the merger:

• of Allianz shares for each • RAS ordinary shares that they hold; and

• of Allianz shares for each • RAS savings shares that they hold.

The terms and conditions of the merger are contained in the merger plan entered into by Allianz and RAS on December •, 2005, an English translation of which is included as an exhibit in the registration statement of which this Prospectus forms a part and is incorporated by reference into this Prospectus. We encourage you to read the merger plan carefully as it is the legal document that governs the merger.

If you are a RAS shareholder, you will receive Allianz shares, which are traded principally on the Frankfurt Stock Exchange under the symbol ALV . Allianz ADSs are listed on the NYSE under the symbol AZ .

Appraisal Rights and Cash Exit Rights (see page 68)

Italian law does not entitle the holders of RAS ordinary shares and RAS savings shares to formal appraisal rights in connection with the merger. RAS shareholders are, however, entitled to cash exit rights as provided for under Italian law. Those entitled RAS shareholders that have exercised their cash exit rights will receive a cash payment for their RAS ordinary shares and RAS savings shares, as applicable, in lieu of receiving any Allianz shares. For further information in this regard, see The RAS Shareholders Meetings Appraisal Rights and Cash Exit Rights.

Certain Tax Consequences (see page 76)

For a discussion of U.S. federal, Italian and German tax consequences of the merger to RAS shareholders, see U.S. Federal, Italian and German Tax Consequences.

Selected Financial Data of the Allianz Group

We present below our selected financial data as of and for each of the years in the five-year period ended December 31, 2004. We derived the selected financial data for each of the years in the five-year period ended December 31, 2004 from our audited annual consolidated financial statements, including the notes to those financial statements. All the data should be read in conjunction with our consolidated financial statements and the notes thereto, which are included in this Prospectus.

We also present below our selected historical financial data as of and for each of the nine-month periods ended September 30, 2005 and 2004. We have derived the selected financial historical information for each of the nine-month periods ended September 30, 2005 and 2004 from our unaudited interim consolidated financial statements for the nine-months ended September 30, 2005, which are incorporated by reference into this Prospectus.

We prepare our consolidated financial statements in accordance with 2005 IFRS, which introduced a number of new and revised IFRS effective January 1, 2005. Some of these new and revised IFRS required retrospective application to all years of a company s financial statements. As a result and pursuant to specific requirements and guidance of the SEC in connection with the filing of certain registration statements, the financial statements for the Allianz Group previously issued in connection with our Annual Report on Form 20-F for the year ended December 31, 2004 have been revised to retrospectively apply 2005 IFRS, and are included in this Prospectus. Retrospective application has the effect of applying 2005 IFRS to prior periods as if those accounting principles had always been used. Our Annual Report on Form 20-F for the year ended December 31, 2005 will also be prepared in accordance with 2005 IFRS. Our selected financial data as of and for each of the years ended December 31, 2004, 2003 and 2002 is also presented below in accordance with 2005 IFRS. The selected financial data as of and for the years ended December 31, 2001 and 2000 is, however, presented below in accordance with pre-2005 IFRS and accordingly does not reflect the retrospective application of 2005 IFRS, due to the unreasonable effort or expense required to prepare such information, in particular resulting from the challenges posed by the implementation for those years of the new impairment criteria of IAS 39 revised, *Financial Instruments: Recognition and Measurement*.

IFRS differ in certain significant respects from U.S. generally accepted accounting principles, which in this Prospectus we refer to as U.S. GAAP. For a description of the significant differences between IFRS and U.S. GAAP as they relate to us and a reconciliation of our net income and shareholders equity under IFRS to U.S. GAAP, see Note 47 to our audited annual consolidated financial statements included in this Prospectus and our unaudited consolidated financial statements for the nine-month periods ended September 30, 2005 and 2004, which are incorporated by reference into this Prospectus.

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	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,					
	2005	2004	2004[1]	2004	2003	2002	2001	2000
			$	(In millions, except per share data)				
IFRS consolidated income statement data								
Gross premiums written[2]								
Property-Casualty	34,439	34,646	51,604	43,780	43,420	43,293	42,137	38,382
Life/Health	14,643	14,578	24,418	20,716	20,689	20,664	20,145	20,239
Consolidation adjustments[3]	(172)	(580)	(949)	(805)	(722)	(804)	(694)	(736)
Total	48,910	48,644	75,073	63,691	63,387	63,153	61,588	57,885
Premiums earned (net)	42,292	41,829	66,937	56,789	55,978	55,133	52,745	49,907
Total income								
Property-Casualty	35,954	36,410	57,624	48,888	50,920	55,436	48,770	45,197
Life/Health	26,458	24,892	40,431	34,301	37,248	36,691	34,092	37,251
Banking Operations	9,548	9,174	14,216	12,061	13,860	21,219	12,755	1,722
Asset Management Operations	2,777	2,362	3,833	3,252	3,059	3,185	2,738	1,722
Consolidation adjustments[3]	(2,632)	(2,334)	(4,463)	(3,787)	(2,713)	(8,876)	(2,705)	(2,103)
Total	72,105	70,504	111,641	94,715	102,374	107,655	95,650	83,789
Net income (loss)	3,508	1,970	2,671	2,266	2,691	(3,243)	1,585	3,448
Basic earnings per share	9.11	5.37	7.30	6.19	7.96	(11.71)	6.51	14.05
Diluted earnings per share	9.06	5.35	7.26	6.16	7.93	(11.71)	6.51	14.05
U.S. GAAP consolidated income statement data								
Net income (loss)	2,771	2,404	3,396	2,881	2,245	(1,260)	4,246	6,519
Basic earnings per share	7.20	6.55	9.28	7.87	6.71	(4.79)	16.30	28.85
Diluted earnings per share	7.16	6.53	9.23	7.83	6.70	(4.79)	16.30	28.85
IFRS consolidated balance sheet data								
Group s own investments[4]	471,210	435,136	524,676	445,131	395,779	398,721	462,219	337,793
Total assets	989,198	1,015,123	1,167,288	990,318	933,213	848,752	942,986	440,008
Reserves for insurance and investment contracts	356,489	325,804	384,704	326,380	309,460	303,258	299,512[5]	284,824[5]
Total liabilities	940,610	978,816	1,122,862	952,627	897,954	819,742	911,373	404,416
Issued capital and capital reserves	21,497	19,347	22,906	19,433	19,347	14,785	14,769	7,994
Shareholders equity	48,588	36,307	44,426	37,691	35,259	29,010	31,613	35,592
Shareholders equity per share	126	99	121	103	104	105	114	127
Weighted average number of shares outstanding								
Basic	384.9	366.8	365.9	365.9	338.2	276.9	277.8	279.8
Diluted	387.5	368.3	368.1	368.1	339.8	276.9	277.8	279.8
Dividends per share			2.06	1.75	1.50	1.50	1.50	1.50
U.S. GAAP consolidated balance sheet data								
Shareholders equity	43,633	32,571	39,345	33,380	30,825	22,836	31,655	35,102
Shareholders equity per share	113	89	107	91	91	83	114	125
Other financial and operating data								
Combined ratio	93.0%	93.2%	92.9%	92.9%	97.0%	105.7%	108.8%	104.9%
Third-party assets	711,315	591,658	689,096	584,624	564,714	560,588	620,458	336,424
Market capitalization	45,438	29,693	42,358	35,936	36,637	22,111	64,156	97,813

(1) Amounts given in Euros have been translated for convenience only into U.S. dollars at the rate of $1.1787 = 1.00, the noon buying rate in New York for cable transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on December 5, 2005.

(2) In some countries, health insurance operations are reflected in either or both of the property-casualty and life/health segments in accordance with local practice and regulatory considerations.

(3) Represents the elimination of intercompany transactions between Allianz Group companies in different segments.

(4) For additional information on Group s own investments, see Information on the Company Asset Management Operations Group s Own Investments in our Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference into this Prospectus.

(5) Represents amounts included in the Total insurance liabilities line-item under pre-2005 IFRS. Under 2005 IFRS, this line-item has been replaced with Reserves for insurance and investment contracts in our consolidated financial statements pursuant to the Allianz Group s adoption of IFRS 4, *Insurance Contracts*, as discussed further in Note 3 to our consolidated financial statements included in this Prospectus.

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Selected Financial Data of the RAS Group

The following table sets forth selected financial data of the RAS Group as of and for each of the years in the three-year period ended December 31, 2004. This selected financial data reflects financial data of the RAS Group as this data is consolidated in the audited annual consolidated statements of the Allianz Group. The following table also presents selected historical financial data of the RAS Group as of and for each of the nine-month periods ended September 30, 2005 and 2004. The selected financial historical information for each of the nine-month periods ended September 30, 2005 and 2004 reflects financial data of RAS Group as this data is consolidated in the unaudited interim consolidated financial statements of the Allianz Group for the nine-month periods ended September 30, 2005 and 2004.

This information is presented in accordance with 2005 IFRS. IFRS differ in certain significant respects from U.S. GAAP. For a description of the significant differences between IFRS and U.S. GAAP as they relate to the RAS Group and a reconciliation of its net income and shareholders equity under IFRS to U.S. GAAP, see Note 38 to the Consolidated Financial Statements of RAS included in this Prospectus and the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2005 and 2004, included in this Prospectus. All the data should be read in conjunction with RAS s consolidated financial statements and the notes thereto. Selected financial data at and for the years ended December 31, 2000 and 2001 is not included below due to the unreasonable effort or expense of preparing such information.

	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,			
	2005	2004	2004[(1)]	2004	2003	2002
			$ (In millions, except per share data)			
IFRS consolidated income statement data						
Gross premiums written						
Property-Casualty	4,909	4,771	7,558	6,412	6,242	5,970
Life/Health	1,244	1,295	2,203	1,869	1,975	2,068
Consolidation Adjustments[(2)]			(2)	(2)	(1)	(1)
Total	6,153	6,066	9,759	8,279	8,216	8,037
Premiums earned (net)	5,581	5,496	8,820	7,483	7,406	7,308
Total income						
Property-Casualty	5,227	5,047	7,949	6,744	6,622	7,086
Life/Health	2,625	2,587	4,216	3,577	3,674	3,807
Personal Finance Services						
Banking Operations	323	272	453	384	294	304
Asset Management Operations	204	143	231	196	190	239
Consolidation Adjustments[(2)]	(324)	(225)	(359)	(305)	(230)	(262)
Total	8,055	7,824	12,490	10,596	10,550	11,174
Net income	646	506	797	676	494	837
Basic earnings per ordinary share	0.96	0.75	1.19	1.01	0.73	1.16
Diluted earnings per ordinary share	0.96	0.75	1.19	1.01	0.73	1.16
Basic earnings per savings share	0.98	0.77	1.21	1.03	0.75	1.20
Diluted earnings per savings share	0.98	0.77	1.21	1.03	0.75	1.20
U.S. GAAP consolidated income statement data						
Net income	640	527	851	722	691	951
Basic earnings per ordinary share	0.95	0.78	1.27	1.08	1.03	1.31
Diluted earnings per ordinary share	0.95	0.78	1.27	1.08	1.03	1.31
Basic earnings per savings share	0.97	0.80	1.30	1.10	1.05	1.35
Diluted earnings per savings share	0.97	0.80	1.30	1.10	1.05	1.35
IFRS consolidated balance sheet data						

RAS Group s own investments	43,477	39,858	49,411	41,920	38,672	37,839
Total assets	75,543	66,400	83,777	71,076	63,040	58,119
Reserves for insurance and investment contracts	39,642	36,744	45,141	38,297	35,578	35,486
Total liabilities	67,648	59,306	74,841	63,495	56,010	50,898
Issued capital and capital reserves	1,616	2,249	2,651	2,249	2,249	3,049
Shareholders equity	7,895	7,094	8,936	7,581	7,030	7,221
Shareholders equity per share	12	11	13	11	10	10
Weighted average number of ordinary shares outstanding						
Basic	669.7	670.0	670.2	670.2	673.5	715.5
Diluted	669.7	670.0	670.2	670.2	673.5	715.5
Weighted average number of savings shares outstanding						
Basic	1.3	1.3	1.3	1.3	2.0	9.4
Diluted	1.3	1.3	1.3	1.3	2.0	9.4

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	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,			
	2005	2004	2004[1]	2004	2003	2002
			$	(In millions, except per share data)		
Dividends per share						
Ordinary			0.71	0.60	0.44	0.37
Savings			0.73	0.62	0.46	0.41
U.S. GAAP consolidated balance sheet data						
Shareholders equity	7,003	6,283	7,864	6,672	6,202	6,373
Shareholders equity per share	10	9	12	10	9	9
Other financial and operating data						
Combined ratio	96.0%	96.2%	95.9%	95.9%	97.9%	101.3%
Third-party assets	19,339	15,346	20,190	17,129	13,924	12,446
Market capitalization	12,742	10,383	13,176	11,178	9,004	8,401

(1) Amounts given in Euros have been translated for convenience only into U.S. dollars at the rate of $1.1787 = 1.00, the noon buying rate in New York for cable transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on December 5, 2005.

(2) Represents the elimination of intercompany transactions between RAS Group companies in different segments.

Currencies and Exchange Rates

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for the Euro, expressed in U.S. dollars per one Euro. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

	High	Low	Period average[1]	Period end
		($ per 1.00)		
2000	1.0335	0.8270	0.9207	0.9388
2001	0.9535	0.8370	0.8952	0.8901
2002	1.0485	0.8594	0.9454	1.0485
2003	1.2597	1.0361	1.1321	1.2597
2004	1.3625	1.1801	1.2478	1.3538
2005				
June	1.2320	1.2035	1.2165	1.2098
July	1.2200	1.1917	1.2043	1.2129
August	1.2434	1.2147	1.2362	1.2330
September	1.2538	1.2011	1.2253	1.2058
October	1.2148	1.1914	1.1955	1.1995
November	1.2067	1.6670	1.1894	1.1790
December (through December 5, 2005)	1.1787	1.1699	1.1745	1.1787

(1) Computed using the average of the noon buying rates for Euros on the last business day of each month during the relevant annual period or on the first and last business days of each month during the relevant monthly period.

Comparative Per Share Data

The following tables present audited historical and unaudited pro forma per share data that reflect the completion of the merger based upon the historical financial statements of Allianz and RAS as of and for the nine months ended September 30, 2005 and the year ended December 31, 2004. The pro forma data are not indicative of the results of future operations or the actual results that would have occurred had the merger been consummated at the beginning of the periods presented. You should read the data presented below together with the audited historical consolidated financial statements, including applicable notes, of Allianz and RAS, which are included in this Prospectus.

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The first, second and third columns on the left in the tables below present audited historical per share amounts for Allianz shares, RAS ordinary shares and RAS savings shares, respectively. The fourth column presents unaudited pro forma data of the combined company per Allianz share. The fifth column sets forth unaudited pro forma equivalent data based on the number of Allianz shares to be issued in the merger. Solely for your convenience, the unaudited pro forma and pro forma equivalent amounts in the fourth and fifth columns have been converted into U.S. dollars at the noon buying rate on December •, 2005.

For further information regarding the RAS ordinary shares and RAS savings shares, see Note 33 to the Consolidated Financial Statements of RAS included in this Prospectus.

	At and For the Nine Months Ended September 30, 2005						
	Allianz Historical per Allianz Share	RAS Historical per RAS Ordinary Share	RAS Historical per RAS Savings Share	Allianz/RAS Pro Forma per Allianz Share		Pro Forma Equivalent Per RAS Ordinary Share (Allianz Share multiplied by •)	
	( )	( )	( )	( )	($)	( )	($)
				(Unaudited)			
***Amounts under IFRS*:**							
Net income							
Basic	9.11	0.96	0.98				
Diluted	9.06	0.96	0.98				
Book value per share	126	12	12				
***Amounts under U.S. GAAP*:**							
Net income							
Basic	7.20	0.95	0.97				
Diluted	7.16	0.95	0.97				
Book value per share	113	10	10				

	At and For the Year Ended December 31, 2004						
	Allianz Historical per Allianz Share	RAS Historical per RAS Ordinary Share	RAS Historical per RAS Savings Share	Allianz/RAS Pro Forma per Allianz Share		Pro Forma Equivalent Per RAS Ordinary Share (Allianz Share multiplied by •)	
	( )	( )	( )	( )	($)	( )	($)
						(Unaudited)	
Amounts under IFRS:							
Net income							
Basic	6.19	1.01	1.03				
Diluted	6.16	1.01	1.03				
Dividends	1.75	0.60	0.62				
Book value per share	103	11	11				
Amounts under U.S. GAAP:							
Net income							
Basic	7.87	1.08	1.10				
Diluted	7.83	1.08	1.10				
Dividends	1.75	0.60	0.62				
Book value per share	91	10	10				

Comparative Market Price Data

The following table presents the per share closing prices for Allianz shares quoted on the XETRA trading system of the Frankfurt Stock Exchange and for RAS ordinary shares and RAS savings shares quoted on the Milan Stock Exchange. These prices are presented on the following dates:

September 9, 2005, the last trading day before the public announcement of the proposed merger; and

December 5, 2005, the latest practicable date before the printing of this Prospectus.

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The table also presents implied equivalent per share values for RAS ordinary shares and RAS savings shares by multiplying the price per Allianz share, converted into U.S. dollars, on each of the two dates by the merger exchange ratio of • Allianz shares for each • RAS ordinary shares and • Allianz shares for each • RAS savings shares, respectively.

	Allianz share price		RAS ordinary share price		RAS savings share price		Implied value per RAS ordinary share	Implied value per RAS savings share
	( )	($)	( )	($)	( )	($)	($)	( )
September 9, 2005	109.07	128.56	17.61	20.76	23.33	27.50		
December 5, 2005	128.39	151.33	20.28	23.90	54.99	64.82		

You are urged to obtain current market quotations for Allianz shares, RAS ordinary shares and RAS savings shares before making a decision with respect to the merger.

Holdings of RAS Shares and Required RAS Shareholders Votes

As of December 1, 2005, directors and executive officers of RAS and their affiliates held 26,442 (or less than 0.004%) of the then outstanding RAS ordinary shares and none of the then outstanding RAS savings shares. The merger plan will not become effective unless (a) a resolution approving the merger plan is passed at the extraordinary meeting of holders of RAS ordinary shares with the affirmative vote of holders of at least two-thirds of the RAS ordinary share capital participating in the vote on the resolution and (b) a resolution approving the resolution described in (a) above is passed at the special meeting of holders of RAS savings shares with the affirmative vote of holders of the majority of the RAS savings shares participating in the vote on the resolution, representing at least 20% of the total amount of the RAS savings share capital.

Regulatory Requirements in Connection with the Merger

On November 14, 2005, in connection with the merger, RAS s Board of Directors approved the transfer by way of a contribution-in-kind of substantially all of the RAS Group s operations, including associated assets and liabilities, to a newly-established, wholly-owned Italian subsidiary of RAS, as described in The Merger Reorganization of RAS. This transfer will require the approvals in Italy from the *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo* (the ISVAP), the supervisory body responsible for regulating insurance and reinsurance businesses in Italy, and from the *Commissione di Vigilanza sui Fondi Pensione* (COVIP), the supervisory body responsible for regulating pension funds in Italy. With respect to the merger itself, Allianz is required to make notice filings in Italy, Germany and possibly in other jurisdictions in connection with the merger. In particular, in Italy, Allianz has notified the Bank of Italy as a result of its anticipated increased shareholding in RasBank and RAS Asset Management SGR S.p.A., both subsidiaries of RAS. In Germany, Allianz is required to notify the German Federal Financial Supervisory Authority (the *Bundesanstalt für Finanzdienstleistungsaufsicht*, or BaFin) in connection with the merger. In addition, Allianz may have to make notice filings relating to the merger in certain other jurisdictions where Allianz and RAS have subsidiaries. At present, prior approval of the merger is not believed to be required in any of these jurisdictions.

Enforceability of Civil Liability and Service of Process

Allianz is incorporated under the laws of the Federal Republic of Germany, and all of the members of our management board and certain of the experts named or referred to herein are non-residents of the United States. A substantial majority of our assets and the assets of such non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce in U.S. courts judgments against such persons or judgments of such courts predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by German legal counsel that there is doubt as to the enforceability in Germany, in original actions or actions for enforcement of judgments of U.S. courts, of claims based solely upon U.S. federal securities laws.

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RISK FACTORS RELATING SPECIFICALLY TO THE MERGER

Our Annual Report on Form 20-F that is incorporated by reference into this Prospectus describes a variety of risks relevant to Allianz s business and financial condition, which you are urged to read. The following discussion concerns risk factors relating specifically to the proposed merger.

Investors who wish to own RAS ordinary shares and RAS savings shares but who do not wish to hold Allianz shares may sell the Allianz shares they receive in the merger. This may put downward pressure on the market price of the Allianz shares that you will receive in the merger. Arbitrageurs may also adversely influence share prices.

For a number of reasons, some shareholders of RAS may wish to sell their RAS ordinary shares and RAS savings shares prior to completion of the merger, or the Allianz shares that they will receive in the merger. These sales or the prospect of such future sales, as well as arbitrage activities prior to the completion of the merger, could adversely affect the market price for RAS ordinary shares, RAS savings shares and Allianz shares and ADSs.

The merger ratio is fixed, based on comparative valuations of Allianz and RAS, and is not subject to any fluctuations in market price of Allianz shares. In addition, the market price of Allianz shares may decrease between the time you vote on the merger plan and the time the merger becomes effective. As a result, at the time you vote on the merger plan you will not know the market value you will receive for your RAS shares.

The merger exchange ratio is fixed, based on comparative valuations of Allianz and RAS. The merger plan also does not contain a mechanism to adjust the merger exchange ratio in the event that the market price of Allianz shares declines. As a result, if the market price of Allianz shares at the effectiveness of the merger is lower than their market prices on the relevant date of the respective meetings of RAS shareholders, the market value of Allianz shares that you receive in the merger will be less than the market value on the date of the relevant shareholders meeting and may in any case be less than you paid for your RAS ordinary shares or RAS savings shares, as the case may be. We expect that the merger will become effective in summer 2006, but it may occur at some other time, depending in large part on whether there is shareholder litigation in Germany or Italy that impedes the effectiveness of the merger.

The trading market for RAS ordinary shares and RAS savings shares after the merger plan has been approved by the requisite shareholders meetings may be severely impaired or disrupted. As a result, until the merger becomes effective and you receive Allianz shares, the liquidity of the RAS ordinary shares and RAS savings shares may decline and their volatility may increase.

Following approval of the merger plan by the requisite shareholders meetings and prior to entry of the merger into the German commercial register for Allianz, the trading volume of RAS ordinary shares and RAS savings shares and the liquidity of the shares could decrease. This could result in substantial fluctuations in the trading price for RAS ordinary shares and RAS savings shares.

RAS ordinary shares and RAS savings shares are currently traded on the Milan Stock Exchange. If, after approval of the merger plan by the requisite shareholders meetings, the ordinary trading of RAS ordinary shares and RAS savings shares no longer appears to be ensured, the quotation of RAS ordinary shares and RAS savings shares could be discontinued or the admission of RAS ordinary shares and RAS savings shares to the Milan Stock Exchange could be revoked.

Benefits that we realize from the merger could be materially different from our current expectations.

The merger is aimed at implementing a business plan to create strategic synergies and efficiencies, as well as improving the competitive position of the Allianz Group and each of its companies in an increasingly global market of multinational players in the insurance industry. The full acquisition of RAS will enable Allianz to reorganize its Italian business in the future and to directly reallocate the holding of operations to Allianz. However, our estimates of the benefits that we may realize as a result of the merger involve subjective judgments that are subject to uncertainties. A variety of factors that are partially or entirely beyond our control could cause actual results to be materially different from what we currently expect, and any synergies that we realize from the merger therefore could as a result be materially different from our current expectations.

Allianz may, or RAS may be required to, make potentially significant cash payments to RAS shareholders who exercise cash exit rights in connection with the merger.

Under Italian law, RAS shareholders that properly exercise their cash exit rights will be entitled to receive a cash payment for their RAS ordinary shares and RAS savings shares, which is determined by averaging the closing prices for a RAS ordinary share and RAS savings share, respectively, on the Milan Stock Exchange over the six months prior to the publication of the notice convening the respective special meeting of RAS shareholders held to vote on the merger. In the event of the exercise of cash exit rights, Allianz, as a shareholder of RAS, is entitled to acquire RAS shares *pro rata* to its current ownership of such shares, for which cash exit rights have been exercised and to further request to acquire the shares remaining unpurchased after the offer. Allianz intends to make use of this right to purchase RAS shares to the extent possible. Alternatively, under Italian law, RAS would be required to purchase any RAS shares, for which cash exit rights have been exercised and which have not been acquired by Allianz or any other person, by using available legal reserves or through a voluntary decrease of its nominal share capital. The amount of these cash payments could be significant depending on if and to what extent RAS shareholders exercise their cash exit rights. The payment of any amount to RAS shareholders who exercise cash exit rights would reduce the available cash reserves of the combined company to the extent we, or RAS is required to, purchase RAS shares pursuant to the exercise of these cash exit rights. For further information on cash exit rights under Italian law, see The RAS Shareholders Meetings Appraisal Rights and Cash Exit Rights.

The merger exchange ratio was determined using valuation methodologies routinely used in German and Italian mergers and in accordance with German and Italian judicial and market practices. You should not assume that the methodologies employed produce values that everyone would agree are intrinsically correct or representative of fair value. You should also not assume that the merger valuations are indicative of future market prices or valuations.

The merger exchange ratio will be determined by Allianz and RAS employing valuation methodologies employed in German and Italian merger transactions in accordance with German and Italian judicial and market practices. A German and an Italian court-appointed merger valuation auditor will review the ratio and pronounce as to whether it is appropriate (*angemessen* or *congruo*). Other valuation methodologies than those employed might, however, produce different results, particularly if underlying assumptions are modified.

You should make your own assessment concerning the RAS shares and the merger exchange ratio, calling on your advisors as you deem appropriate. You should not assume that everyone would agree that the relative valuations applied are intrinsically correct or representative of fair value. You should also not assume that they are indicative of future market prices or valuations.

If Allianz and/or RAS shareholders contest the approval of the merger plan, we could be prevented from registering the merger in the commercial register for Allianz in Germany, which would delay the effectiveness of the merger.

Under German law, Allianz shares will not be issued to RAS shareholders until the merger is registered in the commercial register for us in Germany, which may only take place after registration of the implementation of the capital increase for purposes of the merger in the commercial register for us in Germany. Allianz shareholders could contest the merger by filing an action to set aside the resolution by the Allianz extraordinary meeting of shareholders approving the merger plan within one month from the date of the shareholders meeting. The merger will not be registered in the commercial register in Germany if a shareholder contest is pending unless the competent court determines, upon application by Allianz, that the pending contestation suit can be disregarded in respect of, and does not bar, the registration of the merger; during that time the RAS shares would remain outstanding. An action could be brought on the basis of alleged procedural irregularities, an unfair merger exchange ratio or material defects in relation to the merger plan or the merger resolution itself, including violation of information rights. If an Allianz shareholder files any of these types of actions, it would have the effect of delaying the

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effectiveness of the merger, which could adversely affect our strategic plan to fully integrate RAS into Allianz and the expected benefits from doing so.

In addition, there are very limited circumstances under Italian law where a contestation suit brought by RAS shareholders could prevent us from registering the merger in the commercial register for Allianz in Germany. Holders of RAS ordinary shares and/or RAS savings shares, who are absent from their respective shareholders meeting or who abstain from or dissent in the vote relating to the merger and who hold at least one-thousandth of RAS s ordinary share capital or savings share capital, respectively, could contest the merger by filing an action within 90 days after the registration of the merger resolution in the Companies Register for RAS in Milan, Italy and requesting a suspension of the effectiveness of the merger resolution approved by RAS shareholders. If these RAS shareholders contest the respective merger resolution asserting that they would suffer irreparable harm if the merger is implemented and succeed in proving the existence of a *prima facie* case, a competent court could issue an injunction suspending the implementation of the merger resolution. If such an injunction is imposed, the implementation of the merger resolution could be delayed or hindered under Italian law. For as long as the merger resolution remains suspended under Italian law, we would be prevented from registering the merger in the commercial register for Allianz in Germany, which would have the effect of delaying the effectiveness of the merger, which could adversely affect our strategic plan to fully integrate RAS into Allianz and the expected benefits from doing so.

For further information on contestation suits under German and Italian law, see The RAS Shareholders Meetings Contestation Suits.

If Allianz and/or RAS shareholders contest the approval of the merger plan on the basis of an alleged unfair merger exchange ratio and the merger becomes effective despite such lawsuit(s) pending, we could be held liable for monetary damages.

Holders of Allianz shares and RAS shares could file contestation suits in Germany and Italy, respectively, against the resolutions approving the merger by asserting that the merger exchange ratio is unfair. Allianz shareholders could file such an action within one month from the date of the Allianz extraordinary meeting of shareholders approving the merger plan. Holders of RAS ordinary shares and/or RAS savings shares, who are absent from their respective shareholders meeting or who abstain from or dissent in the vote on the merger plan and who hold at least one-thousandth of RAS s ordinary share capital or savings share capital, respectively, could challenge the merger resolution by alleging an unfair exchange ratio within 90 days after the registration of the merger resolution in the Companies Register for RAS in Milan, Italy. If the merger has become effective despite such lawsuit(s) pending, we could be held liable for monetary damages in the event that a competent court ultimately finds that the relevant contestation suit is legally founded. For further information on contestation suits under German and Italian law, see The RAS Shareholders Meetings Contestation Suits.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. The discussion under the heading The Merger Reasons for the Merger in this Prospectus, in particular, contains numerous forward-looking statements. In the Allianz Annual Report on Form 20-F that is incorporated by reference into this Prospectus, the Information on the Company discussion in Item 4, Operating and Financial Review and Prospects Management Overview discussion in Item 5 and Quantitative and Qualitative Disclosures About Market Risk discussion in Item 11, as well as Exhibit 99.1 hereto, in particular contain numerous forward-looking statements, although such statements also appear elsewhere in that Annual Report. These statements relate to, among other things, our future financial performance, plans and expectations regarding developments in our business, growth and profitability, and general industry and business conditions applicable to the Allianz. These forward-looking statements can generally be identified by terminology such as may, will, should, expects, plans, intends, anticipates, estimates, predicts, potential, or continue or other similar terminology. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements or those of our industry to be materially different from or worse than those expressed or implied by these forward-looking statements. These factors include, without limitation:

- general economic conditions, including in particular economic conditions in our core business areas and core markets;
- function and performance of global financial markets;
- frequency and severity of insured loss events, including natural catastrophies, terror attacks, and environmental and asbestos claims;
- mortality and morbidity levels and trends;
- persistency levels;
- interest rate levels;
- currency exchange rate developments, including the Euro/U.S. dollar exchange rate;
- levels of additional loan loss provisions;
- further impairments of investments;
- general competitive factors, in each case on a local, regional, national and global level;
- changes in laws and regulations, or the interpretation thereof, including in the United States and in the European Union;

changes in the policies of central banks and/or foreign governments;

the impact of acquisitions, including related integration and restructuring issues; and

terror attacks, events of war, and their respective consequences.

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ALLIANZ AG

Allianz is a stock corporation organized in the Federal Republic of Germany under the German Stock Corporation Act. It was incorporated as Allianz Versicherungs-Aktiengesellschaft in Berlin, Germany on February 5, 1890. Allianz is registered in the Commercial Register in Munich, Germany under the entry number HR B 7158. Allianz is the ultimate parent company of the Allianz Group.

The Allianz Group is among the world s largest financial services providers, offering insurance, banking and asset management products and services through property-casualty, life/health, banking and asset management business segments. We are one of the largest insurance groups in the world based on gross premiums written and statutory premiums for our property-casualty and life/health operations, respectively, in 2004. Based on these measures in 2004, we are the largest German property-casualty and life/health insurance company. We are also among the largest insurance companies in other countries, including France, Italy, the United Kingdom, Switzerland and Spain. We are the second-largest German financial institution, based on market capitalization at December 31, 2004. As of December 1, 2005, we had financial strength ratings of A+ from A.M. Best and AA from Standard & Poor s, both with a stable outlook and an Aa3 senior unsecured debt rating with a stable outlook from Moody s.

For further information about the Allianz Group, please refer to Allianz s reports filed with the SEC that are incorporated by reference into this Prospectus as described under Additional Information.

Our principal executive offices are located at Königinstrasse 28, 80802 Munich, Germany, and our telephone number is +49 89 3800 0. We maintain a Web site on the Internet at www.allianz.com, but the information found on that Web site or other Web sites is not part of this Prospectus.

Recent Developments

In addition to the developments described in the documents incorporated by reference into this Prospectus, the following developments have occurred:

Corporate Governance Changes in Connection with Merger

On September 11, 2005, in connection with Allianz s announcement of its planned conversion into an SE and the merger of RAS into Allianz, it also announced the effect this conversion will have on the corporate governance on Allianz and changes to the company s Management Board. In particular, the current two-tier system consisting of a Management Board and a supervisory board will be maintained under the new European Company structure. The Management Board and Supervisory Board have agreed that the employee co-determination on a parity basis will continue. The Supervisory Board of Allianz acknowledged the proposal of the Management Board to reduce the number of the Supervisory Board members to twelve from the current twenty and will forward it to the respective bodies for discussion purposes in order to prepare a basis for a resolution of the shareholders meeting of Allianz. In the future, employees from various European countries, instead of from Germany only as currently, will be represented on the Supervisory Board, subject to negotiations of employee involvement in Allianz SE.

In addition, the Supervisory Board has appointed the following individuals as new members of the Management Board with effect from January 1, 2006:

Enrico Cucchiani, currently Chief Executive Officer of Lloyd Adriatico, will in future be responsible on the Management Board of Allianz for the insurance markets Italy, Spain, Switzerland, Austria, Portugal, Turkey and Greece, as well as for the company s Sustainability Program across all property-casualty businesses.

Jean-Philippe Thierry, currently Chief Executive Officer of AGF, will in future be responsible on the Management Board of Allianz for the insurance markets France, Benelux, the Middle East, South-America, Africa as well as for Credit Insurance, Assistance and the Sustainability Program in the Life business.

In addition, Clement Booth, currently Chief Executive Officer of AON Re International, will join the Management Board of Allianz. He will be responsible on the board for the insurance markets of

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the United Kingdom, Ireland and Australia, as well as reinsurance business, Allianz Global Risks, Allianz Marine & Aviation and Allianz Risk Transfer.

Under the chairmanship of Chief Executive Officer Michael Diekmann, the Management Board of Allianz will also include: Paul Achleitner, head of Group Finance; Jan Carendi, NAFTA and Customer Focus; Joachim Faber, Asset Management; Helmut Perlet, Chief Financial Officer; Gerhard Rupprecht, IT and in future the insurance businesses in Germany; Herbert Walter, Banking; and Werner Zedelius, Growth Markets (CEEMA, Russia and Asia).

As a result, Allianz s Management Board will comprise six different nationalities.

The following current members of Allianz s Management Board will resign upon their own initiative from the Management Board with effect from December 31, 2005: Detlev Bremkamp, currently board member for Europe II and for international reinsurance and industrial insurance business, and Reiner Hagemann, currently responsible for Europe I and Credit Insurance.

In the future, the Group will operate its insurance activities in Germany the Property-Casualty and the Life/Health business under one newly-created holding company. Gerhard Rupprecht, currently Chief Executive Officer of Allianz Leben, will be Chief Executive Officer of the German insurance operations. His successor as Chief Executive Officer of Allianz Lebensversicherungs AG will be Maximilian Zimmerer, currently Chief Financial Officer of Allianz Lebensversicherungs AG from January 1, 2006. Thomas Pleines, currently Chief Executive Officer of Allianz Suisse, will be Chief Executive Officer of Allianz Versicherungs AG from January 1, 2006.

Completion of the Tender Offer by Allianz for RAS Shares

On November 29, 2005, Allianz announced the final results of its voluntary tender offer for the RAS ordinary shares and RAS savings shares, which Allianz initially announced on September 11, 2005 (see Relationship Between Allianz and RAS Tender Offer and Additional Share Purchases). Following completion of the offer upon payment of the consideration on November 30, 2005 and taking into account additional purchases of 625,921 RAS savings shares outside of the tender offer, Allianz held 512,158,245 RAS ordinary shares, representing approximately 76.3% of RAS ordinary share capital, and 954,788 RAS savings shares, representing approximately 71.3% of RAS savings share capital. The total consideration for the RAS shares tendered in the offer is equal to approximately 2,673 million, of which approximately 2,655 million for the tendered RAS ordinary shares and approximately 18 million for the tendered RAS savings shares. In addition, the total consideration paid for the RAS savings shares purchased outside the tender offer amounted to approximately 34.4 million. The total cost to the Allianz Group of the tender offer and the additional purchases of RAS savings shares outside the tender offer, including transaction-related costs, amounted to approximately 2,734 million.

On December 15 and 16, 2005, respectively, the administrative bodies of Allianz and RAS will proceed with the approval of the merger plan for the merger of RAS into Allianz. The expected exchange ratio will be in the range of between 0.153 and 0.161 Allianz ordinary shares for each RAS share.

Agreement to Sell Allianz s Interest in Eurohypo AG

On November 16, 2005, Allianz s subsidiary, Dresdner Bank, and Deutsche Bank AG entered into an agreement in principle to sell their approximately 28.5% and approximately 37.7% interests, respectively, in the German mortgage bank, Eurohypo AG (Eurohypo), to Commerzbank AG, which already owns approximately 31.8% of Eurohypo. The agreement is subject to the approval by the German and various European antitrust authorities and the German financial services regulatory authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Update of the KirchMedia Proceeding

In connection with the formal demand by the insolvency administrator of KirchMedia GmbH & Co. KGaA (KirchMedia) on Dresdner Bank AG to compensate the insolvency assets (*Insolvenzmasse*) of KirchMedia for the loss of a 25% shareholding in the Spanish television group Telecinco (as described further in Item 8: Financial Information Legal Proceedings in our 2004 Annual Report on Form 20-F incorporated by reference into this Prospectus), the insolvency administrator filed an action for a part of the claim in June 2005. Allianz believes that there is no valid basis for the insolvency administrator s demand.

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In re Insurance Brokerage Antitrust Litigation

Three members of the Fireman s Fund group of companies in the U.S., subsidiaries of Allianz, are amongst the roughly 135 defendants named in a class action filed on August 1, 2005 in the United States District Court District of New Jersey, captioned *In re Insurance Brokerage Antitrust Litigation*, in connection with allegations relating to contingent commissions in the insurance industry.

Reorganization of Dresdner Bank Divisions

In November 2005, Dresdner Bank announced, among others, that it will combine the Corporate Banking and Dresdner Kleinwort Wasserstein divisions within a single division. The newly formed Corporate & Investment Banking division will be headed by Stefan Jentzsch.

Supplemental Management s Discussion and Analysis of Financial Condition and Results of Operations of the Allianz Group

You should read the following supplemental management s discussion and analysis in conjunction with the Operating and Financial Review and Prospects discussion in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference into this Prospectus, and our consolidated financial statements including the notes thereto, which are included in this Prospectus.

Our consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2004 were prepared in conformity with IFRS effective as of December 31, 2004 as adopted under EU regulations in accordance with clause 292a of the German Commercial Code (HGB), which we refer to herein as pre-2005 IFRS. Effective January 1, 2005, a number of new and revised IFRS were introduced, some of which required retrospective application to all years presented within a company s financial statements. As a result and pursuant to specific requirements and guidance of the SEC in connection with the filing of certain registration statements, we are revising the financial statements previously issued in connection with our Annual Report on Form 20-F for the year ended December 31, 2004 to retrospectively apply the new and revised IFRS, and these revised financial statements, including the notes thereto, are included in this Prospectus. Retrospective application has the effect of applying the new and revised IFRS to prior periods as if those accounting principles had always been used. Our Annual Report on Form 20-F for the year ended December 31, 2005 will also be prepared in accordance with the new and revised IFRS effective January 1, 2005 as adopted under EU regulations in accordance with clause 315a of the HGB, which we refer to herein as 2005 IFRS.

This section supplements the Operating and Financial Review and Prospects discussion in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2004 by discussing the effects that the application of 2005 IFRS had on our financial condition for the years ended December 31, 2004 and 2003 and results of operations during the years ended December 31, 2004, 2003 and 2002, compared to such condition and results under pre-2005 IFRS.

Allianz Group s Consolidated Results of Operations

The following table sets forth the impact of 2005 IFRS on the Allianz Group consolidated total revenues and net income for the years ended December 31, 2004, 2003 and 2002, as well as on the performance measure we refer to as operating profit for the years ended December 31, 2004 and 2003. For a discussion of operating profit, please refer to the sections Introduction , Property-Casualty Insurance Operations , Life/Health Insurance Operations , Banking Operations and Asset Management Operations in the Operating and Financial Review and Prosp discussion in Item 5 of our Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference into this Prospectus.

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	Total Group		
	(mn) 2004	(mn) 2003	(mn) 2002
Total Revenues [1]	96,892	93,779	92,747
IAS 39 revised	(17)	(39)	(59)
Total Impact of 2005 IFRS	(17)	(39)	(59)
Total Revenues under 2005 IFRS	96,875	93,740	92,688
Operating Profit	6,856	4,066	n/a(2)
IAS 39 revised	(17)	(84)	n/a(2)
Total Impact of 2005 IFRS	(17)	(84)	n/a(2)
Operating Profit under 2005 IFRS	6,839	3,982	n/a(2)
Net Income (Loss)	2,199	1,890	(1,496)
IAS 39 revised	209	915	(1,709)
IFRS 4	(19)	6	
IFRS 2	(123)	(120)	(38)
Total Impact of 2005 IFRS	67	801	(1,747)
Net Income (Loss) under 2005 IFRS	2,266	2,691	(3,243)

(1) Total revenues comprise property-casualty segment s gross premiums written, life/health segment s statutory premiums, as well as banking and asset management segments operating revenues.

(2) Not previously presented in our Annual Report on Form 20-F for the year ended December 31, 2004 as we discuss and analyze the results of operations of the Allianz Group for the year ended December 31, 2003 as compared to December 31, 2002 using, as in prior years, net income as the relevant performance measure.

As shown above, the application of 2005 IFRS primarily impacted Allianz Group s net income (loss) for the years ended December 31, 2004, 2003 and 2002, while it had a marginal effect on the Allianz Group s total revenues and operating profit over the relevant periods. This result is due primarily to the application of two standards under 2005 IFRS, specifically IAS 39 revised, *Financial Instruments: Recognition and Measurement* (IAS 39 revised) and, to a lesser extent, IFRS 2, *Share Based Payments* (IFRS 2), each as discussed below.

IAS 39 revised

IAS 39 revised has required several changes to the Allianz Group s accounting policies. One of the most significant of these changes relate to the recognition of impairments of available-for-sale equity securities.

In accordance with IAS 39 revised, if there is objective evidence that the cost may not be recovered, an available-for sale equity security is considered to be impaired. The Allianz Group established, in addition to the existing qualitative impairment criteria, new quantitative impairment criteria for equity securities to define a significant *or* prolonged decline, as compared to the previous criteria of a significant *and* prolonged decline. An equity available-for-sale security is now considered impaired, if the fair value is below the weighted-average cost by more than 20% *or* if the fair value is below the weighted-average cost for greater than nine months.

In addition, IAS 39 revised does not allow a new cost basis to be established upon impairment of an available-for-sale equity security. Therefore, if an available-for-sale equity security is impaired based upon the Allianz Group s qualitative or quantitative criteria, any further declines in fair values at subsequent reporting dates are recognized as impairments. Previously, IFRS allowed a new cost basis to be established upon the recognition of an impairment of an available-for-sale equity security, from which the impairment criteria were applied anew.

The changes through this new impairment policy led to the following effects on our consolidated financial statements included herein:

Income Statements: accelerated impairments led to higher charges in 2002 and resulted in lower impairments recorded in 2003 and 2004; and

Balance Sheets: unrealized gains (net of unrealized losses) were increased in 2003 and 2004, while revenue reserves were reduced by the same amounts, respectively.

IFRS 2

In accordance with IFRS 2, share based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled. As a result of the adoption of IFRS 2, the PIMCO LLC Class B Unit Purchase Plan is considered a cash settled plan as the equity instruments issued are puttable at the holder s option. Consequently, the

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plan has to be recorded as a liability and measured at fair value with changes in the fair value recognized in net income. Previously, IFRS had required the classification of the plan as equity settled, measured at fair value at grant date, with expenses recognized in shareholders equity.

The adoption of IFRS 2 led to additional charges in each of the years 2002, 2003 and 2004, shown as additional acquisition cost and administrative expenses in our Asset Management segment.

For more detailed information regarding the quantitative impact of IAS 39 revised, IFRS 2 and other new and revised standards under 2005 IFRS at the Allianz Group consolidated level, as well as a description of each 2005 IFRS compared to pre-2005 IFRS, refer to Note 3 of our consolidated financial statements included herein.

Year ended December 31, 2002 under 2005 IFRS Compared to Pre-2005 IFRS

Net income decreased significantly by 1,709 million due to higher impairments triggered by IAS 39 revised, primarily in our Property-Casualty segment and, to a lesser extent, in our Life/Health and Banking segments in each case caused by the weak equity markets in 2002. This increase was offset in part by a reduction in insurance and investment contract benefits due to policyholder participation in increased impairments.

The net effect of IFRS 2 amounted to an additional charge of 38 million recorded in the net income of the Asset Management segment.

Year ended December 31, 2003 under 2005 IFRS Compared to Pre-2005 IFRS

The combined effect of IAS 39 revised on all segments resulted in a significant increase in net income of 915 million, with our Property-Casualty, Life-Health and Banking segments most heavily impacted. This development was a result of an increase in realized gains from available-for-sale equity securities and a decrease in realized losses from available-for-sale equity securities recognized, in each case due to more significant impairments of those securities that had been recognized in 2002 under IAS 39 revised. The increase in realized gains and decrease in realized losses were offset in part by a decrease in reversals of impairments on available-for-sale equity securities, since such reversals are no longer permitted under IAS 39 revised, and an increase in insurance and investment contract benefits due to policyholder participation in the increased gains.

The net effects of IFRS 2 amounted to a charge of 120 million recorded within our Asset Management segment.

Year ended December 31, 2004 under 2005 IFRS Compared to Pre-2005 IFRS

The combined effect of IAS 39 revised on all segments resulted in an increase in net income by 209 million, primarily in our Property-Casualty, Life-Health and Banking segments. This development was a result of an increase in realized gains from available-for-sale equity securities. The increase in realized gains was offset in part by a decrease in reversals of impairments on available-for-sale equity securities, since such reversals are no longer permitted under IAS 39 revised, and an increase in insurance and investment contract benefits due to policyholder participation in the increased gains.

The net effects of IFRS 2 amounted to a charge of 123 million on net income, recorded within our Asset Management segment.

Consolidated Assets, Liabilities and Shareholders Equity

The following table sets forth the impact of 2005 IFRS on the Allianz Group s consolidated Assets, Liabilities and Shareholders Equity as of the years ended December 31, 2004 and 2003.

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	2004	2003
	(mn)	(mn)
Total Assets	994,698	935,912
IAS 39 revised	(3,984)	(2,386)
IFRS 2	(396)	(313)
IFRS 4[(1)]		
Total Impact of 2005 IFRS	(4,380)	(2,699)
Total Assets under 2005 IFRS	990,318	933,213
Total Liabilities	963,870	907,320
IAS 39 revised	(3,408)	(1,927)
IFRS 2	(147)	(164)
IFRS 4[(1)]	8	(9)
IAS 1 revised	(7,696)	(7,266)
Total Impact of 2005 IFRS	(11,243)	(9,366)
Total Liabilities under 2005 IFRS	952,627	897,954
Shareholders Equity	30,828	28,592
IAS 39 revised	(576)	(459)
IFRS 2	(249)	(149)
IFRS 4[(1)]	(8)	9
IAS 1 revised	7,696	7,266
Total Impact of 2005 IFRS	6,863	6,667
Shareholders Equity under 2005 IFRS	37,691	35,259

(1) For further discussion of the changes as a result of IFRS 4, see Note 3 to our consolidated financial statements included herein.

Year ended December 31, 2003 under 2005 IFRS Compared to Pre-2005 IFRS

Total assets decreased by 2.7 billion, or 0.29%, from 935.9 billion to 933.2 billion, primarily due to the application of IAS 39 revised, pursuant to which the Allianz Group reclassified certain available-for-sale debt securities to loans and advances to banks and loans and advances to customers, as discussed further in Note 3 of our consolidated financial statements included herein. Total liabilities decreased by 9.4 billion, or 1.0%, due primarily to the removal of minority interests amounting to 7,266 million from the measurement of total liabilities to shareholders equity in accordance with IAS 1 revised, with the remaining decline largely attributable to IAS 39 revised as discussed further in Note 3 of our consolidated financial statements included herein. Shareholders equity increased by 6.7 billion, or 23.3%, from 28.6 billion to 35.3 billion, reflecting primarily the inclusion of minority interests in shareholders equity in accordance with IAS 1 revised.

Year ended December 31, 2004 under 2005 IFRS Compared to Pre-2005 IFRS

Total assets decreased by 4.4 billion, or 0.44 % from 994.7 billion to 990.3 billion. Similar to the effect of IAS 39 revised on total assets at December 31, 2003, as discussed above, this primarily reflected the reclassification of certain available-for-sale debt securities to loans and advances to banks and loans and advances to customers. Total liabilities decreased by 11.2 billion, or 1.2%, due primarily to the removal of minority interests of 7,696 million from the measurement of total liabilities to shareholders equity in accordance with IAS 1 revised. Shareholders equity increased by 6.9 billion, or 22.3%, from 30.8 billion to 37.7 billion, reflecting primarily the inclusion of minority interests in shareholders equity in accordance with IAS 1 revised, offset in part by a decline largely attributable to IAS 39 revised as discussed further in Note 3 of our consolidated financial statements included herein.

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RIUNIONE ADRIATICA DI SICURTÀ S.p.A

Overview

RAS is a stock corporation (*società per azioni*) organized in Italy. It was incorporated as Riunione Adriatica di Sicurtà in Trieste, Italy in 1838. It is registered in the Companies Register in Milan, Italy under the entry number 00218610327. RAS s registered office is located at Corso Italia 23, 20122 Milan, Italy, telephone (39) 02.7216.1. Allianz, one of the world s leading financial services providers, holds 76.3% of RAS ordinary shares and 71.3% of RAS savings shares as of December 1, 2005. RAS ordinary shares and RAS savings shares are listed on the Milan Stock Exchange. As of December 1, 2005, RAS had financial strength ratings of A+ from A.M. Best and AA from Standard & Poor s, both with a stable outlook and an Aa3 senior unsecured debt rating with a stable outlook from Moody s.

The RAS Group is a leading group in the insurance and financial markets in Italy, based on gross premiums written in the property-casualty sector and based on statutory premiums in the life/health sector, with approximately five million private and business clients in Italy. From its headquarters in Milan, Italy, RAS offers a variety of insurance and pension products as well as asset management and banking services. At the end of 2004, RAS s sales network consisted of 1,891 insurance agents; 2,938 financial advisors and private bankers, and, through bancassurance agreements with the UniCredit Group, approximately 2,753 bank branches. Genialloyd, a RAS Group company, was Italy s leading online insurance provider based on gross premiums written in 2004.

RAS has also expanded its operations into other European countries and now has insurance operations in Austria, Switzerland and Portugal, which are locally managed by RAS subsidiaries. Gross premiums written by RAS s non-Italian business represented approximately 40.1% and 17.5% of RAS s total gross premiums written and statutory premiums for its property-casualty and life/health operations, respectively, in 2004. RAS also has a 50% interest in the travel insurance company, Mondial Assistance Group, which is managed and operates on a global basis and a 50% ownership interest in AGF RAS Holding BV, the holding company for property-casualty and life/health operations in Spain.

At December 31, 2004, RAS employed more than 11,735 persons in its insurance, banking and asset management businesses, of whom more than 5,962 were based outside Italy.

Insurance Operations Italy

Property-Casualty. RAS is the fourth-largest property-casualty insurer in the Italian market as measured by gross premiums written in 2004. The RAS Group operates in all personal and commercial property-casualty lines throughout Italy. RAS distributes Allianz property-casualty products and services primarily through an extensive network of general agents, brokers and through Internet and telephone-based direct sales channels.

RAS s property-casualty operations in Italy recorded gross premiums written of 3,934 million in 2004, 3,784 million in 2003 and 3,645 million in 2002.

Life/Health. RAS is the second-largest life insurer in the Italian market based on statutory premiums in 2004. RAS s individual life policies are primarily endowment policies but also include annuities and other policies, including capitalization and other products. Consistent with trends in the Italian market, generally, RAS s products include an increasing amount of unit-linked policies, where policyholders participate directly in the performance of policy-related investments. Sales of unit-linked products sold through banks represented 64.9% of RAS s total statutory life premiums in Italy, reflecting the importance of this distribution channel. The unit-linked policies include products linked to funds managed by RAS, as well as by third-party investment managers.

RAS s life/health insurance operations in Italy recorded statutory premiums of 6,945 million in 2004, 7,657 million in 2003 and 6,506 million in 2002.

Insurance Operations Rest of Europe

The RAS Group is active in Austria through Allianz Elementar Versicherungs AG, Vienna (property-casualty) and Allianz Elementar Lebensversicherungs AG, Vienna (life/health), in

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which, RAS holds a 50.10% and 49.6% ownership interest, respectively. In 2004, these Austrian companies recorded gross premiums written of 925 million from RAS s property-casualty operations and statutory premiums of 335 million from RAS s life/health operations.

The RAS Group operates in Portugal through Companhia de Seguros Allianz Portugal SA, Lisbon (property-casualty and life/health), in which RAS holds a 64.85% ownership interest. In 2004, RAS s gross premiums written in Portugal amounted to 315 million from RAS s property-casualty operations and statutory premiums totaled 85 million from RAS s life/health operations.

The RAS Group operates in Switzerland primarily through Allianz Suisse Versicherungsgesellschaft, Zurich (property-casualty) and Allianz Suisse Lebensversicherungsgesellschaft, Zurich (life/health), in which, in each case, RAS holds a 69.8% ownership interest. The RAS Group also operates through Alba Allgemeine Versicherung, Basilea (property-casualty), CAP Compagnie d Assurance de Protection Juridique, Zug (legal expense insurance), Phénix Compagnie d Assurances sur la Vie Lausanne (life/health), and Phénix Compagnie d Assurances, Lausanne (property-casualty). In 2004, these Swiss companies recorded gross premiums written of 1,238 million from their property-casualty operations and statutory premiums of 1,054 million from their life/health operations.

RAS s property-casualty operations outside of Italy recorded gross premiums written of 2,478 million in 2004, 2,458 million in 2003 and 2,325 million in 2002. RAS s life/health insurance operations outside of Italy recorded statutory premiums of 1,474 million in 2004, 1,603 million in 2003 and 1,538 million in 2002.

Personal Finance Services

The RAS Group s personal finance services segment comprises various banking and asset management operations.

Banking Operations. The RAS Group s banking operations are primarily conducted through RasBank and Investitori Sgr.

RasBank is the multichannel bank of the RAS Group. Established in 1990, RasBank underwent a rapid expansion in 2002 through the acquisition of the Dival Ras, Ras Investimenti Sim, Commerzbank Asset Management Italia, BPVi Suisse and Bnl Investimenti s network of financial promoters. RasBank offers its approximately 500,000 clients a wide range of banking and financial services through call centres, the Internet and though a network of more than 3,000 financial promoters across the nation.

Investitori Sgr is the RAS Group company created to cater for private banking needs. Established in 2001, Investitori Sgr operates through a network of private bankers, offering its clients an extensive choice of personalized portfolios of stocks and other securities together with an exclusive range of investment funds.

Asset Management. The RAS Group s asset management operations are conducted primarily by RAS Asset Management Sgr. RAS Asset Management Sgr operates in the sectors of public funds, funds of funds, personal and institutional property management and private equity funds.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS OF RAS

The following discussion should be read in conjunction with the consolidated financial statements of RAS including the notes thereto, which are included in this Prospectus. The consolidated financial statements of RAS are prepared in accordance with 2005 IFRS, which differ in certain respects from U.S. GAAP. For a description of the significant differences between IFRS and U.S. GAAP and a reconciliation of net income and shareholders equity under IFRS to U.S. GAAP, see Note 38 to the Consolidated Financial Statements of RAS included in this Prospectus. Unless otherwise indicated, the data regarding market share is based on market statistics released by Associazione Nazionale fra le Impresse Assicurazioni (ANIA), the Italian association of insurance companies. In addition, unless otherwise indicated, property-casualty and life/health insurance market share data are based on gross premiums written and statutory premiums, respectively.

Critical Accounting Policies and Estimates

The accounting policies and estimates that are critical to RAS s business operations and the understanding of its results of operations are described below. These critical accounting policies and estimates are those which involve the most complex or subjective decisions or assessments, and relate to property-casualty and life/health insurance reserves, the determination of the fair value of financial assets and liabilities (including impairment charges), goodwill, deferred policy acquisition costs, deferred taxes, and pension and similar reserves. In each case, the determination of these items is fundamental to RAS s financial position and results of operations, and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results.

Property-Casualty Insurance Reserves

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

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

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

The process of estimating loss and LAE reserves is by nature imprecise, due to the large number of variables affecting the ultimate loss. Some of these variables are internally driven, such as changes in claims handling procedures, introduction of new IT systems, or company acquisitions and divestitures.

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Other variables affecting the estimation process are externally driven, such as inflation, judicial trends, and legislative changes. The uncertainty in the reserve estimation is reduced to the extent possible through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

Life/Health Insurance Reserves

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

The aggregate policy reserves for traditional participating life insurance products are computed in accordance with SFAS 120 using the net level premium method. This method uses best estimate assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or are used in determining the dividends.

The aggregate policy reserves for universal-life type and investment contracts in accordance with SFAS 97 are equal to the account balances of such policies, which represents premiums received and investment return credited to these policies less deductions for mortality costs and expense charges allocated to these policies.

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

Fair Values of Financial Assets and Liabilities

A significant portion of RAS s assets and liabilities is recorded at fair value, including trading assets and liabilities, and securities available-for-sale. Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable, fair value is based on either internal valuation models or management s estimate of amounts that could be realized under current market conditions. Fair values of certain financial instruments, including over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could lead to different estimates of fair value.

Impairments of Available-for-Sale Securities

All investments in RAS s investment portfolio are subject to regular impairment reviews. Generally, the carrying value of RAS s investments is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are measured as the difference between the amortized cost of a particular investment and the current fair value (for equity instruments) or the recoverable amount (for debt instruments).

Fixed Income Securities

Fixed income securities classified as available-for-sale are carried at fair value. An impairment on a fixed income security is recorded if there is objective evidence that the cost may not be recovered. Objective evidence that the cost may not be recovered includes information regarding:

- significant financial difficulty of the issuer;
- an actual breach of contract, such as a default or delinquency in interest or principal payments;
- granting by the lender to the borrower, for economic or legal reasons relating to the borrower s financial difficulty, of a concession that the lender would not otherwise consider;
- a high probability of bankruptcy or other financial reorganization of the issuer;
- recognition of an impairment loss on that asset in a prior financial reporting period;

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the disappearance of an active market for that financial asset due to financial difficulties; or

a historical pattern of collections of accounts receivable that indicates that the entire face amount of a portfolio of accounts receivable will not be collected.

However, the disappearance of an active market because an issuer s securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer s credit rating is not, of itself, evidence of impairment, though it may be evidence of impairment when considered with other available information.

Additionally, if no positive intention or ability of management to hold a security through the anticipated recovery period exists, an impairment is recorded. All fixed income securities are analyzed where the recoverable amount has been permanently below amortized cost for more than 6 months by more than 20%. In such instances, additional subjective criteria for diminution in value are taken into account, including:

significant downgrade (already occurred or imminent) by one or several rating agencies;

accumulation of defaults within a certain industry or geographic region;

change in recommendations of investment advisors of market analysts.

Generally, fixed income instruments are not considered impaired if the decline in value is caused solely by changes in interest rates or exchange rate movements.

Equity Securities

Equity securities classified as securities available-for-sale are carried at fair value. An impairment on an equity security is recorded if there is objective evidence that the cost may not be recovered. An impairment is required to be recorded on RAS s equity securities if it is determined that one or more of the following qualitative criteria applies:

significant financial difficulty of the issuer;

a high probability of bankruptcy or other financial reorganization of the issuer;

the disappearance of an active market for the financial asset due to financial difficulties;

discontinuation of the basis for business or of a substantial part of the basis for business for technological, economic or legal reasons; or no existing intention or ability of management to hold the security through the anticipated recovery period.

If one or more of the following indicators applies to an equity security, the equity security is subjected to a further in-depth review:

deterioration in recommendations of investment advisors or market analysts;

issuer s industry or region is in a sustained recession, which is also reflected in the respective stock indices;

decline in the issuer s price-to earnings (P/E) ratio;

losses recently incurred by the issuer;

change in the issuer s dividend policy; or

specific events which impact the business operations of the issuer.

Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant *or* prolonged decline in the fair value below cost. The RAS Group established a policy that an available-for-sale equity security is considered impaired if the fair value is below the weighted-average cost by more than 20% *or* if the fair value is below the weighted-average cost for greater than nine months, to define the significant criteria and the prolonged criteria, respectively. This policy is applied at the subsidiary level.

If an available-for-sale equity security is impaired based upon the RAS Group s qualitative or quantitative impairment criteria, any further declines in fair values at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, equity securities that are determined to be impaired based upon the RAS 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.

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Impairments of Held-to-Maturity Securities

The fair value of individual securities held-to-maturity may fall temporarily below their carrying value, but, provided there is no risk resulting from changes in financial standing, an impairment is not recorded for such securities.

Goodwill

Goodwill is tested for impairment on an annual basis on October 1, or more frequently if there are any indications that goodwill related to a cash generating unit may be impaired. If such indications exist, the recoverable amount of the cash generating unit will be determined. An impairment loss will be recorded if the carrying amount of the cash generating unit, including goodwill, exceeds the recoverable amount determined.

The recoverable amount of a cash generating unit is determined using net selling price, if available, or value in use, whichever is higher. Net selling price of the cash generating unit is determined based on various factors, including quoted market prices, current share values in the market place for similar publicly traded entities, and recent sale transactions of similar entities or businesses in the market place. Value in use is determined using the present value of estimated future cash flows expected to be generated from or used by the cash generating unit. The estimated future cash flows are based on best estimate assumptions, such as revenue and expense projections, growth rate, interest rates and investment yields, and inflation rate.

Indications that goodwill related to a cash generating unit may be impaired include events or changes in circumstances that may have a significant negative impact on the operations of the cash generating unit, or material adverse changes in the assumptions used in determining its recoverable amount.

Deferred Policy Acquisition Costs

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

Deferred policy acquisition costs for short-duration insurance contracts, such as property-casualty insurance contracts, are amortized over the periods in which the related premiums are earned.

Deferred policy acquisition costs for long-duration insurance contracts, such as traditional life insurance and health insurance products, are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves. This method uses best estimate assumptions for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, and remain locked-in thereafter.

Deferred policy acquisition costs for traditional participating traditional insurance products are amortized over the expected life of the contracts in proportion to estimated gross margins (or EGMs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate policy reserves and policyholder dividends. The effect of changes in EGMs, or true-up of deferred policy acquisition costs relating to such policies, are recognized in the period revised.

Deferred policy acquisition costs for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to estimated gross profits (EGPs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest that accrues to the policyholders, or the contract rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effects of changes in EGPs, or true-up of deferred policy acquisition costs relating to such policies, are recognized in the period revised.

Loss recognition analysis is performed by line of business, in accordance with the manner of acquiring, servicing and measuring the profitability of insurance contracts. Net unearned premiums are

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tested to determine whether they are sufficient to cover related expected claims, loss adjustment expenses, policyholder dividends, commission, amortization and maintenance expenses. If there is a premium deficiency, the deferred policy acquisition cost is written down by the amount of the deficiency. If after writing down all of the deferred policy acquisition cost asset for a line of business, a premium deficiency still exists, a premium deficiency reserve is recorded to provide for the deficiency in excess of the deferred policy acquisition cost asset written down.

Deferred Taxes

Deferred taxes are recognized on temporary differences between the tax bases and the carrying amounts of assets and liabilities in RAS s IFRS consolidated balance sheet and tax losses carried forward as of the balance sheet date. Deferred taxes are calculated based on the current income tax rates enacted in the respective country. Changes in tax rates that have already been substantially adopted prior to or as of the date of the consolidated balance sheet are taken into consideration.

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, are available for realization. The realization of deferred tax assets on temporary differences depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. The realization of deferred tax assets on tax losses carried forward requires that sufficient taxable profits are available prior to the expiration of such tax losses carried forward. As of each balance sheet date, the recoverability of deferred tax assets is evaluated, whereby projected future taxable profits and tax planning strategies are considered. If management considers it is more likely than not that all or portion of a deferred tax asset will not be realized, a corresponding valuation allowance is taken.

The accounting estimates related to the valuation allowance are based on management s judgment and currently available information, primarily with regards to projected taxable profits. Assumptions about matters which are uncertain and partly beyond management s control are taken into account. Furthermore, these assumptions may change from period to period.

Defined Benefit Plans

RAS has several defined benefit plans covering a significant number of its domestic and international employees. The calculation of the expense and liability associated with these plans requires an extensive use of assumptions, which include the discount rate, expected rate of return on plan assets, rate of long-term compensation increases, post-retirement pension increase and mortality tables as determined by RAS. Management determines these assumptions based upon currently available market and industry data and historical performance of the plans and their assets. The actuarial assumptions used may differ materially from actual experience, due to changing market and economic conditions, higher or lower withdrawal rates and longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

An estimation of the expected rate of return on plan assets is required, which is then used to compute the pension cost recorded in the consolidated statements of income. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns.

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The RAS Group s Consolidated Results of Operations

Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

The following table sets forth the total revenues, earnings from ordinary activities before taxes and net income for each of RAS s business segments for the nine months ended September 30, 2005 and 2004, as well as RAS s consolidated net income.

			Personal Finance Services			
Nine months ended September 30,	**Property-Casualty**	**Life/Health**	**Banking**	**Asset Management**	**Consolidation adjustments**	**Total Group**
	mn	mn	mn	mn	mn	mn
2005						
Total revenues[(1)]	4,909	6,474	323	204	(131)	11,779
Earnings from ordinary activities before taxes	**706**	**410**	**23**	**33**	**(138)**	**1,034**
Taxes	(160)	(82)	(10)	(13)		(265)
Minority interests in earnings	(94)	(49)		(1)	21	(123)
Net income (loss)	**452**	**279**	**13**	**19**	**(117)**	**646**
2004						
Total revenues[(1)]	4,771	5,908	272	143	(89)	11,005
Earnings from ordinary activities before taxes	**624**	**267**	**7**	**19**	**(77)**	**840**
Taxes	(176)	(57)	(3)	(8)		(244)
Minority interests in earnings	(57)	(33)				(90)
Net income (loss)	**391**	**177**	**4**	**11**	**(77)**	**506**

(1) Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums, and Personal Finance Services segment s total income. Statutory premiums in the Life/Health segment comprise gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices in the home jurisdiction of the relevant insurer included in the RAS Group. Total income in the Personal Finance Services segment comprises primarily interest and similar income, net trading income, fee and commission income for Banking, and primarily interest and similar income, fee and commission income and other income for Asset Management.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Total Revenues

RAS recorded an increase in total revenues of 774 million, or 7.0%, to 11,779 million from 11,005 million, due to increased revenues across all segments, particularly in RAS s life/health operations in Italy.

Property-Casualty. Gross written premiums increased by 138 million, or 2.9%, to 4,909 million from 4,771 million, primarily as a result of premium growth in RAS s general liability, fire and personal property lines both in Italy and outside Italy. RAS s automobile line in Italy recorded more modest growth, which was nevertheless on par with market trends.

Life/Health. Statutory premiums grew by 566 million, or 9.6%, to 6,474 million from 5,908 million, largely as a result of increased statutory premiums in Italy. In Italy, this increase was largely attributable to growth in new business in our life insurance products (especially unit-linked products) through all distribution channels. Statutory premiums from RAS s non-Italian business remained stable.

Personal Finance Services. Total revenues increased by 112 million, or 27.0%, from 415 million to 527 million. RAS s asset management operations increased total income by 61 million, due primarily to higher fee and commission income resulting from an increase in third-party assets under management. RAS s banking activities increased total income by 51 million, mainly due to higher net

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trading income as well as fee and commission income. RAS s third-party assets under management grew by 2.2 billion, or 12.9%, from December 31, 2004 to 19.3 billion at September 30, 2005, attributable primarily to market-related increases of 1.4 billion and net inflows of 0.8 billion.

Earnings From Ordinary Activities Before Taxes

Earnings from ordinary activities before taxes (referred to herein as earnings before taxes) for RAS increased by 194 million, or 23.1%, from 840 million to 1,034 million, due to improved earnings before taxes across all segments.

Property-Casualty. RAS increased its earnings before taxes by 82 million, or 13.1%, from 624 million to 706 million, due to improved underwriting results in its Italian and non-Italian property-casualty operations. Earnings before taxes also benefited from the elimination of goodwill amortization reflecting a change in accounting policy under IFRS, whereas such amortization amounted to a charge of 29 million in the first nine months of 2004.

Life/Health. RAS strengthened its earnings before taxes by 143 million, or 53.6%, from 267 million to 410 million, due primarily to improved underwriting results and a realized gain on the sale of RAS s remaining interest in Mediobanca. Earnings before taxes also benefited from the significantly increased statutory premiums in Italy.

Personal Finance Services. RAS increased its earnings before taxes by 30 million, or 115.4%, from 26 million to 56 million, resulting from improved earnings in both RAS s banking and asset management operations. Banking earnings before taxes benefited principally from the decline of other expenses from 32 million to 10 million, primarily due to the higher costs incurred in 2004 in connection with the integration of Banca BNL Investimenti, a sales network which RAS acquired in 2004. Asset management earnings before taxes grew due in large part to an increase in fee and commission income, which grew proportionally more than the corresponding increase in acquisition costs and administrative expenses, reflecting RAS s strict cost management.

RAS s increased earnings before taxes were reflected in its consolidated net income, which rose by 140 million, or 27.7%, from 506 million to 646 million.

Property-Casualty Insurance Operations

Property-Casualty Key Data

Nine months ended September 30,		2005	2004
Gross premiums written	mn	4,909	4,771
Italy	mn	2,716	2,631
Rest of Europe	mn	2,193	2,140

Earnings after taxes and before goodwill amortization	mn	546	477
Italy	mn	221	242
Rest of Europe	mn	325	235
Loss ratio(1)	%	73.7	72.6
Expense ratio(2)	%	22.3	23.6
Combined ratio(3)	%	96.0	96.2

(1) Represents ratio of net claims to net premiums earned.
(2) Represents ratio of net acquisition costs and administrative expenses to net premiums earned.
(3) Represents ratio of net claims incurred and net acquisition costs and administrative expenses to net premiums earned.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Gross Premiums Written

Italy. RAS s gross premiums written in Italy increased by 85 million, or 3.2%, from 2,631 million to 2,716 million, attributable mainly to growth in RAS s general liability, fire and personal property lines, with more modest growth in RAS s automobile line, which was nevertheless on par with market trends. Both growth in new business and rate increases for renewed policies equally contributed to this increase in gross premiums written.

Rest of Europe. RAS s gross premiums written outside of Italy increased by 53 million, or 2.5%, from 2,140 million to 2,193 million, due primarily to growth in its Swiss operations, reflecting mainly increased premiums in its automobile line and positive foreign currency translation effects.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization increased by 69 million, or 14.5%, to 546 million from 477 million, attributable to improved underwriting results in both Italian and non-Italian operations. RAS s improved underwriting results helped to stabilize its combined ratio at

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96.0%, a 20 basis points improvement from 96.2%, despite the negative effects of the Alpine floods in August 2005 in Switzerland and Austria.

Italy. In Italy, earnings after taxes and before goodwill amortization decreased by 21 million, or 8.7%, from 242 million to 221 million, reflecting mainly higher non-underwriting expenses. This decrease was partially offset by improved underwriting results.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization increased by 90 million, or 38.3%, from 235 million to 325 million. This positive development stemmed from improved underwriting results at RAS s Swiss, Portuguese and Austrian operations. This increase also reflected higher investment income recorded by RAS s Austrian operations and decreased taxes incurred by its Swiss operations.

Life/Health Insurance Operations

Life/Health Key Data

Nine months ended September 30,		2005	2004
Statutory premiums	mn	6,474	5,908
Italy	mn	5,308	4,744
Rest of Europe	mn	1,166	1,164
Earnings after taxes and before goodwill amortization	mn	328	218
Italy	mn	280	198
Rest of Europe	mn	48	20

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Statutory Premiums

Italy. RAS s statutory premiums in Italy increased by 564 million, or 11.9%, from 4,744 million to 5,308 million. This increase was largely attributable to growth in new business in our life insurance products (especially unit-linked products) through all distribution channels, particularly through representative agencies and financial planners. In addition, statutory premiums from RAS s bancassurance channel grew, reflecting increased sales at CreditRas Vita, RAS s bancassurance joint venture with Uni Credito.

Rest of Europe. RAS s statutory premiums outside of Italy remained stable at 1,166 million compared to 1,164 million. Statutory premiums in Austria increased marginally, while statutory premiums from RAS s Swiss operations decreased slightly.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization increased by 110 million, or 50.5%, from 218 million to 328 million, due primarily to improved underwriting results and increased statutory premiums in Italy. Earnings also increased as a result of increased investment income, comprising current investment income, as well as realized gains net of impairments on investments. Earnings growth was offset in part by increased net acquisition costs and administrative expenses, primarily as a result of strong statutory premium growth, as well as higher taxes.

Italy. Earnings after taxes and before goodwill amortization increased by 82 million, or 41.4%, from 198 million to 280 million, due primarily to positive technical development and increased statutory premiums. Earnings also benefited from higher current income from investments, as well as increased net realized gains on investments, mainly attributable to the sale of RAS s remaining interest in Mediobanca. Gains from this sale had no policyholders participation and were not subject to taxation, due to the participation exemption rules in Italy.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization increased by 28 million, or 140.0%, from 20 million to 48 million, primarily reflecting higher earnings from RAS s businesses in Switzerland and Austria. In Switzerland, decreased net insurance benefits, as well as reduced net acquisition costs and administrative expenses, contributed to such improved earnings. This growth in Switzerland was offset in part by higher taxes, due primarily to the improved profitability. Earnings from RAS s Austrian life/health operations also grew, primarily as a result of decreased net acquisition costs and administrative expenses.

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Personal Finance Services Operations

Banking Key Data

Nine months ended September 30,	**2005**	**2004**
	mn	**mn**
Interest and similar income	46	40
Net trading income	30	6
Fee and commission income	231	207
Other income	16	19
Total income	323	272
Earnings after taxes and before goodwill amortization	13	4

Asset Management Key Data

Nine months ended September 30,	**2005**	**2004**
	mn	**mn**
Interest and similar income	3	1
Fee and commission income	201	138
Other income		4
Total income	204	143
Earnings after taxes and before goodwill amortization	20	11

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Total Income

Total income from the Personal Finance Services segment increased considerably, driven primarily by net trading income and fee and commission income. Net trading income from RAS s banking operations benefited from favorable capital market conditions, while fee and commission income increased due predominantly to the effects of the acquisition of BNL Investimenti in 2004. Total income from RAS s asset management operations grew significantly due primarily to higher fee and commission income resulting from an increase in third-party assets under management.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization from RAS s Personal Finance Services segment increased compared to 2004. Banking earnings benefited principally from the decline of other expenses from 32 million to 10 million, primarily due to the higher costs incurred in

2004 in connection with the integration of Banca BNL Investimenti. Asset management earnings grew due in large part to an increase in fee and commission income, which grew proportionally more than the corresponding increase in acquisition costs and administrative expenses, reflecting RAS s strict cost management.

Third-Party Assets Under Management

At September 30, 2005 Compared to December 31, 2004

Third-party assets under management at September 30, 2005 increased by 2.2 billion, or 12.9%, to 19.3 billion from 17.1 billion at December 31, 2004. This increase was primarily attributable to favorable capital markets over this period, which resulted in an appreciation in the value of RAS s third-party assets by 1.4 billion. Third-party assets also increased due to a net inflow of 0.8 billion during the nine months ended September 30, 2005.

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Results of Operations for the Years Ended December 31, 2004, 2003 and 2002

The following table sets forth the total revenues, earnings from ordinary activities before taxes and net income for each of RAS s business segments for the years 2004, 2003 and 2002, as well as RAS s consolidated net income.

			Personal Finance Services			
Year ended December 31,	**Property-Casualty**	**Life/Health**	**Banking**	**Asset Management**	**Consolidation adjustments**	**Total Group**
	mn	**mn**	**mn**	**mn**	**mn**	**mn**
2004						
Total revenues[1]	6,412	8,419	384	196	(119)	15,292
Earnings from ordinary activities before taxes	**800**	**398**	**(13)**	**26**	**(98)**	**1,113**
Taxes	(207)	(86)	10	(10)		(293)
Minority interests in earnings	(98)	(47)			1	(144)
Net income (loss)	**495**	**265**	**(3)**	**16**	**(97)**	**676**
2003						
Total revenues[1]	6,242	9,260	294	190	(138)	15,848
Earnings from ordinary activities before taxes	**637**	**313**	**(22)**	**26**	**(37)**	**917**
Taxes	(258)	(85)	14	(10)		(339)
Minority interests in earnings	(41)	(43)				(84)
Net income (loss)	**338**	**185**	**(8)**	**16**	**(37)**	**494**
2002						
Total revenues[1]	5,970	8,044	304	239	(214)	14,343
Earnings from ordinary activities before taxes	**805**	**141**	**8**	**10**	**(31)**	**933**
Taxes	(127)	22	(8)	(17)	(2)	(132)
Minority interests in earnings	19	17				36
Net income (loss)	**697**	**180**		**(7)**	**(33)**	**837**

(1) Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums, and Personal Finance Services segment s total income. Statutory premiums in the Life/Health segment comprise gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices in the home jurisdiction of the relevant insurer included in the RAS Group. Total income in the Personal Finance Services segment comprises primarily interest and similar income, net trading income, fee and commission income for Banking, and primarily interest and similar income, fee and commission income and other income for Asset Management.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Total Revenues

In 2004, RAS recorded a decrease in total revenues of 556 million, or 3.5%, to 15,292 million in 2004 from 15,848 million in 2003. As described below, this decrease resulted primarily from a decline in statutory premiums in RAS s Life/Health segment, offset in part by an increase in gross premiums written in its Property- Casualty segment and an increase in operating revenues from the Personal Financial Services segment.

Property-Casualty. Gross written premiums increased by 170 million, or 2.7%, to 6,412 million in 2004 from 6,242 million in 2003, as RAS recorded growth in Italy in its automobile, general liability, and personal property lines, offset in part by negative effects of exchange rate movements between the Euro and Swiss Franc in connection with RAS s property-casualty business in Switzerland.

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Life/Health. Statutory premiums decreased 841 million, or 9.1%, to 8,419 million in 2004 from 9,260 million in 2003, largely as a result of weaker performance by the bancassurance channel in Italy, reflecting predominantly decreased sales at CreditRas Vita, RAS s bancassurance joint venture with UniCredito, and a general market slowdown in Switzerland, which resulted in a decline in RAS s individual life insurance business.

Personal Finance Services. Revenues in RAS s Personal Financial Services segment increased by 96 million, or 19.8%, from 484 million in 2003 to 580 million in 2004, reflecting growth of 90 million in banking operating revenues and 6 million in asset management operating revenues. RAS s banking operations increased operating revenues by 30.6% from 2003, due primarily to improved net trading income and fee and commission income. RAS s asset management operating revenues remained constant, while assets under management increased significantly in 2004 by 10.0 billion, or 15.2% from 2003 levels.

Earnings From Ordinary Activities Before Taxes

2004 was a year of continued operational discipline, resulting in a significant improvement of earnings from ordinary activities before taxes (referred to herein as earnings before taxes) of 196 million, or 21.4%, from 917 million in 2003 to 1,113 million in 2004, due primarily to improved earnings from both the Property-Casualty segment and, to a lesser extent, Life/Health segment.

Property-Casualty. RAS managed to reduce its combined ratio by two percentage points to 95.9% in 2004 from 97.9% in 2003 as a result of its disciplined underwriting and pricing practices, as well as stringent expense control. These achievements helped increase earnings before taxes in this segment by 163 million, or 25.6%, from 637 million in 2003 to 800 million in 2004. A decrease of 78 million in realized losses and impairments from investments in 2004 compared to 2003 levels also contributed to this increase in earnings.

Life/Health. Despite the decrease in statutory premiums in 2004, RAS increased its earnings before taxes in the Life/Health segment by 85 million, or 27.2%, from 313 million in 2003 to 398 million in 2004, due primarily to an increase in investment income in Italy as a result of higher net realized gains on investments and improved underwriting results in Switzerland.

Personal Finance Services. Earnings before taxes recorded by RAS s banking and asset management operations remained stable in 2004. RAS s banking business slightly improved its earnings before taxes from a 22 million loss in 2003 to a 13 million loss in 2004, while earnings before taxes from RAS s asset management operations remained stable.

RAS s increased earnings before taxes were reflected in its consolidated net income, which rose by 182 million, or 36.8%, from 494 million in 2003 to 676 million in 2004.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Total Revenues

Total revenues increased by 1,505 million, or 10.5%, from 14,343 million in 2002 to 15,848 million in 2003, primarily due to strong growth in statutory premiums in RAS s Life/Health segment and gross premiums written in its Property-Casualty segment, offset in part by a decrease in operating revenues in the Personal Financial Services segment.

Property-Casualty. Gross premiums written increased by 272 million, or 4.6%, to 6,242 million in 2003 from 5,970 million in 2002, as RAS recorded growth primarily in its automobile and general liability lines in Italy and its automobile and reinsurance businesses in Switzerland, offset in part by negative effects of exchange rate movements in connection with its Swiss operations.

Life/Health. Statutory premiums increased by 1,216 million, or 15.1%, to 9,260 million in 2003 from 8,044 million in 2002, due primarily to growth in new business in Italy reflecting predominantly increased sales at CreditRas Vita, RAS s bancassurance joint venture with UniCredito. This increase was offset in part by higher maturities in RAS s traditional life insurance portfolio in Italy and to the changes in the actuarial method used to estimate premiums in Switzerland.

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Personal Finance Services. RAS s Personal Finance Services operating revenues declined by 59 million, or 10.9%, to 484 million in 2003 from 543 million in 2002, with banking operations generating operating revenues of 294 million in 2003 (2002: 304 million) and the asset management business producing revenues of 190 million (2002: 239 million).

Earnings From Ordinary Activities Before Taxes

Despite the increase in total revenues, RAS s earnings before taxes decreased slightly by 16 million, or 1.7%, from 933 million in 2002 to 917 million in 2003, primarily as a result of the 899 million gain realized from sale of its real estate subsidiary, Proprietà Immobiliari, in 2002. This decrease was, however, offset in part by a decline in realized losses on investments and impairments to 420 million in 2003 from 1,259 million in 2002, as well as improved underwriting results in RAS s property-casualty business, primarily reflecting lower net claims.

Property-Casualty. RAS s combined ratio decreased by 3.4 percentage points to 97.9% in 2003 (2002: 101.3%), reflecting a more selective underwriting policy and stringent portfolio review measures. These operational improvements were offset by lower income from investments, attributable primarily to the significant gain of 713 million recorded in 2002 from the sale of Proprietà Immobiliari, which was primarily held in the Property-Casualty segment. As a result, RAS s earnings before taxes in the Property-Casualty segment decreased by 168 million, or 20.9%, to 637 million in 2003 from 805 million in 2002.

Life/Health. Earnings before taxes in the Life/Health segment increased by 172 million, or 121.3%, from 141 million in 2002 to 313 million in 2003, resulting primarily from decreased net realized losses and impairments on investments as well as reduced acquisition costs and administrative expenses, offset in part by the gain of 186 million allocated to the Life/Health segment from the 2002 sale of Proprietà Immobiliari.

Personal Finance Services. Earnings before taxes recorded by RAS s banking business decreased from 8 million in 2002 to a loss of 22 million in 2003, while its asset management operations recorded an increase of 16 million, or 160%, from 10 million in 2002 to 26 million in 2003, reflecting reduced acquisition costs and administrative expenses in 2003.

RAS s consolidated net income decreased by 343 million, or 41.0%, from 837 million in 2002 to 494 million in 2003, reflecting the decline in earnings before taxes and an increase in tax expense in 2003 compared to 2002, due primarily to the fact that the above mentioned realized gain on the sale of Proprietà Immobiliari in 2002 was subject to a lower average tax rate.

Property-Casualty Insurance Operations

RAS is ranked fourth in the Italian property-casualty market based on gross premiums written in 2004.

Property-Casualty Key Data

Years ended December 31		2004	2003	2002
Gross premiums written	mn	6,412	6,242	5,970
Italy	mn	3,934	3,784	3,645
Rest of Europe	mn	2,478	2,458	2,325
Earnings after taxes and before goodwill amortization	mn	631	419	716
Italy	mn	289	185	693
Rest of Europe	mn	342	234	23
Loss ratio	%	73.6	73.8	77.1
Expense ratio	%	22.3	24.1	24.2
Combined ratio	%	95.9	97.9	101.3

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Gross Premiums Written

Gross premiums written were 6,412 million in 2004, an increase of 170 million, or 2.7%, from 6,242 million in 2003. In 2004, RAS s Italian property-casualty operations accounted for 61.4% of the total gross premiums written in this segment. RAS s Swiss and Austrian operations collectively generated the bulk of the non-Italian gross premiums written in 2004.

Italy. RAS s gross premiums written in Italy increased by 150 million, or 4.0%, from 3,784 million in 2003 to 3,934 million in 2004, due primarily to growth in RAS s automobile, general liability, fire and personal property lines. Automobile premiums increased by 85.6 million, or 3.6%, in 2004, reflecting an increase in the number of vehicles insured and a modest inflation-linked increase in rates. RAS s direct sales company, Genialloyd, which distributes insurance products by phone and through the Internet, increased sales of new automobile insurance policies, which also contributed to this increase. General liability premiums increased by 27.3 million, or 8.8%, in 2004, reflecting primarily new business and rate increases resulting from an ongoing review of RAS s existing portfolio. As part of this review, RAS has made significant reforms since 2001 in its co-insurance policies and contracts with public entities and hospitals, which have contributed to the increase in general liability premiums. Gross premiums written from RAS s fire and personal property lines of business also increased, primarily due to the introduction of new products.

Rest of Europe. RAS s gross premiums written outside of Italy increased by 20 million, from 2,458 million in 2003 to 2,478 million in 2004. Gross premiums written recorded by RAS s operations in Switzerland decreased slightly in 2004, due primarily to the negative effect of exchange rate movements. This negative effect was offset by growth in gross written premiums in the automobile line, resulting from both new and renewal policies. RAS s Austrian operations increased gross premiums written in 2004 compared to 2003, primarily due to rate increases in its automobile line, which were introduced in January 2004.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization increased by 212 million, or 50.6%, to 631 million in 2004 from 419 million in 2003, reflecting disciplined underwriting and pricing practices, as well as stringent expense control. RAS s combined ratio in this segment decreased two percentage points to 95.9% in 2004 from 97.9% in 2003, with RAS s expense ratio experiencing a decrease of 1.8 percentage points to 22.3% in 2004 from 24.1% in 2003, primarily due to increased premium volume accompanied by a decrease in commission payments. An additional contributor to the increase in earnings after taxes and before goodwill amortization in 2004 stemmed from a decrease in realized losses and impairments from investments compared to 2003, as a result of improved global equity markets.

Italy. In Italy, earnings after taxes and before goodwill amortization from RAS s property-casualty operations increased by 104 million, or 56.2%, from 185 million in 2003 to 289 million in 2004. These improved earnings after taxes and before goodwill amortization mainly reflected an overall reduction in claims frequency, particularly in the automobile line, as a result of a more selective underwriting policy in recent years, as well as the introduction of a more stringent points-based regulation of drivers licences by the Italian government with effect from July 1, 2003. In addition, portfolio review measures of RAS s liability line had a positive effect on RAS s loss ratio.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization from RAS s property-casualty operations increased by 108 million, or 46.2%, from 234 million in 2003 to 342 million in 2004. RAS s Austrian operations contributed to this positive development, primarily as a result of improved underwriting results, benefiting from a lower claims frequency, while income from investments rose, largely as a result of higher realized gains from the sale of investments.

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Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Gross Premiums Written

Gross premiums written were 6,242 million in 2003, an increase of 272 million, or 4.6%, from 5,970 million in 2002. In 2003, RAS s Italian property-casualty operations accounted for 60.6% of the total gross premiums written in this segment with RAS s Swiss and Austrian operations generating the bulk of the non-Italian gross premiums written in 2003.

Italy. RAS s gross premiums written in Italy increased by 139 million, or 3.8%, from 3,645 million in 2002 to 3,784 million in 2003, due primarily to an increase in automobile and general liability premiums in Italy. Automobile premiums increased by 119.1 million, or 5.3%, in 2003, reflecting rate increases in the Italian market and an increase in the number of vehicles insured. General liability premiums increased by 37.9 million, or 13.9%, in 2003, reflecting primarily substantial rate increases in the Italian commercial and corporate clients market as well as growth in new business, despite selective underwriting policy and portfolio review measures. RAS also saw moderate increases in its other main lines of business in Italy, including fire and personal accident, while its health premiums decreased due to the termination of several unprofitable group contracts.

Rest of Europe. RAS s gross premiums written outside of Italy increased by 133 million, or 5.7%, from 2,325 million in 2002 to 2,458 million in 2003. Gross premiums written recorded by RAS s operations in Switzerland rose slightly in 2003, due primarily to increased premiums in its automobile line and reinsurance business assumed, offset in part by the negative effect of exchange rate movements. In Austria, Allianz Elementar Versicherung recorded increased gross premiums written, due primarily to growth in its automobile line.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization decreased by 297 million, or 41.5%, to 419 million in 2003 from 716 million in 2002, reflecting primarily the realized gain from the 2002 sale of Proprietà Immobiliari, offset in part by improved underwriting results. RAS s improved underwriting results produced a combined ratio of 97.9% in 2003 compared to 101.3% in 2002, a decrease of 3.4 percentage points. A substantial reduction in RAS s realized losses and impairments from investments recorded by its non-Italian operations in 2003 compared to 2002 levels also mitigated the effect of the Proprietà Immobiliari sale on earnings after taxes and before goodwill amortization.

Italy. Earnings after taxes and before goodwill amortization from RAS s Italian property-casualty operations decreased significantly by 508 million, or 73.3%, from 693 million in 2002 to 185 million in 2003. This decline in earnings after taxes and before goodwill amortization primarily reflected lower income from investments, despite the recovery of the stock markets, attributable to a realized gain of 713 million recorded in 2002 in connection with the sale of Proprietà Immobiliari. The decrease in income from investments was offset in part by improved underwriting results reflecting lower net claims, as well as a realized gain of 58 million in connection with the disposition of a derivative financial instrument that was used to hedge an investment but did not qualify for hedge accounting. The loss ratio decreased to 74.5% in 2003 from 75.3% in 2002, reflecting the overall reduction in claim frequency, particularly in the automobile line, due to a more selective underwriting policy in recent years, portfolio review measures and the introduction of a more stringent points-based regulation of drivers licenses in Italy.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization from RAS s property-casualty operations increased by 211 million from 23 million in 2002 to 234 million in 2003. In Austria, RAS s business posted an improved underwriting result, benefiting from a lower frequency of claims, while income from investments rose, largely as a result of significantly lower impairments and higher realized gains from the sale of investments. In Switzerland, Allianz Suisse Versicherungs-Gesellschaft also contributed to this positive development with greater income from investments and an improved loss ratio, due to more favorable loss experience and portfolio reviews in its health and accident insurance lines. These gains in Switzerland were, however, offset in part by a write-off of deferred tax assets.

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Life/Health Insurance Operations

RAS is ranked second in the Italian life/health market based on statutory premiums in 2004.

Life/Health Key Data

Years ended December 31		2004	2003	2002
Statutory premiums	mn	8,419	9,260	8,044
Italy	mn	6,945	7,657	6,506
Rest of Europe	mn	1,474	1,603	1,538
Earnings after taxes and before goodwill amortization	mn	323	237	174
Italy	mn	266	203	251
Rest of Europe	mn	57	34	(77)

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Statutory Premiums

Statutory premiums decreased 841 million, or 9.1%, to 8,419 million in 2004 from 9,260 million in 2003, largely as a result of weaker performance by the bank distribution channel in Italy and an overall market slowdown in Switzerland. In 2004, RAS s Italian life-health operations accounted for 82.5% of total statutory premiums in this segment. RAS s Swiss operations, conducted primarily through Allianz Suisse Lebensversicherung, in which RAS holds a 69.8% equity interest, accounted for 12.9% of total statutory premiums in 2004, while RAS s subsidiaries based in Austria and Portugal accounted for the remaining amount.

Italy. RAS s statutory premiums in Italy decreased by 712 million, or 9.3%, from 7,657 million in 2003 to 6,945 million in 2004. The decrease in statutory premiums was largely attributable to a reduction in sales of life insurance products through RAS s bancassurance channel, offset in part by growth in new business in RAS s life insurance products through its representative agencies and financial planners and the introduction of new products. RAS s statutory premiums from its bancassurance channel declined primarily due to decreased sales at CreditRas Vita, RAS s bancassurance joint venture with UniCredito. UniCredito implemented a new sales and marketing policy by focusing on recurring-premium products rather than single-premium policies, which accounted for the majority of CreditRas policies, resulting in decreased sales in 2004. This decrease was mitigated by growth in new business, particularly in the individual policy line, through RAS s representative agencies, which added 60 team managers and 725 life/health specialists over the course of 2004. Furthermore, in the fourth quarter of 2004, RAS experienced an upward trend in statutory premiums, resulting in part from the positive reception of new products, including the Progetti di Vitta life insurance policy, which combines a guaranteed minimum return with a unit-linked component.

Rest of Europe. RAS s statutory premiums outside of Italy decreased by 129 million, or 8.0%, from 1,603 million in 2003 to 1,474 million in 2004. Statutory premiums from RAS s Swiss operations decreased primarily due to a decline in its individual life insurance business, resulting from the reduction of interest rates in Switzerland, which negatively impacted the Swiss life/health market as a whole. In addition, RAS s Swiss statutory premiums were negatively affected by a reduction in the group life insurance business, resulting from the deconsolidation of the employees pension fund of Allianz Suisse Lebensversicherung in 2003, as well as a more stringent underwriting practice. The decrease in RAS s

Swiss operations was offset in part by growth in statutory premiums in Austria, due largely to increased sales in direct business premiums.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization in the Life/Health segment increased by 86 million, or 36.3%, from 237 million in 2003 to 323 million in 2004, due primarily to an increase in income from investments in Italy and improved underwriting results in Switzerland.

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Italy. Earnings after taxes and before goodwill amortization from RAS s Italian life/health operations increased by 63 million, or 31.0%, from 203 million in 2003 to 266 million in 2004, due primarily to higher net realized gains on investments.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization from RAS s life/health operations increased by 23 million from 34 million in 2003 to 57 million in 2004. This increase reflected primarily the improved underwriting results in RAS s Swiss operations, driven by a reduction in the average guaranteed interest rates for the individual and group life insurance portfolio of Allianz Suisse Lebensversicherung.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Statutory Premiums

Statutory premiums increased by 1,216 million, or 15.1%, to 9,260 million in 2003 from 8,044 million in 2002. This increase was due primarily to growth in new business in Italy, reflecting predominantly increased sales at CreditRas Vita, RAS s bancassurance joint venture with UniCredito. This increase was offset in part by the negative effects resulting from higher maturities in RAS s traditional life insurance portfolio in Italy and changes in the actuarial method used to estimate premiums in Switzerland.

Italy. RAS s statutory premiums in Italy increased by 1,151 million, or 17.7%, from 6,506 million in 2002 to 7,657 million in 2003. This increase in statutory premiums was primarily attributable to growth in new business, mainly in investment-oriented products with capital production features. This growth was supported by the launch of two products in the fourth quarter of 2003: Cento per Cento , a recurring premium policy that combined asset savings and protection with personal risk coverage, and Rassicura Plus , a traditional, single premium product with minimum guaranteed returns at maturity. RAS s bancassurance distribution channel, CreditRas Vita, a joint venture with UniCredito, was the main contributor to the growth in new business. This increase in Italian statutory premiums was offset in part by the negative effect of higher maturities in RAS s traditional life insurance portfolio.

Rest of Europe. RAS s statutory premiums outside of Italy increased by 65 million, or 4.2%, from 1,538 million in 2002 to 1,603 million in 2003, primarily as a result of developments in its Swiss operations. Statutory premiums from its Swiss operations increased primarily due to the acquisition of Phénix Compagnie d Assurances sur la Vie in January 2003 and the consolidation of its 2003 statutory premiums amounting to 28 million. RAS s Swiss operations also recorded growth in individual policies in 2003, although the number of group policies declined in 2003. These positive factors were offset by the negative effect of changes in the actuarial method used to estimate premiums.

Earnings After Taxes and Before Goodwill Amortization

Earnings after taxes and before goodwill amortization increased by 63 million, or 36.2%, from 174 million in 2002 to 237 million in 2003, resulting primarily from decreased non-Italian investment expenses, comprising realized losses and impairments from investments, and reduced acquisition costs and administrative expenses. These positive developments were offset in part by the gain realized in 2002 from the sale of Proprietà Immobiliari within the Life/Health segment.

Italy. Earnings after taxes and before goodwill amortization from RAS s Italian life/health business decreased by 48 million, or 19.1%, from 251 million in 2002 to 203 million in 2003, due primarily to the realized gain of 186 million from the sale of the 2002 sale of Proprietà Immobiliari. Earnings after taxes and before goodwill amortization were positively affected by a gain of 19 million in connection with the disposition of a derivative financial instrument that was used to hedge an investment but did not qualify for hedge accounting.

Rest of Europe. In Rest of Europe, earnings after taxes and before goodwill amortization from RAS s life/health operations increased by 111 million from a loss of 77 million in 2002 to a gain of 34 million in 2003. This positive development stemmed largely from Switzerland, due primarily to improved income from investments and reduced acquisition costs and administrative expenses, offset in part by higher guaranteed interest rates for life insurance policies.

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Personal Finance Services Operations

Banking Key Data

Years ended December 31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Interest and similar income	55	57	67
Net trading income	11	(11)	3
Fee and commission income	284	224	209
Other income	34	24	25
Total income	384	294	304
Earnings after taxes and before goodwill amortization	(3)	(10)	

Asset Management Key Data

Years ended December 31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Interest and similar income	1	4	5
Fee and commission income	189	186	229
Other income	6		5
Total income	196	190	239
Earnings after taxes and before goodwill amortization	16	15	(7)

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Total Income

The Personal Finance Services segment accounted for 5.5% of RAS s total income in 2004 (2003: 4.6%). Total income from RAS s banking operations rose in 2004, driven primarily by an increase in net trading income and fee and commission income. Total income from RAS s asset management operations remained relatively stable compared to 2003.

Earnings After Taxes and Before Goodwill Amortization

In the Personal Finance Services segment, earnings after taxes and before goodwill amortization from RAS s banking operations were relatively unchanged, reflecting an increase in acquisition costs and administrative expenses that offset the increase in total income. Earnings from RAS s asset management business remained fairly constant compared to 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Total Income

The Personal Finance Services segment accounted for 4.6% of RAS s total income in 2003 (2002: 4.9%). Total income from RAS s banking operations remained stable in 2003, while total income generated by RAS s asset management operations decreased 49 million, or 20.5%, from 239 million in 2002 to 190 million in 2003, due primarily to a decrease in fee and commission income as a result of a reduction in performance fees.

Earnings After Taxes and Before Goodwill Amortization

In the Personal Finance Services segment, earnings after taxes and before goodwill amortization from RAS s banking business decreased primarily due to a moderate increase in realized losses and impairments from investments and in acquisition costs and administrative expenses. This development was offset by RAS s asset management operations, which improved earnings after taxes and before goodwill amortization by approximately 22 million due primarily to reduced acquisition costs and administrative expenses in 2003.

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Assets Under Management

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

Fair Values as of December 31	2004		2003		2002	
	mn	%	mn	%	mn	%
Third-party assets[1]	17,129	22.7	13,924	21.2	12,446	21.3
RAS Group s own investments[2]	41,920[3]	55.5	38,672	59.0	37,839	64.7
Financial assets for unit-linked contracts[1]	16,500[3]	21.8	12,968	19.8	8,181	14.0
Total	75,549	100.0	65,564	100.0	58,466	100.0

(1) Assets are presented at fair value.
(2) Includes adjustments to reflect real estate at fair value. These adjustments were made in order to reflect the definition of group s own investments used by management for its controlling purposes.
(3) As a result of a new IFRS accounting standard (IAS 39 revised), certain unit-linked contracts previously classified as trading assets within RAS Group s own investments were reclassified to financial assets for unit-linked contracts, resulting in no net income statement impact.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Total assets under management at RAS Asset Management at December 31, 2004 increased significantly from December 31, 2003, by 10.0 billion, or 15.2%, from 62.6 billion to 75.5 billion. More than half of this improvement was attributable to insurance portfolios, while almost 1.0 billion originated from open-ended mutual funds. In addition, approximately 1.5 billion of assets under management were transferred to RAS Asset Management from Banca Bnl Investimenti in connection with RasBank s acquisition of Banca Bnl Investimenti in 2004.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

In 2003, total assets under management increased by 7.1 billion, or 12.1%, from 58.5 billion to 62.6 billion, due primarily to the recovery of the equity markets that commenced in the third quarter of 2003. The most significant growth was attributable to insurance portfolios, including open pension funds and individual portfolio management. Commerzbank Sgr was also acquired and merged into RAS Asset Management in the third quarter of 2003, contributing approximately 280 million assets under management.

Liquidity and Capital Resources

The RAS Group generally manages its own liquidity requirements. At December 31, 2004, 2003 and 2002, RAS Group had 1,035 million, 1,228 million and 861 million, respectively, of cash and cash equivalents. See Note 11 to RAS s consolidated financial statements. As of December 1, 2005, RAS had financial strength ratings of A+ from A.M. Best and AA from Standard & Poor s, both with a stable outlook and an

Aa3 senior unsecured debt rating with a stable outlook from Moody s.

Liquidity Funding Sources and Uses

RAS s principal sources of funds are premiums, customer deposits, investment income, proceeds from the sale or maturity of investments, funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings.

The liquidity requirements of RAS s insurance operations are met both on a short- and long-term basis by funds provided by insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. The major uses of these funds are to pay property-casualty claims and related claims expenses, provide life policy benefits, pay surrenders, cancellations and profit sharing for life policyholders and pay other operating costs. RAS generates a substantial cash flow from insurance operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and liquid securities, have historically met the liquidity requirements of RAS s insurance operations.

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In the insurance industry, liquidity generally refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance or reinsurance contracts. The liquidity of RAS s property-casualty insurance operations is affected by the frequency and severity of losses under its policies, as well as by the persistency of its products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for RAS s property-casualty operations. The liquidity needs of RAS s life operations are generally affected by trends in actual mortality experience relative to the assumptions with respect thereto included in the pricing of its life insurance policies, by the extent to which minimum returns or crediting rates are provided in connection with its life insurance products, as well as by the level of surrenders and withdrawals.

With regard to its Personal Finance Services segment, RAS s primary sources of liquidity from its banking operations are customer deposits and interest income from its lending transactions and its investment portfolio, while RAS s major uses of funds are for the issuance of new loans and advances to banks and customers, and the payment of interest on deposits, certificated liabilities and subordinated liabilities and other operating costs. Other sources of liquidity include RAS s ability to borrow on the inter-bank market and convert securities in RAS s investment and trading portfolios into cash. In its asset management operations, RAS s primary sources of liquidity include fees generated from asset management activities, while the principal use of these funds is for the payment of operating costs.

RAS paid dividends of 538 million, 403 million and 295 million on RAS shares in 2005, 2004 and 2003 with respect to the fiscal years 2004, 2003 and 2002, respectively. Certain of the companies within the RAS Group are subject to legal restrictions on the amount of dividends they can pay to their shareholders. In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by insurance and other regulators in the countries in which these companies operate, other limitations exist in certain countries.

RAS s uses of funds, in addition to the dividends paid to shareholders of RAS include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims including claims handling expenses and profit sharing by life policyholders), acquisitions, and employee and other operating expenses, as well as interest expense on outstanding borrowings. RAS s life and health insurance products include mandatory profit-sharing features, whereby RAS returns a specified portion of statutory profits to policyholders annually, generally in the form of premium subsidies or rebates.

Hybrid Equity and Certificated Liabilities

RAS s hybrid equity outstanding at December 31, 2004, 2003 and 2002 were 45 million, 45 million and 0 million, respectively. See Note 15 to RAS s consolidated financial statements for further information. RAS s total certificated liabilities outstanding at December 31, 2004, 2003 and 2002 were 558 million, 472 million and 151 million, respectively. Of the certificated liabilities outstanding at December 31, 2004, 42 million are due within one year. See Note 19 to RAS s consolidated financial statements for further information.

Capital Management

RAS established a plan of action for management of excess capital in 2001. The initial assessment of risk capital showed that excess capital was almost entirely in assets with low liquidity. Therefore, the first step was to transform a portion of these assets into liquid capital.

Accordingly, in 2002 RAS sold its Proprietà Immobiliari subsidiary, which held its non-core real estate leased to third parties, to Aida srl for approximately 1.7 billion, generating a capital gain of 795.6 million after taxes. RAS utilized part of the sale proceeds for a share buy-back through a public offer of 14 per share, from December 9, 2002 to January 10, 2003. The total costs of this share buy-back amounted to 709.1 million.

On February 17, 2003, after the period of time required by law had elapsed, RAS reduced excess capital by canceling 57,778,318 own shares worth approximately 800 million, specifically 49,483,389 ordinary shares and 8,294,929 savings shares with a nominal value of 34,666,990.80. Of these cancelled shares, 42,676,389 ordinary shares and 7,973,929 savings shares had been purchased through the

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buy-back. The other cancelled shares (6,807,000 ordinary shares and 321,220 savings shares) were already owned by RAS at the commencement of the share buy-back period. After this operation, RAS s share capital was 403,102,758, represented by 670,497,920 ordinary shares and 1,340,010 savings shares, each with a nominal value of 0.60.

During 2003 and 2004, in accordance with its business plan, the RAS Group grew its personal finance services business through the acquisitions of Commerzbank Asset Management Italia and Banca Bnl Investimenti, with their respective asset management and life portfolios.

Off-Balance Sheet Arrangements

Neither RAS nor any member of the RAS Group has any off-balance sheet arrangements that currently have or are reasonably likely to have a material future effect on the RAS Group s financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditure or capital resources.

Tabular Disclosure of Contractual Obligations

	Payments Due By Period at December 31, 2004[1]				
	Total	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
	mn	**mn**	**mn**	**mn**	**mn**
Hybrid equity and certificated liabilities[2]	603	42	343	173	45
Liabilities to banks and customers[3]	1,835	1,835			
Defined benefit plans[4]	292	26	53	54	159
Total Contractual Obligations	2,730	1,903	396	227	204

(1) The table sets forth RAS s contractual obligations as of December 31, 2004. Contractual obligations do not include contingent liabilities or commitments and only transactions with parties outside the RAS Group are considered.
(2) For further information, see Note 15 and Note 19 to Consolidated Financial Statements of RAS.
(3) This amount reflects the current portion of liabilities to banks and customers and includes 106 million and 1,729 million of payables on demand, respectively. For further information, see Note 17 and Note 18 to Consolidated Financial Statements of RAS.
(4) Estimated future benefit payments include only ten years subsequent to December 31, 2004.

The RAS Group, in addition to the above contractual obligations, has contractual obligations to policyholders in respect of property-casualty insurance and reinsurance. For further information concerning specific lines of business the RAS Group underwrites, see RAS Insurance Operations Italy , RAS Insurance Operations Rest of Europe and Note 16 to the Consolidated Financial Statements of RAS. Contractual obligations also exist to policyholders and designated beneficiaries in respect of life, health, unit-linked and investment oriented products, as well as other products further described in RAS Insurance Operations Italy , RAS Insurance Operations Rest of Europe and Note 16 to the Consolidated Financial Statements of RAS. These obligations, to a large extent, include paying death claims, making annuity payments or paying claims arising from an insurable loss event. The timing of such payments depends heavily on such factors as the mortality and persistency of our customer base and the occurrence of insurable loss events.

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QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK OF RAS

Since 2000, one of RAS s objectives has been to increase shareholder value by optimizing capital allocation and rationalizing its financial structure. To achieve these objectives and also to assess strategic options more effectively, in 2001 RAS developed its own risk capital model and introduced a capital management program designed to reduce the absorption of capital by its business activities and to make more efficient use of excess capital.

The RAS model links the concept of capital with the concept of risk, by defining capital as the financial resources that enable the company to cover unexpected losses or unforeseen changes in profitability. The RAS model, developed in cooperation with Alef-Laboratorio di economia finanziaria, is based on an asset and liability management approach and considers the impact on assets and liabilities of the various sources of financial and actuarial risk. Risk capital is determined as value at risk over one year, with a conventional level of confidence of 99.93%. The calculation method, which is based on general principles of prudence, considers the correlations among the various sources of risk (benefit of diversification) and among the RAS Group s various lines of business (benefit of aggregation).

The following factors affected RAS s capital position in 2003-2004:

- in the Property-Casualty business, the containment of overall exposure to catastrophic risks through reinsurance and the consequent reduction of peak earthquake and flood exposure, and the ongoing restructuring of a number of non-performing general third-party liability portfolios whose risk level (and capital absorption) was not in line with profitability projections. At the same time, specific attention was paid to credit risk on outwards reinsurance, which benefited from careful scrutiny of the security measures adopted when placing reinsurance and the significant level of implicit exposure diversification;
- in the Life/Health business:
  - alignment of the asset management policy with conditions on the financial markets and with liabilities, by matching the duration of technical commitments with the duration of investments, especially with regard to traditional segregated fund-related products, and by maintaining low exposure in equities;
  - continuous monitoring of credit risk in the bond portfolio through an investment policy that has resulted in a low percentage of speculative-grade securities (i.e., bonds rated no lower than BBB from Standards & Poor s or unrated corporate bonds), which comprise less than 0.2% of the total, and a credit risk capital level within the level of maximum prudence, which is less than 2% of the bond portfolio market value;
  - ongoing development of a range of life/health insurance products with low capital requirements such as unit-linked products, where policyholders participate directly in the performance of policy-related investments, and traditional products that credit the aggregated guaranteed minimum return on maturity rather than annually;
  - the stability of risk capital for actuarial risks (mortality, longevity, surrender), both in absolute terms and in proportion to technical commitments;
- in the Personal Finance Services business, the increase in risk capital was not due to greater inherent risk, but to the expansion of the Personal Finance Services business as a result of the merger of Investitori Sgr and the former Cami-Commerzbank Asset Management

and Banca Bnl Investimenti financial advisors networks.

Three projects have been introduced to raise capital management efficiency:

Value-based Management: 2004 was the first year in which RAS Group managers and operators were assessed on the basis of performance indicators linked explicitly to capital management. The capital management model allocates capital to the

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individual business units and lines of business, thus making it possible to measure value created or lost with respect to capital absorbed by the RAS Group and its operations;

Embedded Options Project: in recognition of the recommendations of the CFO Forum and the publication of the European Embedded Value Principles in May 2004, RAS undertook a project for accurate measurement of the embedded options in its Italian companies life assurance contracts, using the latest financial techniques and stochastic simulation methods; and

Risk Committee: RAS established a special risk committee of its Board of Directors in January 2004. The Risk Committee advises the RAS board on risk management policy guidelines relating to the RAS Group. The Risk Committee meetings are attended by the Chief Risk Officer and by the Board of Statutory Auditors, and, on invitation, by executive directors and any other parties deemed necessary.

Sensitivity Analysis of Trading Portfolios

The following table shows the sensitivity analysis of the market risk in the material trading portfolio of the RAS Group. Certain financial instruments are included in more than one risk category because they may be affected by changes in more than one parameter. For example, equities denominated in non-Euro currencies are affected by fluctuation in both stock prices and exchange rates.

	At December 31, 2004				
			Personal Finance Services		
	Property-Casualty Insurance	Life/ Health Insurance	Banking	Asset Management	Total
	mn	mn	mn	mn	mn
Equity price risk[1]					
Interest rate risk		(5)			(5)
Foreign exchange risk[2]					

	At December 31, 2003				
			Personal Finance Services		
	Property-Casualty Insurance	Life/ Health Insurance	Banking	Asset Management	Total
	mn	mn	mn	mn	mn
Equity price risk[1]	5	16	(6)		15
Interest rate risk	(1)	(3)	(4)		(8)
Foreign exchange risk[2]	1		1		2

(1) Amounts do not take into account the RAS Group s joint ventures and associated enterprises.
(2) Amounts take into account financial instruments not denominated in Euros.

Sensitivity Analysis of Non-Trading Portfolios

The RAS Group s remaining portfolios contain all non-trading activities of the banking segment as well as the financial investments of the insurance segment. The RAS Group holds and uses many different financial instruments in managing its businesses. Grouped according to risk category, the following are the most significant assets according to their fair values:

- equity price risk: common shares and preferred shares;
- interest rate risk: bonds, loans and mortgages; and
- foreign exchange rate risk: non-euro denominated equities and interest rate risk sensitive assets.

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The following table shows a sensitivity analysis of the market risk in the RAS Group s material non-trading portfolios. Certain financial instruments are included in more than one risk category because they may be affected by changes in more than one parameter.

	At December 31, 2004				
			Personal Finance Services		
	Property-Casualty Insurance	Life/ Health Insurance	Banking	Asset Management	Total
	mn	mn	mn	mn	mn
Equity price risk[1]	(535)	(342)			(878)
Interest rate risk	(358)	(1,482)			(1,839)
Foreign exchange risk[2]	(251)	(709)	(2)		(962)

	At December 31, 2003				
			Personal Finance Services		
	Property-Casualty Insurance	Life/ Health Insurance	Banking	Asset Management	Total
	mn	mn	mn	mn	mn
Equity price risk[1]	(548)	(303)		(1)	(852)
Interest rate risk	(325)	(1,290)		(1)	(1,617)
Foreign exchange risk[2]	(241)	(653)			(893)

(1) Amounts do not take into account RAS Group s joint ventures and associated enterprises.
(2) Amounts take into account financial instruments in foreign currency.

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THE MERGER

Summary of Terms of the Merger Plan

On December •, 2005, Allianz and RAS entered into a merger plan setting forth the terms of the merger of RAS into Allianz. Allianz and RAS agreed *inter alia* that:

RAS will, by operation of law upon legal effectiveness of the merger, transfer all its assets and liabilities that it holds following the Reorganization (as defined below) by way of dissolution without winding-up to Allianz in exchange for the granting of Allianz shares to the shareholders of RAS (other than Allianz) (merger by way of acquisition pursuant to Article 17(2)(a) of the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (the SE Regulation)). The merger will become legally effective upon its registration in the commercial register for Allianz in Germany. Under the merger plan, the merger will become economically effective with retroactive effect as from January 1 of the year in which the merger becomes legally effective, meaning that Allianz s assumption of RAS s assets and liabilities will be deemed to occur on this date and that all acts and transactions of RAS as from this date will be deemed to have been undertaken for the account of Allianz.

Upon legal effectiveness of the merger, Allianz will by operation of law change its legal form from a German stock corporation (*Aktiengesellschaft*) to a European Company (*Societas Europaea*, or SE) to become Allianz SE pursuant to Articles 2(1) and 29(1) of the SE Regulation. See Material Differences Between Rights of Shareholders of Allianz and RAS for a more detailed description of the SE legal form. We expect that the merger will become effective in summer 2006. For more information regarding the period prior to effectiveness, see Risk Factors Relating Specifically to the Merger *The merger ratio is fixed, based on comparative valuations of Allianz and RAS, and is not subject to any fluctuations in market price of Allianz shares. In addition, the market price of Allianz shares may decrease between the time you vote on the merger plan and the time the merger becomes effective. As a result, at the time you vote on the merger plan you will not know the market value you will receive for your RAS shares.*

Upon legal effectiveness of the merger, RAS shareholders (other than Allianz) will become by operation of law shareholders of Allianz SE, both holders of RAS ordinary shares and RAS savings shares will receive Allianz shares. RAS shareholders will receive • Allianz shares in exchange for the • RAS ordinary shares that they hold at the time of the effectiveness of the merger and • Allianz shares in exchange for the • RAS savings shares that they hold at the time of the effectiveness of the merger. The shares to be granted by Allianz SE shall bear dividend rights as from January 1 of the year in which the merger becomes legally effective.

Fractional entitlements to Allianz shares will not be delivered to holders of RAS shares in connection with the merger. Instead, the merger trustee, Deutsche Bank AG, Frankfurt am Main, Germany, who will be appointed by RAS and who is responsible for exchanging RAS shares for Allianz shares, will be asked to mediate, with the assistance of affected depositary institutions, between holders of fractional entitlements of Allianz shares in an effort to minimize the number of fractional entitlements. Through this procedure, holders of fractional entitlements of Allianz shares will be entitled, to the extent available, to purchase additional fractional entitlements in such amount that entitles them to receive a whole number of Allianz shares according to the merger exchange ratio. The remaining fractional entitlements to Allianz shares will subsequently be combined and sold on a publicly traded market on behalf of, and the proceeds of the sales will be distributed pro rata to, the RAS shareholders entitled to fractional entitlements.

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Allianz will assume the obligations under the existing stock option plans of RAS vis-à-vis the beneficiaries thereunder, which are still outstanding upon the legal effectiveness of the merger. Allianz will deliver to the beneficiaries under the stock option plans upon exercise of their option rights a number of Allianz shares in accordance with the terms of the respective stock option plan, adjusted on the basis of the merger exchange ratio.

To implement the merger, Allianz will increase its share capital, without subscription rights, according to the number of Allianz shares to be issued and granted to RAS shareholders in exchange for their RAS shares in the merger, except for RAS shares held by RAS itself and by Allianz. The precise amount of this capital increase will not be known until after the payment of any exercised cash exit rights by RAS shareholders, if applicable. Assuming that all currently outstanding RAS ordinary shares (except those held by Allianz or RAS) and all currently outstanding RAS savings shares (except those held by Allianz or RAS) will be exchanged for Allianz shares in the merger, the share capital of Allianz will increase by • by issuing up to • ordinary registered no par value shares.

The merger will not be registered in the commercial register of Allianz in Germany prior to the annual shareholders meetings of Allianz and RAS in 2006 and the subsequent distribution of dividends for fiscal year 2005.

Allianz intends to apply to the Milan Stock Exchange for the admission for listing of the Allianz shares in connection with the merger in order to offer to RAS shareholders Allianz shares that are listed in Italy.

There are no contractual conditions precedent to effectiveness of the merger; however, the merger only becomes effective upon its registration in the commercial register of Allianz in Germany. The merger may only be registered in the commercial register of Allianz, *inter alia*, if the negotiation process regarding employee involvement pursuant to the German law implementing the Council Directive 2001/86/EC of October 8, 2001 supplementing the Statute for a European Company with regard to the involvement of employees (*SE-Beteiligungsgesetz*, or the German SE Employee Involvement Act) has been completed or is terminated due to an inconclusive result after the expiration of the statutory negotiation period or by resolution of the special negotiating body representing the Allianz EU/EEA-based employees. This negotiation process relates to the level of employee representation on the supervisory board of Allianz SE, the composition of the employee representative body of Allianz SE, and the scope of employee participation and related employee rights within Allianz SE. The negotiations are conducted between the management of Allianz and RAS, on the one hand, and a special negotiating body of the Allianz Group s EU/EEA-based employees, on the other hand. The completion of such negotiations may take up to six months (unless extended to a maximum of one year by mutual agreement) after the establishment of the special negotiating body. This body must be established within ten weeks as from the date Allianz and RAS initiate the employee involvement process by notifying the respective employee representative bodies and, where appropriate, employees of the Allianz Group after they have entered into and published the merger plan.

Reorganization of RAS

In connection with the merger, on November 14, 2005, the RAS Board of Directors approved that RAS will, prior to the legal effectiveness of the merger, contribute its whole business, including its property-casualty and life insurance business and the related instrumental activities in Italy (except for its shareholdings in RAS International N.V., Companhia de Seguros Allianz Portugal S.A., Koc Allianz Sigorta A.S. and Koc Allianz Hayat ve Emeklilik A.S. which will remain with RAS, subject to the prior approval of ISVAP) to a newly-established, wholly-owned Italian subsidiary of RAS (RAS Italia S.p.A.), which will assume the corporate name of RAS (the Reorganization). Furthermore, certain tax assets and liabilities of RAS and certain assets and liabilities related to certain corporate functions for approximately 60 employees are not part of the transfer. Following the Reorganization, RAS will no longer be directly engaged in insurance business and will exist solely as a holding company. As a result of the Reorganization, RAS will lose its licenses to operate insurance activities in Italy, which will

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amount to a change in its business purpose. In addition to the RAS shareholders vote on the merger, the amendment of the articles of association of RAS to reflect this change in business purpose will be subject to the approval of the RAS extraordinary meeting of ordinary shareholders. The transfer of RAS s insurance portfolios to RAS Italia S.p.A. is also subject to the approval of the ISVAP. Discussions relating to the approval from ISVAP for the Reorganization are currently on-going. In addition, the Reorganization will be subject to the approval of COVIP with respect to certain pension fund-related matters.

Reasons for the Merger

The merger with RAS will enable Allianz to directly reallocate the holding of operations to Allianz. This step forms part of the repositioning plan of Allianz, in particular, to (a) improve the Allianz Group s position in the Italian insurance market, (b) strengthen Allianz s foothold in its European home market and (c) in connection with the conversion of Allianz into a European Company, further streamline the Allianz organizational structure. The future Allianz SE will be the first European Company listed on the DJ EURO STOXX 50.

The merger is consistent with the strategy recently followed by Allianz (3+1), which is focused on enhancing its capital base, strengthening operating profitability, simplifying the structure of the Allianz Group and increasing its competitive position and shareholder value. In such perspective, the merger focuses on (a) a deeper integration and coordination of the business and (b) the simplification of the Allianz Group s structure resulting in a more efficient corporate governance as well as in the possibility to broaden and consolidate its network and its industry potential.

Background of the Merger

At various times since 2003, the Management Board of Allianz has considered the full integration of RAS into Allianz.

On November 22 and 23, 2004, during its semi-annual strategy meeting, the Management Board of Allianz discussed the full integration of RAS into the Allianz Group and a closer cooperation of Allianz and its Italian affiliates. The Management Board decided to further evaluate this matter.

On December 8, 2004, the integration of RAS by means of a cross-border merger into Allianz was discussed in a meeting between representatives of Allianz, Goldman Sachs & Co. oHG, financial advisors to Allianz, and Shearman & Sterling LLP, German and Italian legal advisors to Allianz.

During meetings on January 24 and 25, 2005, the Management Board of Allianz discussed different options with respect to a closer co-operation between Allianz and its Italian subsidiaries and its legal and financial implications, as well as the possibility of a cross-border merger of RAS into Allianz and a conversion of Allianz AG into a European Company, or SE.

On February 23, 2005, the Management Board of Allianz again discussed the different options with respect to the integration of RAS and decided to mandate an audit firm to advise on the valuation of Allianz and RAS. Ernst & Young AG Wirtschaftsprüfungsgesellschaft was subsequently mandated with such role in March 2005.

In a meeting on March 17, 2005, Michael Diekmann, Chief Executive Officer of Allianz, Paul Achleitner and Helmut Perlet, all members of the Management Board of Allianz, together with other Allianz representatives, met with their legal and financial advisers to further discuss the possibility of a cross-border merger of RAS into Allianz and a conversion of Allianz AG into an SE.

On May 3, 2005, Michael Diekmann met with Henning Schulte-Noelle, Chairman of Allianz s Supervisory Board, in Munich and informed him of the preliminary considerations of the Management Board with respect to a possible full integration of RAS by means of a merger into Allianz.

During a regular meeting of Allianz s Management Board on May 12, 2005, Paul Achleitner presented an update of the current activities with respect to the potential merger transaction. On June 21, 2005, the Management

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Board met again to discuss the project and to review certain aspects of the transaction structure. During its July 4, 2005 meeting, the Management Board further discussed certain transaction steps and various open issues relating to the contemplated merger.

On July 6, 2005, Paul Achleitner and Detlev Bremkamp, both members of Allianz s Management Board, met Paolo Vagnone, Chief Executive Officer of RAS, in Munich and informed him about the possible transaction and the basic considerations relating thereto.

Throughout July 2005, several meetings were held between the transaction teams of Allianz and RAS, along with their respective legal advisors (with Chiomenti Studio Legale, an Italian law firm, representing RAS) and with Allianz s financial advisors to discuss various legal, financial and valuation aspects of a possible merger.

On July 27, 2005, Paul Achleitner, Paolo Vagnone, other representatives of both companies, and their respective legal advisers met in Milan to further discuss merger-related issues.

On August 8, 2005, Michael Diekmann and Paul Achleitner met Giuseppe Vita, Chairman of the Board of Directors of RAS, at Allianz s headquarters in Munich to present him with the outlines of the contemplated merger transaction.

On August 23 and 24, 2005, Paul Achleitner and Allianz representatives further discussed with Paolo Vagnone and RAS representatives various financial and legal aspects of the transaction.

On August 24, 2005, RAS mandated Merrill Lynch International as its financial adviser, while at the beginning of September, Allianz mandated Mediobanca as its Italian financial adviser and Dresdner Kleinwort Wasserstein as an additional financial adviser on the transaction.

On September 1, 2005, representatives of Allianz met with Norbert Blix, Deputy Chairman of the Supervisory Board, and Peter Haimerl, member of the Supervisory Board of Allianz, who are both employee representatives, and informed them about the envisaged merger.

On September 5, 2005, Paul Achleitner and Allianz representatives met Henning Schulte-Noelle, Chairman of Allianz s Supervisory Board, in Munich to give him an update on the contemplated transaction.

On September 6, 2005, Giuseppe Vita and Paolo Vagnone met with representatives of Allianz and Shearman & Sterling LLP in Milan and discussed the transaction.

On September 6, 7 and 8, 2005, representatives of Allianz and RAS, and their respective legal and financial advisers, met in Milan to prepare the relevant documents and communications for the announcement of the transaction and to discuss valuation matters.

On September 8, 2005, the Management Board of Allianz held a meeting in Munich and resolved to proceed with the contemplated merger. On September 10, 2005, the Supervisory Board of Allianz met in Munich and approved the contemplated transaction.

On September 11, 2005, the Board of Directors of RAS approved, *inter alia*, (a) the plan for the integration of RAS by means of a cross-border merger into Allianz as well as the prior reorganization of the business of RAS, (b) the range of the merger exchange ratio of 0.153 and 0.161 Allianz shares per RAS ordinary share and per RAS savings share, and (c) the calling of an extraordinary shareholders meeting to vote on the merger.

Also on September 11, 2005, after the above resolutions had been taken, Allianz and RAS publicly announced their plan to merge by issuing an ad-hoc announcement pursuant to § 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) and press releases.

On September 27, 2005, RAS published invitations to the extraordinary meeting of holders of RAS ordinary shares and the special meeting of holders of RAS savings shares.

Since October 2005, representatives of Allianz and RAS, assisted by representatives of Ernst & Young and PricewaterhouseCoopers, their respective accounting advisers with respect to the proposed merger, discussed the valuations of Allianz and RAS that would serve the basis for the merger exchange ratio. On December •, 2005, the parties announced

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that they had agreed on the merger exchange ratio and other aspects of the merger plan and entered into the merger plan.

Merger Valuation Reports

In accordance with the SE Regulation, the parties to a merger do not have absolute discretion to determine the merger exchange ratio. Under both the German Transformation Act (*Umwandlungsgesetz*) and the Italian Civil Code, which are applicable to the merger pursuant to Article 18 of the SE Regulation, the merger exchange ratio agreed upon by the parties must be reviewed by a court-appointed independent merger valuation auditor, and the independent merger valuation auditor is required to issue a report stating whether it finds the merger exchange ratio appropriate (*angemessen* or *congruo*) and describing the methods it used to arrive at its view and the difficulties encountered in the evaluation, if any.

With respect to the merger, two independent merger valuation auditors have been appointed, one for each of Allianz and RAS. The Munich district court I (*Landgericht München I*) appointed Deloitte & Touche GmbH Wirtschaftspruefungsgesellschaft as independent merger valuation auditor for Allianz for purposes of the merger, and the President of the Milan Court (*Presidente del Tribunale di Milano*) appointed Mazars & Guerard, an international accounting firm, as independent merger valuation auditor for RAS for purposes of the merger.

Allianz and RAS will determine the merger exchange ratio by mutual agreement in the merger plan. Allianz determined the merger exchange ratio on the basis of comparative valuations prepared by Ernst & Young, applying the discounted earnings methodology in accordance with German judicial and market practice. RAS applied recognized valuation methodologies, among which were the discounted earnings method (as applied in accordance with German judicial and market practice), as well as the share price performance, market multiples, research analyst views and sum-of-the-parts methodologies. PricewaterhouseCoopers reviewed for RAS the company valuations prepared by Ernst & Young according to the discounted earnings methodology as applied under German best practice. The independent merger valuation auditors will not recommend any particular merger exchange ratio to Allianz or RAS.

The independent merger valuation auditors are required by the SE Regulation and applicable German and Italian law to:

- confirm that the merger plan satisfies certain formal requirements; and

- express an opinion on the appropriateness (*Angemessenheit* or *congruita*) of the merger exchange ratio in accordance with applicable law and legal practice.

The independent merger valuation auditors will not express an opinion on any other matter or, with respect to the matters described above, express an opinion for any purpose other than the satisfaction of certain legal requirements applicable under the SE Regulation, German law and Italian law.

To satisfy the respective applicable German and Italian legal requirements, the independent merger valuation auditors will perform certain activities, including:

- review the merger plan, and any other documents as they consider necessary or appropriate to enable them to express the required opinions; and

- meet with representatives of Allianz and RAS and representatives of their respective advisors (including accounting advisors and such other advisors as the independent merger valuation auditors deem appropriate) to discuss such aspects of the valuation process as they deem relevant to enable them to express the required opinions, including without limitation:

  - the discount rates applied to projected future net earnings of Allianz and RAS for purposes of calculating net present values; and

  - the consistency with which certain assumptions and details of the valuation methods have been applied to available data.

The independent merger valuation auditors will not assume any responsibility for independent verification of the information provided to them by the parties to the merger or by their respective accounting or other advisors.

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The merger exchange ratio will ultimately be determined by Allianz and RAS on the basis of a comparative valuation of both Allianz and RAS. In accordance with judicial and market practices in Germany and Italy, the comparative valuation to establish the merger exchange ratio will be determined by applying the valuation principles recognized in Germany and Italy, as described above. Such recognized valuation principles will also be applied by the independent merger auditors for Allianz and RAS for their review of the merger exchange ratio, respectively. Detailed information describing the basis for the merger exchange ratio will be included in the merger reports of Allianz and RAS and in the merger audit reports to be prepared by the independent merger auditors.

On September 8, 2005 and September 11, 2005, respectively, Allianz s Management Board and RAS s Board of Directors passed resolutions in their respective corporate proceedings regarding the merger, anticipating that the final merger exchange ratio would be within the range from 0.153 to 0.161 Allianz shares per each RAS ordinary share and each RAS savings share. Allianz and RAS will endeavor to come to an agreement on the final merger exchange ratio that the independent merger valuation auditors are likely to consider appropriate (*angemessen* or *congruo*) within the meaning of the applicable law. Allianz cannot, however, assure that the independent merger valuation auditors will reach this conclusion with respect to the merger exchange ratio that Allianz will agree with RAS. Allianz will update this registration statement prior to effectiveness to reflect the opinions expressed by the independent merger valuation auditors with respect to the merger exchange ratio.

Material Differences Between Rights of Shareholders of Allianz SE and RAS

Allianz is currently a German stock corporation (*Aktiengesellschaft*) subject to the provisions of the German Stock Corporation Act (*Aktiengesetz*), the German Commercial Code (*Handelsgesetzbuch*), the German Co-Determination Act (*Mitbestimmungsgesetz*), and other German laws, as well as the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*).

As discussed above in Summary of Terms of the Merger Plan, upon completion of the merger, Allianz will convert its legal form by operation of law into a European Company, or SE. The SE is a legal form based on European Community law and was introduced by the enactment of the SE Regulation, which came into force on October 8, 2004. The creation of the European Company statute allows companies established in more than one EU Member State or EEA country to merge and operate throughout the EU/EEA on the basis of a single set of rules and a unified management and reporting system. Since Allianz SE will have its registered office in Germany, it will be governed by the SE Regulation, the applicable German law supplementing the SE Regulation (namely, the German SE Implementation Act (*SE-Ausführungsgesetz*)), the German SE Employee Involvement Act, and relevant German law applicable to German stock corporations, in particular the German Stock Corporation Act (*Aktiengesetz*) unless the aforementioned SE-specific laws already contain provisions covering the specific subject matter. The German Co-Determination Act (*Mitbestimmungsgesetz*), for example, will not be applicable to Allianz SE as the German SE Employee Involvement Act contains more specific provisions. We refer to all applicable German law and EU law mentioned above as German law and EU law, respectively.

Notwithstanding the special legal framework of an SE, an SE based in Germany is in general comparable with a German stock corporation (*Aktiengesellschaft*, AG). In particular, Allianz intends, upon its transformation into an SE, to continue a two-tier board system consisting of a management board (*Vorstand*) and a supervisory board (*Aufsichtsrat*), as discussed in more detail in the table below.

RAS is an Italian stock corporation subject to the provisions of the Italian civil code, the Italian special laws governing the insurance sector and legislative decree number 58, dated February 24, 1998, as amended, all of which we refer to as Italian law. RAS s shareholders, whose rights are currently governed by the RAS articles of association and Italian law, will, upon completion of the merger, become shareholders of Allianz SE and their rights will be governed by the Allianz SE articles of association *(Satzung)*, as well as German law and EU law and regulations applicable to a Germany-based SE.

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The following description summarizes the material differences, assuming the transformation of Allianz into an SE, that may affect the rights of RAS shareholders but does not purport to be a complete statement of all those differences or a complete description of the specific provisions referred to in this summary. The identification of specific differences is not intended to indicate that other equally or more significant differences do not exist. Shareholders should read carefully the relevant provisions of Italian law, German law, EU law and regulations, the German Corporate Governance Code, the form of articles of association for Allianz SE, and RAS s articles of association. The form of articles of association of Allianz SE, which are proposed for Allianz SE after the merger is consummated, is filed as an exhibit in the registration statement of which this Prospectus forms a part.

	Allianz SE	**RAS S.p.A.**
Capitalization	The capital stock of Allianz is as of December 5, 2005, 1,039,462,400, subdivided into 406,040,000 no par value registered shares (including consideration of any warrants that have been exercised) with restricted transferability and with a notional value (the proportional amount of the share capital attributable to each share) of 2.56 per share. The capital stock will increase in connection with the merger up to **•,** depending on the number of RAS shares that will be exchanged for Allianz shares.	The capital stock of RAS is of 403,336,202.40 subdivided into 670,886,994 ordinary shares and 1,340,010 savings shares. All shares have a par value of 0.60.
	The form of articles of association for Allianz SE provides that the share capital of Allianz SE may also be increased through two types of authorized share capital and two types of conditional share capital. The amounts of these share capitals will correspond to the authorized and conditional share capital of Allianz at the time of the legal effectiveness of the merger; however, one form of conditional share capital, which will only be created if a corresponding conditional capital is newly created for Allianz at its extraordinary shareholders meeting relating to the merger plan on February 8, 2006. The precise amounts of authorized and conditional share capital will only be known at the time of the effectiveness of the merger. For a more detailed description of these types of share capital, please refer to the form of articles of association of Allianz SE, which is filed as an exhibit in the registration statement of which this Prospectus forms a part.	

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	Allianz SE	RAS S.p.A.
Corporate Governance General Considerations	The corporate bodies of Allianz SE will be the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general meeting (*Hauptversammlung*). The Management Board and the Supervisory Board are separate and no individual may serve simultaneously as a member of both boards. This dual board system is optional for an SE and is provided for in the form of articles of association of Allianz SE.	The corporate bodies of RAS are the Board of Directors (*Consiglio di Amministrazione*), the board of statutory auditors (*Collegio Sindacale*) and the general meeting (*Assemblea*).
Board Structure; Election and Removal of Directors; Vacancies	*Management Board*. The Management Board of Allianz SE is expected to consist of 11 members. Under the form of articles of association of Allianz SE, the Supervisory Board determines the size of the Management Board, although it must have at least two members. The form of articles of association furthermore provide that Allianz SE may be legally represented by two members of the Management Board or by one member of the Management Board together with one holder of a full power of attorney (*Prokura*), which entitles its holder to carry out legal acts and transactions on behalf of Allianz SE. In addition, pursuant to a filing with the commercial register in Munich, Germany, Allianz SE may also be represented by two holders of a full power of attorney (*Prokura*). The Supervisory Board appoints the members of the Management Board. Pursuant to the SE Regulation the term of office of the members of the Management Board may not exceed six years. The form of articles of association provide for a term of up to • years. Each member may be reappointed or may have his term extended by the Supervisory Board for one or more terms of up to • years each. The Supervisory Board may remove a member of the Management Board prior to the expiration of his term for good	Under Italian law, a joint stock company is managed by a Board of Directors or by a sole director. Directors are elected by the general meeting for a maximum of three years. Directors can be revoked at any time by the general meeting. Directors revoked without cause may claim damages resulting from their removal from office. Vacancies on the Board of Directors are filled by a majority vote of the remaining directors and confirmed by a resolution adopted by the general meeting. Directors so appointed remain in office for the remaining part of the relevant term. In case of death or resignations of the majority of the directors, the remaining directors must convene the general meeting to appoint the new directors. Under RAS s articles of association, the Board of Directors is composed of no less than ten and no more than twenty directors. The Board of Directors of RAS currently comprises 18 directors. Under Italian law and the articles of association of RAS, the Board of Directors is validly convened with the presence of at least fifty percent of the directors and acts by a simple majority of those present. In case of deadlock, the chairman has the deciding vote.

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Allianz SE	RAS S.p.A.
cause, for example, in the case of a serious breach of duty or a bona fide vote of no confidence by the general meeting. According to the form of articles of association of Allianz SE, resolutions of the Management Board are passed with the majority of its members participating in the vote, unless compelling statutory law provides for a different majority. In the event of a tie, the chairman of the Management Board has a casting vote. In addition, the form of articles of association of Allianz SE provides that the chairman of the Management Board has a veto right against resolutions of the Management Board. In the event he exercises his veto right, a resolution of the Management Board is not deemed to be adopted. According to the form of articles of association of Allianz SE, the Management Board has a quorum if all of its members have been invited and at least half of its members, including the chairman of the Management Board or another Management Board member designated by the chairman, participate in the meeting. *Supervisory Board.* According to the form of articles of association for Allianz SE, the Supervisory Board of Allianz SE shall consist of twelve members. The number of employee representatives of such twelve representatives on the Allianz SE Supervisory Board will be subject to negotiations between the Management Board of Allianz and the Board of Directors of RAS, on the one hand, and a special negotiating body representing the EU/EEA-based employees of the Allianz Group (which includes the RAS Group), on the other hand. The total number of members of the Supervisory Board of Allianz SE is determined by the articles of association. If the Management Board of Allianz and the Board of Directors of RAS do not reach an agreement with the special	

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Allianz SE	RAS S.p.A.
negotiating body regarding the level of employee representation, Allianz SE will become subject to a statutory level of employee representation. In this event, the highest level of representation that is applicable to one of the entities participating in the merger must be applied. Consequently, Allianz SE would become subject to German employee representation standards. This means that half of the members of Allianz SE s Supervisory Board would be employee representatives, who would be nominated by Allianz SE s EU/EEA-based employees for appointment by the shareholders meeting of Allianz SE. The employee representatives would have to be nominated according to a statutory allocation formula based on the number of employees in the respective EU Member State or EEA country in which the Allianz Group is represented.	
The Supervisory Board of Allianz SE may not be subject to employee co-determination by law if the special negotiating body representing the EU/EEA-based employees of Allianz Group decides not to enter into negotiations regarding employee involvement for Allianz SE or if it decides to discontinue ongoing negotiations. In this case, the form of articles of association of Allianz SE provide that six members of the Supervisory Board shall be appointed by the shareholders meeting of Allianz SE upon proposal by the employees, which provision, however, could later be amended by a resolution of the shareholders meeting of Allianz SE.	
The first six shareholder representatives of the Supervisory Board of Allianz SE and their substitute members will be appointed in the articles of association of Allianz SE. The term of office of these Supervisory Board members will expire at the end of the first regular shareholders meeting of Allianz SE that resolves upon their discharge for the first	

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Allianz SE	RAS S.p.A.
fiscal year of Allianz SE and, in any event, after three years from their appointment at the latest. The employee representatives in the Supervisory Board, if any, will be appointed after the completion of the employee involvement negotiations by court resolution.	
Under the form of articles of association of Allianz SE, each member of the Supervisory Board can generally be elected for a fixed term, which expires at the end of the general meeting at which the shareholders discharge the members of the Supervisory Board in respect of the fourth fiscal year after the beginning of the term. The fiscal year in which the members of the Supervisory Board are first elected is not considered. The fixed term may not exceed six years. Supervisory Board members may be reelected. The general meeting may remove any Supervisory Board member it has appointed (except members who are employee representatives) by a simple majority of the votes cast. Employee representatives have to be removed by the general meeting upon motion of those employees or representative bodies who nominated them for appointment. In addition, any member of the Supervisory Board may resign by written notice to the Management Board.	
In the event of a member withdrawing from the Supervisory Board before the end of a term without a substitute taking his place, a successor must be appointed but only for the remaining term of the withdrawing member.	
The Supervisory Board elects its chairman, as well as two deputy chairmen. The chairman of the Allianz SE Supervisory Board must be a shareholders representative.	
The Supervisory Board has a quorum when all members of the Supervisory Board were invited or requested to participate in a decision and at least six, including the chairman of the Supervisory Board, or at least nine	

	Allianz SE	RAS S.p.A.
	members participate in a decision of the Supervisory Board. Except where a different majority is required by law or the articles of association of Allianz SE, the Supervisory Board acts by simple majority of the members participating in the resolution. In the case of any deadlock, the chairman has the deciding vote. In case of the absence of the chairman, the deputy chairman has a casting vote, provided he is a shareholder representative. The Supervisory Board meets at least twice each half-year.	
Duties of Directors	The Management Board is responsible for managing the day-to-day business of Allianz SE. The Management Board is bound by applicable law, the articles of association of Allianz SE as well as its internal rules of procedure (*Geschäftsordnung*). The Management Board represents Allianz SE in its dealings with third parties.	According to the articles of association of RAS, the Board of Directors is in charge of the management of RAS and has all the powers of ordinary and extraordinary administration. The board has the authority to perform any act that relates to the management of the company, except those that are expressly reserved by law to the general meeting.
	The Supervisory Board oversees the Management Board but is not permitted to make management decisions. It is also responsible for appointing and removing the members of the Management Board.	According to the articles of association of RAS, the Board of Directors is responsible for appointing and determining the compensation of one or more general managers, who are in charge of the day-to-day operations of RAS and of implementing the Board of Directors resolutions.
	The Supervisory Board represents Allianz SE in connection with transactions between a member of the Management Board and Allianz SE. To the extent that a Supervisory Board committee is entitled to decide on a specific matter in lieu of the Supervisory Board, the right of representing Allianz SE vis-à-vis the Management Board in that matter can be transferred to the relevant Supervisory Board committee.	
	According to the form of articles of association of Allianz SE, certain transactions may only be entered into by the Management Board with the approval of the Supervisory Board. Such transactions are (a) the acquisition of companies, interests in companies, and units of companies (except for financial	

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	Allianz SE	RAS S.p.A.
	participations), if, in each case, the market value or, in the absence of a market value, the book value amounts to or exceeds •% of the equity of the last consolidated balance sheet of Allianz SE, (b) disposals of interests (except for financial participations) in an Allianz Group company, *provided* that such company ceases to be an Allianz Group company by virtue of the disposal and provided that in each case the market value or, in the absence of a market value, the book value of the interest disposed of amounts to or exceeds •% of the equity of the last consolidated balance sheet of Allianz SE, (c) entering into intercompany agreements (*Unternehmensverträge*) or (d) development of new and abandonment of existing core business segments, to the extent such action is of material importance to the Allianz Group. In addition to these transactions, the Supervisory Board may designate other transactions to be subject to its approval in accordance with the form of articles of association of Allianz SE.	
	The Management Board reports regularly (at least every three months) to the supervisory Board on the business of Allianz SE.	
	In addition, supervisory boards of German insurance companies appoint the company s external auditor for audits required under German law.	
Conflict-of-Interest Transactions		
	In any transaction or contract between Allianz SE and any member of the Management Board, Allianz SE is represented by the Supervisory Board. See Duties of Directors.	Under Italian law, a director with a direct or indirect interest, which does not have to be necessarily conflicting, in a transaction contemplated by RAS must inform the Board of Directors of any such conflict of interest in a comprehensive manner. If a managing director has a conflict of interest, he must refrain from executing the transaction and refer the relevant decision to the Board of Directors.
	A member of the Management Board may not deal with, or vote on, matters relating to proposals, arrangements or contractual agreements between himself and Allianz SE and may be liable to Allianz SE if he has a material interest in	

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	Allianz SE	**RAS S.p.A.**
	any contractual agreement between Allianz SE and a third party which was not disclosed to, and approved by, the Supervisory Board.	If the Board of Directors approves the transaction, such decision must be duly motivated, in particular with regard to its economic rationale for the company.
	According to the German Corporate Governance Code, members of the Management Board shall disclose any conflict of interest without delay to the Supervisory Board and the other members of the Management Board. Likewise, members of the Supervisory Board shall disclose any conflict of interest without delay to the other Supervisory Board members.	In case the conflicted director has not informed the board of the conflict, the board has not motivated its decision, or such decision has been adopted with the decisive vote of an interested director, the relevant resolution can be challenged in court by any of the directors who did not participate in the adoption of the resolution or by the statutory auditors of the company.
		The challenge must be brought within 90 days from the date of the relevant resolution.
		Directors are liable towards the company for damages deriving from the conflict of interest.
Indemnification of Directors and Officers	Under German law, Allianz SE may not, as a general matter, indemnify members of the Management Board or the Supervisory Board. Exceptions are subject to limited instances and need to be essential for the company s well-being. In addition, German law permits an SE to indemnify a member of the Management Board or the Supervisory Board for attorneys fees incurred if such member is the successful party in litigation in a country, such as the U.S., where winning parties are required to bear their own costs, if German law would have required the losing party to pay such member s attorneys fees had the suit been brought in Germany. A German SE may, however, purchase insurance for its board members. Such insurance may be subject to restrictions imposed by German law.	Under Italian law, RAS is liable for damages to third parties caused by its employees during the performance of their duties. Italian law and national collective bargaining agreements further provide that RAS will reimburse its executives for legal expenses incurred in defending against criminal prosecution, *provided* that such prosecution is related to actions taken by the executive in the performance of his duties to RAS. This rule does not apply to instances of intentional misconduct or gross negligence.

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	Allianz SE	RAS S.p.A.
Director Liability	Under German and EU law, an SE is not allowed to limit or eliminate the personal liability of the members of either the management board or the supervisory board for damages due to a breach of duty in their official capacity. For a discussion of the general standard of conduct of the members of the management board and the supervisory board, see Duties of Directors.	Under Italian law and RAS s articles of association, the members of the board of directors must perform their duties with the care required by the nature of their office and their specific competences.
	More specifically, members of the Management Board and of the Supervisory Board of Allianz SE who violate their duties to maintain the confidentiality of corporate information (as established by German and EU law) may be jointly and severally liable to Allianz SE for any resulting damages, unless their actions were validly approved by resolution at a shareholders meeting.	Directors are jointly and severally liable towards the company for damages resulting from breach of the duties of their office. Directors are also jointly liable if they have knowledge of facts that may be prejudicial to the company but have not implemented, to the extent possible, measures necessary to avoid or limit the effects of such facts.
	Allianz SE may, however, waive its claims for damages due to a breach of duty or reach a settlement with regard to such claims if more than three years have passed after such claims have arisen, but only with the approval of the general meeting, *provided* that such waiver may not be granted and such settlement may not be reached if shareholders holding in the aggregate at least 10% of the issued shares file an objection to the protocol.	The company may initiate a liability claim against its own directors with the approval of the general meeting of the company. The liability claim can be waived or settled, *provided* the waiver or settlement is authorized by the general meeting. Such authorization is deemed not granted in the event that shareholders representing at least 5% of the company s share capital vote against the authorization.
		A liability claim against the directors may also be initiated on behalf and to the benefit of the company by shareholders representing at least 5% of the share capital of RAS. For the relevant procedure, see Shareholders Suits.
		Liability claims may also be brought directly by individual shareholders or third parties for the damages directly caused to them.
Loans to Directors	German law requires that any loan made by Allianz SE exceeding a month s salary to any member of the Management Board or a representative authorized by a full power of attorney (*Prokurist*) or to their spouses or minor children must be authorized by a resolution of the Supervisory Board. Loans made by Allianz SE to a member	Italian law or RAS s articles of association and corporate governance code do not contain specific provisions regarding loans to directors.

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	of the Supervisory Board require an affirmative vote of the Supervisory Board. For purposes of this resolution, the member of the Supervisory Board who would be the borrower is not entitled to vote.	
Shareholder Nomination		
	Any shareholder entitled to attend and vote at the general meeting can nominate individuals for the election as shareholder representative to the Supervisory Board at the general meeting.	Under Italian law and RAS s articles of association, the members of the Board of Directors are elected by the general meeting upon proposal of the shareholders or of the existing Board of Directors.
	If a shareholder wishes to have Allianz SE publish his nomination of individuals for election to the Supervisory Board other than those recommended by the existing Supervisory Board, such shareholder must communicate this motion to Allianz SE at least two weeks prior to the date of the general meeting. The nomination must contain the name, the profession, the domicile and memberships in other Supervisory Boards or other comparable domestic or foreign supervising constituencies of the individual to be nominated. If such communication is given to Allianz SE, the Management Board must, without undue delay, notify the banks and the shareholders associations which at the last general meeting exercised voting rights for shareholders or who have requested such notification, of the applications and proposals for elections by shareholders, including the names of such shareholders and a possible response by the Management Board. The same notification has to be submitted by the Management Board to shareholders who, after the publication of the notice of the general meeting in the German Electronic Federal Gazette *(Elektronischer Bundesanzeiger)*, requested such notification, or who have been registered in the share register of Allianz SE at least two weeks prior to the date of the general meeting. The notification requirement is fulfilled if the relevant information is posted on the company s Internet website.	

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	Allianz SE	RAS S.p.A.
	In addition, if the agenda for the general meeting is duly published, shareholders may nominate individuals for election (shareholders representatives) at the general meeting, even if they did not communicate such nomination in the manner described above.	
Shareholders Meetings	According to the SE Regulation, the general meeting must be held within the six months following the end of the fiscal year. According to the form of articles of association for Allianz SE, shareholders are entitled to participate and to vote at the general meeting if they have provided notice of their participation in due time and if their respective shares are duly registered. Notice of participation to the meeting must be submitted to the management board no later than the last day of the statutory notification period, unless such deadline is extended by the Management Board. The deadline must be published in the company s designated journals, which is the German Electronic Federal Gazette *(Elektronischer Bundesanzeiger).*	According to Italian law and the articles of association of RAS, the general meeting must be held at least once a year within 120 days after the end of the company s fiscal year. This term can be extended to 180 days. Pursuant to the articles of association of RAS, all registered shareholders may attend the general meeting.
	Each no par value registered share in Allianz SE is entitled to one vote. German law does not allow cumulative voting. A shareholder s voting right may be exercised by a representative. Proxies that are posted to Allianz SE or a special representative appointed by Allianz SE may be given through electronic means to be further determined by Allianz SE. The procedure to give proxies must be announced in the company s designated journals, the German Electronic Federal Gazette.	To attend the general meeting, the owners of RAS s shares held through the book-entry system managed by Monte Titoli S.p.A. are required to instruct the relevant banks or financial institutions associated with Monte Titoli S.p.A. or any other relevant authorized intermediary with which their accounts are held, to provide RAS with certificates evidencing the shares owned at least two days prior to the first date scheduled for the meeting. Such registration allows them gain admission to the general meeting. Any shareholder entitled to attend the general meeting may be represented according to the relevant provisions of Italian law. Representation requires a written proxy. The proxy can be given only for one meeting.
	The general meeting is presided by the chairman of the Supervisory Board or, if he is unable to attend, by another member of the Supervisory Board to be appointed by the Supervisory Board. In the absence of any legal requirement providing otherwise, resolutions at the general meeting are passed by a simple majority of the votes cast.	The general meeting is presided by the chairman of the Board of Directors or, if he is unable to attend, by another member of the Board of Directors. In order to be validly convened, the general meeting requires the attendance of shareholders representing at least 50% of the voting capital on

the first call, while no quorum is required

	Allianz SE	RAS S.p.A.
		on second call. On both first and second call, resolutions are passed by a simple majority of the votes cast.
Notice of Shareholders Meetings	Under the form of articles of association for Allianz SE, notice of the general meeting is to be published in the company s designated journals, the German Electronic Federal Gazette.	Under Italian law and RAS s articles of association, a written notice calling a shareholders meeting indicating the time, place and agenda of the meeting must be published in the Gazette of the Italian Republic (*Gazzetta Ufficiale della Repubblica Italiana*) not less than thirty days before the date scheduled for the meeting. In addition, according to RAS s articles of association, the notice of the shareholders meeting may also be published in one or more national Italian newspapers and on RAS s website.
Shareholders Right to Call a Shareholders Meeting	The Management Board must convene a shareholders meeting without undue delay upon request of shareholders representing in aggregate at least 5% of the company s share capital, who have been shareholders of Allianz SE for at least three months preceding the request.	The directors must convene without delay a shareholders meeting if requested to do so by shareholders representing at least 10% of the share capital of RAS, indicating the agenda of the meeting.
	Such request must be directed to the Management Board and must contain the agenda for the shareholders meeting.	Should the directors (or the board of statutory auditors) fail to call the shareholders meeting, the meeting can be convened by the competent tribunal.
	If the requested shareholders meeting does not occur in time or does not occur within two months as from the request, the meeting can, upon authorization by the competent court, be convened by the shareholders requesting such shareholders meeting.	
Shareholders Proposals	Under German law, shareholders holding in the aggregate shares representing at least 5% of the share capital or a proportional amount of 500,000 of the registered stated capital are entitled to require that a matter is included in the agenda for resolution and that the management board submits a proposal at	There are no specific rules under Italian law other than those relating to the right of calling a shareholders meeting. See above Shareholders Right to Call a Shareholders Meeting.

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	Allianz SE	RAS S.p.A.
	the respective shareholders meeting and to publish this proposal. The request must be made in writing stating the purpose and the reasons therefore. Proposals duly published may be submitted to the general meeting for decision.	
	Each shareholder may also submit at the shareholders meeting counterproposals to the proposals submitted by the Management Board and the Supervisory Board. For further information regarding the nomination of Supervisory Board members, see Shareholder Nominations.	
Proxy Solicitations	According to German law, shareholders (or shareholders associations) can solicit other shareholders votes and proxy or make suggestions regarding the exercise of the voting rights in the so-called shareholders panel (*Aktionärsforum*) in the German Electronic Federal Gazette (*elektronischer Bundesanzeiger*) in order to promote or submit a proposal or motion in, a shareholders meeting or otherwise. Such solicitation must (a) disclose the name and address of the soliciting shareholder (or shareholders association), (b) the name of the concerned company, (c) the proposal, motion or suggestion on how to exercise voting rights regarding a particular agenda item at a shareholders meeting and (d) the date of the relevant shareholders meeting.	Under Italian law, one or more shareholders representing at least 0.5% of the share capital of RAS and registered as shareholders for at least six months can solicit other shareholders proxies. Solicitation of proxies must be made through an authorized intermediary and requires the publication of a prospectus and a proxy form. Proxies must be dated, signed and indicate the voting instructions. Proxies so granted can be revoked until one day prior to the shareholders meeting. Proxies can only be given for one single, already convened, shareholders meeting.
Required Vote for Authorization of Certain Actions	According to German law, the following resolutions may be passed only by a majority of at least 75% of the capital stock represented at the passing of the resolution and a simple majority of the votes cast at the shareholders meeting: certain capital increases (contingent capital; authorized capital), capital decreases, a dissolution of Allianz SE, a merger of Allianz SE or any other form of transformation (*Umwandlung*) of Allianz SE, including, without limitation, spin-offs (*Spaltung*), a transfer of all or	Extraordinary shareholders meetings are required to vote on all amendments of the company s articles of association, including capital increases, transfer of the company s registered office abroad, changes in the corporate purposes and all other matters referred to it by Italian law such as the liquidation or winding-up of the company as well as mergers and de-mergers. In order to be validly approved, resolutions pertaining to the above

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	Allianz SE	RAS S.p.A.
	virtually all of Allianz SE s assets, a change of Allianz SE s corporate form, and the exclusion of preemptive rights (*Bezugsrecht*).	matters require the attendance of shareholders representing at least 50% of the ordinary share capital on first call, more than one-third on second call and at least one-fifth on any subsequent calls, and the affirmative vote of holders of at least two-thirds of the RAS share capital participating in the vote on the resolution.
Amendment to Articles of Association	Changes to the corporate purpose (*Unternehmensgegenstand*) of Allianz SE stated in the articles of association and the relocation of the registered seat (*Sitzverlegung*) into a different EU Member State require a 75% majority of the capital stock represented at the time the resolution is passed. For other amendments, the form of articles of association for Allianz SE stipulate that, unless compelling statutory law provisions provide otherwise, a majority of two-thirds of the votes validly cast is required, or a simple majority of votes validly cast if at least half of the stated share capital is represented.	Under Italian law, the articles of association of a joint stock company may be amended at any time by the shareholders at an extraordinary shareholders meeting. See Required Vote for Authorization of Certain Actions for the required quorums and voting thresholds.
	As provided in the form of articles of association for Allianz SE, the Supervisory Board is authorized to amend the wording of the articles of association.	
Dividends	Under German law, dividends may be declared and paid out of the corporation s distributable balance sheet profits shown in the corporation s audited and approved financial statements for the preceding fiscal year, as determined by resolution of the general meeting.	Under Italian law, RAS may pay dividends out of its net profits shown in the company s audited and approved financial statements for the preceding fiscal year or out of its distributable legal reserves. The dividend distribution must be approved by the general meeting approving the company s financial statements.

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	Allianz SE	**RAS S.p.A.**
Cash Exit Rights; Appraisal Rights	Under German law, shareholders of an SE are entitled to withdraw as shareholders from the SE in consideration for adequate compensation if:	Under Italian law, shareholders of Italian joint stock companies are entitled to exercise cash exit rights whenever a resolution is adopted at a special meeting of shareholders with respect to, *inter alia*:
	the SE relocates its registered office (*Sitz der Gesellschaft*) from one EU Member State to another;	a change in the business purpose of the company;
	the SE enters into a domination and/or profit (and loss) transfer agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) with another enterprise;	
	the SE is acquired by way of merger by another company with a different legal corporate form; or	a change in the legal form of the company;
	shareholders of the SE receive shares with restricted transferability in connection with a merger.	the transfer of the registered office of the company outside of Italy; or
	According to the prevailing opinion in German legal literature and a court decision of the higher regional court in Düsseldorf, Germany (*OLG Düsseldorf*), such cash exit rights are also triggered if a merger results in the delisting of the shares of the merged entity. The adequate compensation is generally payable in cash.	a merger in which the shareholders of a listed company receive shares which are not listed on a regulated stock market in Italy.
	A valuation proceeding (*Spruchverfahren*) is available to Allianz SE s shareholders under German law to determine the adequacy of the consideration to be paid in the situations described above. In addition, a valuation proceeding is available in connection with the expulsion of minority shareholders in a squeeze out; *provided*, in each case the shareholder complies with the procedural requirements specified in the respective statutory provisions.	Cash exit rights can only be exercised by dissenting, absent or abstaining shareholders. Cash exit rights can be exercised for all or part of the shares held by the relevant shareholder.
		In order to validly exercise their cash exit rights, shareholders entitled to do so must send notice thereof to the company by registered mail within 15 days after the publication in the Companies Register of the resolution approved at the special meeting of shareholders.
		The shares with respect to which cash exit rights are being exercised cannot be sold by the relevant shareholder and must be deposited with the company. Cash exit rights may not be exercised if the resolution, which gives rise to cash exit rights, is revoked in a subsequent shareholders meeting held within 90 days following the approval of such resolution. In this case, the cash exit rights that have already been exercised become ineffective.

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	Allianz SE	RAS S.p.A.
		The cash amount payable to the shareholders exercising their cash exit rights is calculated based on the arithmetical average of the closing price for the company s shares during the six months preceding the publication of the notice convening the special shareholders meeting for the approval of the transaction, which gave rise to the cash exit rights.
Shareholders Suits	German law does not provide for class actions, and only permits shareholder derivative suits under limited circumstances, even in the case of breach of duty by the members of the management board or the supervisory board.	Italian law does not provide for class actions and does not generally permit shareholder derivative suits even with respect of breach of duty by the directors. However, shareholders representing at least 5% of the share capital of Italian-listed companies may bring on behalf of the company a liability claim against the directors for breach of their duties towards the company.
	According to German law, the general meeting, acting by a simple majority of the votes cast, is entitled to request Allianz SE to claim damages but is not entitled to assert any rights on behalf of Allianz SE. The general meeting may appoint any disinterested party as a special representative to prosecute such claim on behalf of Allianz SE. Such special representative will be court-appointed upon the motion of a minority of the shareholders representing in the aggregate at least 10% of the issued shares or a proportionate amount of at least 1,000,000 of the registered stated capital, if the court deems this appropriate. If the court complies with the request to appoint a special representative, the company must pay the special representative adequate reimbursement and remuneration.	The shareholders promoting such claim appoint a representative to lead the action and perform all necessary ancillary activities. If the action is successful, damages granted inure to the exclusive benefit of the company. The company must reimburse the shareholders, who initiated the action, for the costs and expenses related to the action.
	According to German law, shareholders representing at least 1% of the issued share capital or in aggregate an attributable amount of at least 100,000 may request before court admission to prosecute such claims themselves on behalf of Allianz SE (*Klagezulassungsverfahren*). Such request is only complied with (a) if such shareholders prove that they or their legal	

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Allianz SE	RAS S.p.A.
predecessors had title to the shares of Allianz SE at the time the asserted misconduct or damages have been made public, (b) if such shareholders prove that Allianz SE has not filed a lawsuit itself within a reasonable period of time despite such shareholders request, (c) if facts are available that raise suspicion that Allianz SE has suffered damages due to improbity or severe violation of the law or the articles of association, and (d) if the claim for damages is not outbalanced by legitimate interests of Allianz SE.	
If the court allows the shareholders to prosecute the claim on behalf of Allianz SE, they must file such claim within three month as of the legal effectiveness of the court ruling regarding the admission to prosecute the claim, *provided* that Allianz SE has not filed such claim itself within reasonable time despite of another request of such shareholders. Allianz SE may itself take over the prosecution of such claim pending at any time. A court ruling or a settlement agreement (*Vergleich*) on such claim has binding effect towards the company and any shareholder of the company.	
If the request for admission to prosecute the claim on behalf of Allianz SE is rejected by the court, the costs incurred in such procedure must generally be borne by the applicant shareholders. If the plaintiff shareholders win the lawsuit, Allianz SE must reimburse such shareholders for their statutory costs, as further defined by German law, which are incurred by the lawsuit. The same applies if the lawsuit is partially or entirely lost by the plaintiff shareholders, *provided* that the admission to file the lawsuit was granted not due to willful or gross negligent wrong assertions by the plaintiff shareholders.	
Each shareholder who was present at the shareholders meeting and has his objection against a resolution recorded	

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	in the minutes may within one month after adoption of the respective resolution by the shareholders meeting take action against the company to contest the resolution (*Anfechtungsklage*).	
Inspection of Books and Records	German law does not permit shareholders to inspect corporate books and records but does permit, however, shareholders to inspect the share register with respect to their personal information upon request. German law further provides each shareholder with a right to information at the shareholders meeting, to the extent that such information is necessary to permit a proper evaluation of the relevant item on the agenda.	Under Italian law, any shareholder, in person or through an agent, may inspect RAS s shareholders ledger and the minutes of shareholder meetings at any time and may request a copy of the same at his own expense.
	The right to information is a right only to oral information at a shareholders meeting. Information may be given in writing to shareholders, but they are entitled neither to receive written information nor to inspect any documents of the corporation. As a practical matter, shareholders may receive certain written information about Allianz SE through its public filings with the commercial register (*Handelsregister*), the German Electronic Federal Gazette (*Elektronischer Bundesanzeiger*) and the German Federal Gazette (*Bundesanzeiger*) and other places for publication of the company.	
Transferability	The no par value registered shares may only be transferred with the consent of Allianz SE. Allianz SE will only withhold its consent to a duly applied request if it deems this to be necessary in the interest of Allianz SE on exceptional grounds; therefore, the consent requirement is deemed not to limit the tradeability over the stock exchange as required by German law and has very limited practical impact. Allianz SE will inform the applicant about the reasons leading to such a refusal.	RAS s shares are freely transferable.

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	Allianz SE	**RAS S.p.A.**
Preemptive Rights	Under German law, an existing shareholder in an SE has a preemptive right to subscribe for any issue by such SE of shares, debt instruments convertible into shares and participating debt instruments in proportion to the shares held by such shareholder in the existing capital of such SE. German law provides that this preemptive right can be excluded only by a shareholder resolution. A majority of at least three-quarters of the issued shares represented at the meeting is required for such resolution to pass. Furthermore, under German law, Allianz SE may, in general, only acquire its own shares upon authorization by a shareholder meeting, *provided* that the company acquires no more than 10% of its issued shares or acquires them for certain purpose defined by law, *e.g.*, for the transfer to employees.	Under Italian law, an existing shareholder in a stock corporation has a preemptive right for any issue of such corporation of shares or debt convertible into shares in proportion to the shares held by such shareholder at the time of the issuance. The preemptive rights can also be exercised by the holders of debt convertible into shares of the company on the basis of the relevant exchange ratio. Existing shareholders are not entitled to preemptive rights with respect to newly issued shares to be paid in by contribution in kind. The preemptive rights can also be excluded by a resolution approved by shareholders representing more than 50% of the company s share capital. In both of the above cases, the reasons for the exclusion must be adequately illustrated by a report of the board of directors. In addition, the by-laws of listed companies can exclude preemptive rights with respect to newly issued shares for an amount up to a maximum of 10% of the existing share capital.
Takeover Statutes	Under German Law, the management board of the target company generally must not take any measures that would impede the success of the tender offer other than actions that would have been taken also by an orderly and faithful manager of a company not subject to a tender offer, soliciting alternative offers or acting with authorization of the supervisory board. In addition, the general meeting can authorize other defense measures if such a vote is supported by 75% of the capital stock present at the time the resolution is passed. The duration of such authorization may not exceed 18 months. Individual measures taken in reliance upon such authorization have to be approved by the supervisory board.	Under Italian law, defense measures can only be adopted by Italian companies listed on an Italian or EU regulated market if approved by a shareholders meeting with the affirmative vote of holders representing at least 30% of a company s share capital participating in the vote on the resolution.

Accounting Treatment of the Transaction

We will account for the merger as a purchase under both IFRS and U.S. GAAP.

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THE RAS SHAREHOLDERS MEETINGS

General

The extraordinary meeting of holders of RAS ordinary shares at which the merger plan will be presented for approval is scheduled to be held on February 3, 2006, on first call, and February 4, 2006, on second call. The special meeting of holders of RAS savings shares to approve the merger resolution passed by the holders of RAS ordinary shares is scheduled to be held on February 3, 4 and 6, 2006, on first call, second call and third call, respectively. The merger requires the approvals of both holders of RAS ordinary shares and holders of RAS savings shares in order to be implemented.

Under Italian law, the extraordinary meeting of holders of RAS ordinary shares will be validly convened with the attendance of shareholders representing at least 50% of RAS ordinary shares on first call, more than 33.33% on second call and at least 20% on any subsequent calls. Approval of the merger plan and of the modification to the RAS articles of association in connection with the Reorganization requires a resolution passed with the affirmative vote of holders of at least two-thirds of RAS ordinary shares participating in the vote on the resolution. The special meeting of holders of RAS savings shares will then have to approve the resolution of the extraordinary meeting of holders of RAS ordinary shares approving the merger plan. The holders of RAS saving shares must pass this resolution with the affirmative vote of holders of the majority of the RAS savings shares participating in the vote on the resolution, representing at least 20% of the total amount of RAS savings shares outstanding.

At December 1, 2005, we owned approximately 76.3% of the outstanding RAS ordinary shares and 71.3% of the outstanding RAS savings shares. We intend to vote those RAS ordinary shares and RAS savings shares in favor of the proposed merger at the extraordinary meeting of holders of RAS ordinary shares and the special meeting of holders of RAS savings shares, respectively. As a result, the resolutions described above are certain to pass.

Appraisal Rights and Cash Exit Rights

Italian law does not entitle the holders of RAS ordinary shares and RAS savings shares to formal appraisal rights in connection with the merger. RAS shareholders are, however, entitled to cash exit rights as specified under Italian law. Under Italian law, shareholders of Italian joint stock companies are entitled to exercise cash exit rights whenever a resolution is adopted at an extraordinary or special meeting of shareholders with respect to, *inter alia*:

- a change in the business purpose of the company;
- a change in the legal form of the company;
- a transfer of the company s registered office outside of Italy; or
- a merger in which the shareholders of a listed company receive shares which are not listed on a regulated stock market in Italy.

Holders of RAS ordinary shares absent, abstaining or voting against the merger or the change in corporate purpose deriving from the Reorganization in the RAS extraordinary shareholders meeting, and holders of RAS savings shares absent, abstaining or voting against approval of the resolution at their special shareholders meeting approving the merger, will be entitled to exercise cash exit rights and request liquidation (i.e., cash payment) of their RAS shares as a consequence of (a) the change of RAS s corporate purpose and the substantial modification of its business caused by the Reorganization, (b) the transfer abroad of RAS s registered seat due to the merger and (c) only with respect to the RAS savings shares, the modification of their participation rights as a result of the exchange of RAS savings shares for Allianz shares (i.e., ordinary shares). RAS shareholders entitled to cash exit rights may exercise their rights with respect to all or part of the shares that they hold. In order to validly exercise cash exit rights, RAS shareholders entitled to do so must provide notice thereof to RAS by registered mail within 15 days after the date of publication in the Companies Register in Milan, Italy, of the resolutions voted upon at the relevant meeting of RAS shareholders. The shares with respect to which cash exit rights are being exercised cannot be sold by RAS shareholders and must be deposited with RAS.

Cash exit rights may not be exercised if the resolutions relating to the merger are approved at the relevant meeting of RAS shareholders and then

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revoked in a subsequent shareholders meeting of RAS held within 90 days following the approval of such resolutions. In this case, the cash exit rights that have already been exercised become ineffective.

The cash amount payable to RAS shareholders exercising their cash exit rights is calculated based on the arithmetical average of the closing price for RAS ordinary shares and RAS savings shares, respectively, on the Milan Stock Exchange during the six months preceding the publication of the notice convening the extraordinary meeting of holders of RAS ordinary shares and the special meeting of holders of RAS savings shares, respectively. The notices were published in Italy on September 27, 2005. Accordingly, the cash exit price amounts to 16.72 per RAS ordinary share and 24.24 per RAS savings share.

Pursuant to the cash exit procedure provided for in Article 2437-*quater* of the Italian Civil Code, the RAS shares with respect to which cash exit rights are exercised will be offered for purchase, at their value indicated above, *pro rata* to holders of RAS ordinary shares and RAS savings shares, as the case may be, who do not exercise cash exit rights. Holders of RAS shares who accept such offer also have the preemptive right to purchase any RAS ordinary shares or RAS savings shares not purchased in such offer. Consistent with its intention to acquire all of the RAS ordinary shares and RAS savings shares, Allianz will purchase any RAS shares that are not so purchased.

The payment to RAS shareholders, who exercise their cash exit rights, will occur prior to the effectiveness of the merger.

Contestation Suits

Under German law, Allianz shares will not be issued to RAS shareholders until the merger is registered in the commercial register for Allianz, which cannot take place before the registration of the implementation of the capital increase for purposes of the merger in the commercial register for Allianz. Allianz shareholders could contest the merger by filing an action to set aside the resolution by the Allianz extraordinary meeting of shareholders approving the merger plan. This action must be commenced within one month from the date of such resolution. An action could be brought on the basis of alleged procedural irregularities before or during the shareholders meeting voting on the merger plan or on material defects in relation to the merger plan or the merger resolution itself, including violation of information rights. German law provides that a contestation suit by an Allianz shareholder against the validity of the resolution approving the merger plan may be based on the grounds that the merger exchange ratio set forth in the merger plan is too low from the point of view of Allianz shareholders. The merger cannot be registered in the commercial register for Allianz while a contestation suit is pending. However, pursuant to the German Transformation Act (*Umwandlungsgesetz*), if an action to set aside the resolution approving the merger plan is filed, Allianz may apply for a decision by the competent court to the effect that such filing does not bar the registration of the merger in the commercial register. Such a decision may only be made if the contestation suit against the validity of the merger resolution is inadmissible or clearly unfounded or if it appears to the court in its discretion, having considered the seriousness of the infringements of rights as asserted in the claim, that the immediate completion of the merger should have priority in order to avert significant disadvantages for Allianz as well as their shareholders, as asserted by Allianz. After the decision by the competent court has become final and binding, which may take several months, the merger may be registered in the commercial register for Allianz. If Allianz is successful in registering the merger by obtaining such an affirmative accelerated court decision, Allianz still could be liable to pay damages to Allianz shareholders having filed the contestation suit if it is later on determined that the contestation suit is legally founded. If, on the other hand, an affected company is unsuccessful in its request for an accelerated court decision, the registration of the merger can occur only after the action has been finally adjudicated. The denial of an action to set aside a merger resolution can in principle be appealed in sequence to two higher courts.

Under Italian law, RAS shareholders may challenge the merger resolution on the basis of the general rules for the challenge of shareholders resolutions. In particular, holders of RAS ordinary shares and/or RAS savings shares, who are absent from their respective special meeting of shareholders or who abstain from or dissent in the vote on the merger plan and who hold at least one-thousandth of RAS s ordinary share capital or savings share capital,

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respectively, could contest the merger by filing an action within 90 days after the registration of the merger resolution in the Companies Register for RAS in Milan, Italy. Such suits could allege procedural irregularities, an unfair exchange ratio, as well as any other violation of Italian law or the by-laws of the company. In addition, in very limited cases relating to grave procedural irregularities (such as failure to convene the shareholders meeting), any holder of RAS ordinary shares or savings shares, regardless of the amount of shares held, can challenge the merger resolution within three years after the registration of such resolution with the Companies Register in Milan, Italy. None of the above challenges has the effect of suspending the merger resolution. If, however, these RAS shareholders contest the merger resolution asserting that they would suffer irreparable harm if the merger is implemented and succeed in proving the existence of a *prima facie* case, a competent court could issue an injunction suspending the effect of the merger resolution and preventing the entering into of the merger deed with the Companies Register in Milan, Italy. If such an injunction is imposed, the implementation of the merger could be delayed or hindered under Italian law. For as long as the merger resolution remains suspended under Italian law, we would be prevented from registering the merger in the commercial register for Allianz in Germany. Once the merger deed has been entered into and following its registration with the Companies Register in Milan, Italy, the merger resolution can no longer be declared invalid and challenging shareholders could then only be entitled to monetary damages.

Voting Securities and Principal Owners Thereof

The information set forth under the heading Major Shareholders and Related Party Transactions Major Shareholders at Item 7 in Allianz s Annual Report on Form 20-F that is incorporated by reference into this Prospectus is incorporated by reference into this paragraph, as supplemented by the following. On July 14, 2005, Allianz was informed by Munich Re pursuant to the rules of the German Securities Trading Act (WpHG) that Munich Re reduced its ownership interest in Allianz to below 5% and held 4.9% of the share capital of Allianz as of this date. As a result of this reduction, we do not have any shareholder that holds 5% or more of the share capital of Allianz.

Directors and Officers of Allianz

The information set forth under the heading Item 6. Directors, Senior Management and Employees Supervisory Board , subject to the changes described below, and Management Board in Allianz s Annual Report on Form 20-F that is incorporated by reference into this Prospectus is incorporated by reference into this paragraph.

At Allianz s annual general meeting on May 4, 2005, the terms of the following members of the Supervisory Board expired: Frank Ley, Dr. Alrecht Schäfer and Professor Dr. Herbert Scholl. The following three new members joined the Supervisory Board on this date, each of whose terms expire in 2008:

Franz Fehrenbach, 56 years old, whose principal occupation is Chairman of the Management Board of Robert Bosch GmbH and who is also member of the Board of Directors of Robert Bosch Corporation USA;

Dr. Franz Humer, 59 years old, whose principal is Chairman of the Board of Directors and Chief Executive Officer of F. Hoffmann-La Roche AG and who is also a member of the Supervisory Boards of Hoffmann-La Roche AG (Chairman), Roche Deutschland Holding GmbH (Chairman), Roche Diagnostics GmbH (Chairman) and member of the Board of Directors of Diageo plc; and

Iris Mischlau-Meyrahn, 46 years old, whose principal occupation is as an employee of Allianz Versicherungs AG and who is an employee representative on the Supervisory Board of Allianz.

Material Interests of Certain Persons in the Merger

As a matter of law, all employment and service agreements concluded by RAS S.p.A. will automatically pass to Allianz SE upon legal effectiveness of the merger, unless otherwise provided for in the respective agreement or unless an affected employee objects to the transfer of his or her employment agreement.

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RELATIONSHIP BETWEEN ALLIANZ AND RAS

General

RAS is a majority-owned subsidiary of Allianz. Of the 18 directors on RAS s Board of Directors, five are currently members of the Management Board of Allianz. Specifically:

Michael Diekmann, deputy chairman of RAS s Board of Directors, is also chairman of the Management Board of Allianz. He is also chairman and, in some cases, vice president of the Supervisory Board or the Board of Directors of several companies in the Allianz Group;

Detlev Bremkamp, a member of RAS s Board of Directors, is a member of the Management Board of Allianz. He is also a member and, in some cases, chairman of the Board of Directors or the Supervisory Board of several companies in the Allianz Group;

Dr. Helmut Perlet, a member of RAS s Board of Directors, is a member of the Management Board of Allianz, as well as a member of the Board of Directors or the Supervisory Board of several companies in the Allianz Group;

Dr. Reiner Hagemann, a member of the Management Board of Allianz, is a member and, in some cases, chairman or deputy chairman of the Supervisory Board or the Board of Directors of several companies in the Allianz Group, including certain subsidiaries of RAS; and

Dr. Gerhard Rupprecht, a member of the Management Board of Allianz, is a member of the Supervisory Board or the Board of Directors of several companies in the Allianz Group, including two subsidiaries of RAS.

On September 11, 2005, Allianz announced that Detlev Bremkamp and Dr. Reiner Hagemann will resign from the Management Board of Allianz with effect from December 31, 2005. They will also resign from their positions on the Board of Directors of RAS and most RAS subsidiaries, as applicable, effective on the same date. Mr. Bremkamp will continue to be a member of the Supervisory Board of Elmonda AG, in which RAS holds a 50% interest.

In 1984, the Allianz Group acquired a 14.3% interest in RAS. During the following years, the Allianz Group progressively increased its participation in RAS and obtained a majority interest in RAS in 1987 when its interest in the company amounted to 51.5%. In December 2002, RAS launched a public offer to repurchase a portion of its outstanding ordinary shares. As a result of this repurchase and subsequent cancellation of those RAS ordinary shares repurchased in the offer, the Allianz Group held 55.5% of RAS ordinary shares and 55.4% of RAS s total share capital, prior to the completion of the tender offer and additional purchases of RAS savings shares described below in Tender Offer for RAS Shares and Additional Share Purchases.

The commercial relationships between Allianz and its subsidiaries, on the one hand, and RAS and its subsidiaries, on the other, comprise transactions with each other conducted in the ordinary course of business, including certain reinsurance agreements by which RAS and certain of its subsidiaries cede intra-group premiums to Allianz. Furthermore, in the ordinary course of their investment activity, RAS and certain of its subsidiaries have purchased debt securities issued by Allianz.

Tender Offer for RAS Shares and Additional Share Purchases

On October 19, 2005, Allianz commenced a voluntary public tender offer for all of the shares of RAS at a cash price of 19 per RAS ordinary share and 55 per RAS savings share. The tender offer was intended to provide those RAS shareholders, who did not wish to become shareholders of Allianz SE, with the opportunity to sell their shares for cash at a time before such shareholders have the possibility to exercise their statutory cash exit right and at favorable conditions compared to the cash compensation due under the cash exit rights, if exercised, under Italian law. The tender offer expired on November 23, 2005.

On September 27, 2005, Allianz announced that it purchased in off-market transactions a total of 479,462 RAS savings shares, representing 35.8% of all issued and outstanding RAS savings shares. In addition, Allianz secured in over-the-counter

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derivative transactions further 60,000 RAS savings shares, representing a further 4.5% of all issued and outstanding RAS savings shares. The highest price paid in connection with such transactions was equal to 55 per RAS savings share. Subsequent to such purchases, Allianz also announced its decision to adjust the price of the tender offer on the RAS savings shares, pre-announced to the market on September 11, 2005, by increasing such price from 26.5 to 55 per each RAS savings share.

From September 28, 2005 to November 30, 2005 (the settlement date of the tender offer), Allianz purchased RAS savings shares outside of the tender offer. In such transactions, Allianz purchased an additional total of 86,459 RAS savings shares, representing a further 6.45% of all issued and outstanding RAS savings shares, at a price of 55 per RAS saving share.

On November 29, 2005, Allianz announced the final results of its voluntary tender offer for the RAS ordinary shares and RAS savings shares, which expired on November 23, 2005. Allianz purchased 139,719,262 RAS ordinary shares (*i.e.*, 20.8% of RAS ordinary share capital) and 328,867 RAS savings shares (*i.e.*, 24.5% of RAS savings share capital) in connection with the tender offer. Following the settlement of the offer on November 30, 2005 and taking into account the additional purchases of RAS savings shares outside the tender offer, Allianz held 512,158,245 RAS ordinary shares, representing approximately 76.3% of RAS ordinary share capital, and 954,788 RAS savings shares, representing approximately 71.3% of RAS savings share capital. The total cost to the Allianz Group of the tender offer and the additional purchases of RAS savings shares outside the tender offer, including transaction-related costs, amounted to approximately 2,734 million.

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MARKET PRICE DATA

Allianz

The principal trading market for the Allianz shares is the Frankfurt Stock Exchange. The shares are also listed and traded on all other German stock exchanges, *i.e.*, the Baden-Württemberg Stock Exchange in Stuttgart, the Berlin-Bremen Stock Exchange, the Düsseldorf Stock Exchange, the Hanseatic Stock Exchange in Hamburg, the Hanover Stock Exchange and the Munich Stock Exchange. Furthermore, the Allianz shares are listed on the SWX Swiss Exchange, London Stock Exchange and Euronext Paris. American Depositary Shares relating to Allianz s shares are listed and principally traded on the New York Stock Exchange.

The table below sets forth, for the periods indicated, the high and low closing sales prices on the Frankfurt Stock Exchange for the ordinary shares of Allianz as reported by XETRA. The table also shows, for the periods indicated, the highs and lows of the DAX. See the discussion under Currencies and Exchange Rates in this Prospectus, for information with respect to rates of exchange between the U.S. dollar and the Euro applicable during the periods set forth below.

	Price Per Ordinary Share[1]		DAX	
	High	Low	High	Low
Yearly highs and lows				
2000	399.2	285.9	8,065.0	6,200.7
2001	358.3	185.8	6,795.1	3,787.2
2002	259.5	69.4	5,462.6	2,597.9
2003	101.5	41.1	3,965.2	2,203.0
2004	111.2	73.9	4,261.8	3,647.0
2005 (through September 26, 2005)	110.1	89.7	5,005.9	4,178.1
Quarterly highs and lows				
2003				
First Quarter	89.4	41.1	3,157.3	2,203.0
Second Quarter	78.2	43.4	3,304.2	2,450.2
Third Quarter	95.0	69.6	3,668.7	3,146.6
Fourth Quarter	101.5	76.0	3,965.2	3,276.6
2004				
First Quarter	111.2	86.2	4,151.8	3,726.1
Second Quarter	94.4	80.7	4,134.1	3,754.4
Third Quarter	89.3	73.9	4,035.0	3,647.0
Fourth Quarter	97.9	78.5	4,261.8	3,854.4
2005				
First Quarter	101.0	89.7	4,428.1	4,201.8
Second Quarter	98.4	90.1	4,627.5	4,178.1
Third Quarter	112.3	95.2	5,048.7	4,530.2
Monthly highs and lows				
2005				
June	97.7	94.4	4,627.5	4,497.3
July	105.8	95.2	4,892.5	4,530.2

August	110.1	103.2	4,990.6	4,783.8
September	112.3	103.1	5,048.7	4,837.8
October	117.8	110.6	5,138.0	4,806.1
November	123.9	118.6	5,199.5	4,922.6
December (through December 5, 2005)	128.4	125.9	5,307.9	5,266.6

(1) Adjusted to reflect the capital increase in April 2003.

Based on turnover statistics supplied by Bloomberg, the average daily volume of the ordinary shares of Allianz traded on the Frankfurt Stock Exchange (XETRA) between January 1, 2005 and December 5, 2005 was 3,053,120 shares.

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Trading on the New York Stock Exchange

Official trading of Allianz ADSs on the New York Stock Exchange commenced on November 3, 2000. Allianz ADSs trade under the symbol AZ.

The following table sets forth, for the periods indicated, the high and low closing sales prices per Allianz ADS as reported on the New York Stock Exchange Composite Tape:

	Price per ADS	
	High	**Low**
	$	**$**
Yearly highs and lows		
2001	37.6	18.7
2002	25.2	7.5
2003	12.7	5.0
2004	14.0	9.0
2005 (through September 26, 2005)	13.8	11.4
Quarterly highs and lows		
2003		
First Quarter	10.5	5.0
Second Quarter	9.3	5.3
Third Quarter	10.6	8.2
Fourth Quarter	12.7	9.0
2004		
First Quarter	14.0	10.6
Second Quarter	11.4	9.6
Third Quarter	10.9	9.0
Fourth Quarter	13.3	10.0
2005		
First Quarter	13.4	11.7
Second Quarter	12.6	11.5
Third Quarter	13.8	11.4
Monthly highs and lows		
2005		
June	12.0	11.5
July	12.9	11.4
August	13.8	12.7
September	13.6	12.6
October	14.1	13.3
November	14.6	14.0
December (through December 5, 2005)	15.1	14.8

You are urged to obtain a current market quotation for Allianz ADSs and Allianz shares.

On September 9, 2005, the last trading day prior to the formal public announcement of our decision to pursue a statutory merger of RAS and Allianz, the closing sales price per Allianz share on the XETRA trading system of the Frankfurt Stock Exchange was 109.07, equivalent to $128.56 per Allianz share, translated at the noon buying rate for December 5, 2005, and the high and low bid prices for the Allianz ADSs as quoted on the New York Stock Exchange were $13.61 and $13.54, respectively.

On December 5, 2005, the closing sales price per Allianz share on XETRA was 128.39, equivalent to $151.33 based on an exchange rate of $1.1787 per Euro, and the high and low bid prices for the Allianz ADSs as quoted on the New York Stock Exchange were $15.13 and $15.13, respectively.

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RAS

RAS ordinary shares trade on the Milan Stock Exchange. The table below sets forth, for the periods indicated, the high and low sale prices of RAS ordinary shares as reported by Bloomberg.

	Price Per Ordinary Share ( )	
	High	Low
Yearly highs and lows		
2000	17.2	7.1
2001	16.5	11.0
2002	15.3	9.9
2003	14.1	10.0
2004	17.0	13.7
2005 (through September 26, 2005)	18.9	15.5
Quarterly highs and lows		
2003		
First Quarter	12.4	10.0
Second Quarter	14.0	11.4
Third Quarter	14.1	12.7
Fourth Quarter	13.8	13.2
2004		
First Quarter	15.2	13.7
Second Quarter	15.7	14.6
Third Quarter	15.6	14.1
Fourth Quarter	17.0	15.5
2005		
First Quarter	18.2	16.6
Second Quarter	18.2	15.5
Third Quarter	18.9	16.2
Monthly highs and lows		
2005		
June	16.2	15.5
July	16.6	16.2
August	17.1	16.2
September	18.9	16.8
October	19.0	18.9
November	19.5	19.0
December (through December 5, 2005)	20.3	19.9

Since 1986, RAS savings shares have traded on the Milan Stock Exchange. The table sets forth, for the periods indicated, the high and low sale prices of RAS savings shares as reported by Bloomberg.

Price Per Savings Share ( )

	High	Low
Yearly highs and lows		
2000	12.9	5.8
2001	12.6	7.5
2002	14.3	9.3
2003	14.6	10.9
2004	17.6	13.7
2005 (through September 26, 2005)	56.2	17.3
Quarterly highs and lows		
2003		
First Quarter	14.0	10.9
Second Quarter	14.6	12.6
Third Quarter	14.0	13.5
Fourth Quarter	14.0	13.3
2004		
First Quarter	15.6	13.7
Second Quarter	15.9	14.9
Third Quarter	16.4	14.1
Fourth Quarter	17.6	15.9
2005		
First Quarter	28.0	17.3
Second Quarter	26.1	20.7
Third Quarter	58.0	20.8
Monthly highs and lows		
2005		
June	23.3	20.7
July	21.6	20.8
August	23.9	21.1
September	58.0	22.9
October	57.0	55.0
November	59.5	54.9
December (through December 5, 2005)	55.0	53.0

You are urged to obtain a current market quotation for RAS ordinary shares and RAS savings shares.

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U.S. FEDERAL, ITALIAN AND GERMAN TAX CONSEQUENCES

General

This section describes the material Italian, German, and U.S. federal income tax consequences for U.S. holders (as defined below) of the receipt and ownership of Allianz shares and cash in lieu of Allianz fractional shares pursuant to the merger of RAS into Allianz. This section applies only to U.S. holders that hold RAS shares as capital assets and that will acquire Allianz shares pursuant to the merger of RAS into Allianz. This section does not apply to special classes of U.S. holders such as dealers in securities or currencies, holders with a functional currency other than the U.S. dollar, tax-exempt organizations, financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in RAS shares or Allianz shares on a mark-to-market basis, persons holding RAS shares or Allianz shares in a hedging transaction or as part of a straddle or conversion transaction, persons holding RAS shares or Allianz shares through a permanent establishment in Germany or as business assets for which a permanent representative has been appointed in Germany, and any person that owns actually or constructively 10 percent or more of the outstanding voting shares of RAS stock or Allianz stock.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, the laws of the Federal Republic of Germany and the laws of the Republic of Italy, all as currently in effect, as well as on the Convention Between the United States of America and the Federal Republic of Germany for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital and to Certain Other Taxes (the U.S.-Germany Treaty) and the Convention between the Government of the United States of America and the Government of the Republic of Italy for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fraud or Fiscal Evasion (the U.S.-Italy Treaty). These laws are subject to change, possibly on a retroactive basis.

For purposes of this discussion, a U.S. holder is a beneficial owner of RAS shares that will acquire Allianz shares pursuant to the merger of RAS into Allianz that is for United States federal income tax purposes (i) a citizen or resident of the United States of America, (ii) a domestic corporation, (iii) an estate the income of which is subject to regular U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of that trust, and for German and Italian tax purposes, an individual or corporate holder resident in the United States of America.

If a partnership holds RAS shares or Allianz shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding RAS shares or Allianz shares, you should consult your own tax advisor.

You should consult your own tax advisor regarding the United States federal, state and local, German, Italian and other tax consequences of exchanging your RAS shares and of owning and disposing of Allianz shares in your particular circumstances.

This discussion addresses only United States federal, Italian and German income taxation.

Tax Consequences of the Proposed Merger

Italian Tax Consequences of the Proposed Merger

This summary assumes that Allianz and RAS would be considered residents for tax purposes of the Federal Republic of Germany and of the Republic of Italy, respectively, and that they are organized and that their business will be conducted in the manner outlined in this Prospectus. Changes in the tax residence or organizational structure of Allianz or RAS or the manner in which they conduct their business may invalidate this summary.

According to the prevailing interpretation of Italian tax laws and based on general principles applicable to merger transactions, the merger of RAS with and into Allianz will not trigger any taxable event for Italian income tax purposes for U.S. holders of RAS shares; the Allianz shares received by each of such RAS shareholders at the effective time of the merger would be deemed as having the same

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aggregate tax basis as the RAS shares held by said shareholders prior to the merger. It has to be noted that even if one were to apply a more restrictive interpretation, and therefore to consider the merger as a taxable event, the possible capital gains realized by U.S. holders of RAS shares still would not be taxable in Italy in the following cases:

- if the U.S. holder (i) never owned RAS ordinary shares representing more than 2 percent of the voting rights in the RAS ordinary shareholders meeting or more than 5 percent of the RAS stated capital, and (ii) did not and will not dispose of RAS ordinary shares representing in the aggregate (i.e., including the RAS ordinary shares cancelled by operation of the merger) more than either of the above thresholds in any twelve-month period prior to or after the effective time of the merger; or

- if the U.S. holder is entitled to the benefits of the U.S.-Italy Treaty and all of the requirements and procedures established by the U.S.-Italy Treaty are complied with.

Since no fractional shares will be issued by Allianz to RAS shareholders in connection with the merger, the parties will appoint an authorized intermediary to trade fractional share interests to allow RAS shareholders to receive whole shares of Allianz common stock. Details of the relevant procedure will be provided in a notice published in a national daily newspaper in Italy. Any capital gain realized by RAS shareholders upon the sale of these shares would in principle be subject to tax in Italy; however, the above-mentioned exemptions provided for by Italian tax law and the U.S.-Italy Treaty would apply. The relevant capital gain would be represented by the difference between the sale price and tax basis of the RAS ordinary shares sold.

Under Italian law, RAS shareholders who abstain from the vote or dissent to the merger are entitled to exercise a withdrawal right. In such case, the redemption price of each of their RAS ordinary shares, to be paid at the effective time of the merger, shall be equal to the average closing sales price of one RAS ordinary share listed on the Milan Stock Exchange during the six-month period prior to the date of the extraordinary and special shareholders meetings at which the merger is approved by the RAS shareholders. RAS shareholders redeeming shares will in principle be subject to a 27% rate withholding tax in Italy (12.5% in case of the RAS saving shares) on any profits derived from the redemption, which profits will be deemed equal to the difference between the redemption price and the tax basis of their RAS ordinary shares. Such withholding tax may be reduced to 15%, 10% or 5% pursuant to the U.S.-Italy Treaty, to the extent that the U.S. holder is entitled to its benefits.

German Tax Consequences of the Merger to U.S. Holders of RAS shares

An exchange of RAS shares for Allianz shares does generally not trigger a taxable capital gain for German tax purposes by you as a U.S. holder.

U.S. Federal Income Tax Consequences of the Proposed Merger

We believe that we are not now, and have not been at any time during your holding period, a passive foreign investment company, and this discussion assumes that RAS is not now, and has not been at any time during your holding period, a passive foreign investment company.

If you exchange your RAS shares for Allianz shares or cash in lieu of Allianz fractional shares pursuant to the merger, you will recognize capital gain or loss equal to the difference between:

the sum of (A) the fair market value (determined in U.S. dollars on the date of exchange) of the Allianz shares you receive in the merger and (B) the value (in U.S. dollars determined on the date of the exchange) of U.S. or foreign currency received in lieu of Allianz fractional shares in the merger; *and*

your tax basis, determined in U.S. dollars, in your RAS shares, which is generally equal to the cost (in U.S. dollars) of the acquisition of the RAS shares.

Gain or loss will be long-term capital gain or loss if, at the time of the exchange, your holding period for your RAS shares exceeds one year. Currently, long-term capital gain of a non-corporate U.S. holder is generally taxed at a maximum rate of 15%. The deductibility of capital losses is subject to limitations. Any gain or loss generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Your tax basis in Allianz shares received pursuant to the merger will be the fair market value (in U.S. dollars) of those Allianz shares on the date you receive them. Your holding period for Allianz shares received pursuant to the merger will begin on the day after you receive such shares.

Tax Consequences of the Ownership and Disposition of Allianz Shares

Dividends

German Taxation

Dividend distributions by a German corporation are subject to a 20% withholding tax. In addition, a solidarity surcharge at a rate of 5.5% on the withholding tax is levied, resulting in an aggregate rate of withholding tax of 21.1% of the declared dividend. The withholding tax is generally withheld irrespective of whether and to what extent the dividend distribution is exempt at the level of the holder.

If you are eligible for the benefits under the U.S.-Germany Treaty, the rate of dividend withholding tax for individual holders and corporate holders of a non-qualifying participation is reduced to 15%. In that case, the Non-German Holder eligible for the reduced treaty rate may apply for a refund of 6.1% of the declared dividend.

German Refund Procedure

The application for refund of German withholding tax must be filed with the German Federal Tax Office (Bundesamt für Finanzen, Friedhofstrasse 1, D-53225 Bonn, Germany). The relevant forms can be obtained from the German Federal Tax Office or from German embassies and consulates.

U.S. Federal Income Taxation

Under the United States federal income tax laws, and subject to the passive foreign investment company rules discussed below, the gross amount of any dividend we pay out in respect of your Allianz shares of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the Allianz shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to Allianz shares generally will be qualified dividend income.

You must include any German tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Euro payments made, determined at the spot Euro/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Allianz shares and thereafter as capital gain.

Subject to certain limitations, the German tax withheld and paid over to the Federal Republic of Germany will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under German law or the U.S-Germany Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax

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liability. See Taxation of Dividends German Refund Procedure , above, for the procedures for obtaining a tax refund.

Dividends will be income from sources outside the United States, but dividends paid in taxable years beginning before January 1, 2007 generally will be passive or financial services income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive or general income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Distributions of additional Allianz shares to you with respect to your Allianz shares that are made as part of a *pro rata* distribution to all of our shareholders generally will not be subject to United States federal income tax.

Capital Gains

German Taxation

Capital gains realized on the disposition of Allianz shares by you as a U.S. holder are subject to German income taxation only if you or, in case of a gratuitous transfer, your legal predecessor has held, directly or indirectly, at any time during the five years preceding the disposition at least 1% of the registered share capital of Allianz AG. In this case:

- 5% of the capital gains, if any, are subject to corporate income tax plus the solidarity surcharge, if you are a corporate shareholder; and
- in all other cases, one-half of the capital gains is subject to German income tax.

Most double taxation treaties, including the U.S.-Germany Treaty, however, provide for complete exemption from German taxation of capital gains in respect of the Allianz shares.

United States Federal Income Taxation.

Subject to the passive foreign investment company rules discussed below, if you sell or otherwise dispose of your Allianz shares, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Allianz shares. Your initial tax basis is determined as described above under Tax Consequences of the Proposed Merger U.S. Federal Income Tax Consequences of the Proposed Merger. Capital gain of a noncorporate U.S. holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Company Rules

We believe that Allianz shares should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, gain realized on the sale or other disposition of Allianz shares would in general not be treated as capital gain. Instead, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the Allianz shares and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your Allianz shares will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your Allianz shares. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

Backup Withholding and Information Reporting

If you are a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to (i) your receipt of Allianz shares and any cash in lieu of Allianz fractional shares in exchange for your RAS shares effected at a United States office of a broker, (ii) dividend payments or other taxable distributions made to you in respect of Allianz shares within the United States, and (iii) the payment of proceeds to you from the sale of Allianz shares effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if you are a noncorporate U.S. holder that (i) fails to provide an accurate taxpayer identification number, (ii) is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or (iii) in certain circumstances, fails to comply with applicable certification requirements.

For a noncorporate U.S. holder, if the exchange of RAS shares for Allianz shares or cash in lieu of Allianz fractional shares, or a sale of Allianz shares, is effected at a foreign office of a broker, such exchange or sale will be subject to information reporting if the broker is (i) a United States person, (ii) a controlled foreign corporation for United States tax purposes, (iii) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or (iv) a foreign partnership, if at any time during its tax year (A) one or more of its partners are U.S. persons , as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (B) such foreign partnership is engaged in the conduct of a United States trade or business. Backup withholding will apply if the exchange or sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

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VALIDITY OF SECURITIES

Dr. Peter Hemeling, in his capacity as General Counsel of Allianz, will pass upon the validity under German law of the Allianz shares to be issued in connection with the merger.

EXPERTS

The consolidated financial statements and schedules of Allianz as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004, have been included in this Prospectus in reliance upon the report of KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprufungsgesellschaft, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing. The audit report refers to the adoption of new and revised international financial reporting standards which became effective January 1, 2005. The Allianz Group has revised the 2004 and 2003 financial statements to reflect retrospective application of select accounting principles.

The consolidated financial statements and schedules of RAS as of December 31, 2004 and 2003, and for each of the years in the three-year period ended December 31, 2004, have been included in this Prospectus in reliance upon the report of KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprufungsgesellschaft, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing. The audit report refers to the adoption of new and revised international financial reporting standards which became effective January 1, 2005. The RAS Group has revised the 2004 and 2003 financial statements to reflect retrospective application of select accounting principles.

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ALLIANZ GROUP

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

as of December 31, 2004 and 2003 and for each of the years ended December 31, 2004, 2003, and 2002

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Schedule of Valuation and Qualifying Accounts excluded as account balances are not material.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Management Board and Supervisory Board of Allianz Aktiengesellschaft:

We have audited the accompanying consolidated balance sheets of Allianz Aktiengesellschaft and its subsidiaries (collectively, the Allianz Group) as of December 31, 2004 and 2003, and the related consolidated income statements, consolidated statements of changes in shareholders´ equity and consolidated cash flow statements for each of the years in the three-year period ended December 31, 2004. In connection with our audits of the consolidated financial statements we have also audited the accompanying financial statements schedules. These consolidated financial statements and financial statement schedules are the responsibility of Allianz Group s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Allianz Group as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with International Financial Reporting Standards. Also, in our opinion, the related financial statements schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

International Financial Reporting Standards vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 47 to the consolidated financial statements.

As described in Note 3 to the financial statements, in connection with adoption of the new and revised International Financial Reporting Standards which became effective January 1, 2005, the Allianz Group has revised the 2004 and 2003 financial statements to reflect retrospective application of select accounting principles.

KPMG Deutsche Treuhand-Gesellschaft

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Munich, Germany

April 19, 2005, except for Note 3,

as to which the date is December 12, 2005

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Allianz Group

Consolidated Balance Sheets

as of December 31, 2004 and 2003

	Note	2004 mn	2003 mn
ASSETS			
Intangible assets	6	15,147	16,262
Investments in associated enterprises and joint ventures	7	5,757	6,285
Investments	8	248,327	231,397
Loans and advances to banks	9	181,543	169,360
Loans and advances to customers	9	195,680	208,935
Financial assets carried at fair value through income	10	240,574	182,242
Cash and cash equivalents	11	15,628	25,528
Amounts ceded to reinsurers from reserves for insurance and investment contracts	12	22,310	25,061
Deferred tax assets	37	14,139	14,739
Other assets	13	51,213	53,404
Total assets		990,318	933,213

	Note	2004 mn	2003 mn
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity	14	37,691	35,259
Participation certificates and subordinated liabilities	15	13,230	12,230
Reserves for insurance and investment contracts	16	326,380	309,460
Liabilities to banks	17	191,347	178,309
Liabilities to customers	18	157,137	154,597
Certificated liabilities	19	57,752	63,320
Financial liabilities carried at fair value through income	20	145,137	118,238
Other accrued liabilities	21	13,984	14,419
Other liabilities	22	31,271	31,321
Deferred tax liabilities	37	14,350	13,627
Deferred income	23	2,039	2,433
Total shareholders equity and liabilities		990,318	933,213

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Allianz Group

Consolidated Income Statements

for the years ended December 31, 2004, 2003 and 2002

	Note	2004	2003	2002
		mn	mn	mn
Premiums earned (net)	24	56,789	55,978	55,133
Interest and similar income	25	20,956	22,510	28,210
Income from investments in associated enterprises and joint ventures (net)	26	777	3,014	4,259
Other income from investments	27	5,179	10,490	9,413
Income from financial assets and liabilities carried at fair value through income (net)	28	1,658	519	1,507
Fee and commission income, and income from service activities	29	6,823	6,060	6,102
Other income	30	2,533	3,803	3,031
Total income		94,715	102,374	107,655
Insurance and investment contract benefits (net)	31	(52,255)	(52,240)	(48,683)
Interest and similar expenses	32	(5,703)	(6,871)	(10,941)
Other expenses from investments	33	(2,672)	(7,452)	(18,141)
Loan loss provisions	34	(354)	(1,027)	(2,241)
Acquisition costs and administrative expenses	35	(23,380)	(22,917)	(24,620)
Amortization of goodwill	6	(1,164)	(1,413)	(1,162)
Other expenses	36	(4,091)	(6,588)	(5,858)
Total expenses		(89,619)	(98,508)	(111,646)
Earnings from ordinary activities before taxes		5,096	3,866	(3,991)
Taxes	37	(1,662)	(249)	1,073
Minority interests in earnings	14	(1,168)	(926)	(325)
Net income (loss)		2,266	2,691	(3,243)
Basic earnings per share	45	6.19	7.96	(11.71)
Diluted earnings per share	45	6.16	7.93	(11.71)

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Allianz Group

Consolidated Statements of Changes in Shareholders Equity

for the years ended December 31, 2004, 2003 and 2002

	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, 2001	14,769	6,079	875	9,089	30,812	17,260	48,072
Foreign currency translation adjustments			(1,190)	(29)	(1,219)	(55)	(1,274)
Changes in the group of consolidated companies		364			364		364
Capital paid in	16				16		16
Treasury shares		(157)			(157)		(157)
Unrealized gains and losses (net)				(5,092)	(5,092)	(2,949)	(8,041)
Net income		(3,243)			(3,243)	325	(2,918)
Dividends paid		(364)			(364)	(317)	(681)
Miscellaneous		(71)			(71)	(6,299)	(6,370)
Balance as of December 31, 2002	14,785	2,608	(315)	3,968	21,046	7,965	29,011
Foreign currency translation adjustments			(1,578)	(125)	(1,703)	(25)	(1,728)
Changes in the group of consolidated companies		(1,117)		876	(241)		(241)
Capital paid in	4,562				4,562		4,562
Treasury shares		1,413			1,413		1,413
Unrealized gains and losses (net)				1,727	1,727	623	2,350
Net income		2,691			2,691	926	3,617
Dividends paid		(374)			(374)	(302)	(676)
Miscellaneous		(1,128)			(1,128)	(1,921)	(3,049)
Balance as of December 31, 2003	19,347	4,093	(1,893)	6,446	27,993	7,266	35,259
Foreign currency translation adjustments			(805)	(12)	(817)	(2)	(819)
Changes in the group of consolidated companies		(73)	64	(27)	(36)		(36)
Capital paid in	86				86		86
Treasury shares		(59)			(59)		(59)
Unrealized gains and losses (net)				1,156	1,156	315	1,471
Net income		2,266			2,266	1,168	3,434
Dividends paid		(551)			(551)	(518)	(1,069)
Miscellaneous		217		(260)	(43)	(533)	(576)
Balance as of December 31, 2004	19,433	5,893	(2,634)	7,303	29,995	7,696	37,691

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

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Allianz Group

Consolidated Cash Flow Statements

for the years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
	mn	mn	mn
Operating activities			
Net income (loss)	2,266	2,691	(3,243)
Change in unearned premiums	234	596	542
Change in aggregate policy reserves (without aggregate policy reserves for life insurance products in accordance with SFAS 97)	14,990	11,986	6,039
Change in reserve for loss and loss adjustment expenses	2,476	1,016	2,530
Change in other insurance reserves (without change in the reserve for latent premium refunds from unrealized investment gains and losses)	1,806	(446)	(4,199)
Change in deferred acquisition costs	(1,174)	(2,460)	(1,211)
Change in funds held by others under reinsurance business assumed	412	32	1,350
Change in funds held under reinsurance business ceded	175	234	(192)
Change in accounts receivable/payable on reinsurance business	194	219	232
Change in financial assets and liabilities carried at fair value through income	(30,209)	8,156	12,616
Change in loans and advances to banks and customers	(10,862)	(50,354)	31,348
Change in liabilities to banks and customers	18,329	48,666	(8,215)
Change in certificated liabilities	5,786	(14,393)	(1,727)
Change in other receivables and liabilities	5,291	(4,554)	3,261
Change in deferred tax assets/liabilities (without change in deferred tax assets/liabilities from unrealized investment gains and losses)	446	(648)	(1,620)
Adjustment for investment income/expenses not involving movements of cash	(4,400)	(5,125)	4,111
Amortization of goodwill	1,164	1,413	1,162
Other	(2,308)	1,574	(5,864)
Net cash flow provided by (used in) operating activities	4,616	(1,397)	36,920
Investing activities			
Change in securities available-for-sale	(12,661)	(5,520)	(46,387)
Change in investments held-to-maturity	(493)	1,754	1,092
Change in real estate	(772)	157	2,229
Change in other investments	1,379	7,668	3,424
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	(1,302)		(10,787)
Other	(1,529)	532	1,513
Net cash flow used in investing activities	(15,378)	4,591	(48,916)
Financing activities			
Change in participation certificates and subordinated liabilities	999	(1,943)	2,784
Change in investments held on account and at risk of life insurance policyholders	(9,532)	(7,791)	(2,154)
Change in aggregate policy reserves for life insurance products according to SFAS 97	8,110	7,819	10,808
Cash inflow from capital increases	86	4,562	16
Dividends	(1,069)	(676)	(681)
Other from shareholders capital and minority interests (without change in revenue reserve from unrealized investment gains and losses)	2,292	(525)	1,100
Net cash flow provided by financing activities	886	1,446	11,873

Effect of exchange rate changes on cash and cash equivalents	(24)	(120)	(109)
Change in cash and cash equivalents	(9,900)	4,520	(232)
Cash and cash equivalents at beginning of period	25,528	21,008	21,240
Cash and cash equivalents at end of period	15,628	25,528	21,008

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Supplementary cash flow information

The data for the Allianz Group s consolidated cash flow statements was prepared in accordance with International Financial Reporting Standards. It excludes the effects of major changes in the scope of consolidation, which in 2004 included in particular influences from the deconsolidation of ENTENIAL, Guyancourt, President General Insurance, Taiwan and Allianz of Canada, Toronto and from the acquisition of Banca BNL Investimenti, Milan, and Four Seasons Health Care Ltd., Wilmslow. In 2003 it included influences from the deconsolidation of Pioneer Allianz Life Assurance Corporation, Metro Manila, and during 2002, the purchase of additional shares of Allianz Lebensversicherungs-AG, Stuttgart, Bayerische Versicherungsbank AG, Munich, Frankfurter Versicherungs-AG, Frankfurt am Main, Dresdner Bank Group, Frankfurt am Main, and Slovenská poist ovna a. s., Bratislava, as well as the deconsolidation of Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG, Frankfurt am Main. Subsequent to the date of acquisition, the cash of these companies has been included in the Allianz Group s consolidated cash flow statements. The deconsolidation led to a decrease in the value of investments held (excluding funds held by others) by 2,230 mn (2003: decrease of 24 mn; 2002: decrease of 43,558 mn); the acquisition increased the goodwill by 311 mn (2003: no change; 2002: increase by 2,924); the net total of other assets and liabilities increased by 3,222 mn (2003: increase of 24 mn; 2002: increase of 51,416 mn). Cash outflow related to these acquisitions amounted to 515 mn (2003: no change; 2002: 10,764 mn). Changes in the scope of consolidation during 2004 led to a decrease in cash funds by 786 mn (2003: no change; 2002: decrease of 23 mn). Cash paid for taxes on income amounted to 1,785 mn (2003: inflow of 596 mn; 2002: outflow of 1,196 mn). The reduction of cash and cash equivalents during 2004 is mainly due to the increase in the volume of lending business and the resulting increase in the amount of collateral paid.

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Allianz Group

Notes to the Consolidated Financial Statements

as of December 31, 2004 and 2003

and for the years ended December 31, 2004, 2003 and 2002

1 Nature of operations and basis of presentation

Nature of Operations

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

Basis of Presentation

The consolidated financial statements of the Allianz Group included in its Annual Report on Form 20-F for the year ended December 31, 2004, filed with the United States Securities and Exchange Commission (SEC) on April 19, 2005, were prepared in conformity with International Financial Reporting Standards (IFRS) effective as of December 31, 2004 as adopted under European Union (EU) regulations in accordance with clause 292a of the German Commercial Code (HGB). Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board (IASB). Already approved standards continue to be cited as International Accounting Standards (IAS).

Effective January 1, 2005, a number of new and revised IFRS were introduced, some of which required retrospective application to all years presented within a company s financial statements. As a result, and pursuant to specific requirements and guidance of the SEC in connection with the filing of certain registration statements, the Allianz Group is revising the financial statements previously issued in connection with its Annual Report on Form 20-F for the year ended December 31, 2004, filed with the SEC on April 19, 2005. The revision is necessary to retrospectively apply the new and revised IFRS. Retrospective application has the effect of applying the new and revised IFRS to prior periods as if those accounting principles had always been used.

The Allianz Group s Annual Report on Form 20-F for the year ended December 31, 2005 will also be prepared in accordance with the new and revised IFRS effective January 1, 2005 as adopted under EU regulations in accordance with clause 315a of the HGB. The comparative financial statements of the Allianz Group for the years ended December 31, 2004 and 2003, which reflect the retrospective application of IFRS effective January 1, 2005, will also be included in the Allianz Group s Annual Report on Form 20-F for the year ended December 31, 2005.

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 (US GAAP) have been applied. See Note 3 regarding changes to IFRS effective January 1, 2005. The consolidated financial statements are presented in Euros ( ).

Significant differences between IFRS and US GAAP affecting the Allianz Group s consolidated net income and shareholders equity have been summarized in Note 47. Condensed consolidated balance sheet and income statement information reflecting the impact of differences between IFRS and US GAAP are also presented in Note 47.

2 Summary of significant accounting and valuation policies

Principles of Consolidation

The consolidated financial statements of the Allianz Group include those of Allianz AG, its subsidiaries and certain investment funds and special purpose entities. Subsidiaries, investment funds and

Allianz Group

Notes to the Consolidated Financial Statements (Continued)

as of December 31, 2004 and 2003

and for the years ended December 31, 2004, 2003 and 2002

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

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

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

Foreign Currency Translation

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

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

Use of Estimates and Assumptions

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

Supplementary information on assets

Intangible Assets

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

Goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, was amortized on a straight-line basis over its estimated useful life, which is generally ten years for

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as of December 31, 2004 and 2003

and for the years ended December 31, 2004, 2003 and 2002

property-casualty insurance enterprises, twenty years for life/health insurance enterprises, ten years for banks and twenty years for asset management companies. Goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, is carried at cost less accumulated amortization and impairments. As of January 1, 2005, goodwill resulting from business combinations after December 31, 1994 and before March 31, 2004, is not subject to amortization.

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

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

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

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

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

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

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

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

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Investments in associated enterprises and joint ventures

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

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

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

Investments

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

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

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

Recognition of an impairment loss on held-to-maturity and available-for-sale fixed income securities is recorded if there is objective evidence that the cost may not be recovered. If all amounts due according to the contractual terms of the security are not considered collectible, typically due to a deterioration in the creditworthiness of the issuer, the security is considered to be impaired. Impairments are not recorded as a result of declines in fair value resulting from general market interest or exchange rate movements unless the Allianz Group intends to dispose of the security.

If there is objective evidence that the cost may not be recovered, an available-for sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant *or* prolonged decline in the fair value below cost. The Allianz Group established a policy that an available-for-sale equity security is considered impaired if the fair value is below the weighted-average cost by more than 20% *or* if the fair value is below the weighted-average cost for greater than nine months, to define the significant criteria and the prolonged criteria, respectively. This policy is applied at the subsidiary level.

If an available-for-sale equity security is impaired based upon the Allianz Group s qualitative or quantitative impairment criteria, any further declines in fair values at subsequent reporting dates are recognized as impairments. Therefore, at each

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Allianz Group

Notes to the Consolidated Financial Statements (Continued)

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reporting period, 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.

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

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

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

Loans and advances to banks and customers

Loans and advances to banks and customers are financial assets with fixed and determinable payments that are not quoted in an active market that are not classified as available-for-sale, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers are measured at amortized cost, or generally their outstanding unpaid principal balance, net of the loan loss allowance, deferred fees and costs on origination, and unamortized premiums or discounts. Interest revenues are accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of the interest revenue yield over the lives of the related loans.

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

Loans and advances to banks and customers include reverse repurchase (reverse repo) transactions and securities borrowing transactions. Reverse repo and securities borrowing transactions involve the purchase of securities by the Allianz Group from a counter-party, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If control

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of the securities remains with the counter-party over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized in the Allianz Group s consolidated balance sheet. The amounts of cash disbursed are recorded under loans and advances to bank and customers, as appropriate, within the Allianz Group s consolidated balance sheet. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income in the Allianz Group s consolidated income statement.

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

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

Loan impairments and provisions

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

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

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

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

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

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

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are recognized in the consolidated income statement as a credit to the loan loss provisions.

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

Financial assets carried at fair value through income

Financial assets carried at fair value through income include financial assets held for trading, financial assets for unit linked contracts and financial assets designated at fair value through income.

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

Financial assets for unit linked contracts and financial assets designated at fair value through income are measured at fair value with changes recorded in net income.

Derivative financial instruments

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

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

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

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

Fair value hedges

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

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Cash flow hedges

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

Hedges of a net investment in a foreign entity

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

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

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

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

Cash and cash equivalents

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

Reinsurance

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

Income taxes

The tax shown in the Allianz Group s consolidated income statement consists of the taxes actually charged

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to individual Allianz Group enterprises and changes in deferred tax assets and liabilities.

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

Other assets

Other assets, amongst others, consist of real estate owned by the Allianz Group and used for its own activities, equipment, accounts receivable, deferred policy acquisition costs, deferred sales inducements, prepaid expenses and miscellaneous assets.

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

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

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

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

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

recognized as part of insurance reserves,

explicitly identified in the contract at inception,

incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and

higher than the contract s expected ongoing crediting rates for periods after the inducement.

Asset securitizations

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

Leases

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

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Supplementary information on equity and liabilities

Shareholders equity

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

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

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

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

Comprehensive income is defined as the change in shareholders equity of the Allianz Group excluding transactions with shareholders such as the issuance of common or preferred shares, payment of dividends and purchase of treasury shares. Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income includes such items as unrealized gains and losses on foreign currency translation, securities available-for-sale, and gains and losses on derivatives involved in cash flow hedges and hedges of a net investment in a foreign entity, net of applicable deferred income taxes. It also includes, where applicable, adjustments to insurance policyholder liabilities and deferred policy acquisition costs.

Certificated liabilities, participation certificates and subordinated liabilities

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

Reserves for insurance and investment contracts

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

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

The **aggregate policy reserves** for long-duration insurance contracts, such as traditional life and health products, are computed in accordance with SFAS 60 using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of

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

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

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

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

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

	Traditional	Long-

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

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

Reserves for loss and loss adjustment expenses are established for the payment of losses and loss adjustment expenses (LAE) on claims which have

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occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported (IBNR) reserves.

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

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

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

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

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

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to them reduces the reserve. Any dividends allocated or disbursed over and above the reserve are recorded in other expenses.

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

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

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

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

Liabilities to banks and customers

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

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

Financial liabilities carried at fair value through income

Financial liabilities carried at fair value through income include financial liabilities held for trading, financial liabilities for unit linked contracts, liabilities for puttable equity instruments and financial liabilities designated at fair value through income.

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

Financial liabilities for unit linked contracts and financial liabilities designated at fair value through

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income are measured at fair value with changes recorded in net income.

Liabilities for puttable financial instruments include the minority interests in shareholders equity of certain consolidated investment funds. These minority interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset (a puttable instrument). 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.

Other accrued liabilities

The Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 21. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

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

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

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

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

Other liabilities

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

Supplementary information on net income

Premiums

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

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

Life insurance premiums on traditional life insurance policies are recognized as earned when due. Premiums on short duration life insurance policies are recognized as revenues over the period of the contract in proportion to the amount of insurance

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protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Benefits are recognized when incurred.

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

Interest and similar income/expense

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

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

Income from financial assets and liabilities carried at fair value through income comprises all investment income and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expense and transaction costs are included in this line item.

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

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

Fee and commission income and expenses

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

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

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

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

Administration fees are recognized as the services are performed. Such fees are primarily based

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on percentages of the market value of assets under management.

Other supplementary information

Share compensation plans

The share based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense in net income, with an increase in shareholders equity, over the vesting period. Further, 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. At each reporting date, cash settled plans are measured at fair value and recognized as liabilities with changes in the fair value are recognized in net income. If the shares issued are redeemable, either mandatorily or at the counter-party s option, the share based compensation plan is required to be classified as a cash settled plan by the Allianz Group. 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.

Reclassifications

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

3 Recently adopted accounting pronouncements

Recently adopted accounting pronouncements with retrospective application (effective January 1, 2005)

IAS 1 revised

Effective January 1, 2005, the Allianz Group adopted IAS 1 revised, *Presentation of Financial Statements* (IAS 1 revised). The adoption of IAS 1 required that the Allianz Group reclassify minority interests in shareholders equity as equity. Therefore, minority interests in shareholders equity were reclassified from liabilities into shareholders equity in the consolidated balance sheet and consolidated statement of changes in shareholders equity.

IAS 1 revised required retrospective application of this change to the Allianz Group s accounting policy; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effect of this change.

IAS 32 revised and IAS 39 revised

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).

Impairments

The adoption of IAS 39 revised required several changes to the Allianz Group s accounting policies for the recognition of impairments of available-for-sale equity securities. In accordance with IAS 39 revised, if there is objective evidence that the cost may not be recovered, an available-for sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant *or* prolonged decline in the fair value below cost. Previously under IFRS, objective evidence that the cost may not be recovered included a significant *and* prolonged decline in the fair value below cost. As a result, the Allianz Group established new quantitative impairment criteria to define a significant or prolonged decline. The Allianz Group established a policy that an available-for-sale equity security is considered impaired if the fair value is below the weighted-average cost by more than 20% *or* if the fair value is below the weighted-average cost for greater than nine months, to define the significant criteria and the prolonged criteria, respectively. This policy is applied at the subsidiary level.

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In addition, IAS 39 revised does not allow an adjusted cost basis to be established upon impairment of an available-for-sale equity security. Therefore, if an available-for-sale equity security is impaired based upon the Allianz Group s qualitative or quantitative impairment criteria, any further declines in fair values at subsequent reporting dates are recognized as impairments. Previously, IFRS allowed an adjusted cost basis to be established upon the recognition of an impairment of an available-for-sale equity. Therefore, at each reporting period, if the fair value was less than the adjusted cost basis, the available-for-sale equity security was analyzed for impairment based upon the Allianz Group s qualitative or quantitative impairment criteria.

Finally, IAS 39 revised does not allow reversals of an impairment of available-for-sale equity securities. Previously, IFRS required that if an impairment of an available-for-sale equity security decreases, the impairment was reversed.

IAS 39 revised required retrospective application of these changes to the Allianz Group s accounting policies; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effects of these changes.

Loans and receivables

The adoption of IAS 39 revised required a change to the Allianz Group s accounting policy for non-quoted financial assets to qualify for accounting as loan and receivables . For non-quoted financial assets to qualify for accounting as loans and receivables , IAS 39 revised does not require that the financial asset to be originated by the Allianz Group. Previously, IFRS required that a financial asset be originated by the Allianz Group to qualify for similar accounting. Non-quoted financial assets which qualify for this accounting, and are classified by the Allianz Group, as loan and receivables , are measured at amortized cost using the effective interest method. In addition, IAS 39 revised does not include prohibitions for disposing of loans and receivables , dissimilar to financial assets classified as held-to-maturity debt securities.

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; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effect of this change.

Financial assets and liabilities designated at fair value through income

IAS 39 revised created a new category, designated at fair value through income , for financial assets and liabilities. Financial assets and liabilities designated at fair value through income are measured at fair value with changes recognized in net income. In June 2005, the IASB issued an amendment to IAS 39 revised, which adjusted the qualifications for classification as designated at fair value through income as a result of concerns of the European Union (EU). The EU endorsed this amendment in November 2005. The Allianz Group has adopted the amendment to IAS 39 revised related to financial assets and liabilities designated at fair value through income.

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 the financial assets and liabilities related to its unit-linked insurance and investment contracts to financial assets designated at fair value through income and financial liabilities designated at fair value through income, respectively. Finally, 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

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designated at fair value through income in the Banking Segment to reduce accounting mismatches.

As a result of the adoption IAS 32 revised, a financial instrument qualifies as a financial liability of the Allianz Group, if it gives the holder the right to put the instrument back to the Allianz Group 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 required to be recorded at redemption amounts 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 and IAS 32 revised required retrospective application of these changes to the Allianz Group s accounting policies; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effects of these changes.

IFRS 4

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 the case of presentation of more reliable figures should a change in accounting policy be carried out. As a result, the Allianz Group principally continues to apply the provisions of US GAAP for the recognition and measurement of insurance contracts. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with IAS 39 revised. As a result of the adoption of IFRS 4, certain contracts were reclassified as investment contracts.

In addition, IFRS 4 contains specific guidance for contracts with discretionary participation features. As a result of this guidance, the Allianz Group recorded additional liabilities for its individual life insurance business in Switzerland.

IFRS 4 revised required retrospective application of these changes to the Allianz Group s accounting policies; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effects of these changes.

IFRS 2

Effective January 1, 2005, the Allianz Group adopted IFRS 2, *Share Based Payments* (IFRS 2). In accordance with IFRS 2, the share based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with an increase in shareholders equity, over the vesting period. At each reporting date, cash settled plans are measured at fair value and recognized as liabilities with changes in the fair value recognized in net income. If the shares issued are redeemable, either mandatorily or at the counter-party s option, the share based compensation plan is required to be classified as a cash settled plan by the Allianz Group. 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

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Unit Purchase Plan (Class B Plan) is considered a cash settled plan as the equity instruments issued are puttable at the holder s option. Previously, IFRS required that the Class B Plan be classified as 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. Previously, the Allianz Group s accounting policy required that forfeitures of equity instruments be recognized when incurred.

IFRS 2 revised required retrospective application of these changes to the Allianz Group s accounting policies; therefore, the Allianz Group s consolidated financial statements for the years ended December 31, 2004, 2003 and 2002 were adjusted to include the effects of these changes.

Impact on the Allianz Group s consolidated financial statements

The impact of these recently adopted accounting principles on the Allianz Group s consolidated financial statements is presented on the following pages.

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Impact of recently adopted accounting standards on the consolidated balance sheets:

	Balance as of December 31, as previously reported		IAS 32 revised and IAS 39 revised						IFRS 4		IFRS 2		Balance as of December 31,	
			Impairments		Loans and receivables		Financial assets and liabilities designated at fair value							
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
ASSETS														
Intangible assets	15,147	16,262											15,147	16,262
Investments in associated enterprises and joint ventures	5,832	6,442			(75)	(157)							5,757	6,285
Investments	319,552	295,067			(67,785)	(61,196)	(3,440)	(2,474)					248,327	231,397
Separate account assets	15,851	32,460					(15,851)	(32,460)						
Loans and advances to banks	126,618	117,511			55,677	52,545	(752)	(696)					181,543	169,360
Loans and advances to customers	188,168	203,259			8,041	6,138	(529)	(462)					195,680	208,935
Financial assets carried at fair value through income	220,001	146,154					20,573	36,088					240,574	182,242
Cash and cash equivalents	15,628	25,528											15,628	25,528
Amounts ceded to reinsurers from insurance reserves	22,310	25,061											22,310	25,061
Deferred tax assets	13,809	14,364	151	264	(4)	(18)	29	49			154	80	14,139	14,739
Other assets	51,782	53,804	(19)	(7)							(550)	(393)	51,213	53,404
Total assets	994,698	935,912	132	257	(4,146)	(2,688)	30	45			(396)	(313)	990,318	933,213

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Impact of recently adopted accounting standards on the consolidated balance sheets:

	Balance as of December 31, as previously reported		IAS 32 revised and IAS 39 revised: Impairments		IAS 32 revised and IAS 39 revised: Loans and receivables		IAS 32 revised and IAS 39 revised: Financial assets and liabilities designated at fair value		IFRS 4		IFRS 2		Balance as of December 31,	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
Shareholders equity and liabilities														
Paid-in capital	19,433	19,347											19,433	19,347
Revenue reserves	8,478	6,914	(2,273)	(2,659)			(22)	(14)	5	24	(295)	(172)	5,893	4,093
Foreign currency translation adjustments	(2,680)	(1,916)									46	23	(2,634)	(1,893)
Unrealized gains and losses (net)	5,597	4,247	2,273	2,659	(543)	(436)	(11)	(9)	(13)	(15)			7,303	6,446
Minority interests in shareholders equity	9,531	8,367			(30)	(29)	(1,389)	(792)	(6)	3	(410)	(283)	7,696	7,266
Participation certificates and subordinated liabilities	13,230	12,230											13,230	12,230
Reserves for insurance and investment contracts	355,195	311,471		6	(3,290)	(2,015)	(25,560)		35	(2)			326,380	309,460
Separate account liabilities	15,848	32,460					(15,848)	(32,460)						
Liabilities to banks	191,354	178,316					(7)	(7)					191,347	178,309
Liabilities to customers	157,274	154,728					(137)	(131)					157,137	154,597
Certificated liabilities	57,771	63,338					(19)	(18)					57,752	63,320
Financial liabilities carried at fair value through income	102,141	84,835					42,996	33,403					145,137	118,238
Other accrued liabilities	13,168	13,908									816	511	13,984	14,419
Other liabilities	31,833	31,725	(10)	(12)			1				(553)	(392)	31,271	31,321
Deferred tax liabilities	14,486	13,509	142	263	(283)	(208)	26	73	(21)	(10)			14,350	13,627
Deferred income	2,039	2,433											2,039	2,433
Total shareholders equity and liabilities	994,698	935,912	132	257	(4,146)	(2,688)	30	45			(396)	(313)	990,318	933,213

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Impact of recently adopted accounting standards on the consolidated income statement for the year ended December 31, 2004:

		IAS 32 revised and IAS 39 revised						
	Balance as of December 31, as previously reported	**Impairments**	**Loans and receivables**	**Financial assets and liabilities designated at fair value**	**IFRS 4**	**IFRS 2**	**Reclassifications**	**Balance as of December 31,**
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
Premiums earned (net)	56,789							56,789
Interest and similar income	21,053			(97)				20,956
Income from investments in associates and joint ventures (net)	777							777
Other income from investments	4,816	519	6	(162)				5,179
Income from financial assets and liabilities at fair value through income (net)	2,813			(1,155)				1,658
Fee and commission income, and income from service activities	6,823							6,823
Other income	2,556		(5)			(18)		2,533
Total income	95,627	519	1	(1,414)		(18)		94,715
Insurance and investment contract benefits (net)	(53,326)	(105)		1,213	(37)			(52,255)
Interest and similar expenses	(5,437)			44			(310)	(5,703)
Other expenses from investments	(2,745)	(77)	51	99				(2,672)
Loan loss provisions	(354)							(354)
Acquisition costs and administrative expenses (net)	(22,240)					(311)	(829)	(23,380)
Amortization of goodwill	(1,164)							(1,164)
Other expenses	(5,178)		(52)				1,139	(4,091)

Total expenses	(90,444)	(182)	(1)	1,356	(37)	(311)		(89,619)
Earnings from ordinary activities before taxes	5,183	337		(58)	(37)	(329)		5,096
Taxes	(1,727)	(55)		22	11	87		(1,662)
Minority interests in earnings	(1,257)	(67)		30	7	119		(1,168)
Net income	2,199	215		(6)	(19)	(123)		2,266

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Impact of recently adopted accounting standards on the consolidated income statement for the year ended December 31, 2003:

		IAS 32 revised and IAS 39 revised						
	Balance as of December 31, as previously reported	**Impairments**	**Loans and receivables**	**Financial assets and liabilities designated at fair value**	**IFRS 4**	**IFRS 2**	**Reclassifications**	**Balance as of December 31,**
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
Premiums earned (net)	55,978							55,978
Interest and similar income	22,592			(82)				22,510
Income from investments in associates and joint ventures (net)	3,030	(16)						3,014
Other income from investments	10,002	790	(53)	(249)				10,490
Income from financial assets and liabilities at fair value through income (net)	243			276				519
Fee and commission income, and income from service activities	6,060							6,060
Other income	3,750		53					3,803
Total income	101,655	774		(55)				102,374
Insurance and investment contract benefits (net)	(50,432)	(1,677)		(141)	10			(52,240)
Interest and similar expenses	(6,561)						(310)	(6,871)
Other expenses from investments	(9,848)	2,012	26	358				(7,452)
Loan loss provisions	(1,027)							(1,027)
Acquisition costs and administrative expenses (net)	(22,117)					(276)	(524)	(22,917)
Amortization of goodwill	(1,413)							(1,413)

Other expenses	(7,396)		(26)				834	(6,588)
Total expenses	(98,794)	335		217	10	(276)		(98,508)
Earnings from ordinary activities before taxes	2,861	1,109		162	10	(276)		3,866
Taxes	(146)	(109)		(58)	(1)	65		(249)
Minority interests in earnings	(825)	(98)		(91)	(3)	91		(926)
Net income	1,890	902		13	6	(120)		2,691

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Impact of recently adopted accounting standards on the consolidated income statement for the year ended December 31, 2002:

		IAS 32 revised and IAS 39 revised				
	Balance as of December 31, as previously reported	Impairments	Loans and receivables	IFRS 2	Reclassifications	Balance as of December 31,
	mn	mn	mn	mn	mn	mn
Premiums earned (net)	55,133					55,133
Interest and similar income	28,210					28,210
Income from investments in associates and joint ventures (net)	4,398	(139)				4,259
Other income from investments	9,355	118	(60)			9,413
Income from financial assets and liabilities at fair value through income (net)	1,507					1,507
Fee and commission income, and income from service activities	6,102					6,102
Other income	2,971		60			3,031
Total income	107,676	(21)				107,655
Insurance and investment contract benefits (net)	(49,789)	1,106				(48,683)
Interest and similar expenses	(10,651)				(290)	(10,941)
Other expenses from investments	(14,866)	(3,325)	50			(18,141)
Loan loss provisions	(2,241)					(2,241)
Acquisition costs and administrative expenses (net)	(24,502)			(118)		(24,620)
Amortization of goodwill	(1,162)					(1,162)
Other expenses	(6,098)		(50)		290	(5,858)
Total expenses	(109,309)	(2,219)		(118)		(111,646)
Earnings from ordinary activities before taxes	(1,633)	(2,240)		(118)		(3,991)
Taxes	807	246		20		1,073
Minority interests in earnings	(670)	285		60		(325)
Net income	(1,496)	(1,709)		(38)		(3,243)

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Recently adopted accounting pronouncements with prospective application (effective January 1, 2005)

IFRS 3

Effective January 1, 2005, the Allianz Group adopted IFRS 3, *Business Combinations* (IFRS 3). In accordance with IFRS 3, the Allianz Group is no longer required to amortize of goodwill and intangible assets with an indefinite life. Instead, the Allianz Group is required to perform impairment tests 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.

Further, the Allianz Group revised its accounting policy for accounting for the acquisition of a minority interest in shareholders equity for subsidiaries, companies under control, of the Allianz Group. IFRS 3 does not specifically address these transactions, as the scope of IFRS is limited to accounting for acquisitions in which the Allianz Group obtains control over a company. Therefore, as a result of the adoption of IAS 1 as noted above, the Allianz Group has adopted an accounting policy to treat these acquisitions as transactions between equity holders. Therefore, 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. The Allianz Group will apply this accounting policy to any acquisition of a minority interest in shareholders equity on or after January 1, 2005.

Recently adopted accounting pronouncement (effective before January 1, 2005)

SOP 03-1

Effective January 1, 2004, the Allianz Group adopted American Institute of Certified Public Accountants (AICPA) Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for certain Nontraditional Long-Duration Contracts and for Separate Accounts (SOP 03-1).* The most significant accounting implications of SOP 03-1 for the Allianz Group are as follows:

capitalizing sales inducements that meet specified criteria and amortizing such amounts over the life of the contracts using the same methodology as used for amortizing deferred policy acquisition costs, and immediately expensing those sales inducements not meeting such criteria,

recognizing a liability for guaranteed minimum death and similar mortality and morbidity benefits only for contracts determined to incorporate mortality and morbidity risk that is other than nominal and when the risk charges made for a period are not proportionate to the risk borne for the period,

for contracts containing an annuitization benefit option contract feature, an additional liability is established, if a provision for such a contract feature is not required under other applicable accounting standards and if the present value of expected annuitization payments at the expected annuitization date exceeds the expected account balance at the expected annuitization date, and

recognizing contract holder liabilities for persistency bonuses and other sales inducements.

The effect of initially adopting SOP 03-1 was reported in the consolidated statements of changes in shareholders equity in the amount of 10 mn, net of taxes.

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4 Consolidation

Scope of the consolidation

In addition to Allianz AG, 156 (2003: 193; 2002: 213) German and 907 (2003: 972; 2002: 1,045) foreign enterprises have been consolidated as of December 31, 2004. In addition, 68 (2003: 61; 2002: 74) German and 29 (2003: 39; 2002: 79) foreign investment funds were also consolidated as of December 31, 2004.

Of the entities that have been consolidated as of December 31, 2004, 9 (2003: 10; 2002: 12) subsidiaries have been consolidated where Allianz AG owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. (CreditRas) and Antoniana Veneta Popolare Vita S.p.A. (Antoniana), in all periods presented. Allianz AG controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other sharesholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the subsidiaries general manager, in the case of CreditRas and Duerrevita (merged in 2002 with CreditRas), and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. In addition, all management functions of these subsidiaries are performed by Allianz Group employees and all operations are undertaken in Allianz Group s facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholder each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas, Duerrevita (merged in 2002 with CreditRas) and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

As of December 31, 2004, there were 11 (2003: 13; 2002: 12) joint ventures that were accounted for using the equity method; each of these enterprises is managed by Allianz AG together with a third party not consolidated in the Allianz Group s consolidated financial statements.

Additionally, there were 181 (2003: 170; 2002: 198) associated enterprises accounted for using the equity method as of December 31, 2004.

All affiliated companies, joint ventures, and associated enterprises are individually listed in the disclosure of equity investments filed with the Commercial Register in Munich. All private companies are also listed and identified separately in this disclosure of equity investments, for which the consolidated financial statements and the Allianz Group management report are exempt in accordance with the application of clause 264b of the German Commercial Code (HGB). Selected affiliated and associated enterprises are listed in Note 48.

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Acquisitions

The following are the significant companies consolidated for the first-time for the years ended December 31, 2004, 2003 and 2002:

	Effects on the Consolidated Financial Statements in Year of Acquisition[1]				
Principal New Acquisitions	**Date of First-time Consolidation**	**Gross Premiums**	**Net Income**	**Goodwill[2]**	**Amortization of Goodwill**
		mn	**mn**	**mn**	**mn**
2004					
Four Seasons Health Care Ltd., Wilmslow	8/31/2004	163[3]	2	141	
2003					
2002					
Slovenská poist ovna a. s., Bratislava	7/22/2002	125	(8)	138	(7)

(1) Consolidated in the business segments.
(2) On the date of first-time consolidation.
(3) Income from service agreements

2004 Acquisitions

Four Seasons Health Care Ltd., Wilmslow On August 16, 2004, the Allianz Group acquired 100.0% of Four Seasons Health Care Ltd., Wilmslow at a purchase price of 1,167 mn. Four Seasons Health Care Ltd., Wilmslow operates care homes and specialist centres in England, Scotland and Northern Ireland.

PIMCO Advisors L.P., Delaware In January, April and November 2004, the Allianz Group increased its interest in PIMCO Advisors L.P., Delaware, by a total of 9.7% to 93.6%, resulting in additional goodwill of 583 mn. The acquisition cost for the additional interest was 598 mn.

2004 Divestitures

The principal companies deconsolidated in the course of the year are presented in the following table:

	Effects on the Consolidated Financial Statements for 2004[1]			
	Date of Deconsolidation	Gross Premiums	Net Income	Disposed Goodwill charged to Income[2]
		mn	mn	mn
Allianz of Canada, Inc., Toronto	12/9/2004	458	105	31
Allianz President General Insurance Co. Ltd., Taipeh	9/27/2004	69	10	4
ENTENIAL, Guyancourt	2/4/2004			(5)

(1) Consolidated in the business segments.
(2) At the date of deconsolidation.

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2003 Acquisitions

In the course of the year, no major subsidiaries were acquired or consolidated for the first time.

The Allianz Group acquired the following additional interests in already consolidated subsidiaries:

Riunione Adriatica di Sicurtà S.p.A., Milan On February 17, 2003, the Allianz Group increased its interest in Riunione Adriatica di Sicurtà S.p.A., Milan, by 4.4% to 55.5%, resulting in additional goodwill of 146 mn. The acquisition cost for the additional interest was 810 mn.

Münchener und Magdeburger Agrarversicherung AG, München On December 2, 2003, the Allianz Group increased its interest in Münchener und Magdeburger Agrarversicherung AG, Munich, by 6.1% to 58.5%. The acquisition cost for the additional interest was 0.2 mn.

PIMCO Advisors L.P., Delaware In April 2003, July 2003 and October 2003, the Allianz Group increased its interest in PIMCO Advisors L.P., Delaware, by a total of 14.4% to 83.9%, resulting in additional goodwill of 624 mn. The acquisition cost for the additional interest was 640 mn.

2003 Divestitures

The principal companies deconsolidated in the course of the year are presented in the following table:

	Effects on the Consolidated Financial Statements for 2003[1]			
	Date of Deconsolidation	Gross Premiums	Net Income	Disposed Goodwill charged to Income[2]

		mn	mn	mn
AFORE Allianz Dresdner S.A. de C.V., Mexico City	11/11/2003		10	117
AGF AZ Chile Vida, Santiago de Chile	4/29/2003			
AGF Belgium Bank S.A., Brussels	12/15/2003		(5)	
Allianz Parkway Integrated Care Pte Ltd., Singapore	9/30/2003	7		
Merchant Investors Assurance Company Ltd., Bristol	10/3/2003	3		
Pioneer Allianz Life Assurance Corporation, Metro Manila	1/14/2003			

(1) Consolidated in the business segments
(2) At the date of deconsolidation

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2002 Acquisitions

Slovenská poist ovna a.s., Bratislava On July 22, 2002, the Allianz Group acquired 66.8% of Slovenská poist ovna a.s. at a purchase price of 142 mn. Slovenská poist ovna operates in both the property-casualty and the life/health insurance business segments. An additional 25.8% and 6.5% interests were acquired on July 29, 2002 and December 20, 2002, respectively. The total acquisition cost for the 99.1% interest in Slovenská poist ovna amounted to 216 mn, resulting in goodwill of 138 mn.

Allianz Lebensversicherungs-AG, Stuttgart On January 15, 2002, the Allianz Group increased its interest in Allianz Lebensversicherungs-AG by 40.5% to 91.0%, resulting in additional goodwill of 633 mn. The acquisition cost for the additional interest was 2,587 mn.

Frankfurter Versicherungs-AG, Frankfurt am Main On June 28, 2002, the Allianz Group increased its interest in Frankfurter Versicherungs-AG by 50.0% to 100.0%, resulting in additional goodwill of 57 mn. The acquisition cost for the additional interest was 930 mn.

Bayerische Versicherungsbank AG, Munich On June 28, 2002, the Allianz Group increased its interest in Bayerische Versicherungsbank AG by 45.0% to 90.0%, resulting in additional goodwill of 94 mn. The acquisition cost for the additional interest was 858 mn.

Dresdner Bank AG, Frankfurt am Main On January 15, 2002, June 28, 2002, July 2, 2002 and August 23, 2002, the Allianz Group increased its interest in Dresdner Bank AG by 21.5% to 100.0%, resulting in additional goodwill of 2,002 mn. The acquisition cost for the additional interest totaled 6,338 mn.

2002 Divestitures

Deutsche Hyp Deutsche Hypothekenbank AG, Frankfurt am Main In August 2002, Deutsche Hyp Deutsche Hypothekenbank AG (Deutsche Hyp) was merged into Eurohypo AG, a company into which Commerzbank AG, Deutsche Bank AG and Dresdner Bank AG merged their mortgage lending subsidiaries. The proceeds from the sale of Deutsche Hyp amounted to 1,411 mn.

5 Segment Reporting

As a result of the Allianz Group s worldwide organization, the business activities of the Allianz Group are first segregated by product and type of service: insurance activities, banking activities and asset management activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property-casualty and life/health categories. Thus, the Allianz Group s segments are structured as Property-Casualty, Life/Health, Banking and Asset Management. Based on various legal, regulatory and other operational issues associated with operating entities in jurisdictions worldwide, the segments of the Allianz Group are also further analyzed by geographical areas or regions in matrixes that comprise a number of profit and service-center segments (see following pages). This geographic analysis is performed to provide further understanding of trends and results underlying the segment data.

Property-Casualty

The Allianz Group is the largest German property-casualty insurance company based on gross premiums written in 2004. Principal product lines offered primarily within Germany include automobile liability and other automobile insurance, fire and property insurance, personal accident insurance, liability insurance and legal expense insurance. The Allianz Group is also among the largest property-casualty insurance companies in other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group conducts its property-casualty insurance operations in these countries through five main groups of operating entities in France, primarily offering automobile,

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property, injury and liability for both individual and corporate customers; Italy, operating in all personal and commercial property-casualty lines in particular personal automobile insurance; the United Kingdom, offering products generally similar to those offered by the Allianz Group s German property-casualty operations as well as a number of specialty products, including extended warranty and pet insurance; Switzerland, offering property-casualty insurance, travel and assistance insurance, conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide; and Spain, offering a wide variety of traditional personal and commercial property-casualty insurance products, with an emphasis on automobile insurance.

Life/Health

The Allianz Group is the largest provider of life insurance and the third-largest provider of health insurance in Germany as measured by gross premiums written in 2004. Germany is the Allianz Group s most important market for life/health insurance. The Allianz Group s German life insurance companies offer a comprehensive and unified range of life insurance and life insurance-related products on both an individual and group basis. The main classes of coverage offered include endowment life insurance, annuity policies, term life insurance, unit-linked annuities, and other life insurance-related forms of cover, which are provided as riders to other policies and on a stand-alone basis. The Allianz Group s German health insurance companies provide a wide range of health insurance products, including full private healthcare coverage for the self-employed, salaried employees and civil servants, supplementary insurance for people insured under statutory health insurance plans, daily sickness allowance for the self-employed and salaried employees, hospital daily allowance, supplementary care insurance and foreign travel medical expenses insurance. The Allianz Group also maintains significant life/health operations in the United States, offering a wide variety of life insurance, fixed and variable annuity contracts, including equity-indexed annuities to individuals, and long-term care insurance to individual and corporate customers. Italy and France are also markets where the Allianz Group maintains a significant presence offering products such as unit-linked and investment-oriented products, health insurance and individual and group life insurance.

Banking

The Allianz Group s banking operations primarily comprise the operations of the Dresdner Bank Group, whose principal banking products and services include traditional commercial banking activities such as deposit taking, lending (including residential mortgage lending) and cash management, as well as corporate finance advisory services, mergers and acquisitions advisory services, capital and money market services, securities underwriting and securities trading and derivatives business on its own account and for its customers. The Allianz Group operates through the domestic and international branch network of the Dresdner Bank Group and through various subsidiaries both in Germany and abroad, some of which also have branch networks.

Asset Management

The Allianz Group s asset management segment operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group s insurance operations. The Allianz Group managed approximately 1,078 bn of third-party assets, Allianz Group s own investments and separate account assets on a worldwide basis as of December 31, 2004, with key management centers in Munich, Frankfurt, London, Paris, Singapore, Hong Kong, Milan, Westport, Connecticut, and San Francisco, San Diego and Newport Beach, California. As measured by total assets under management at December 31, 2004, the Allianz Group is one of the five largest asset managers in the world. The United States is the Allianz Group s largest geographic region for third-party assets under management comprising approximately 70% (2003: 69% and 2002: 69%). The Allianz Group s total income from asset management operations, before consolidation adjustments, represented approximately 3% (2003: 3%; 2002: 3%) of its consolidated total income in 2004.

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Business Segment Information Consolidated Balance Sheets

as of December 31, 2004 and 2003

	Property-Casualty		Life/Health	
	2004	2003	2004	2003
	mn	mn	mn	mn
ASSETS				
Intangible assets	2,185	2,520	4,075	4,351
Investments in associated enterprises and joint ventures	48,359	48,385	5,532	5,717
Investments	81,245	77,307	154,920	138,818
Loans and advances to banks	7,424	9,693	56,699	53,063
Loans and advances to customers	6,224	6,127	28,808	30,310
Financial assets carried at fair value through income	1,137	1,811	46,668	36,142
Cash and cash equivalents	1,665	1,769	968	1,103
Amounts ceded to reinsurers from reserves for insurance and investment contracts	12,337	14,400	16,382	16,875
Deferred tax assets	6,816	7,379	3,451	3,508
Other assets	20,045	23,628	20,362	19,748
Total segment assets	187,437	193,019	337,865	309,635

	Property-Casualty		Life/Health	
	2004	2003	2004	2003
	mn	mn	mn	mn
SHAREHOLDERS EQUITY AND LIABILITIES				
Participation certificates and subordinated liabilities	5,497	4,006	141	65
Reserves for insurance and investment contracts	83,095	83,885	249,854	231,917
Liabilities to banks	1,358	8,687	1,241	1,662
Liabilities to customers	5,336		165	
Certificated liabilities	11,405	17,757	68	91
Financial liabilities carried at fair value through income	530	499	44,776	34,479
Other accrued liabilities	5,960	5,594	1,016	1,242
Other liabilities	12,352	15,460	21,280	20,522

Deferred tax liabilities	7,894	7,622	4,539	4,137
Deferred income	161	136	139	557
Total segment liabilities	133,588	143,646	323,219	294,672

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	Banking		Asset Management		Consolidation Adjustments		Group	
	2004	2003	2004	2003	2004	2003	2004	2003
	mn	mn	mn	mn	mn	mn	mn	mn
	2,526	2,847	6,362	6,544	(1)		15,147	16,262
	3,037	3,146	3	6	(51,174)	(50,969)	5,757	6,285
	17,736	25,192	529	565	(6,103)	(10,485)	248,327	231,397
	119,025	107,682	144	160	(1,749)	(1,238)	181,543	169,360
	168,346	182,732	29	24	(7,727)	(10,258)	195,680	208,935
	192,746	144,322	131	125	(108)	(158)	240,574	182,242
	13,097	22,987	431	365	(533)	(696)	15,628	25,528
					(6,409)	(6,214)	22,310	25,061
	3,679	3,777	187	75	6		14,139	14,739
	15,341	13,857	2,942	3,352	(7,477)	(7,181)	51,213	53,404
	535,533	506,542	10,758	11,216	(81,275)	(87,199)	990,318	933,213

	Banking		Asset Management		Consolidation Adjustments		Group	
	2004	2003	2004	2003	2004	2003	2004	2003
	mn	mn	mn	mn	mn	mn	mn	mn
	7,815	8,263			(223)	(104)	13,230	12,230
	4	35			(6,573)	(6,377)	326,380	309,460
	189,187	168,763	7	111	(446)	(914)	191,347	178,309
	158,127	156,258	294	379	(6,785)	(2,040)	157,137	154,597
	47,041	51,353	4	72	(766)	(5,953)	57,752	63,320
	99,934	83,481			(103)	(221)	145,137	118,238
	5,783	6,611	1,225	972			13,984	14,419
	8,859	7,283	709	1,117	(11,929)	(13,061)	31,271	31,321
	1,860	1,813	57	56		(1)	14,350	13,627
	1,737	1,738	2	2			2,039	2,433
	520,347	485,598	2,298	2,709	(26,825)	(28,671)	952,627	897,954

Shareholders equity and minority interests in shareholders equity	37,691	35,259
Total equity and liabilities	990,318	933,213

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Business Segment Information Consolidated Income Statements

for the years ended December 31, 2004, 2003 and 2002

	Property-Casualty			Life/Health		
	2004	2003	2002	2004	2003	2002
	mn	mn	mn	mn	mn	mn
Premiums earned (net)	38,193	37,277	36,458	18,596	18,701	18,675
Interest and similar income	4,051	4,187	4,473	11,196	11,065	11,215
Income from associated enterprises and joint ventures (net)	2,438	3,619	8,401	438	712	445
Other income from investments	2,145	5,026	3,603	2,423	4,605	5,049
Income from financial assets and liabilities carried at fair value through income (net)	(41)	(1,481)	207	198	447	244
Fee and commission income, and income from service activities	1,038	522	521	224	234	200
Other income	1,064	1,770	1,773	1,226	1,484	863
Total income	48,888	50,920	55,436	34,301	37,248	36,691
Insurance and investment contract benefits (net)	(26,871)	(27,180)	(28,840)	(25,390)	(25,206)	(19,872)
Interest and similar expenses	(1,562)	(1,667)	(1,564)	(749)	(732)	(724)
Other expenses from investments	(1,127)	(2,340)	(5,198)	(867)	(4,087)	(10,774)
Loan loss provisions	(7)	(10)	(7)	(3)	(3)	(10)
Acquisition costs and administrative expenses	(10,734)	(10,276)	(10,521)	(4,533)	(3,938)	(4,263)
Amortization of goodwill	(381)	(383)	(370)	(159)	(398)	(174)
Other expenses	(2,069)	(2,646)	(3,003)	(896)	(1,640)	(1,562)
Total expenses	(42,751)	(44,502)	(49,503)	(32,597)	(36,004)	(37,379)
Earnings from ordinary activities before taxes	6,137	6,418	5,933	1,704	1,244	(688)
Taxes	(1,520)	(756)	688	(469)	(639)	(1)
Minority interests in earnings	(1,151)	(451)	(638)	(368)	(386)	302
Net income (loss)	3,466	5,211	5,983	867	219	(387)

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	Banking			Asset Management			Consolidation Adjustments			Group		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
										56,789	55,978	55,133
	6,471	8,047	13,336	62	78	119	(824)	(867)	(933)	20,956	22,510	28,210
	84	3	2,025		10	(12)	(2,183)	(1,330)	(6,600)	777	3,014	4,259
	635	809	1,420	21	16	35	(45)	34	(694)	5,179	10,490	9,413
	1,493	1,524	1,081	11	30	(1)	(3)	(1)	(24)	1,658	519	1,507
	3,085	2,956	2,925	3,110	2,892	2,918	(634)	(544)	(462)	6,823	6,060	6,102
	293	521	432	48	33	126	(98)	(5)	(163)	2,533	3,803	3,031
	12,061	13,860	21,219	3,252	3,059	3,185	(3,787)	(2,713)	(8,876)	94,715	102,374	107,655
							6	146	29	(52,255)	(52,240)	(48,683)
	(4,179)	(5,284)	(9,509)	(13)	(29)	(89)	800	841	945	(5,703)	(6,871)	(10,941)
	(480)	(678)	(2,515)	(3)	(13)	(22)	(195)	(334)	368	(2,672)	(7,452)	(18,141)
	(344)	(1,014)	(2,222)			(2)				(354)	(1,027)	(2,241)
	(6,008)	(6,592)	(7,581)	(2,730)	(2,632)	(2,591)	625	521	336	(23,380)	(22,917)	(24,620)
	(244)	(263)	(241)	(380)	(369)	(377)				(1,164)	(1,413)	(1,162)
	(873)	(1,965)	(1,034)	(401)	(401)	(551)	148	64	292	(4,091)	(6,588)	(5,858)
	(12,128)	(15,796)	(23,102)	(3,527)	(3,444)	(3,632)	1,384	1,238	1,970	(89,619)	(98,508)	(111,646)
	(67)	(1,936)	(1,883)	(275)	(385)	(447)	(2,403)	(1,475)	(6,906)	5,096	3,866	(3,991)
	294	1,025	154	52	80	112	(19)	41	120	(1,662)	(249)	1,073
	(101)	(104)	25	(52)	(92)	(171)	504	107	157	(1,168)	(926)	(325)
	126	(1,015)	(1,704)	(275)	(397)	(506)	(1,918)	(1,327)	(6,629)	2,266	2,691	(3,243)

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Business Segment Information Insurance

as of and for the years ended December 31, 2004, 2003 and 2002

PROPERTY-CASUALTY	Premiums earned (net)			Loss ratio[1]		
	2004	2003	2002	2004	2003	2002
	mn	mn	mn	%	%	%
1. Europe						
Germany	10,712	10,478	10,265	64.5	71.4	74.2
Italy	4,840	4,645	4,490	68.1	70.9	74.8
France	4,484	4,453	4,066	73.5	79.8	84.5
Great Britain	2,012	1,827	1,875	63.6	67.1	68.1
Switzerland	1,659	1,599	1,611	72.9	71.0	70.3
Spain	1,454	1,337	1,171	72.2	75.9	77.0
2. America						
NAFTA Region	3,932	4,037	4,689	64.7	70.0	94.6
South America	378	408	494	64.7	71.3	67.0
3. Asia-Pacific	1,243	1,171	1,134	72.8	71.7	78.5
4. Specialty Lines						
Allianz Global Risks Rückversicherungs-AG	1,072	1,038	559	68.9	70.9	100.8
Credit Insurance	901	845	857	40.8	49.3	72.1
Travel Insurance and Assistance Services	863	784	740	59.8	60.6	62.0
Allianz Marine & Aviation	475	417	578	64.4	65.5	75.2
5. Other	4,168	4,238	3,929	76.9	73.2	77.7
6. Consolidation adjustments[4]						
Total	38,193	37,277	36,458	67.7	71.5	78.2

LIFE/HEALTH	Premiums earned (net)		
	2004	2003	2002
	mn	mn	mn
1. Europe			

Germany Life	8,936	8,788	8,249
Germany Health	3,019	2,959	2,794
France	1,545	1,509	1,449
Italy	1,088	1,169	1,219
Switzerland	504	542	624
Spain	576	530	493
2. USA	428	598	924
3. Asia-Pacific	1,131	1,303	1,605
4. Other	1,369	1,303	1,318
5. Consolidation adjustments[(4)]			
Total	18,596	18,701	18,675

(1) The loss ratio represents net claims incurred as a percentage of net premiums earned.

(2) The expense ratio represents net acquisition costs and administrative expenses as a percentage of net premiums earned.

(3) Group s own investments, which reflect the definition of investments as used by management for controlling purposes, are presented before consolidation adjustments representing the elimination of intra-Allianz Group investment holdings held by Allianz Group companies in different geographic regions. Real estate owned by the Allianz Group and used for its own activities is, however, not considered by management to be an investment and, therefore, does not mirror the real estate category under Note 38 to our Consolidated Financial Statements, which includes real estate owned by the Allianz Group and used for its own activities in the real estate category.

For further information on the composition of group s own investments, see Note 38 to the Consolidated Financial Statements.

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	Expense ratio[2]			Net income (loss)			Group s own investments[3]	
	2004	2003	2002	2004	2003	2002	2004	2003
	%	%	%	mn	mn	mn	mn	mn
	25.1	25.7	28.3	1,999	4,538	7,670	101,844	106,144
	22.4	22.9	22.7	494	347	468	12,772	14,134
	24.9	24.4	26.4	843	109	(23)	23,219	22,123
	29.8	29.0	30.0	208	179	234	4,411	3,431
	19.7	25.3	23.8	96	53	(12)	4,433	4,089
	18.7	19.6	20.6	108	59	34	2,165	1,854
	28.0	28.2	32.9	489	(85)	(985)	16,729	18,185
	33.3	32.6	34.8	23	3	24	499	507
	23.7	23.8	24.8	88	64	(73)	2,902	2,740
	28.8	27.9	41.7	186	441		2,325	1,227
	28.2	32.7	34.2	99	62	16	2,634	2,669
	31.8	31.3	32.5	6	3	12	574	509
	29.2	21.8	21.1	84	57		1,216	1,373
	25.0	24.0	24.2	357	463	306	27,820	27,924
				(1,614)	(1,082)	(1,688)	(60,306)	(63,946)
	25.2	25.5	27.5	3,466	5,211	5,983	143,237	142,963

	Statutory expense ratio[5]			Net income (loss)			Group s own investments[3]	
	2004	2003	2002	2004	2003	2002	2004	2003
	%	%	%	mn	mn	mn	mn	mn
	10.4	6.8	9.4	159	17	(146)	115,960	110,056
	9.3	10.4	10.6	53	(1)	12	14,297	13,033

	17.3	16.5	17.9	127	124	(57)	48,145	43,954
	4.4	3.5	5.0	151	112	146	21,763	19,048
	9.8	8.6	12.3	13	6	(68)	7,860	7,736
	5.8	6.3	6.7	22	16	13	5,067	4,327
	5.2	4.6	4.8	256	132	(69)	19,515	16,774
	13.2	10.8	13.5	(16)	(261)	(18)	5,332	4,288
	19.5	20.0	26.0	109	83	(191)	11,711	11,099
				(7)	(9)	(9)	(632)	(615)
	9.1	7.9	10.0	867	219	(387)	249,018	229,700

(4) Represents elimination of intercompany transactions between Allianz Group companies in different geographic regions. In the life/health insurance segment, consolidation adjustments also include the elimination of intercompany transactions between Germany Life and Germany Health.

(5) The statutory expense ratio represents net acquisition costs and administrative expenses as a percentage of net premiums earned (statutory).

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Business Segment Information Banking

for the years ended December 31, 2004, 2003 and 2002

Banking operations (Current Reporting Structure)[1]

	2004		2003	
Years Ended 12/31	**Operating revenues**[2]	**Earnings after taxes and before goodwill amortization**[3]	**Operating revenues**[2]	**Earnings after taxes and before goodwill amortization**[3]
	mn	**mn**	**mn**	**mn**
Personal Banking	1,846	(6)	1,870	(121)
Private & Business Banking	1,145	188	1,108	151
Corporate Banking	1,014	282	1,065	206
Dresdner Kleinwort Wasserstein	2,045	154	2,174	246
IRU	361	5	632	(871)
Corporate Other	(185)	(155)	(604)	(378)
Dresdner Bank	6,226	468	6,245	(767)
Other Banks[4]	220	3	459	119
Subtotal	6,446	471	6,704	(648)
Amortization of goodwill		(244)		(263)
Minority interests		(101)		(104)
Total	6,446	126	6,704	(1,015)

Banking operations (2003 Reporting Structure)[1]

Years Ended 12/31	2003	2002

	Operating revenues[(2)]	Earnings after taxes and before goodwill amortization[(3)]	Operating revenues[(2)]	Earnings after taxes and before goodwill amortization[(3)]
	mn	mn	mn	mn
Private and Business Clients	3,229	(173)	3,198	(304)
Corporates & Markets	3,727	(273)	3,877	(1,642)
Other	(252)	(202)	480	458
Subtotal	6,704	(648)	7,555	(1,488)
Amortization of goodwill		(263)		(241)
Minority interests		(104)		25
Total	6,704	(1,015)	7,555	(1,704)

(1) The Current Reporting Structure reflects (a) the splitting of the former Private and Business Clients division into two new divisions, Personal Banking and Private & Business Banking, effective in 2004, (b) the reorganization of the banking divisions in 2003, including the splitting of the former Corporates & Markets division into two new divisions, Corporate Banking and Dresdner Kleinwort Wasserstein, as well as the formation of IRU, and (c) the reclassification of the banking operations, other than Dresdner Bank, that were included within the former Private and Business Clients division and the former Corporates & Markets division to the former Other division. Furthermore, for the purpose of presenting the results of operations of Dresdner Bank separately from others within the banking segment, the former Other division has been split into Corporate Other division and Other Banks. The 2003 Reporting Structure, however, does not reflect any of these reorganizations.

(2) Consists of net interest income, net fee and commission income, and net trading income. Operating revenue is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks, but other banks may calculate operating income on a different basis and accordingly may not be comparable to operating income as used herein. With effect from January 1, 2004, current income(loss) from investments in associated enterprises and joint ventures is included within operating revenues. This change resulted in a decrease of 12 mn and an increase of 70 mn to operating revenues in 2003 and 2002, respectively. Furthermore, operating revenues excludes income from service activities, which resulted in a decrease of 22 mn to operating revenues in 2002.

(3) Represents earnings after taxes before minority interests and excludes amortization of goodwill.

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

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Banking operations

	Operating revenues[1]			Earnings after taxes and before goodwill amortization[2]		
	2004	2003	2002	2004	2003	2002
	mn	mn	mn	mn	mn	mn
Germany	4,238	3,377	4,560	724	(32)	1,555
Rest of Europe	1,698	2,394	1,700	(138)	39	(1,042)
NAFTA	359	385	854	143	(351)	(1,527)
Rest of world	151	548	441	90	197	(474)
Subtotal	6,446	6,704	7,555	819	(147)	(1,488)
Consolidation adjustments[3]				(347)	(502)	
Total	6,446	6,704	7,555	472	(649)	(1,488)

(1) Consists of net interest income, net fee and commission income, and net trading income. Operating revenue is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks, but other banks may calculate operating income on a different basis and accordingly may not be comparable to operating income as used herein. With effect from January 1, 2004, current income(loss) from investments in associated enterprises and joint ventures is included within operating revenues. This change resulted in a decrease of 12 mn and an increase of 70 mn to operating revenues in 2003 and 2002, respectively. Furthermore, operating revenues excludes income from service activities, which resulted in a decrease of 22 mn to operating revenues in 2002.

(2) Represents earnings after taxes before minority interests and excludes amortization of goodwill.

(3) Represents elimination of intercompany transactions between Allianz Group companies in different geographical regions.

Business Segment Information Operating Profit for the years ended December 31, 2004 and 2003

The Allianz Group evaluates the results of its property-casualty, life/health insurance, banking and asset management segments using a financial performance measure referred to herein as operating profit . The Allianz Group defines segment operating profit as earnings from ordinary activities before taxation, excluding, as applicable for each respective segment, either all or some of the following items: net capital gains and impairments on investments, net trading income, intra-Allianz Group dividends and profit transfer, interest expense on external debt, restructuring charges, other non-operating income/(expense), acquisition-related expenses and amortization of goodwill.

While these excluded items are significant components in understanding and assessing the Allianz Group s consolidated financial performance, the Allianz Group believes that the presentation of operating results enhances the understanding and comparability of the performance of its operating segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of its businesses. For example, the Allianz Group believes that trends in the underlying profitability of its segments can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments on investment securities, as these are largely dependent on market cycles or issuer specific events over which the Allianz Group has little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at the Allianz Group s discretion. Operating profit is not a substitute for earnings from ordinary activities before taxation or net income as determined in accordance with IFRS. The Allianz Group s definition of operating profit may differ from similar measures used by other companies, and may change over time.

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

	Property-Casualty	Life/Health	Banking	Asset Management	Consolidation adjustments	Group
	mn	mn	mn	mn	mn	mn
Year ended 12/31/2004						
Total revenues[1]	43,780	45,177	6,446	2,308	(836)	96,875
Operating profit	3,979	1,418	586	856		6,839
Earnings from ordinary activities before taxes	6,137	1,704	(67)	(275)	(2,403)	5,096
Taxes	(1,520)	(469)	294	52	(19)	(1,662)
Minority interests in earnings	(1,151)	(368)	(101)	(52)	504	(1,168)
Net income (loss)	3,466	867	126	(275)	(1,918)	2,266
Year ended 12/31/2003						
Total revenues[1]	43,420	42,319	6,704	2,226	(929)	93,740
Operating profit/(loss)	2,397	1,265	(396)	716		3,982
Earnings from ordinary activities before taxes	6,418	1,244	(1,936)	(385)	(1,475)	3,866
Taxes	(756)	(639)	1,025	80	41	(249)
Minority interests in earnings	(451)	(386)	(104)	(92)	107	(926)
Net income (loss)	5,211	219	(1,015)	(397)	(1,327)	2,691

(1) Total revenues comprise property-casualty segment s gross premiums written, life/health segment s statutory premiums, banking segment s operating revenues, as well as asset management segment s operating revenues.

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Property-Casualty Insurance Segment

Years ended 12/31	2004	2003
	mn	mn
Gross premiums written	43,780	43,420
Premiums earned (net)[1]	38,193	37,277
Current income from investments (net)[2]	3,101	2,559
Insurance benefits (net)[3]	(26,650)	(27,261)
Net acquisition costs and administrative expenses[4]	(10,360)	(9,814)
Other operating income/(expenses) (net)	(305)	(364)
Operating profit	3,979	2,397
Net capital gains and impairments on investments[5]	1,488	6,049[6]
Net trading income/(expense)[7]	(49)	(1,490)
Intra-group dividends and profit transfer	1,963	676
Interest expense on external debt	(863)	(831)
Amortization of goodwill	(381)	(383)
Earnings from ordinary activities before taxes	6,137	6,418
Taxes	(1,520)	(756)
Minority interests in earnings	(1,151)	(451)
Net income	3,466	5,211
Loss ratio[8] in %	67.7	71.5
Expense ratio[9] in %	25.2	25.5
Combined ratio in %	92.9	97.0

(1) Net of earned premiums ceded to reinsurers of 5,298 mn (2003: 5,539 mn).

(2) Net of investment management expenses of 352 mn (2003: 412 mn) and interest expenses of 482 mn (2003: 883 mn).

(3) Comprises net claims incurred of 25,867 mn (2003: 26,659 mn), changes in other net underwriting provisions of 458 mn (2003: 269 mn) and net expenses for premium refunds of 325 mn (2003: 333 mn). Net expenses for premium refunds were adjusted for income of 210 mn (2003: expense of 138 mn) related to policyholders participation of net capital gains and impairments on investments as well as net trading income/(expense) that were excluded from the determination of operating profit.

(4) Comprises net acquisition costs of 5,781 mn (2003: 5,509 mn), administrative expenses of 3,849 mn (2003: 4,002 mn) and expenses for service agreements of 730 mn (2003: 303 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the Consolidated Financial Statements.

(5) Comprises net realized gains on investments of 2,041 mn (2003: 7,517 mn) and net impairments on investments of 553 mn (2003: 1,468 mn). These amounts are net of policyholders participation.

(6) Includes significant net realized gains from sales of certain shareholdings.

(7) Net trading income/(expense) are net of policyholders participation.

(8) Represents ratio of net claims incurred to net premiums earned.

(9) Represents ratio of net acquisition costs and administrative expenses to net premiums earned.

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Life/Health Insurance Segment

Years ended 12/31	2004	2003
	mn	mn
Statutory premiums[1]	45,177	42,319
Gross premiums written	20,716	20,689
Premiums earned (net)[2]	18,596	18,701
Current income from investments (net)[3]	10,852	10,744
Insurance benefits (net)[4]	(23,845)	(24,189)
Net acquisition costs and administrative expenses[5]	(4,039)	(3,416)
Net trading income	117	218
Other operating income/(expenses) (net)	(263)	(793)
Operating profit	1,418	1,265
Net capital gains and impairments on investments[6]	282	274[7]
Intra-group dividends and profit transfer	163	103
Amortization of goodwill	(159)	(398)
Earnings from ordinary activities before taxes	1,704	1,244
Taxes	(469)	(639)
Minority interests in earnings	(368)	(386)
Net income	867	219
Statutory expense ratio[8] in %	9.1	7.9

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

(2) Net of earned premiums ceded to reinsurers of 2,048 mn (2003: 1,953 mn).

(3) Net of investment management expenses of 450 mn (2003: 493 mn) and interest expenses of 33 mn (2003: 23 mn).

(4) Net insurance benefits were adjusted for an income of 1,548 mn (2003: 1,015 mn) relating to the policyholders participation of net capital gains and impairments on investments that were excluded from the determination of operating profit.

(5) Comprises net acquisition costs of 2,635 mn (2003: 1,885 mn), administrative expenses of 1,270 mn (2003: 1,307 mn) and expenses for service agreements of 134 mn (2003: 224 mn). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the Consolidated Financial Statements.

(6) Comprises net realized gains on investments of 331 mn (2003: 602 mn), and net impairments on investments of 49 mn (2003: 328 mn). These amounts are net of policyholders participation.

(7) Includes realized gains of 743 mn from sales of Credit Lyonnais shares in 2003.

(8) Represents ratio of net acquisition costs and administrative expenses to net premiums earned (statutory).

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Banking Segment

	2004		2003	
Years Ended 12/31	**Banking Segment**	**Dresdner Bank**	**Banking Segment**	**Dresdner Bank**
	mn	**mn**	**mn**	**mn**
Net interest income	2,359	2,267	2,728	2,325
Net fee and commission income	2,593	2,460	2,452	2,387
Net trading income	1,494	1,499	1,524	1,533
Operating revenues	6,446	6,226	6,704	6,245
Administrative expenses	(5,516)	(5,307)	(6,086)	(5,739)
Net loan loss provisions	(344)	(337)	(1,014)	(1,015)
Operating profit (loss)	586	582	(396)	(509)
Net capital gains and impairments on investments	172(1)	166	166(1)	120
Restructuring charges	(292)	(290)	(892)	(840)
Other non-operating income/(expenses) (net)	(289)	(278)	(551)	(613)
Amortization of goodwill	(244)	(244)	(263)	(270)
Earnings from ordinary activities before taxes	(67)	(64)	(1,936)	(2,112)
Taxes	294	288	1,025	1,075
Minority interests in earnings	(101)	(60)	(104)	(5)
Net income (loss)	126	164	(1,015)	(1,042)
Cost-income ratio(2) in %	85.6	85.2	90.8	91.9

(1) Comprises primarily net realized gains on investments of 604 mn (2003: 709 mn), and net impairments on investments of 467 mn (2003: 591 mn).
(2) Represents ratio of administrative expenses to operating revenues.

After the divestment of our French mortgage banking subsidiary, Entenial, in January 2004, the Allianz Group s banking segment s results of operations are almost exclusively represented by Dresdner Bank, accounting for 96.6% of the total banking segment s operating revenues in 2004.

Asset Management Segment

Years Ended 12/31	2004 Asset Management Segment	2004 Allianz Global Investors	2003 Asset Management Segment	2003 Allianz Global Investors
	mn	mn	mn	mn
Operating revenues	2,308	2,301	2,226	2,226
Operating expenses	(1,452)	(1,450)	(1,510)	(1,510)
Operating profit	856	851	716	716
Acquisition-related expenses[1]	(751)	(751)	(732)	(732)
Amortization of goodwill	(380)	(380)	(369)	(369)
Earnings from ordinary activities before taxes	(275)	(280)	(385)	(385)
Taxes	52	53	80	80
Minority interests in earnings	(52)	(52)	(92)	(92)
Net income (loss)	(275)	(279)	(397)	(397)
Cost-income ratio[2] in %	63.0	62.9	67.8	67.8

(1) Comprises amortization charges of 125 mn (2003: 137 mn) relating to capitalized loyalty bonuses for PIMCO management, and charges of 125 mn (2003: 147 mn) relating to retention payments for the management and employees of PIMCO and Nicholas Applegate, as well as charges of 501 mn (2003: 448 mn) in connection with the deferred purchases of interests in PIMCO.

(2) Represents ratio of operating expenses to operating revenues.

The Allianz Group s asset management segment s results of operations are almost exclusively represented by Allianz Global Investors, which accounted for 99.6% of the Allianz Group s total asset management segment s operating revenues in 2004.

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Supplementary Information on the Allianz Group s Assets

6 Intangible assets

	12/31/2004	12/31/2003
	mn	mn
Goodwill	11,677	12,370
PVFP	1,522	1,658
Software	972	1,064
Brand names	740	782
Loyalty bonuses	33	158
Other	203	230
Total	15,147	16,262

Amortization expense of intangible assets is estimated to be 479 mn in 2005, 430 mn in 2006, 411 mn in 2007, 389 mn in 2008 and 371 mn in 2009.

Goodwill

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Gross amount capitalized as of 12/31 previous year	17,259	17,262	14,963
Accumulated amortization as of 12/31 previous year	(4,889)	(3,476)	(2,314)
Value stated as of 12/31 previous year	12,370	13,786	12,649
Translation differences	(270)	(560)	(532)
Value stated as of 1/1	12,100	13,226	12,117
Reclassification			(228)
Additions	803	782	3,059
Disposals	(62)	(225)	

Impairment		(224)	
Amortization	(1,164)	(1,189)	(1,162)
Value stated as of 12/31	11,677	12,370	13,786
Accumulated amortization as of 12/31	6,030	4,889	3,476
Gross amount capitalized as of 12/31	17,707	17,259	17,262

The impairment charge of 224 mn in 2003 concerns Allianz Life Insurance Company Ltd., Seoul. In the course of the annual goodwill impairment review the amount of the impairment was determined on the basis of an evaluation of future cash flows from the existing contract portfolio and new business. This amount reflects the effects of persistently lower interest rates in the capital markets and the overall unsatisfactory earnings performance of the company.

The reclassification in 2002 represents the goodwill in associated companies, which beginning in 2002, is recognized as part of the investments in associated enterprises and joint ventures within the Allianz Group s consolidated balance sheet.

This reclassification is comprised of:

181 mn related to Münchener Rückversicherungs-AG, Munich, and

47 mn related to AV Packaging GmbH and Schmalbach-Lubeca AG, Munich.

PVFP

Years ended 12/31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Gross amount capitalized as of 12/31 previous year	2,699	2,619	1,999
Accumulated amortization as of 12/31 previous year	(1,041)	(851)	(625)
Value stated as of 12/31 previous year	1,658	1,768	1,374
Translation differences	(5)	(33)	(25)
Value stated as of 1/1	1,653	1,735	1,349
Additions	47		608
Changes in the group of consolidated companies	(4)	(5)	(48)
Change in assumptions		118	
Amortization	(174)	(190)	(141)
Value stated as of 12/31	1,522	1,658	1,768
Accumulated amortization as of 12/31	1,215	1,041	851
Gross amount capitalized as of 12/31	2,737	2,699	2,619

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The additions in 2002 include primarily 525 mn related to an increase in ownership interest from 40.5% to 91.0% in Allianz Lebensversicherungs- AG, Stuttgart.

The amount of interest accrued on unamortized PVFP in 2004 was 94 mn (2003: 102 mn; 2002: 78 mn).

The percentage of PVFP as of December 31, 2004 that is expected to be amortized in 2005 is 13.97 % (12.89 % in 2006, 11.61 % in 2007, 10.17 % in 2008 and 9.04 % in 2009).

Software

Years ended 12/31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Gross amount capitalized as of 12/31 previous year	3,083	2,692	2,439
Accumulated amortization as of 12/31 previous year	(2,019)	(1,411)	(1,003)
Value stated as of 12/31 previous year	1,064	1,281	1,436
Translation differences	(6)	(20)	(19)
Value stated as of 1/1	1,058	1,261	1,417
Additions	757	713	497
Changes in the group of consolidated companies	(70)	(69)	(68)
Disposals	(232)	(233)	(157)
Amortization	(541)	(608)	(408)
Value stated as of 12/31	972	1,064	1,281
Accumulated amortization as of 12/31	2,560	2,019	1,411
Gross amount capitalized as of 12/31	3,532	3,083	2,692

The Allianz Group s consolidated balance sheet value of software amounting to 972 mn at December 31, 2004 (2003: 1,064 mn) includes 608 mn (2003: 598 mn) for software developed in-house and 364 mn (2003: 466 mn) for software purchased from third parties.

Brand names and loyalty bonuses

During the year ended December 31, 2002, assets of 224 mn (2001: 659 mn) were recognized for the value of the brand names Dresdner Bank and dit (Deutscher Investment-Trust) in connection with the acquisition of Dresdner Bank AG. The accumulated amortization of the brand names amounted to 143 mn at December 31, 2004 (2003: 101 mn).

The accumulated amortization of the capitalized loyalty bonuses for senior management of the PIMCO Group amounted to 680 mn at December 31, 2004 (2003: 555 mn).

7 Investments in associated enterprises and joint ventures

	12/31/2004	12/31/2003
	mn	mn
Total stated value	5,757	6,285
Total market value	6,372	7,135

The market value is primarily based on stock exchange quotations and internal valuations.

The amount of investments in associated enterprises and joint ventures that relates to banks was 2,310 mn (2003: 2,529 mn).

Loans to associated enterprises and joint ventures and fixed income securities available-for-sale issued by associated enterprises and joint ventures held by the Allianz Group amounted to 19,011 mn as of December 31, 2004.

As of December 31, 2004, EUROHYPO AG was the only equity method investment considered to be significant to the Allianz Group on an individual basis. EUROHYPO AG comprises approximately one-third of the investments in associated enterprises. Therefore, separate income statement and balance sheet data are shown for EUROHYPO AG. EUROHYPO AG s IFRS consolidated income statement and consolidated balance sheet for the years ended as of December 31 are presented below.

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Supplementary Information on the Allianz Group s Assets

EUROHYPO AG:

Income statement:

	2004	2003
	mn	mn
Net interest income	1,300	1,289
Loan loss provisions	(262)	(210)
Net fee and commission income	79	34
Net trading income	(15)	(161)
Net income from investments	52	63
Administrative expenses	(490)	(508)
Other non-operating income (net)	(33)	(67)
Operating result	631	440
Amortization of goodwill	(7)	
Restructuring charges	(13)	(122)
Taxes	(180)	(76)
Net income	431	242

Balance sheet:

	2004	2003
	mn	mn
Loans and advances to banks	24,161	20,507
Loans and advances to customers	156,738	168,185
Financial investments	42,899	42,800
Cash and cash equivalents	67	107

Other assets	3,063	2,983
Total assets	226,928	234,582
Liabilities to banks	36,154	29,469
Liabilities to customers	38,221	40,005
Certificated liabilities	127,971	143,053
Other liabilities	18,837	16,694
Equity	5,745	5,361
Total liabilities and equity	226,928	234,582

8 Investments

	12/31/2004	12/31/2003
	mn	mn
Securities held-to-maturity	5,179	4,683
Securities available-for-sale	230,919	214,201
Real estate used by third parties	10,628	10,501
Funds held by others under reinsurance contracts assumed	1,601	2,012
Total	248,327	231,397

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Supplementary Information on the Allianz Group s Assets

Securities held-to-maturity

The following tables present amortized cost, fair value and unrealized gains and losses for securities held-to-maturity:

	As of December 31, 2004			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	mn	mn	mn	mn
Government and government agency bonds:				
Switzerland	747	18		765
Italy	407	10		417
Austria	367	9		376
Germany	157	3		160
All other countries	508	9	(1)	516
	2,186	49	(1)	2,234
Corporate bonds	2,951	143		3,094
Other	42	17		59
Total	5,179	209	(1)	5,387

	As of December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	mn	mn	mn	mn
Government and government agency bonds:				
Austria	404	1		405
Italy	403	21	(2)	422
Germany	230	11		241
France	101	10		111

All other countries	609	34	(3)	640
	1,747	77	(5)	1,819
Corporate bonds	2,597	73	(1)	2,669
Other	339	6	(1)	344
Total	4,683	156	(7)	4,832

During 2003, 1,823 mn of held-to-maturity securities were reclassified as loans and advances to customers. In addition, held-to-maturity securities with a carrying amount of 11 mn were transferred to the financial assets held for trading category, resulting in an insignificant net realized gain. The decision to transfer the held-to-maturity securities to trading was taken in accordance with asset-liability management requirements.

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Securities available-for-sale

The following tables present amortized cost, fair value and unrealized gains and losses for securities available-for-sale:

	As of December 31, 2004			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
	mn	**mn**	**mn**	**mn**
Fixed Maturities:				
Government and agency mortgage-backed securities (residential and commercial)	9,376	38	(58)	9,356
Corporate mortgage-backed securities (residential and commercial)	909	42	(1)	950
Other asset-backed securities	2,926	84	(4)	3,006
Government and government agency bonds:				
Germany	13,887	559		14,446
Italy	23,403	1,160	(7)	24,556
France	14,031	1,218	(2)	15,247
Spain	7,371	646	(1)	8,016
United States	4,430	127	(110)	4,447
Belgium	4,362	249	(19)	4,592
Austria	3,509	190	(3)	3,696
Netherlands	3,243	173	(2)	3,414
Greece	3,038	181	(1)	3,218
Switzerland	2,315	89	(1)	2,403
All other countries	17,020	733	(32)	17,721
Subtotal	96,609	5,325	(178)	101,756
Corporate bonds	65,417	3,510	(90)	68,837
Other	2,727	90	(4)	2,813
Total fixed maturities	177,964	9,089	(335)	186,718
Equity securities	32,106	12,488	(393)	44,201
Total	210,070	21,577	(728)	230,919

Government and Government Agency bonds include investments in Government Agency bonds with an aggregated market value of 4,995 mn (at amortized cost of 4,753 mn).

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	As of December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	mn	mn	mn	mn
Fixed Maturities:				
Government and agency mortgage-backed securities (residential and commercial)	6,526	32	(96)	6,462
Corporate mortgage-backed securities (residential and commercial)	530	23	(1)	552
Other asset-backed securities	929	30	(3)	956
Government and government agency bonds:				
Germany	14,221	200	(45)	14,376
Italy	20,778	631	(42)	21,367
France	10,569	532	(46)	11,055
Spain	6,264	403	(18)	6,649
Belgium	4,062	136	(17)	4,181
Austria	3,610	95	(16)	3,689
Greece	2,845	84	(12)	2,917
All other countries	21,470	555	(168)	21,857
Subtotal	83,819	2,636	(364)	86,091
Corporate bonds	67,169	2,604	(249)	69,524
Other	3,844	69	(11)	3,902
Total fixed maturities	162,817	5,394	(724)	167,487
Equity securities	36,145	10,781	(212)	46,714
Total	198,962	16,175	(936)	214,201

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Supplementary Information on the Allianz Group s Assets

The following tables present proceeds from sales, gross realized gains, and gross realized losses of securities available-for-sale:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Proceeds from Sales			
Government bonds	60,443	61,981	50,063
Corporate bonds	32,191	29,926	22,451
Equity securities	17,462	34,930	39,371
Other	8,605	7,661	3,289
Total	118,701	133,498	115,174
Gross Realized Gains			
Government bonds	471	927	980
Corporate bonds	608	815	768
Equity securities	3,579	8,151	6,660
Other	30	21	40
Total	4,688	9,914	8,448
Gross Realized Losses			
Government bonds	196	233	304
Corporate bonds	176	265	487
Equity securities	517	2,390	5,389
Other	1	10	13
Total	890	2,898	6,193

The following table sets forth gross unrealized losses on securities available-for-sale and securities held-to-maturity and the related fair value, segregated by investment category and length of time such investments have been in a continuous unrealized loss position as of December 31, 2004. For a general discussion of the Allianz Group s impairment policy see Note 2.

Less than 12 months	Greater than 12 months	Total

Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	mn	mn	mn	mn	mn	mn
Government and agency mortgage-backed securities (residential and commercial)	6,029	(57)	11	(1)	6,040	(58)
Corporate mortgage-backed securities (residential and commercial)	100	(1)	9		109	(1)
Other asset-backed securities	499	(4)	35		534	(4)
Government and government agency bonds	5,491	(154)	1,138	(25)	6,629	(179)
Corporate bonds	6,323	(47)	829	(43)	7,152	(90)
Other	156	(3)	46	(1)	202	(4)
Total fixed maturities	18,598	(266)	2,068	(70)	20,666	(336)
Equity securities	1,309	(265)	495	(128)	1,804	(393)
Total	19,907	(531)	2,563	(198)	22,470	(729)

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Government and agency mortgage-backed securities (residential and commercial): Total unrealized losses amounted to 58 mn at December 31, 2004. The unrealized loss positions concern mostly issues of US government agencies, which are primarily held by Allianz Group s North American entities. These pay-through/pass-through securities are serviced by cash flows from pools of underlying loans to mostly private debtors. The unrealized losses of these mortgage-backed securities were partly caused by interest rate increases between purchase date of the individual securities and the balance sheet date. Also in various instances, price decreases were caused by increased prepayment risk for individual loan pools that were originated in a significantly higher interest rate environment. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, instances of insignificant deterioration of credit quality and Allianz Group has the positive ability and intent to hold these investments until a fair value recovery, the Allianz Group does not consider these investments to be other-than-temporarily impaired at December 31, 2004.

Government and government agency bonds: Total unrealized losses amounted to 179 mn at December 31, 2004. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). Given the fact that the issuers of these bonds are backed by the fiscal capacity of the issuers and the issuers typically hold an investment grade country- and/or issue-rating, credit risk is not a significant factor. Hence, the unrealized losses on Allianz Group s investment in government bonds were mainly caused by interest rate increases between the purchase date of the individual securities compared to balance sheet date. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, to instances of insignificant deterioration of credit quality and Allianz Group has the positive ability and intent to hold these investments until a fair value recovery, the Allianz Group does not consider these investments to be other-than-temporarily impaired at December 31, 2004.

Corporate bonds: Total unrealized losses amounted to 90 mn at December 31, 2004. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group s corporate bonds, issuers and/or issues are of investment grade . Therefore, the unrealized losses on Allianz Group s investment in corporate debt securities were primarily caused by interest rate increases between the purchase date of the individual securities compared to balance sheet date. As the decline in fair value is primarily attributable to changes in interest rates and because Allianz Group has the positive ability and intent to hold these investments until a fair value recovery, the Allianz Group does not consider these investments to be other-than-temporarily impaired at December 31, 2004.

Equity securities: As of December 31, 2004, unrealized losses from equity securities amounted to 393 mn. These unrealized losses concern equity securities that did not meet the criteria of Allianz Group s impairment policy for equity securities as described in Note 2. The unrealized loss position for equities in the greater than 12 months category primarily results from foreign currency translation adjustments related to equity securities denominated in U.S. dollars held by the Allianz Group subsidiaries whose functional currency is the Euro.

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Contractual maturities

The amortized cost and estimated fair value of securities available-for-sale and securities held-to-maturity with fixed maturities as of December 31, 2004, by contractual maturity, are as follows:

	Available-for-sale		Held-to-maturity	
	Amortized cost	Fair values	Amortized cost	Fair values
	mn	mn	mn	mn
Contractual term to maturity:				
Due in 1 year or less	20,970	21,560	523	528
Due after 1 year and in less than 5 years	68,191	71,080	1,446	1,530
Due after 5 years and in less than 10 years	54,290	57,229	1,903	1,991
Due after 10 years	34,513	36,849	1,307	1,338
Total	177,964	186,718	5,179	5,387

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

Securities lending and borrowing and repurchase and reverse repurchase agreements

Certain entities within the Allianz Group participate in securities lending arrangements whereby specific securities are loaned to other institutions for short periods of time. The Allianz Group had 28,147 mn of loaned securities outstanding as of December 31, 2004 (2003: 34,941 mn). The fair value of collateral accepted that can be sold or repledged amounted to 40,474 mn at December 31, 2004 (2003: 43,503 mn), of which 14,275 mn was sold or repledged as of December 31, 2004. The Allianz Group has a variety of collateral policies in place. Collateral requirements vary depending on the type of facility and whether or not any existing contracts are in place with clients. The minimum level varies by collateral type, more risky collateral types demanding a higher degree of collateralization.

The Allianz Group has entered into reverse repurchase agreement transactions with related collateral fair value of 176,249 mn and 166,006 mn as of December 31, 2004 and 2003, respectively, which consists primarily of government and corporate debt securities. In addition, the fair value of collateral that has been sold or repledged on reverse repurchase agreements transactions was 131,838 mn and 56,947 mn as of December 31, 2004 and 2003, respectively.

Liabilities to banks and liabilities to customers also includes outstanding repurchase agreements. Securities owned and pledged as collateral under repurchase agreements had a carrying value of 117,468 mn and 47,118 mn as of December 31, 2004 and 2003, respectively, and primarily consisted of government and corporate debt securities.

Equity investments carried at cost

For equity investments with carrying values totaling 167 mn as of December 31, 2004, fair values could not be reliably measured. These investments mostly concern investments in privately held corporations and partnerships. During 2004 such investments with carrying values of 20 mn were sold leading to gains of 2 mn and losses of 6 mn.

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Real estate used by third-parties

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Gross capitalized values as of 12/31 previous year	13,672	13,621	14,545
Accumulated amortization as of 12/31 previous year	(3,171)	(2,874)	(2,541)
Value stated as of 12/31 previous year	10,501	10,747	12,004
Translation differences	(5)	(184)	(80)
Reclassifications		345	
Value stated as of 1/1	10,496	10,908	11,924
Additions	1,669	712	1,117
Changes in the Group of consolidated companies	83	(228)	(712)
Disposals	(709)	(594)	(1,249)
Depreciation and impairments	(911)	(297)	(333)
Value stated as of 12/31	10,628	10,501	10,747
Accumulated amortization as of 12/31	4,082	3,171	2,874
Gross capitalized values as of 12/31	14,710	13,672	13,621

The fair value of real estate used by third parties as of December 31, 2004 was 14,181 mn (2003: 13,804 mn). Depreciation expense on real estate includes impairments of 653 mn for the year ended December 31, 2004 (2003: 30 mn; 2002: 104 mn). Real estate pledged as security, and other restrictions on title, amounted to 61 mn as of December 31, 2004 (2003: 60 mn). Commitments outstanding at December 31, 2004 to purchase real estate amounted to 52 mn (2003: 51 mn).

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Supplementary Information on the Allianz Group s Assets

9 Loans and advances to banks and customers

Loans and advances to banks, net of the loan loss allowance, are comprised of the following as of December 31:

	2004			2003		
	Germany	Other countries	Total	Germany	Other countries	Total
	mn	mn	mn	mn	mn	mn
Loans	54,332	5,211	59,543	52,128	4,163	56,291
Reverse repurchase agreements and collateral paid for securities borrowing transactions	18,520	84,886	103,406	16,507	74,694	91,201
Short-term investments and certificates of deposit	1,578	6,151	7,729	5,075	4,918	9,993
Other	4,344	6,752	11,096	2,677	9,498	12,175
Loans and advances to banks	78,774	103,000	181,774	76,387	93,273	169,660
Less loan loss allowance	(2)	(229)	(231)	(1)	(299)	(300)
Loans and advances to banks after loan loss allowance	78,772	102,771	181,543	76,386	92,974	169,360

Receivables due within one year totaled 132,200 mn (2003: 124,119 mn), and those due after more than one year totaled 49,574 mn (2003: 45,541 mn).

Loans and advances to customers, net of the loan loss allowance, are comprised of the following as of December 31:

	2004			2003		
	Germany	Other countries	Total	Germany	Other countries	Total

	mn	mn	mn	mn	mn	mn
Corporate customers	38,148	95,816	133,964	44,009	94,381	138,390
Public authorities	4,014	2,898	6,912	2,913	2,666	5,579
Private customers	52,203	6,505	58,708	62,997	7,394	70,391
Loans and advances to customers	94,365	105,219	199,584	109,919	104,441	214,360
Less loan loss allowance	(3,365)	(539)	(3,904)	(4,264)	(1,161)	(5,425)
Loans and advances to customers after loan loss allowance	91,000	104,680	195,680	105,655	103,280	208,935

Loans and advances to customers by type of loan

	12/31/2004	12/31/2003
	mn	mn
Loans	119,832	126,393
Reverse repurchase agreements and collateral paid for securities borrowing transactions	70,459	63,296
Other	9,293	24,671
Loans and advances to customers	199,584	214,360

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The table shown below provides a breakdown of loans and advances to customers, by economic sector as of December 31:

	2004	2003
	mn	mn
Germany:		
Manufacturing industry	6,459	8,539
Construction	812	1,135
Wholesale and retail trade	3,979	4,482
Financial institutions (excluding banks) and insurance companies	8,849	10,338
Service providers	12,060	13,839
Other	5,989	5,676
Corporate customers	38,148	44,009
Public authorities	4,014	2,913
Private customers	52,203	62,997
Subtotal	94,365	109,919
Other countries:		
Industry, wholesale and retail trade and service providers	11,419	14,515
Financial institutions (excluding banks) and insurance companies	78,001	76,852
Other	6,396	3,014
Corporate customers	95,816	94,381
Public authorities	2,898	2,666
Private customers	6,505	7,394
Subtotal	105,219	104,441
Loans and advances to customers	199,584	214,360

Loans and advances due within one year totaled 98,922 mn (2003: 132,419 mn), and those due after more than one year totaled 100,662 mn (2003: 81,941 mn).

Unearned income related to discounts deducted from loan balances as of December 31, 2004 was 103 mn (2003: 340 mn).

Loans and advances to customers include amounts receivable under finance leases at their net investment value totaling 1,247 mn (2003: 933 mn). The corresponding gross investment value of these leases amounts to 1,517 mn (2003: 1,030 mn), and the associated unrealized finance income is 270 mn (2003: 97 mn). The residual values of the entire leasing portfolio were fully insured as of December 31, 2004 and 2003. Lease payments received during 2004 were recognized as income in the amount of 42 mn (2003: 80 mn; 2002: 141 mn). An allowance for uncollectable lease payments was not recorded at December 31, 2004 (2003: 42 mn). The total amounts receivable under leasing arrangements include 371mn (2003: 114 mn) due within one year, 388 mn (2003: 450 mn) due within one to five years, and 758 mn (2003: 466 mn) due after more than five years, as of December 31, 2004.

The Dresdner Bank Group, in order to seek a Tier-1 capital release, conducted a synthetic securitization to place credit risk from a designated loan portfolio on the open market. As of December 31, 2004, credit risks in the amount of 1,000 mn had been transferred to third-parties using a special purpose vehicle, which is not consolidated within the Allianz Group s consolidated financial statements.

Loan loss allowance

The overall volume of risk provisions includes loan loss allowances deducted from loans and advances to banks and customers in the amount of 4,135 mn (2003: 5,725 mn; 2003: 6,967 mn) and provisions for contingent liabilities, such as guarantees, loan commitments and other obligations included in other accrued liabilities in the amount of 371 mn (2003: 549 mn; 2002: 633 mn).

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Changes in the loan loss allowance

	Counterparty risks			Country risks			General			Total		
Years ended 12/31	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
As of 1/1	5,304	6,415	7,200	270	367	428	700	818	933	6,274	7,600	8,561
Changes in the Allianz Group of consolidated companies	(251)	(60)	(928)				(62)	(3)	(63)	(313)	(63)	(991)
Additions charged to the income statement	1,313	2,154	2,927	117	42	111	9	4	90	1,439	2,200	3,128
Charge-offs	(1,900)	(2,034)	(1,893)		(7)					(1,900)	(2,041)	(1,893)
Amounts released	(756)	(858)	(575)	(119)	(95)	(208)	(98)	(150)	(34)	(973)	(1,103)	(817)
Other additions/reductions	6	(67)	(97)	1	4	54	13	34	(102)	20	(29)	(145)
Changes due to currency translation	(31)	(246)	(219)	(8)	(41)	(18)	(2)	(3)	(6)	(41)	(290)	(243)
As of 12/31	3,685	5,304	6,415	261	270	367	560	700	818	4,506	6,274	7,600

The effects of the deconsolidation of Deutsche Hyp in 2002 are shown in the line Changes in the Allianz Group of consolidated companies .

At December 31, 2004 the Allianz Group had 6,732 mn (2003: 9,498 mn) of impaired loans of which 6,048 mn (2003: 8,722 mn) had a related valuation allowance. For the year ended December 31, 2004, the average balance in impaired loans was 8,479 mn (2003: 11,780 mn) and the interest income recognized on impaired loans was 104 mn (2003: 117 mn; 2002: 131 mn).

The loan portfolio contains non-accrual loans of 5,605 mn (2003: 8,374 mn). The total amount of loans with provisions against the principal include 2,092 mn (2003: 3,068 mn) of loans on which the Allianz Group continues accruing interest with a specific allowance against the total interest accrued. The interest income not recognized from loans on non-accrual status amounted to 244 mn (2003: 367 mn; 2002: 470 mn). The amount of interest collected and recorded on non-accrual loans in 2004 was approximately 49 mn (2003: 49 mn; 2002: 66 mn).

Restructured loans totaled 71 mn as of December 31, 2004 (2003: 207 mn).

At December 31, 2004, the Allianz Group had 48 mn (2003: 129 mn) of commitments to lend additional funds to borrowers whose loans are non-performing or whose terms have been previously restructured.

10 Financial assets carried at fair value through income

	12/31/2004	12/31/2003
	mn	mn
Financial assets held for trading	194,439	146,154
Financial assets for unit linked contracts	41,409	32,460
Financial assets designated at fair value through income	4,726	3,628
Total	240,574	182,242

Financial assets held for trading are comprised of the following as of December 31:

	12/31/2004	12/31/2003
	mn	mn
Equities	20,033	15,553
Fixed-income securities	153,858	111,529
Derivative financial instruments	20,548	18,947
Other trading assets		125
Total	194,439	146,154

Equities and fixed-income securities held in financial assets held for trading are primarily marketable and listed securities. The fixed-income securities include 87,509 mn (2003: 67,300 mn) from public-sector issuers and 66,349 mn (2003: 44,229 mn) from other issuers.

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The portion of trading gains and losses from financial assets held for trading held at December 31, 2004, amounted to 2,285 mn (2003: 2,213 mn) and to 2,555 mn (2003: 1,794 mn), respectively.

11 Cash and cash equivalents

	12/31/2004	12/31/2003
	mn	mn
Balances with banks payable on demand	12,621	19,021
Balances with central banks	1,384	4,053
Checks and cash on hand	963	1,520
Treasury bills, discounted treasury notes and similar treasury securities	465	799
Bills of exchange	195	135
Total	15,628	25,528

Compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled 264 mn (2003: 3,357 mn), including balances held with the Deutsche Bundesbank of 221 mn (2003: 3,321 mn), for the credit institutions of the Allianz Group as of December 31, 2004.

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

	12/31/2004	12/31/2003
	mn	mn
Unearned premiums	1,238	1,242
Aggregate policy reserves	10,276	10,923
Reserves for loss and loss adjustment expenses	10,684	12,765
Other insurance reserves	112	131

Total	22,310	25,061

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses, and protect capital resources. The majority of the business ceded by the Allianz Group is placed on a quota-share basis. For its property-casualty business, the Allianz Group retained 50 mn in 2004, 50 mn in 2003 and 38 mn in 2002. The limits for catastrophe events were 125 mn in 2004, 75 mn for 2003 and 50 mn in 2002. For life business, the Allianz Group retains up to 4 mn on a per risk basis and up to 5 mn per event.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the Allianz Group from primary liability under the reinsured policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer s ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group s evaluation criteria, which includes the claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes any risks of collectibility to which it is exposed are not significant, and historically the Allianz Group companies have not experienced difficulty in collecting from their reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial measures to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of December 31, 2004 and 2003.

Concentrations the Allianz Group has with individual reinsurers include Munich Re, Swiss Reinsurance Company, GE Global Insurance Holding Corporation and SCOR. As of December 31, 2004, 8,590 mn (2003: 8,990 mn) of the 22,310 mn (2003: 25,061 mn) ceded to reinsurers from insurance reserves was due from Munich Re.

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13 Other assets

	12/31/2004	12/31/2003
	mn	mn
Real estate used for its own activities	6,042	5,020
Equipment	1,470	1,626
Accounts receivable on direct insurance business	7,579	8,096
Accounts receivable on reinsurance business	2,137	2,522
Other receivables	11,617	16,596
Other assets	4,325	3,684
Deferred policy acquisition costs	13,474	12,497
Prepaid expenses	4,569	3,363
Total	51,213	53,404

Real estate owned by the Allianz Group used for its own activities

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Gross capitalized values as of 12/31 previous year	6,543	6,854	6,175
Accumulated depreciation as of 12/31 previous year	(1,523)	(1,422)	(1,078)
Value stated as of 12/31 previous year	5,020	5,432	5,097
Translation differences	(19)	(77)	(56)
Reclassification		(345)	
Value stated as of 1/1	5,001	5,010	5,041
Additions	1,373	877	883
Changes in the Allianz Group of consolidated companies	691	(1)	(17)
Disposals	(789)	(765)	(131)
Depreciation	(234)	(101)	(344)

Value stated as of 12/31	6,042	5,020	5,432
Accumulated depreciation as of 12/31	1,757	1,523	1,422
Gross capitalized values as of 12/31	7,799	6,543	6,854

The fair value of real estate owned by the Allianz Group used for its own activities as of December 31, 2004 amounted to 7,232 mn (2003: 5,741 mn). Assets pledged as security and other restrictions on title amounted to 34 mn (2003: 28 mn). At December 31, 2004, commitments outstanding to purchase real estate amounted to 47 mn (2003: 39 mn).

Equipment

The gross capitalized values totaled 7,186 mn as of December 31, 2004 (2003: 6,919 mn). Accumulated depreciation amounted to 5,716 mn as of December 31, 2004 (2003: 5,293) mn. At December 31, 2004, commitments outstanding to purchase items of equipment amounted to 100 mn (2003: 111 mn).

Accounts receivable on direct insurance business

Accounts receivable on direct insurance business amounted to 4,041 mn (2003: 4,349 mn) for policyholders and 3,671 mn (2003: 3,936 mn) for agents and other distributors. Allowance for doubtful amounts related to direct insurance business amounted to 133 mn (2003: 189 mn).

The accounts receivable on direct insurance business and accounts receivable on reinsurance business are due within one year.

Other receivables

Other receivables include tax refunds amounting to 2,227 mn (2003: 2,381 mn) and interest and rental receivables amounting to 5,286 mn (2003: 5,394 mn). Of the tax refunds, 1,671 mn (2003: 1,821 mn) are attributable to tax on income.

Other receivables due within one year amounted to 10,518 mn (2003: 7,299 mn), and those due after more than one year totaled 1,099 mn (2003: 9,297 mn).

Other assets

Included in other assets are derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting totaling 969 mn (2003: 868 mn) and deferred sales inducements of 303 mn.

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Changes in the deferred sales inducements for the year ended December 31 were:

	2004
	mn
Value stated as of 1/1	
Transfer from insurance reserves	89
Cumulative effect adjustment due to implementation of SOP 03-1	23
Additions	222
Amortization	(31)
Value stated as of 12/31	303

Deferred policy acquisition costs

Property-Casualty

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Value stated as of 12/31 previous year	3,380	3,158	3,156
Translation differences	(51)	(86)	(110)
Value stated as of 1/1	3,329	3,072	3,046
Additions	1,732	450	375
Changes in the Allianz Group of consolidated companies	(60)	2	(36)
Amortization	(1,569)	(120)	(227)
Impairments		(24)	
Value stated as of 12/31	3,432	3,380	3,158

Life/Health

Years ended 12/31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Value stated as of 12/31 previous year	9,117	7,370	8,036
Translation differences	(712)	(521)	(342)
Value stated as of 1/1	8,405	6,849	7,694
Additions	2,888	2,525	1,624
Changes in the Allianz Group of consolidated companies	(158)	153	(1,551)
Amortization	(1,093)	(410)	(397)
Value stated as of 12/31	10,042	9,117	7,370
Total	13,474	12,497	10,528

14 Shareholders equity

Shareholders equity is comprised of the following as of December 31:

	2004	**2003**
	mn	**mn**
Issued capital	988	985
Capital reserve	18,445	18,362
Revenue reserves	10,498	8,639
Treasury stock	(4,605)	(4,546)
Foreign currency translation adjustments	(2,634)	(1,893)
Unrealized gains and losses (net)	7,303	6,446
Shareholders equity before minority interests	29,995	27,993
Minority interests in shareholders equity	7,696	7,266
Total	37,691	35,259

Issued capital

In November 2004, 1,056,250 shares were issued at a price of 81.61 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 1,051,191 shares at prices ranging from 57.13 to 69.37 per share. The remaining 5,059 shares were sold on the Frankfurt stock exchange at an average price of 95.74 per share. The shares issued in 2004 are qualifying shares from the beginning of the year of issue.

In November 2003, 965,625 shares were issued at a price of 82.95 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 944,625 shares at prices ranging from 58.07 to 70.51 per share. The remaining 21,000 shares were sold on the Frankfurt stock exchange at an average price of 92.07 per share.

In April 2003, 117,187,500 shares with participation rights were issued in connection with a capital increase, which raised approximately 4.4 bn based on a subscription price of 38.00 per share. Expenses from the capital increase amounted to 116 mn after taxes, and diminished revenue reserves accordingly.

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All shares issued in 2003 are qualifying shares from the beginning of the year of issue.

In November 2002, 137,625 shares held by Allianz AG were issued at a price of 114.00 per share, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 136,222 shares at prices between 79.80 and 96.90 per share. The remaining 1,403 shares were sold on the Frankfurt stock exchange at an average price of 90.60 per share. The shares issued in 2002 are qualifying shares from the beginning of the year of issue.

Issued capital at December 31, 2004 amounted to 987,584,000 divided into 385,775,000 registered shares. The shares have no par value but a mathematical per share value of 2.56 each as a proportion of the issued capital.

As of December 31, 2004, the Allianz Group had 450,000,000 (175,781,250 shares) of authorized unisssued capital (Authorized Capital 2004/I) which can be issued at any time up to May 4, 2009. The Management Board, with approval of the Supervisory Board, is authorized to exclude the pre-emptive rights of shareholders if the shares are issued against a contribution in kind and, in certain cases, if they are issued against a cash contribution.

As of December 31, 2004, the Allianz Group had 7,296,000 (2,850,000 shares) of authorized unissued capital (Authorized Capital 2004/II) which can be issued at any time up to May 4, 2009. The Management Board, with approval of the Supervisory Board, is authorized to exclude the preemptive rights of shareholders if the shares are issued to employees of the Allianz Group.

Further, as of December 31, 2004, Allianz AG had 250,000,000 (97,256,250 shares) of unissued conditional authorized capital which will be issued upon exercise of any subscription or conversion rights granted to holders of bonds issued by Allianz AG or any of its subsidiaries or upon satisfaction of conversion obligations resulting from such bonds.

Dividends

The Management Board will propose to shareholders at the Annual General Meeting the distribution of a dividend of 1.75 (2003: 1.50) per qualifying share for the fiscal year 2004.

Treasury stock

In connection with an exchange offer to the holders of Allianz AG participation certificates, a total of 6,148,110 of Allianz AG treasury shares were exchanged for participation certificates of Allianz AG as of January 16, 2003.

The Annual General Meeting on May 5, 2004 (2003: April 29, 2003), authorized Allianz AG to acquire its own shares for other purposes pursuant to clause 71 (1) no. 8 of the German Stock Corporation Law (Aktiengesetz). During 2004 and 2003, the authorization was used to acquire 0 and 293,686 shares of Allianz AG, respectively.

In order to enable Dresdner Bank AG to trade in shares of Allianz AG, the Annual General Meeting on May 5, 2004 authorized the Allianz Group s domestic or foreign credit institutions in which Allianz AG has a majority holding to acquire treasury stock for trading purposes pursuant to clause 71 (1) no. 7 of the German Stock Corporation Law (Aktiengesetz). In accordance with this authorization, the credit institutions in the Allianz Group purchased 29,685,678 (2003: 32,891,597; 2002: 93,726,589) of Allianz AG s shares or acquired them by way of securities borrowing during the course of 2004 at an average price of 88.84 per share (2003: 76.67; 2002: 179.86), which included previously held Allianz AG shares. 29,092,223 shares (2003: 32,339,227; 2002: 92,448,634) were disposed of or ceded from borrowed holdings during the course of 2004 at an average price of 88.82 per share (2003: 77.74; 2002: 181.11). The losses arising from treasury stock transactions during the year ended December 31, 2004, were 53 mn (2003: gain of 7 mn; 2002: losses of 23 mn), which were transferred to revenue reserves.

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Composition of the treasury stock

Years ended 12/31	2004			2003			2002		
	Acquision costs	Number of shares	Issued capital	Acquision costs	Number of shares	Issued capital	Acquision costs	Number of shares	Issued capital
	mn		%	mn		%	mn		%
Allianz AG	50	424,035	0.11	50	424,035	0.11	1,510	6,286,100	2.36
Dresdner Bank Group	4,554	18,480,664	4.79	4,495	17,814,376	4.63	4,448	17,302,311	6.49
Other enterprises	1	10,502		1	7,641				
Total	4,605	18,915,201	4.90	4,546	18,246,052	4.74	5,958	23,588,411	8.85

Changes to the number of issued shares outstanding

Years ended 12/31	2004	2003	2002
As of 1/1	366,472,698	242,977,214	241,189,535
Additions			
Exchange against participation Certificates		6,148,110	
Capital increase for cash		117,187,500	
Transfer to the exchange company			1,797,357
Capital increase for employee shares	1,056,250	965,625	137,625
Subtotal	367,528,948	367,278,449	243,124,517
Reductions on account of acquisition of treasury stock			
Acquisition for other purposes	(2,861)	(293,686)	
Acquisition for trading purposes	(666,288)	(512,065)	(147,303)
As of 12/31	366,859,799	366,472,698	242,977,214

Insurance capital requirements and dividend restrictions

Certain of the Allianz Group s insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, asset risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

European insurance companies are required to maintain solvency margins, which must be supported by capital reserves and other resources, including unrealized gains and losses on investments. Life insurance companies are required to maintain a solvency margin generally equal to 4% of aggregate policy reserves and gross unearned premiums plus 0.3% of the amount at risk under insurance policies. The required minimum solvency margin for property and casualty insurance is the greater of two mathematical formulas, one based on premiums and the other based on gross claims. The Allianz Group s insurance business in other countries, primarily the United States, are also subject to capital adequacy and solvency margin regulations which are based on factors for asset risk, insurance risk, interest rate risk, and business risk. As of December 31, 2004 the Allianz Group s insurance subsidiaries were in compliance with all applicable solvency and capital adequacy requirements.

Certain insurance subsidiaries are subjected to regulatory restrictions on the amount of dividends, which can be remitted to Allianz AG without prior approval by the appropriate regulatory body. Such

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restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of our insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group s management believes that these restrictions will not affect the ability of the Allianz Group to pay dividends to its shareholders in the future. In addition, Allianz AG is not subject to legal restrictions on the amount of dividends it can pay to its shareholders.

Bank liable capital and risk-weighted assets requirements

Certain of the Allianz Group s bank subsidiaries are subject to various capital adequacy and liquidity requirements. Such requirements vary by jurisdiction. Under the German Banking Act, all banking institutions operating in Germany must maintain certain ratios regarding liable capital.

Liable capital consists of the two categories of core capital (Tier I Capital) and supplementary capital (Tier II Capital). Core capital mainly consists of shareholders equity and minority interests, plus other adjustments. Supplementary capital comprises profit-participation certificates, subordinated liabilities, portions of reserves for general banking risks and revaluation reserves on securities. The German Banking Act contains provisions setting minimum ratios of core capital and total capital to risk-weighted assets. Non-compliance with these ratios may result in penalties imposed by the regulatory authority. The German Banking Act also contains liquidity requirements relating to funds available to pay obligations over various future time frames. As of December 31, 2004, the Allianz Group s bank subsidiaries were in compliance with all applicable capital and liquidity requirements.

Comprehensive income

The components of comprehensive income, including the related income tax effects, were as follows for the years ended December 31:

	2004	2003	2002
	(mn)	(mn)	(mn)
Foreign currency translation adjustments, net of deferred tax benefit of 339 mn in 2004 (2003: 754 mn and 2002: deferred tax expense of 290 mn)	(817)	(1,703)	(1,219)

Unrealized gains (losses) on investments:			
Unrealized holding gain (loss) arising during the period, net of deferred tax benefit of 417 mn in 2004 (2003: deferred tax income of 139 mn and 2002: deferred tax income of 1,571 mn)	(1,005)	(314)	6,606
Less reclassification adjustment for gains (losses) included in net income, net of deferred tax expense of 896 mn in 2004 (2003: deferred tax expense of 904 mn and 2002: deferred tax expense of 2,782 mn)	2,161	2,041	(11,698)
Net unrealized investment gain (loss)	1,156	1,727	(5,092)
Unrealized net gains on derivatives hedging variability of cash flows, net of deferred tax expense of mn (2003: deferred tax income of 2 mn)		(4)	
Other comprehensive income (loss)	339	20	(6,311)
Net income (loss)	2,266	2,691	(3,243)
Comprehensive income (loss)	2,605	2,711	(9,554)

Net unrealized investment gains and losses have been reduced to the extent the unrealized gains and losses would result in adjustments for minority interests and policyholder liabilities had the unrealized gains and losses actually been realized. Unrealized gains, net of unrealized losses, which have been allocated to policyholder liabilities, included in other insurance reserves, were 10,208 mn, 6,434 mn and 4,345 mn as of December 31, 2004, 2003 and 2002, respectively. Net amounts which have been allocated to minority interests are presented below.

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Ending balances in accumulated other comprehensive income for derivatives related to hedging net investments in foreign entities were 182 mn as of December 31, 2004 and 2003, and 103 mn as of December 31, 2002, respectively.

Minority interests in shareholders equity

	12/31/2004	12/31/2003
	mn	mn
Unrealized gains and losses	1,206	890
Share of earnings	1,168	926
Other equity components	5,322	5,450
Total	7,696	7,266

The primary subsidiaries of the Allianz Group included in minority interests in 2004 and 2003 are the AGF Group, Paris, the RAS Group, Milan, and the PIMCO Group, Delaware.

15 Participation certificates and subordinated liabilities

	2005	2006	2007	2008	2009	Thereafter	12/31/2004 Total	12/31/2003 Total
	mn[1]	mn[1]	mn[1]	mn[1]	mn[1]	mn[1]	mn[1]	mn[1]
Allianz AG[2]								
Subordinated bonds						4,775	4,775	3,377
Interest rate (range in%)						5.50 7.25		
Participation certificates[3]		85					85	85
Interest rate (range in %)								

Subtotal		85				4,775	4,860	3,462
Banking subsidiaries								
Subordinated liabilities	1,105	380	811	404	633	1,446	4,779	5,183
Interest rate (range in%)	3.90 5.45	0.0 7.7	0.0 7.8	1.35 4.40	2.0 10.38	2.0 10.38		
Hybrid equity						1,500	1,500	1,561
Interest rate (range in%)						3.50 8.15		
Participation certificates[4]	10	5	644	845		22	1,526	1,511
Interest rate (range in%)	9.15	8.8	8.00 8.125	7.00 7.125		5.20 7.190		
Subtotal	1,115	385	1,455	1,249	633	2,968	7,805	8,255
All other subsidiaries								
Subordinated liabilities				57		463	520	468
Interest rate (range in%)				6.84		2.93 6.62		
Hybrid equity						45	45	45
Interest rate (range in%)						3.62		
Subtotal				57		508	565	513
Total	1,115	470	1,455	1,306	633	8,251	13,230	12,230

(1) Except for rates.

(2) Includes subordinated bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz AG.

(3) The terms of the profit participation certificates provide for an annual cash distribution of 240% of the dividend paid by Allianz AG per one Allianz AG share. If certain conditions are met, the holders of profit participation certificates also have a subscription right to new profit participation certificates; to this extent, the subscription rights of Allianz AG shareholders is excluded. Holders of profit participation certificates do not have voting rights, or any rights to convert the certificates into Allianz AG shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors. Profit participation certificates can be redeemed by holders upon twelve months prior notice every fifth year. The next call date is December 31, 2006. Allianz AG has the right to call the profit participation certificates for redemption, upon six months prior notice every fifth year. The next call date is December 31, 2006. Upon redemption by Allianz AG, the cash redemption price per certificate would be equal to 122.9% of the then current price of one Allianz AG share during the last three months preceding the recall of the participation certificate. In lieu of redemption for cash, Allianz AG may offer 10 Allianz AG ordinary shares per 8 profit participation certificates.

(4) Participation certificates issued by the Dresdner Bank Group which entitle holders to annual interest payments, which take priority over its shareholders dividend entitlements. They are subordinated to obligations for all other creditors of the issuer, except those similarly subordinated, and share in losses of the respective issuers in accordance with the conditions attached to the participation certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

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16 Reserves for insurance and investment contracts

	12/31/2004	12/31/2003
	mn	mn
Unearned premiums	12,050	12,198
Aggregate policy reserves	229,873	217,895
Reserves for loss and loss adjustment expenses	62,331	63,182
Reserves for premium refunds	21,237	15,327
Premium deficiency reserves	138	138
Other insurance reserves	751	720
Total	326,380	309,460

Unearned premiums

	12/31/2004	12/31/2003
	mn	mn
Property-Casualty	11,822	11,962
Life/Health	228	236
Total	12,050	12,198

Aggregate policy reserves

	12/31/2004	12/31/2003
	mn	mn

Traditional Participating Insurance Contracts (SFAS 120)		
Property-Casualty	7,297	7,513
Life/Health	110,142	107,663
Subtotal	117,439	115,176
Universal-Life Type and Investment Contracts (SFAS 97)		
Life/Health	73,992	67,317
Subtotal	73,992	67,317
Long-duration Insurance Contracts (SFAS 60)		
Life/Health	38,442	35,402
Subtotal	38,442	35,402
Total	229,873	217,895

Participating life business represented approximately 70% and 71% of the Allianz Group s gross insurance in-force at December 31, 2004 and 2003, respectively. Participating policies represented approximately 64% (2003: 60%) of the gross premiums written and 61% (2003: 56%) of the life premiums earned in 2004. Conventional participating reserves were approximately 55% (2003: 56%) of the Allianz Group s consolidated aggregate policy reserves as of December 31, 2004.

Reserves for loss and loss adjustment expenses

	12/31/2004	12/31/2003
	mn	mn
Property-Casualty	55,536	56,644
Life/Health	6,795	6,538
Total	62,331	63,182

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Changes in the reserves for loss and loss adjustment expenses for property-casualty insurance

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Reserves for loss and loss adjustment expenses as of 1/1			
Gross	56,644	60,054	61,876
Amount ceded to reinsurers	(12,049)	(14,588)	(16,156)
Net	44,595	45,466	45,720
Claims (net)			
Claims in the year under review	25,643	25,712	27,130
Previous years claims	(446)	279	646
Subtotal	25,197	25,991	27,776
Claims paid (net)			
Claims in the year under review	(11,374)	(11,860)	(12,642)
Previous years claims	(11,818)	(13,155)	(12,143)
Subtotal	(23,192)	(25,015)	(24,785)
Currency translation adjustments	(469)	(1,822)	(3,367)
Change in the group of consolidated companies	(624)	(25)	122
Reserves for loss and loss adjustment expenses as of 12/31			
Net	45,507	44,595	45,466
Amount ceded to reinsurers	10,029	12,049	14,588
Gross	55,536	56,644	60,054

Previous years claims (net) reflects the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. The Allianz Group recorded additional income of 446 mn during the year ended December 31, 2004 (2003: losses of 279 mn and 2002: losses of 646 mn) with respect of losses occurring in prior years. These amounts as percentages of the net balance of the beginning of the year were 1.0% in 2004 (2003: 0.6 % and 2002: 1.4 %).

As of December 31, 2004 and 2003, the Allianz Group consolidated property-casualty reserves reflected discounts of 1,220 mn and 1,261 mn, respectively.

Reserves are discounted to varying degrees in the United States, United Kingdom, Germany, Hungary, Switzerland, Portugal, France and Belgium. For the United States, the discount reflected in the reserves is related to annuities for certain long-tailed liabilities, primarily in workers compensation. For the other countries, the reserve discounts relate to annuity reserves for various classes of business. These classes include personal accident, general liability and motor liability in Germany and Hungary, workers compensation in Switzerland and Portugal, individual and group health disability and motor liability in France, health disability in Belgium and claims from employers liability in the United Kingdom. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable.

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The following table shows, by country, the carrying amounts of reserves for claims and claim adjustment expenses that have been discounted, and the interest rates used for discounting for the years ended December 31:

	Discounted reserves in		Amount of the discount		Interest rate used for discounting	
	2004	2003	2004	2003	2004	2003
	mn	mn	mn	mn		
France	1,402	1,466	330	346	3.25%	3.00%
Germany	407	366	278	256	2.75% 4.00%	3.25% 4.00%
Switzerland	392	396	236	242	3.25%	3.25%
United States	190	207	216	257	6.00%	6.55%
United Kingdom	84	70	65	70	4.25%	4.25%
Belgium	83	85	26	20	4.75%	4.75%
Hungary	69	60	22	19	1.40%	1.40%
Portugal	57	58	47	51	4.25%	4.50%
Total	2,684	2,708	1,220	1,261		

Asbestos and environmental claims exposure

The Allianz Group is affected by industry-wide increases in asbestos and environmental claims, primarily through its US subsidiary, Fireman s Fund Insurance Company (Fireman s Fund).

In 2002, Fireman s Fund completed an analysis of its asbestos and environmental (A&E) liabilities, resulting in an increase to these reserves of USD750 mn (net and gross) in September 2002. Also during 2002, Fireman s Fund ceded the majority of its A&E loss reserves to Allianz AG.

There are significant uncertainties in estimating the amount of A&E claims. Reserves for asbestos-related illnesses, toxic waste clean-up claims and latent drug and chemical exposures cannot be estimated using traditional loss reserving techniques. Case reserves are established when sufficient information has been obtained to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and unasserted claims. In establishing the liabilities for claims arising from asbestos-related illnesses, toxic waste clean-up and latent drug and chemical exposures, management considers facts currently known and the current state of the law and coverage litigation.

However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of remediation and insurer liability, and given the inherent uncertainty in estimating A&E liabilities, significant adverse deviation from the current carried A&E reserve position is possible.

In response to the uncertainty associated with A&E claims, Fireman s Fund created in 2002 an environmental claims unit focused on A&E claims evaluation and remediation for the Allianz Group s U.S. property-casualty insurance subsidiaries. The staff of this unit, consisting of a total of approximately fifty employees, determines appropriate coverage issues according to the terms of the policies and contracts involved and, on the basis of its experience and expertise, makes judgments as to the ultimate loss potential related to each claim submitted for payment under the various policies and contracts. Judgments of potential losses are also made from precautionary reports submitted by insured companies for claims which have the possibility of involving policy coverage. Factors considered in determining the reserve are: whether the claim relates to asbestos or hazardous waste; whether the claim is for bodily injury or property damage; the limits of liability and attachment points; policy provisions for expenses (which are a significant portion of the estimated ultimate cost of these claims); type of insured; and any provision for reinsurance recoverables. In addition, Fireman s Fund actively pursues commutations and reinsurance cessions to reduce its A&E exposures.

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The industry-wide loss trends for some of these exposures, especially for asbestos-related losses, have deteriorated over the past several years. Some of the reasons for this deterioration include: insureds who either produced or installed products containing asbestos have seen more and larger claims brought against them, some of these companies have declared bankruptcy, which has caused plaintiffs attorneys to seek larger amounts from solvent defendants and to also include new defendants; some defendants are also seeking relief under different coverage provisions when the product liability portion of their coverage has been exhausted. These developments led the Allianz Group to engage outside actuarial consulting firms to update a previous study conducted in 1995 to analyze the adequacy of Allianz Group s reserves for these types of losses. In 1995, Fireman s Fund had increased its net and gross reserves for A&E by USD800 mn and in 2000 an additional USD250 mn was reallocated to A&E.

These A&E reserve analyses were completed during 2002, ultimately resulting in an additional USD750 mn of reserves attributed entirely to asbestos-related exposures. The analyses included a review of the ultimate gross asbestos loss and allocated loss expense reserves for accident years 1987 and prior. The methodology involved exposure-based modeling of policies with the greatest asbestos exposure, supplemented by aggregate methods for the remaining insureds. As previously stated, Fireman s Fund is planning a regular update of its 2002 A&E reserve study during the course of 2005.

The total net reserve for asbestos and environmental claims exposure related liabilities for the Allianz Group s US based subsidiaries at December 31, 2004 was 739 mn (2003: 906 mn), excluding intercompany reinsurance agreements. The total gross reserve for asbestos and environmental claims exposure related liabilities at December 31, 2004 was 1,097 mn (2003: 1,263 mn).

Asbestos and environmental exposures also exist outside of the United States and have led to insurance claims in several other countries. The level of claims activity to date, and the potential for future claims, varies significantly from country to country due to many factors, including differing social and legal systems, policy terms and conditions and mix of insured business. Allianz Group expects to conduct a review of its non-U.S. A&E exposures during 2005.

Reserves for premium refunds

Years ended 12/31	**2004**	**2003**	**2002**
	mn	**mn**	**mn**
Amounts already allocated under local statutory or contractual regulations			
As of 1/1	7,326	7,131	10,088

Translation differences	6	(35)	(14)
Changes in Allianz Group consolidated companies	27	(7)	81
Change	1,435	237	(3,024)
As of 12/31	8,794	7,326	7,131
Latent reserves for premiums refunds			
As of 1/1	8,001	6,554	10,327
Translation differences	6	(25)	4
Change due to fluctuations in market value	3,771	1,924	(2,420)
Changes in Allianz Group consolidated companies	71	1,028	233
Changes due to valuation differences charged (credited) to income	594	(1,480)	(1,590)
As of 12/31	12,443	8,001	6,554
Total	21,237	15,327	13,685

In addition to the amounts allocated to policyholders of the Allianz Group, amounts totaling 3,277 mn (2003: 3,514 mn; 2002: 3,680 mn) were directly credited from surplus.

17 Liabilities to banks

	12/31/2004	12/31/2003
	mn	mn
Payable on demand	14,003	13,427
Repurchase agreements and collateral received from securities lending transactions	78,675	52,460
Term deposits and certificates of deposit[1]	96,736	102,080
Other	1,933	10,342
Liabilities to banks	191,347	178,309

(1) Including registered bonds totaling 2,724 mn for the year ended December 31, 2004 (2003: 3,045 mn).

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Liabilities to banks due within one year totaled 180,716 mn (2003: 165,118 mn) and those due after more than one year totaled 10,631 mn (2003: 13,191 mn) as of December 31, 2004.

Liabilities to domestic banks amounted to 80,326 mn (2003: 81,632 mn) and liabilities to foreign banks amounted to 111,021 mn (2003: 96,677 mn) as of December 31, 2004.

The weighted average interest rates for liabilities to banks were 2.8% and 2.8% as of December 31, 2004 and December 31, 2003, respectively.

18 Liabilities to customers

	12/31/2004	12/31/2003
	mn	mn
Savings deposits	2,410	2,667
Home loan savings deposits	3,214	3,116
Payable on demand	50,946	57,132
Repurchase agreements and collateral received from securities lending transactions	49,276	40,237
Term deposits and certificates of deposit[1]	49,124	49,584
Other	2,167	1,861
Liabilities to customers	157,137	154,597

(1) Including registered bonds totaling 6,887 mn for the year ended December 31, 2004 (2003: 6,747 mn).

Liabilities to customers by type of customer

	Germany	Other countries	Total

	mn	mn	mn
12/31/2004			
Corporate customers	40,954	75,100	116,054
Public authorities	1,529	6,471	8,000
Private customers	27,807	5,276	33,083
Liabilities to customers	70,290	86,847	157,137
12/31/2003			
Corporate customers	41,572	70,784	112,356
Public authorities	1,122	3,365	4,487
Private customers	29,448	8,306	37,754
Liabilities to customers	72,142	82,455	154,597

Liabilities to customers include 24,989 mn (2003: 27,834 mn) of noninterest bearing deposits as of December 31, 2004. Liabilities to customers due within one year totaled 148,320 mn (2003: 139,580 mn) and those due after more than one year totaled 8,817 mn (2003: 15,017 mn) as of December 31, 2004.

The weighted average interest rates for liabilities to customers were 2.9% and 2.8% as of December 31, 2004 and December 31, 2003, respectively.

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19 Certificated liabilities

The Allianz Group issues fixed and floating rate debt denominated in various currencies, predominantly in Euros. The interest rates for the floating rate debt issues are generally based on the London Inter-Bank Offered Rate (LIBOR), although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The following table summarizes the contractual maturity dates of the Allianz Group s certificated liabilities as December 31, 2004:

	2005	2006	2007	2008	2009	Thereafter	12/31/2004 Total	12/31/2003 Total
	€mn[1]	€mn[1]	€mn[1]	€mn[1]	€mn[1]	€mn[1]	€mn[1]	€mn[1]
Allianz AG[2]								
Senior bonds	1,053		2,194	1,623		871	5,741	5,514
Interest rate (range in %)	0.00 -3.00		4.63-5.75	5.00		5.63		
Exchangeable bonds	1,711	1,031					2,742	3,645
Interest rate (range in %)	2.00	1.25						
Money market securities	1,428						1,428	2,638
Interest rate (range in %)	0.00-2.13							
Subtotal	4,192	1,031	2,194	1,623		871	9,911	11,797
Banking subsidiaries								
Certificated liabilities	5,104	4,266	4,980	4,093	3,739	2,958	25,140	35,013
Interest rate (range in %)	2.48-12.75	2.45-9.90	2.40 -13.84	2.30-9.85	2.30-10.20	2.30-11.80		
Money market securities	21,693						21,693	16,256
Interest rate (range in %)	2.10-2.27							
Subtotal	26,797	4,266	4,980	4,093	3,739	2,958	46,833	51,269
All other subsidiaries								
Certificated liabilities				7	2	449	458	254
Interest rate (range in %)				3.50-7.22	3.00	5.62-7.50		
Money market securities	550						550	
Interest rate (range in %)	2.08							

Subtotal	550			7	2	449	1,008	254
Total	31,539	5,297	7,174	5,723	3,741	4,278	57,752	63,320

(1) Except for rates.
(2) Includes senior bonds, exchangeable bonds and money market securities issued by issued by Allianz Finance B.V. and Allianz Finance II B.V. guaranteed by Allianz AG and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz AG, which are fully and unconditionally guaranteed by Allianz AG.

20 Financial liabilities carried at fair value through income

	12/31/2004	12/31/2003
	mn	mn
Financial liabilities held for trading	102,141	84,835
Financial liabilities for unit linked contracts	41,409	32,460
Financial liabilities for puttable equity instruments	1,386	770
Financial liabilities designated at fair value through income	201	173
Total	145,137	118,238

Financial liabilities held for trading are comprised of the following as of December 31, 2004:

	12/31/2004	12/31/2003
	mn	mn
Obligations to deliver securities	72,804	61,476
Derivative financial instruments	23,018	20,391
Other trading liabilities	6,319	2,968
Total	102,141	84,835

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21 Other accrued liabilities

	12/31/2004	12/31/2003
	mn	mn
Reserves for pensions and similar obligations	5,738	5,669
Accrued taxes	1,408	2,066
Miscellaneous accrued liabilities	6,838	6,684
Total	13,984	14,419

Reserves for pensions and similar obligations

	12/31/2004	12/31/2003
	mn	mn
Reserves for pensions	5,738	5,303
Reserves for postretirement benefits other than pensions		366
Total	5,738	5,669

As of January 1, 2004, reserves for postretirement benefits other than pensions are included in reserves for pensions. Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit in nature, while pension plans in other countries are either defined benefit or defined contribution in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Changes in the reserve for defined benefit plans

Years ended 12/31	2004	2003
	mn	mn
Value stated as of 12/31 previous year	5,303	5,312
Reclassification	377	
Translation differences	(6)	(8)
Value stated as of 1/1	5,674	5,304
Changes in Allianz Group consolidated companies	(27)	(22)
Expenses	672	601
Payments	(581)	(580)
Value stated as of 12/31	5,738	5,303

The following table sets forth the change in the projected benefit obligation and the change in fair value of plan assets used for the various Allianz Group pension plans as of December 31:

	2004	2003
	(mn)	(mn)
Change in projected benefit obligation:		
Projected benefit obligation as of December 31 previous year	11,957	11,275
Reclassification	484	
Projected benefit obligation as of January 1	12,441	11,275
Service cost	313	331
Interest cost	676	640
Plan participants contribution	55	54
Amendments	7	(17)
Actuarial loss	646	340
Translation differences	(52)	(108)
Benefits paid	(595)	(520)
Changes in the Allianz Group of consolidated companies	(81)	(22)
Other		(16)
Projected benefit obligation as of December 31	13,410	11,957
Thereof direct commitments of Allianz Group enterprises	6,649	5,930
commitments through plan assets	6,761	6,027
Change in fair value of plan assets:		
Fair value of plan assets as of December 31 previous year	5,790	5,322
Reclassification	73	
Fair value of plan assets as of January 1	5,863	5,322
Actual return on plan assets	431	419
Employer contributions	236	230
Plan participants contributions	55	54
Translation differences	(36)	(72)

Benefits paid	(264)	(221)
Changes in the Allianz Group of consolidated companies	3	(3)
Other	(1)	61
Fair value of plan assets as of December 31	6,287	5,790

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The bulk of the plan assets is held by the Allianz Versorgungskasse VVaG, München. This entity ensures effectively all employees of the German insurance operations and is not additionally consolidated.

The reconciliation of funded status to the amount recognized in the balance sheet consist of the following as of December 31:

	2004	2003
	(mn)	(mn)
Funded status	7,123	6,167
Unrecognized net actuarial loss	(1,389)	(853)
Unrecognized prior service cost	4	(11)
Net amount recognized	5,738	5,303

Amounts recognized in the Allianz Group s consolidated balance sheet as of December 31:

	2004	2003
	mn	mn
Prepaid benefit cost	(131)	
Accrued benefit cost	5,869	5,303
Net amount recognized	5,738	5,303

As of December 31, 2004, postretirement health benefits included in the projected benefit obligation and net amount recognized amounted to 97 mn (2003: 96 mn) and 107 mn, respectively.

The accumulated benefit obligation for all defined benefit plans was 12,499 mn and 11,054 mn at December 31, 2004 and 2003, respectively.

Information for defined benefit plans with an accumulated benefit obligation in excess of plan assets as of December 31:

	2004	2003
	mn	mn
Projected benefit obligation	12,273	11,546
Accumulated benefit obligation	11,465	10,685
Fair value of plan assets	5,188	5,367

The net periodic benefit cost recognized in the Allianz Group s consolidated income statements consist of the following components:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Components of net periodic benefit cost:			
Service cost	313	331	274
Interest cost	676	640	591
Expected return on plan assets	(366)	(339)	(329)
Amortization of:			
Prior service cost recognized	5	26	123
Net loss recognized	8	(38)	5
(Income)/expenses of plan curtailments or settlements	36	(19)	2
Net periodic benefit cost	672	601	666

Included in the net periodic benefit cost for the year ended December 31, 2004, is 7 mn related to postretirement health benefits.

Most of the amounts expensed are charged in the Allianz Group s consolidated income statement as acquisition and administrative expenses, and loss and loss adjustment expenses (claims settlement expenses).

The actual return on plan assets amounted to 431 mn, 419 mn and losses of 256 mn during the years ended December 31, 2004, 2003 and 2002.

Assumptions

The assumptions for the actuarial computation of the projected benefit obligation, accumulated benefit obligation and the net periodic benefit cost depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected depending

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on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted-average assumptions, for the Allianz Group s pension plans, used to determine projected and accumulated benefit obligation:

Years ended 12/31	2004	2003
	%	%
Discount rate	4.9	5.5
Rate of compensation increase	2.7	2.8
Rate of pension increase	1.6	1.9

The weighted-average assumptions used to determine net periodic benefit cost:

Years ended 12/31	2004	2003
	%	%
Discount rate	5.5	5.7
Expected long-term return on plan assets	6.4	6.6
Rate of compensation increase	2.8	2.9
Rate of pension increase	1.9	1.8

The weighted expected long-term return on plan assets for the year 2004 was derived from the following target allocation and expected long-term rate of return for each asset category:

Asset category	Target allocation	Weighted expected long-term rate of return

	%	%
Equity securities	29.5	8.6
Debt securities	66.1	5.4
Real estate	4.2	6.5
Other	0.2	0.5
Total	100.0	6.4

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The pension plan s weighted-average asset allocations by asset category are as follows for the years ended December 31:

Asset category	**2004**	**2003**
	%	%
Equity securities	26.2	23.8
Debt securities	69.7	70.9
Real estate	2.6	2.9
Other	1.5	2.4
Total	100.0	100.0

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase its actual equity securities allocation to be more in line with its target equity securities allocation by decreasing its holdings in debt securities.

Contributions

The Allianz Group expects to contribute 140 mn to its pension plans during the year ended December 31, 2005.

Estimated future benefit payments

The following estimated future benefit payments are based on the same assumptions used to measure the Allianz Group s projected and accumulated benefit obligations at December 31, 2004, and reflect expected future service, as appropriate.

	mn
2005	570
2006	587
2007	619
2008	651
2009	702
Years 2010 2014	3,708

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Defined contribution plans

Defined contribution pension plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary s right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions (premiums). The main pension fund is the Versicherungsverein des Bankgewerbes a.G., Berlin, which covers most of the banking employees in Germany.

Amounts expensed by the Allianz Group for defined contribution pension plans were 110 mn for the year ended December 31, 2004 (2003: 105 mn; 2002: 123 mn).

Miscellaneous accrued liabilities

Miscellaneous accrued liabilities primarily include provisions for restructuring of 739 mn (2003: 845 mn), reserves for the lending business of 371 mn (2003: 549 mn), reserves for employee expenses amounting to 3,451 mn (2003: 2,735 mn), loss reserves from the non-insurance business amounting to 243 mn (2003: 319 mn), reserves for litigation amounting to 155 mn (2003: 142 mn), and commission reserves for agents amounting to 333 mn (2003: 198 mn).

Reserves for restructuring

As of December 31, 2004, the Allianz Group has provisions for restructuring for a number of restructuring programs in various segments. With the exception of those provisions for restructuring related to Dresdner Bank AG, none of the individual restructuring programs is significant. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, include those relating to the termination of lease contracts, that will arise in connection with the implementation of the respective initiatives. Restructuring charges are shown separately in the Allianz Group s consolidated income statement in other expenses.

Changes in the provisions for restructuring for the years ended December 31, were:

	2004	2003	2002
	mn	mn	mn
Provisions as of 1/1	845	404	478
New provisions	189	398	199
Additions to existing provisions	144	330	89
Release of provisions recognized in previous years	(73)	(54)	(87)
Release of provisions via payments	(282)	(212)	(234)
Changes in consolidation	(55)	(7)	(18)
Translation differences	(6)	(14)	(23)
Other	(23)		
Provisions as of 12/31	739	845	404

Changes in the provisions for restructuring for Dresdner Bank AG for the year ended December 31, 2004:

	2004	2003	2002
	mn	mn	mn
Provisions as of 1/1	815	365	419
New provisions	132	389	127
Additions to existing provisions	143	324	89
Release of provisions recognized in previous years	(62)	(47)	(87)
Release of provisions via payments	(274)	(196)	(142)
Changes in consolidation	(55)	(7)	(18)
Translation differences	(6)	(13)	(23)
Other	(23)		
Provisions as of 12/31	670	815	365

Dresdner Bank AG supplemented its existing restructuring programs introduced since 2000 with new initiatives affecting major parts of its banking operations. For these combined initiatives, Dresdner

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Bank AG has announced plans to eliminate an aggregate of approximately 16,800 positions. As of December 31, 2004, an aggregate of approximately 13,710 positions had been eliminated under these initiatives.

During the year ended December 31, 2004, Dresdner Bank AG recorded restructuring charges for all restructuring programs of 290 mn. This amount includes new provisions, additions to existing provisions, releases of provisions recognized in previous years, and restructuring charges as reflected in the consolidated income statement. A summary of the restructuring charges related to Dresdner Bank AG that are reflected in the Allianz Group s consolidated income statement for the year ended December 31, 2004, by restructuring program is as follows:

	2004 Measures	New Dresdner	Turnaround 2003	Other Programs	Total
	mn	mn	mn	mn	mn
Provisions:					
New provisions	132				132
Additions to existing provisions		97	22	24	143
Release of provisions recognized in previous years		(44)	(11)	(7)	(62)
Restructuring charges directly reflected in the income statement	7	58	8	4	77
Total restructuring charges during the year ended December 31, 2004	139	111(1)	19	21	290
Total restructuring charges incurred to date	139	582(2)	561	699	1,981
Total restructuring charges expected to be incurred	4	13		4	21

(1) Includes 15 mn primarily related to outsourcing domestic retail securities processing (and custody) and payment processing activities, as well as impairment charges related to information technology systems necessitated by the revised business model.

(2) Includes 106 mn primarily related to outsourcing domestic retail securities processing (and custody) and payment processing activities, as well as impairment charges related to information technology systems necessitated by the revised business model.

A summary of the existing provisions for restructuring related to Dresdner Bank AG is as follows:

2004 Measures

During the year ended December 31, 2004, Dresdner Bank AG recorded restructuring charges of 139 mn for further restructuring initiatives that were announced in addition to the New Dresdner program. Through these 2004 Measures, Dresdner Bank AG plans to eliminate 1,100 positions mainly within the Personal Banking and Dresdner Kleinwort Wasserstein divisions, as well as within Dresdner Bank Lateinamerika, which is part of the IRU division. Approximately 40 employees had been terminated pursuant to the 2004 Measures as of December 31, 2004.

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A summary of the changes in the provision for restructuring for the Measures 2004 during the year ended December 31, 2004 is:

	Personnel Costs	Contract Termination Costs	Other	Total
	mn	mn	mn	mn
Provisions as of January 1				
Provisions:				
New provisions	123	4	5	132
Additions to existing provisions				
Release of provisions recognized in previous years				
Release of provisions via payments				
Changes in consolidation				
Translation differences				
Other				
Provisions as of December 31	123	4	5	132
Total restructuring charges incurred to date				139
Total restructuring charges expected to be incurred				4

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New Dresdner

In August 2003, Dresdner Bank AG announced the New Dresdner program as part of its cost-cutting initiatives to eliminate approximately 4,700 positions in the banking operations by the end of 2005. This initiative focuses on the back-office areas and the support functions, which will primarily affect Dresdner Bank s head office within Dresdner Bank AG and its subsidiaries. Approximately 2,740 employees (2003: 290 employees) had been terminated and approximately 900 additional employees had contractually agreed to leave Dresdner Bank pursuant to the New Dresdner program as of December 31, 2004.

In February 2003, as part of our efforts to focus on the Allianz and Dresdner Bank brands, we announced a plan to integrate the activities of Dresdner Bank s direct banking subsidiary Advance Bank into the Allianz Group in 2003. This initiative involves the elimination by mid 2004 of approximately 400 positions, which were also included within the 4,700 positions of the New Dresdner program. All 400 positions had been eliminated as of December 31, 2004.

A summary of the changes in the provision for restructuring for the New Dresdner program during the year ended December 31, 2004 is:

	Personnel Costs	Contract Termination Costs	Other	Total
	mn	mn	mn	mn
Provisions as of January 1	347	39	3	389
Provisions:				
New provisions				
Additions to existing provisions	93	3	1	97
Release of provisions recognized in previous years	(29)	(14)	(1)	(44)
Release of provisions via payments	(70)	(11)	(2)	(83)
Changes in consolidation	(33)			(33)
Translation differences	(1)			(1)
Other	(12)			(12)
Provisions as of December 31	295	17	1	313
Total restructuring costs incurred to date				582

Total restructuring costs expected to be incurred	13

Turnaround 2003

In September 2002, Dresdner Bank established the Turnaround 2003 program relating to cost-cutting efforts and strategic restructuring. The initiatives involve the elimination of approximately 3,000 positions at Dresdner Bank, including approximately 2,100 positions in the former Corporates & Markets division, 300 positions in the former Private and Business Clients division and 600 positions in the Corporate Other division. The implementation of Turnaround 2003 will be completed in 2005. Approximately 2,950 employees (2003: 2,100 employees) had been terminated pursuant to Turnaround 2003 as of December 31, 2004.

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A summary of the changes in the provision for restructuring for the Turnaround 2003 program during the year ended December 31, 2004 is as follows:

	Personnel Costs	Contract Termination Costs	Other	Total
	mn	mn	mn	mn
Provisions as of January 1	203	3	93	299
Provisions:				
New provisions				
Additions to existing provisions	12		10	22
Release of provisions recognized in previous years	(6)		(5)	(11)
Release of provisions via payments	(92)	(2)	(21)	(115)
Changes in consolidation	(20)			(20)
Translation differences			(5)	(5)
Other	(8)			(8)
Provisions as of December 31	89	1	72	162
Total restructuring charges incurred to date				561
Total restructuring charges expected to be incurred				

Other Programs

In February 2003, as part of the continued reorganization of its business structure to focus on core operating divisions, Dresdner Bank publicly announced the closure of its wholly owned subsidiary Lombardkasse AG (or Lombardkasse), a broker-dealer specializing in securities custody and clearing transactions. The closure involved the termination of approximately 80 employees. All 80 positions had been eliminated as of December 31, 2003.

In April 2002, as part of our ongoing cost-cutting measures, Dresdner Bank announced the elimination of an additional approximately 200 positions in our former Corporates & Markets division. All 200 of these positions had been eliminated as of December 31, 2002.

In September 2001, Allianz Group announced further restructuring plans relating primarily to subsidiaries of Dresdner Bank AG. The plans involved an aggregate reduction of approximately 1,300 positions throughout the banking operations. Of the 1,300 positions to be eliminated under these plans, approximately 1,280 positions (2003: 1,120 positions) had been eliminated as of December 31, 2004. Also in 2001, Dresdner Bank announced the reorganization of the investment banking division, which was combined with its European corporate banking activities into a single new division. The program led to the elimination of approximately 1,500 positions, primarily in front and back office support functions and was completed at December 31, 2002.

In connection with the acquisition of Dresdner Bank, several restructuring plans established by Dresdner Bank prior to its acquisition by Allianz AG had also been included in the consolidated financial statements of the Allianz Group. These include restructuring plans established by Dresdner Bank in May 2000 related to the reorganization of the German branch network and to other back-office activities in Germany, as well as a restructuring initiative related to its non-European business, primarily concerning the reduction of commercial lending activities outside of Europe. These plans involved an aggregated reduction of approximately 5,000 positions and were completed by December 31, 2004.

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A summary of the changes in the provision for restructuring for the Other Programs during the year ended December 31, 2004 is:

	Personnel Costs	Contract Termination Costs	Other	Total
	mn	mn	mn	mn
Provisions as of January 1	81	37	9	127
Provisions:				
New provisions				
Additions to existing provisions	21	3		24
Release of provisions recognized in previous years	(5)	(1)	(1)	(7)
Release of provisions via payments	(61)	(12)	(3)	(76)
Changes in consolidation	(2)			(2)
Translation differences				
Other	(3)			(3)
Provisions as of December 31	31	27	5	63
Total restructuring charges incurred to date				699
Total restructuring charges expected to be incurred				4

22 Other liabilities

	12/31/2004	12/31/2003
	mn	mn
Funds held under reinsurance business ceded	8,706	8,608
Accounts payable on direct insurance business	8,199	7,813
Accounts payable on reinsurance business	1,694	1,878
Other liabilities	12,672	13,022
Total	31,271	31,321

Accounts payable on direct insurance business and accounts payable on reinsurance are due within one year. Of the remaining other liabilities, 10,389 mn (2003: 8,334 mn) are due within one year, and 2,283 mn (2003: 4,688 mn) are due after more than one year.

Other liabilities primarily include liabilities arising from tax charges on income totaling 1,163 mn (2003: 1,601 mn), interest and rental liabilities amounting to 471 mn (2003: 472 mn), social security liabilities of 241 mn (2003: 197 mn), derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting of 1,254 mn (2003: 933 mn), and unprocessed sales totaling 473 mn (2003: 577 mn). Of the tax liabilities 619 mn (2003: 979 mn) are attributable to taxes on income.

23 Deferred income

This item includes miscellaneous deferred income positions amounting to 2,039 mn (2003: 2,433 mn), which is primarily comprised of accrued interest of 1,737 mn (2003: 1,681 mn).

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24 Premiums earned (net)

	Property-Casualty			Life/Health			Total
Years ended 12/31	**Segment**	**Consolidation adjustments**	**Group(1)**	**Segment**	**Consolidation adjustments**	**Group(1)**	**Group(1)**
	mn	mn	mn	mn	mn	mn	mn
2004							
Premiums written							
Direct	40,460		40,460	20,246		20,246	60,706
Assumed	3,320	(794)	2,526	470	(11)	459	2,985
Subtotal	43,780	(794)	42,986	20,716	(11)	20,705	63,691
Ceded	(5,331)	11	(5,320)	(2,045)	794	(1,251)	(6,571)
Net	38,449	(783)	37,666	18,671	783	19,454	57,120
Premiums earned							
Direct	40,156		40,156	20,174		20,174	60,330
Assumed	3,335	(799)	2,536	470	(13)	457	2,993
Subtotal	43,491	(799)	42,692	20,644	(13)	20,631	63,323
Ceded	(5,298)	13	(5,285)	(2,048)	799	(1,249)	(6,534)
Net	38,193	(786)	37,407	18,596	786	19,382	56,789
2003							
Premiums written							
Direct	40,675		40,675	20,002		20,002	60,677
Assumed	2,745	(711)	2,034	687	(11)	676	2,710
Subtotal	43,420	(711)	42,709	20,689	(11)	20,678	63,387
Ceded	(5,415)	11	(5,404)	(1,951)	711	(1,240)	(6,644)
Net	38,005	(700)	37,305	18,738	700	19,438	56,743

Premiums earned							
Direct	40,111		40,111	19,967	1	19,968	60,079
Assumed	2,705	(712)	1,993	687	(11)	676	2,669
Subtotal	42,816	(712)	42,104	20,654	(10)	20,644	62,748
Ceded	(5,539)	11	(5,528)	(1,953)	711	(1,242)	(6,770)
Net	37,277	(701)	36,576	18,701	701	19,402	55,978

(1) After eliminating intra-Allianz Group transactions between segments.

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	Property-Casualty			Life/Health			Total
Years ended 12/31	Segment	Consolidation adjustments	Group[1]	Segment	Consolidation adjustments	Group[1]	Group[1]
	mn	mn	mn	mn	mn	mn	mn
2002							
Premiums written							
Direct	40,410	37	40,447	19,998	(37)	19,961	60,408
Assumed	2,883	(788)	2,095	666	(16)	650	2,745
Subtotal	43,293	(751)	42,542	20,664	(53)	20,611	63,153
Ceded	(6,165)	15	(6,150)	(1,996)	789	(1,207)	(7,357)
Net	37,128	(736)	36,392	18,668	736	19,404	55,796
Premiums earned							
Direct	39,786	37	39,823	19,998	(37)	19,961	59,784
Assumed	2,907	(788)	2,119	666	(16)	650	2,769
Subtotal	42,693	(751)	41,942	20,664	(53)	20,611	62,553
Ceded	(6,235)	16	(6,219)	(1,989)	788	(1,201)	(7,420)
Net	36,458	(735)	35,723	18,675	735	19,410	55,133

(1) After eliminating intra-Allianz Group transactions between segments.

25 Interest and similar income

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Securities held-to-maturity	269	329	384
Securities available-for-sale	9,010	9,288	10,988
Real estate used by third parties	974	986	1,141

Lending, money market transactions and loans	9,954	11,064	13,817
Leasing agreements	42	80	141
Other interest-bearing instruments	707	763	1,739
Total	20,956	22,510	28,210

Interest and similar income includes dividend income of 1,310 mn (2003: 1,336 mn; 2002: 1,639 mn).

Net interest margin from the banking business[1]

Years ended 12/31	**2004**			**2003**			**2002**		
	Segment	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
Interest and similar income	6,471	(30)	6,441	8,047	(46)	8,001	13,336	(37)	13,299
Interest expense	(4,179)	60	(4,119)	(5,284)	59	(5,225)	(9,509)	217	(9,292)
Net interest margin	2,292	30	2,322	2,763	13	2,776	3,827	180	4,007
Less loan loss provisions	(344)		(344)	(1,014)		(1,014)	(2,222)		(2,222)
Net interest margin after loan loss provisions	1,948	30	1,978	1,749	13	1,762	1,605	180	1,785

(1) After eliminating intra-Allianz Group transactions between segments.

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

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Income			
Current income	251	(28)	559
Reversal of impairments	9	5	3
Realized gains from investments in associated enterprises and joint ventures	856	4,013	4,419
Subtotal	1,116	3,990	4,981
Expenses			
Impairments	(59)	(237)	
Realized losses on investments in associated enterprises and joint ventures	(271)	(727)	(708)
Miscellaneous expenses	(9)	(12)	(14)
Subtotal	(339)	(976)	(722)
Total	777	3,014	4,259

In 2004, 749 mn (2003: 3,007 mn; 2002: 4,252 mn) of the income (net) from investments in associated enterprises and joint ventures is attributable to associated enterprises. During 2002, 1,317 mn relates to a series of transactions relating to ordinary shares of Munich Re.

In April 2001, the Allianz Group, Dresdner Bank (an Allianz Group subsidiary as of July 2001), a Dresdner Bank subsidiary and others entered into a series of transactions whereby Allianz Group provided Munich Re shares to be delivered to ERGO Versicherungsgruppe AG (Ergo) shareholders in connection with Munich Re s acquisition of the minority interest of Ergo pursuant to the public cash and share offers described below. The purpose of this transaction, including all individual agreement components, was to allow Munich Re to acquire Ergo in July 2001 and at the same time achieve the previously agreed reduction in cross-shareholdings between the Allianz Group and Munich Re. Additionally, the transaction structure was designed to come within recently enacted changes in German tax law which took effect as of January 1, 2002, and under which capital gains on the disposal of equity interests were treated as tax-free.

The framework agreement for this transaction (the Ergo Framework Agreement) was executed by the Allianz Group and all other parties on April 19, 2001, establishing the basic terms of: (i) a public cash tender offer for shares of Ergo; (ii) parallel share offer by Munich Re for shares of Ergo; (iii) a series of share lending agreements between DME Umtauschgesellschaft (DME) and Dresdner Bank, a Dresdner Bank subsidiary and a third-party entity (the Lending Agreement); and (iv) a forward sale agreement between DME and the Allianz Group, pursuant to which DME acquired Munich Re shares to use, in part, in repayment of the shares under the Lending Agreement (the Forward Sale Agreement).

In accordance with the Ergo Framework Agreement, the Allianz Group delivered 7,065,563 Munich Re shares (an approximate 4% interest of Munich Re) to DME in July 2001, which were then delivered to Ergo shareholders. In January 2002, DME acquired 11,213,035 Munich Re shares (an approximate 6.3% interest in Munich Re) from the Allianz Group via the Forward Sale Agreement. Of the 11,213,035 shares delivered by the Allianz Group under the Forward Sale Agreement in January 2002, 7,065,563 shares were immediately used by DME, as required by the Ergo Framework Agreement, to satisfy its return obligation to the Allianz Group under the Lending Agreement.

As a result of this transaction, the Allianz Group transferred all risks, rewards and control of the 7,065,563 Munich Re shares delivered under the Lending Agreement in July 2001, in exchange for an amount due from DME based on the fixed price of the Forward Sale Agreement. All risks, rewards and control of the additional 4,147,472 Munich Re shares, included in the delivery of 11,213,035 Munich Re shares, were transferred by the Allianz Group in January of 2002, also in exchange for an amount based on the fixed price of the Forward Sale Agreement.

Based on the specific facts and circumstances of this transaction, under both IFRS and US GAAP, the

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Allianz Group recorded a sale of the 7,065,563 shares delivered under the Lending Agreement in July 2001 resulting in: (i) derecognition of the 7,065,563 shares of Munich Re; and (ii) recording a 2001 capital gain of 866 mn, before tax and minority interest. The delivery of the 11,213,135 Munich Re shares under the Forward Sale Agreement in January 2002 was recorded as an inter-Allianz Group transfer of 7,065,563 Munich Re shares and a sale of the remaining 4,147,472 Munich Re shares resulting in: (i) derecognition of the 4,147,472 shares of Munich Re; and (ii) recording a 2002 capital gain of 1,317 mn.

27 Other income from investments

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Realized gains on investments			
Securities held-to-maturity			2
Securities available-for-sale	4,688	9,914	8,448
Real estate used by third parties	361	494	670
Other investments		12	10
Subtotal	5,049	10,420	9,130
Reversals of impairments on investments			
Securities held-to-maturity		3	2
Securities available-for-sale	73	65	261
Real estate used by third parties	57	2	14
Other investments			6
Subtotal	130	70	283
Total	5,179	10,490	9,413

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

Years ended 12/31	2004	2003	2002

	mn	mn	mn
Income from financial assets and liabilities held for trading:			
Banking segment[1]	1,502	1,485	1,081
Property-Casualty and Life/Health segments[1]	63	(1,273)	424
Asset management segment[1]	15	30	2
Subtotal	1,580	242	1,507
Income from other financial assets and liabilities carried at fair value through income	78	277	
Total	1,658	519	1,507

(1) After eliminating intra-Allianz Group transactions between segments.

Income from financial assets and liabilities held for trading of the banking segment

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Trading in interest products	771	664	738
Trading in equity products	219	146	(49)
Foreign exchange/precious metals trading	149	358	301
Other trading activities[2]	363	317	91
Total	1,502	1,485	1,081

(1) After eliminating intra-Allianz Group transactions between segments.

(2) Other trading activities of the banking segment includes expenses from the application of IAS 39 for the year ending December 31, 2004 totaling 340 mn (2003: 161 mn).

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Income from financial assets and liabilities held for trading of the property-casualty and life/health insurance segments is comprised of expenses amounting to 286 mn (2003: expense of 1,374 mn; 2002: income of 612 mn) from derivative financial instruments used by Allianz Group insurance companies for which hedge accounting is not applied under IAS 39 and other trading income of 349 mn (2003: 101 mn; 2002: expenses of 188 mn).

During the year ended December 31, 2003, equity exposure was substantially reduced through the use of derivatives and direct sales. Futures and put options on indexes were used for hedging purposes that did not meet the criteria for hedge accounting. The change in the fair value of the derivatives of this macro hedge are recognized as income from financial assets and liabilities held for trading in the Allianz Group s consolidated income statement, while the corresponding changes in the fair value of the underlying equities were directly recognized in the Allianz Group s consolidated shareholders equity. The changes in the fair value of the respective underlying equities were recognized in the Allianz Group s consolidated income statement only at the time of their realization in the capital market. The use of derivatives for macro hedges that did not meet the criteria for hedge accounting resulted in a loss of 1,351 mn for year ending December 31, 2003.

During the years ended December 31, 2004, 2003 and 2002, gains on derivative financial instruments embedded in exchangeable bonds issued amounted to 6 mn, 2 mn and 387 mn. Also included in income from financial assets and liabilities held for trading are losses totaling 292 mn (2003: 25 mn loss; 2002: 225 mn gain) arising from the use of other derivative financial instruments by Allianz Group insurance companies.

29 Fee and commission income, and income from service activities

Of total fee and commission income, and income from service activities of 6,823 mn for the year ending December 31, 2004 (2003: 6,060 mn; 2002: 6,102 mn), 2,804 mn (2003: 2,705 mn; 2002: 2,784 mn) is attributable to the Allianz Group s banking operations and 3,015 mn in 2004 (2003: 2,815 mn; 2002: 2,816 mn) is attributable to the Allianz Group s asset management operations.[1]

Net fee and commission income from the Allianz Group s banking operations[1]

Years ended 12/31	2004		2003		2002	
	Segment	Group[1]	Segment	Group[1]	Segment	Group[1]

		Consolidation adjustments			Consolidation adjustments			Consolidation adjustments	
	mn	mn	mn	mn	mn	mn	mn	mn	mn
Fee and commission income	3,085	(281)	2,804	2,956	(251)	2,705	2,925	(141)	2,784
Fee and commission expenses	(492)	27	(465)	(506)	43	(463)	(267)	22	(245)
Net fee and commission income	2,593	(254)	2,339	2,450	(208)	2,242	2,658	(119)	2,539

Net fee and commission income from the Allianz Group s banking operations, by type of business, is comprised of the following[(1)]:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Securities business	951	1,027	812
Payment transactions	375	372	368
Mergers and acquisitions advisory	155	110	237
Underwriting business (new issues)	95	104	103
Foreign commercial business	63	64	66
Other	700	565	953
Net fee and commission income	2,339	2,242	2,539

Net fee and commission income from the Allianz Group s asset management operations[(1)]

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Fee and commission income	3,015	2,815	2,816
Fee and commission expenses	(614)	(520)	(465)
Net fee and commission income	2,401	2,295	2,351

(1) After eliminating intra-Allianz Group transactions between segments.

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Net fee and commission income from the Allianz Group s asset management[(1)] operations, by type of business, is comprised of the following:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Management fees	1,256	1,128	1,264
Advisory fees	1,139	1,073	1,091
Other	6	94	(4)
Net fee and commission income	2,401	2,295	2,351

(1) After eliminating intra-Allianz Group transactions between segments.

30 Other income

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Foreign currency transaction gains	481	1,010	664
Fees	540	729	647
Release of miscellaneous accrued liabilities	202	433	414
Income from reinsurance business	214	254	190
Gains from the disposal of real estate used for own activities and equipment	199	29	115
Income from other assets	199	73	86
Other	698	1,275	915
Total	2,533	3,803	3,031

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31 Insurance and investment contract benefits (net)

PROPERTY-CASUALTY[1]

	2004			2003			2002		
Years ended 12/31	**Segment**	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]
	mn	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**	**mn**
GROSS									
Claims									
Claims paid	27,321	(668)	26,653	29,718	(670)	29,048	30,730	(675)	30,055
Change in loss reserves	722	(6)	716	(423)	(6)	(429)	2,722	(63)	2,659
Subtotal	28,043	(674)	27,369	29,295	(676)	28,619	33,452	(738)	32,714
Change in other reserves									
Aggregate policy reserves	436	(169)	267	292	(53)	239	404	(130)	274
Other	52	(3)	49	76	(1)	75	(84)		(84)
Subtotal	488	(172)	316	368	(54)	314	320	(130)	190
Expenses for premium refunds	576	(1)	575	198	(1)	197	37	(3)	34
Total	29,107	(847)	28,260	29,861	(731)	29,130	33,809	(871)	32,938
CEDED REINSURANCE									
Claims									
Claims paid	(3,467)	6	(3,461)	(4,038)	5	(4,033)	(5,277)	7	(5,270)
Change in loss reserves	1,291	(2)	1,289	1,402	3	1,405	327	5	332
Subtotal	(2,176)	4	(2,172)	(2,636)	8	(2,628)	(4,950)	12	(4,938)
Change in other reserves									
Aggregate policy reserves	(17)		(17)	(38)		(38)	(1)		(1)
Other	(1)		(1)	(4)		(4)	9		9
Subtotal	(18)		(18)	(42)		(42)	8		8
Expenses for premium refunds	(42)		(42)	(3)		(3)	(27)		(27)

Total	(2,236)	4	(2,232)	(2,681)	8	(2,673)	(4,969)	12	(4,957)
NET									
Claims									
Claims paid	23,854	(662)	23,192	25,680	(665)	25,015	25,453	(668)	24,785
Change in loss reserves	2,013	(8)	2,005	979	(3)	976	3,049	(58)	2,991
Subtotal	25,867	(670)	25,197	26,659	(668)	25,991	28,502	(726)	27,776
Change in other reserves									
Aggregate policy reserves	419	(169)	250	254	(53)	201	403	(130)	273
Other	51	(3)	48	72	(1)	71	(75)		(75)
Subtotal	470	(172)	298	326	(54)	272	328	(130)	198
Expenses for premium refunds	534	(1)	533	195	(1)	194	10	(3)	7
Total	26,871	(843)	26,028	27,180	(723)	26,457	28,840	(859)	27,981

(1) After eliminating intra-Allianz Group transactions between segments.

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LIFE/HEALTH[1]

	2004			2003			2002		
Years ended 12/31	**Segment**	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]	**Segment**	**Consolidation adjustments**	**Group**[1]
	mn	mn	mn	mn	mn	mn	mn	mn	mn
GROSS									
Benefits paid	18,424	(6)	18,418	18,358	(5)	18,353	16,723	(34)	16,689
Change in reserves									
Aggregate policy reserves	4,224		4,224	5,219		5,219	5,805		5,805
Other	144	2	146	379	(3)	376	459	(6)	453
Subtotal	22,792	(4)	22,788	23,956	(8)	23,948	22,987	(40)	22,947
Expenses for premium refunds	4,524	(6)	4,518	3,170	(146)	3,024	(991)	(28)	(1,019)
Total	27,316	(10)	27,306	27,126	(154)	26,972	21,996	(68)	21,928
CEDED REINSURANCE									
Benefits paid	(1,701)	668	(1,033)	(1,938)	670	(1,268)	(1,850)	702	(1,148)
Change in reserves									
Aggregate policy reserves	(219)	169	(50)	86	54	140	15	130	145
Other	8	9	17	(51)	6	(45)	(268)	63	(205)
Subtotal	(1,912)	846	(1,066)	(1,903)	730	(1,173)	(2,103)	895	(1,208)
Expenses for premium refunds	(14)	1	(13)	(17)	1	(16)	(21)	3	(18)
Total	(1,926)	847	(1,079)	(1,920)	731	(1,189)	(2,124)	898	(1,226)
NET									
Benefits paid	16,723	662	17,385	16,420	665	17,085	14,873	668	15,541
Change in reserves									
Aggregate policy reserves	4,005	169	4,174	5,305	54	5,359	5,820	130	5,950
Other	152	11	163	328	3	331	191	57	248
Subtotal	20,880	842	21,722	22,053	722	22,775	20,884	855	21,739
Expenses for premium refunds	4,510	(5)	4,505	3,153	(145)	3,008	(1,012)	(25)	(1,037)
Total	25,390	837	26,227	25,206	577	25,783	19,872	830	20,702

(1) After eliminating intra-Allianz Group transactions between segments.

32 Interest and similar expenses

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Deposits	2,085	2,859	3,533
Certificated liabilities	1,385	1,764	4,480
Subtotal	3,470	4,623	8,013
Other interest expenses	2,233	2,248	2,928
Total	5,703	6,871	10,941

The interest expense for certificated liabilities includes 269 mn (2003: 288 mn; 2002: 363 mn) and 155 mn (2003: 171 mn; 2002: 80 mn) for Allianz Finance B.V. and Allianz Finance II B.V., respectively.

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33 Other expenses from investments

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Realized losses from investments			
Securities held-to-maturity	1	3	4
Securities available-for-sale	890	2,898	6,193
Real estate used by third parties	52	102	131
Other investment securities		2	6
Subtotal	943	3,005	6,334
Impairments from investments			
Securities held-to-maturity	4	10	31
Securities available-for-sale	814	4,136	11,432
Real estate used by third parties	653	30	104
Other investment securities		4	11
Subtotal	1,471	4,180	11,578
Depreciation on real estate used by third parties	258	267	229
Total	2,672	7,452	18,141

34 Loan loss provisions

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Additions to allowances including direct impairments	1,439	2,200	3,128
Amounts released	(973)	(1,103)	(817)
Recoveries on loans previously impaired	(112)	(70)	(70)

Loan loss provisions	354	1,027	2,241

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35 Acquisition costs and administrative expenses

Acquisition costs and administrative expenses are comprised of the following:

Years ended 12/31	2004 Segment	2004 Consolidation adjustments	2004 Group[1)]	2003 Segment	2003 Consolidation adjustments	2003 Group[1)]	2002 Segment	2002 Consolidation adjustments	2002 Group[1)]
	mn	mn	mn	mn	mn	mn	mn	mn	mn
PROPERTY CASUALTY[1)]									
Acquisition costs									
Payments	6,813		6,813	6,676		6,676	6,974	4	6,978
Less commissions and profit received on reinsurance business ceded	(864)	3	(861)	(920)	2	(918)	(1,004)	3	(1,001)
Change in deferred acquisition costs	(168)	(31)	(199)	(247)	42	(205)	(197)	3	(194)
Total acquisition costs	5,781	(28)	5,753	5,509	44	5,553	5,773	10	5,783
Administrative expenses	3,849	(42)	3,807	4,002	(95)	3,907	4,218	(117)	4,101
Underwriting costs (net)	9,630	(70)	9,560	9,511	(51)	9,460	9,991	(107)	9,884
Expenses for management of investments	374	(27)	347	461	(28)	433	530	(20)	510
Expenses from service agreements	730	(6)	724	304	(6)	298			
Total acquisition costs and administrative expenses	10,734	(103)	10,631	10,276	(85)	10,191	10,521	(127)	10,394
LIFE/HEALTH[1)]									
Acquisition costs									
Payments	4,413		4,413	3,900		3,900	3,978	(3)	3,975
Less commissions and profit received on reinsurance business ceded	(241)	73	(168)	(247)	52	(195)	(295)	116	(179)
Change in deferred acquisition costs	(1,537)		(1,537)	(1,768)		(1,768)	(1,437)	(1)	(1,438)
Total acquisition costs	2,635	73	2,708	1,885	52	1,937	2,246	112	2,358
Administrative expenses	1,270	(3)	1,267	1,307	(2)	1,305	1,364	(6)	1,358

Underwriting costs (net)	3,905	70	3,975	3,192	50	3,242	3,610	106	3,716
Expenses for management of investments	494	(125)	369	521	(107)	414	653	(100)	553
Expenses from service agreements	134	(63)	71	225	(49)	176			
Total acquisition costs and administrative expenses	4,533	(118)	4,415	3,938	(106)	3,832	4,263	6	4,269
BANKING[1]									
Personnel expenses	3,325		3,325	3,637	(1)	3,636	4,335		4,335
Operating expenses	2,191	(57)	2,134	2,449	(33)	2,416	2,979	3	2,982
Fee and commission expenses	492	(27)	465	506	(43)	463	267	(22)	245
Total acquisition costs and administrative expenses	6,008	(84)	5,924	6,592	(77)	6,515	7,581	(19)	7,562
ASSET MANAGEMENT[1]									
Personnel expenses	1,459		1,459	1,495		1,495	1,455		1,445
Operating expenses	353	(16)	337	381	(17)	364	491	(16)	475
Fee and commission expenses	918	(304)	614	756	(236)	520	645	(180)	465
Total acquisition costs and administrative expenses	2,730	(320)	2,410	2,632	(253)	2,379	2,591	(196)	2,395

1) After eliminating intra Allianz Group transactions between segments.

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Acquisition costs and administrative expenses in insurance business include the personnel and operating expenses of the insurance business allocated to the functional areas acquisition of insurance policies, administration of insurance policies and management of investments. Other personnel and operating expenses are reported under insurance benefits (claims settlement expenses) and other expenses.

All personnel and operating expenses in banking business are reported under acquisition costs and administrative expenses.

36 Other expenses

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Overhead expenses	1,027	1,129	1,279
Restructuring charges	347	942	261
Foreign currency transaction losses	336	676	624
Expense of transferring or increasing miscellaneous or accrued liabilities	390	671	648
Expenses for service activities		53	525
Fees	219	388	286
Expenses resulting from reinsurance business	33	38	251
Amortization and impairments of intangible assets	141	261	308
Direct charge to policy reserve	95	171	256
Amortization of capitalized loyalty bonuses to senior management of PIMCO Group	125	137	155
Fire protection tax	113	118	104
Interest on accumulated policyholder dividends	103	108	110
Expenses for assistance to victims under joint and several liability and road casualties	101	97	117
Other	1,061	1,799	934
Total	4,091	6,588	5,858

37 Taxes

The Allianz Group s earnings from ordinary activites before income taxes and minority interests is composed of the following:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Germany	1,157	1,433	(3,048)
Other countries	3,886	2,378	(1,017)
Total	5,043	3,811	(4,065)

Taxes are comprised of the following for the years ended December 31:

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Current taxes			
Germany	373	660	160
Other countries	930	850	684
Subtotal	1,303	1,510	844
Deferred taxes			
Germany	32	(1,260)	(511)
Other countries	274	(56)	(1,480)
Subtotal	306	(1,316)	(1,991)
Total income taxes	1,609	194	(1,147)
Other taxes	53	55	74
Total	1,662	249	(1,073)

The 2004 current income tax expense included a charge of 17 mn (2003: charge of 531 mn) related to prior periods.

Of the deferred tax charge for the reporting year, income of 2 mn (2003: income of 141 mn) are attributable to the recognition of deferred taxes on temporary differences. The change of applicable tax rates due to changes in tax law produced deferred tax income of 34 mn (2003: 28 mn).

The tax rates used in the calculation of the Allianz Group deferred taxes are the applicable national rates, which in 2004 and 2003 ranged from 12.5% to 46.1%. Changes to tax rates already adopted on December 31, 2004, are taken into

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account. For reasons of commensurability and because of the Allianz Group s current tax loss situation in Germany, the Allianz Group refrained from applying the increased corporate tax rate of 26.5%, which was adopted as part of the Flood Victim Solidarity Act and concerns the year 2003 only.

Tax deferrals are recognized if a future reversal of the difference is expected. Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization. In 2004 a deferred tax charge of 129 mn (2003: 0 mn) was recognized due to a devaluation of deferred tax assets on tax losses carried forward. Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax charge diminished by 193 mn (2003: 33 mn). The recognition of deferred tax assets on losses carried forward from earlier periods, for which no deferred taxes had yet been recognized or which had been devalued resulted in a deferred tax income of 87 mn (2003: income of 443 mn).

The non-recognition of deferred taxes on tax losses for the current fiscal year increased tax charges by 83 mn (2003: 254 mn). The above mentioned effects are shown in the reconciliation statement as effects of tax losses .

Unused tax losses carried forward at December 31, 2004 of 16,566 mn (2003: 17,633 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. 11,097 mn (2003: 11,301 mn) of the tax losses carried forward can be utilized without time limitation.

Losses carried forward are scheduled according to their expiry periods as follows:

Years ending	mn
2005	135
2006	278
2007	222
2008	629
2009	308
2010	19
2011	47
2012	11
2013	6

2014	4
>10 years	3,810
Unrestricted	11,097
Total	16,566

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The recognized income tax charge for 2004 is 131 mn (2003: lower than expected by 975 mn; 2002: expected income tax benefit is lower than expected by 122 mn) higher than the expected income tax charge. The following table shows the reconciliation of the expected income tax charge of the Allianz Group with the effectively recognized tax charge. The Allianz Group s reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after consolidation effects are taken into account.

Years ended 12/31	2004	2003	2002
	mn	mn	mn
Expected income tax rate	29.3%	30.7%	(31.2)%
Expected income tax charge/(credit)	1,478	1,170	(1,268)
Municipal trade tax and similar taxes	227	(226)	(143)
Net tax exempt income	(426)	(1,746)	(918)
Amortization of goodwill	296	437	285
Effects of tax losses	(68)	(222)	801
Effects of German tax law changes		758	
Other tax settlements	102	23	96
Effective income tax charge/(credit)	1,609	194	(1,147)
Effective tax rate (benefit)	31.9%	5.1%	(28.2)%

The tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax and the solidarity surcharge and amounts to 26.38% (2003: 27.96%).

The effective tax rate is determined on the basis of the effective income tax charge, on earnings from ordinary activities (before income tax and before minority interests), net of other taxes.

The changes in German tax law passed in December 2003 have abolished the tax-exempt status of dividends and gains from the sale of interests in corporations for life and health insurance companies. In addition, the taxation regarding investment funds has been changed, partly with retroactive effect.

Due to the moratorium introduced by the bill on the reduction of tax privileges , the dividend distribution proposed for fiscal 2004 and 2003 does not lead to a reduction of corporate taxes for 2004 and 2003 (2002: reduction of 62 mn).

Deferred tax assets and liabilities are comprised of the following balance sheet headings:

	12/31/2004	12/31/2003
	mn	mn
Deferred tax assets		
Intangible assets	308	127
Investments	1,673	1,911
Trading assets	186	415
Deferred acquisition costs	254	254
Tax losses carried forward	6,172	6,761
Other assets	1,637	1,542
Insurance reserves	3,128	2,866
Pensions and similar reserves	291	373
Other liabilities	1,325	1,498
Total deferred tax assets	14,974	15,747
Valuation allowance for deferred tax assets on tax losses carried forward	(835)	(1,008)
Net deferred tax assets	14,139	14,739
Deferred tax liabilities		
Intangible assets	630	638
Investments	4,389	3,709
Trading assets	990	1,210
Deferred acquisition costs	2,622	2,375
Other assets	933	824
Insurance reserves	2,539	2,547
Pensions and similar reserves	72	28
Other liabilities	2,175	2,296
Total deferred tax liabilities	14,350	13,627
Net deferred tax (liability)/asset	(211)	1,112

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Deferred tax charge included in shareholders equity in 2004 amounted to 578 mn (2003: charge of 169 mn).

Management of the Allianz Group believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets.

Allianz Life of North America Company (ALONA) has been under audit by the Internal Revenue Service (IRS) for the years ended December 31, 1991 through 1997. During the fourth quarter of 2004, ALONA and the IRS agreed on a proposed settlement of all open issues for those years. The agreement must be approved by the Joint Committee on Taxation and would result in a tax refund. The approval and resulting refund are anticipated to be final in 2005 and is expected to be material to the Allianz Group s consolidated financial statements.

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38 Supplementary information on insurance business

Investments[(1)]

	Property-Casualty		Life/Health		Total	
	2004	2003	2004	2003	2004	2003
	mn	mn	mn	mn	mn	mn
Real estate						
Used by third parties	3,535	3,388	5,613	6,016	9,148	9,404
Used by Allianz Group	2,593	1,868	1,140	1,042	3,733	2,910
Total real estate	6,128	5,256	6,753	7,058	12,881	12,314
Investments in associated enterprises and joint ventures	1,061	1,487	1,747	1,734	2,808	3,221
Loans	6,632	5,622	74,811	71,943	81,443	77,565
Other securities						
Held-to-maturity	619	389	4,437	4,174	5,056	4,563
Available-for-sale	70,018	66,409	147,681	130,265	217,699	196,674
Trading assets	629	1,363	2,235	1,460	2,864	2,823
Total other securities	71,266	68,161	154,353	135,899	225,619	204,060
Other investments	7,513	10,578	2,572	2,078	10,085	12,656
Total	92,600	91,104	240,236	218,712	332,836	309,816

(1) Presentation of investments is made in conformity with the European Union (EU) insurance accounting guideline and after eliminating intra-Allianz Group transactions between segments.

Investment income[(1)]

Years ended 12/31	Property-Casualty 2004	Property-Casualty 2003	Property-Casualty 2002	Life/Health 2004	Life/Health 2003	Life/Health 2002	Total 2004	Total 2003	Total 2002
	mn	mn	mn	mn	mn	mn	mn	mn	mn
Income from investments									
Current income	3,850	3,669	4,035	10,715	10,755	10,884	14,565	14,424	14,919
Income from revaluations	322	265	885	671	999	470	993	1,264	1,355
Realized investment gains	3,033	8,626	6,863	3,128	6,109	5,791	6,161	14,735	12,654
Subtotal	7,205	12,560	11,783	14,514	17,862	17,145	21,719	30,423	28,928
Investment expenses									
Amortization and impairments on investments	(1,154)	(2,143)	(4,229)	(835)	(2,816)	(6,503)	(1,989)	(4,959)	(10,732)
Realized investment losses	(809)	(2,835)	(1,620)	(886)	(3,449)	(5,092)	(1,695)	(6,284)	(6,712)
Investment management, interest charges and other investment expenses	(690)	(582)	(715)	(344)	(359)	(516)	(1,034)	(941)	(1,232)
Subtotal	(2,653)	(5,561)	(6,564)	(2,066)	(6,624)	(12,111)	(4,719)	(12,185)	(18,675)
Total	4,552	6,999	5,218	12,448	11,238	5,035	17,000	18,238	10,253

(1) Presentation of investment income is made in conformity with the European Union (EU) insurance accounting guideline and after eliminating intra-Allianz Group transactions between segments.

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39 Supplementary information on banking business[1]

Subordinated assets

Assets are recorded as subordinated assets if, in the event of liquidation or bankruptcy, the related claim cannot be realized before the claims of other creditors are realized.

	2004	2003
	mn	mn
Loans and advances to banks	2	10
Loans and advances to customers	142	77
Trading assets		
Other debt issuers	21	92
Equities and other non-fixed-income securities	4	6
Investment securities		
Equities and other non-fixed-income securities	30	22
Other debt issuers	17	75
Subordinated Assets	216	282

(1) After eliminating intra-Allianz Group transactions between segments.

Volume of foreign currency exposure from banking operations

The amounts reported constitute aggregate Euro equivalents of a wide variety of currencies outside the European Monetary Union (EMU). Any differences between assets and liabilities are a result of differing valuation principles. Loans and advances to banks, loans and advances to customers, liabilities to banks and liabilities to customers are reported at amortized cost, while all derivative transactions are accounted for at fair value.

Collateral pledged for own liabilities of banking operations

For the following liabilities and contingencies, assets having the values indicated below were pledged as collateral:

	12/31/2004	12/31/2003
	mn	mn
Liabilities to banks	102,843	108,925
Liabilities to customers	43,303	55,578
Contingent liabilities		7
Other commitments	1,719	431
Total collateralized liabilities	147,865	164,941

The following table presents the assets pledged as collateral for the above liabilities and contingencies:

	12/31/2004	12/31/2003
	mn	mn
Loans and advances to banks	6,599	37,943
Loans and advances to customers	6,380	22,681
Trading assets	134,340	104,123
Investment securities	546	187
Property and equipment		7
Total value of collateral pledged	147,865	164,941

	USD	GBP	Other	Total 2004	Total 2003
	mn	mn	mn	mn	mn
Balance sheet items					
Assets	113,447	38,247	30,210	181,904	158,496
Liabilities	113,120	39,686	33,722	186,528	168,103

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Structure of residual terms for banking operations

The following presents loans and advances and liabilities in the Allianz Group s banking operations according to their final maturity or call dates.

	Maturity at 12/31/2004				
	Total	Up to 3 months	> 3 months to 1 year	> 1 year to 5 years	More than 5 years
	mn	mn	mn	mn	mn
Assets					
Loans and advances to banks	117,449	83,178	30,462	3,576	233
Loans and advances to customers(1)	170,474	74,999	19,688	38,385	37,402
Total assets	287,923	158,177	50,150	41,961	37,635
Liabilities					
Participation certificates and subordinated liabilities	7,815	56	513	3,847	3,399
Term liabilities to banks(2)	174,987	154,860	10,004	5,665	4,458
Liabilities to customers(2)					
Savings deposits and home-loan savings deposits	5,345	1,370	3,793	147	35
Other terms liabilities to customers	101,833	88,461	5,707	1,809	5,856
Certificated liabilities	47,060	18,650	8,390	17,048	2,972
Total liabilities	337,040	263,397	28,407	28,516	16,720

(1) Loans and advances to customers with a residual term of up to 3 months include 9,837 mn of undated claims. These claims include credit lines available until further notice, overdraft facilities, called or overdue loans, unauthorized overdrafts, call money and internal account balances.

(2) Excluding balances payable on demand.

Trustee business in banking operations

The following presents trustee business within the Allianz Group s banking operations not recorded in the balance sheet as of December 31:

	2004	2003
	mn	mn
Loans and advances to banks	3,920	3,426
Loans and advances to customers	1,889	2,319
Investment securities	950	828
Total assets[1]	6,759	6,573
Liabilities to banks	1,044	997
Liabilities to customers	5,715	5,576
Total liabilities	6,759	6,573

[1] Including 5,016 mn (2003: 5,101 mn) of trustee loans.

Other banking information

The Allianz Group had deposits that have been reclassified as loan balances of 8,555 mn (2003: 5,829 mn) and deposits with related parties of 2,441 mn (2003: 2,223 mn) at December 31, 2004. The Allianz Group received no deposits on terms other than those available in the normal course of banking operations. An amount of 196 mn (2003: 134 mn) eligible for refinancing with the central bank is held in cash funds.

The aggregate amount of certificates of deposit and other time deposits in the amount of 100,000 or more issued by the Allianz Group s German offices at December 31, 2004 was 77,498 mn, including banks and customers (2003: 92,876 mn).

The aggregate amount of time deposits in the amount of 100,000 or more issued by the Allianz Group s non-German offices at December 31, 2004 was 26,505 mn, including banks and customers (2003: 57,904 mn).

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40 Derivative financial instruments

Use, treatment and reporting of derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rates and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual enterprises in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group s own internal guidelines. The Allianz Group s investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group s controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance companies in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group s banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group s investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter (OTC) products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. In the derivatives portfolios of the Allianz Group s banking operations 96 % of the positive replacement values, which are essential for assessing counterparty risk, involve counterparties with investment grade ratings. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

The following tables show the distribution of derivative positions on the Allianz Group s consolidated balance sheet date between its insurance segments and banking and asset management segments.

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Property-Casualty and Life/Health Insurance Segments

Derivative financial instruments in the Property-Casualty and Life/Health insurance segments:

	Maturity by notional amount			12/31/2004			12/31/2003		
	Up to 1 year	1 5 years	Over 5 years	Notional principal amounts	Positive market values	Negative market values	Notional principal amounts	Positive market values	Negative market values
	mn	mn	mn	mn	mn	mn	mn	mn	mn
Interest rate contracts, consisting of:									
OTC									
Swaps	238	2,226	3,003	5,467	143	(113)	4,319	96	(84)
Swaptions	50	56	400	506	18	(2)	3,636	14	
Caps		7,262	6,746	14,008	1	(87)	10,155	3	(50)
Futures	50			50					
Options			247	247	4		325		(4)
Exchange traded									
Futures	16			16	1				
Options			20	20			20		(1)
Total interest rate contracts	354	9,544	10,416	20,314	167	(202)	18,455	113	(139)
Equity index contracts, consisting of:									
OTC									
Forwards	630	19		649	30	(18)	75	14	(2)
Swaps	796	116		912		(1)	1,347		(25)
Options	23,174	4,621	275	28,070	525	(2,092)	20,384	650	(1,366)
Warrants							60	5	(1)
Exchange traded									
Futures	475			475	5	(2)	299	3	(7)
Options	3,379	1,090		4,469	5	(33)	4,103	9	(31)
Forwards							989	375	
Warrants	2	18		20	48		3	3	

Total equity index contracts	28,456	5,864	275	34,595	613	(2,146)	27,260	1,059	(1,432)
Foreign exchange contracts, consisting of:									
OTC									
Forwards	1,565			1,565	22	(15)	1,712	22	(52)
Swaps	964	58	88	1,110	175		1,388	157	(8)
Options	22			22	1				
Total foreign exchange contracts	2,551	58	88	2,697	198	(15)	3,100	179	(60)
Credit contracts, consisting of:									
OTC									
Options	5			5					
Swaps	92	90	183	365	5	(1)	48	10	(7)
Total credit contracts	97	90	183	370	5	(1)	48	10	(7)
Total	31,458	15,556	10,962	57,976	983	(2,364)	48,863	1,361	(1,638)

Included under equity index option contracts are equity indexed annuities with negative fair values of 2,039 mn and guaranteed minimum income benefits/guaranteed minimum death benefits with a positive fair value of 37 mn.

The major exposures in equity contracts are in the form of options used for hedging the Allianz Group s insurance portfolio against market fluctuations. In managing interest rate risk, long-term interest income is primarily controlled by the use of interest rate caps. In addition, exchange rate fluctuations are hedged by synthetically transforming financial assets and liabilities in foreign currencies into Euro-denominated financial instruments through foreign exchange deals and currency swaps.

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Allianz Group

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and for the years ended December 31, 2004, 2003 and 2002

Other information

Banking and Asset Management Segments

Derivative financial instruments in the Banking and Asset Management segments:

	Maturity by notional amount			12/31/2004			12/31/2003		
	Up to 1 year	1 5 years	Over 5 years	Notional principal amounts	Positive market values	Negative market values	Notional principal amounts	Positive market values	Negative market values
	mn	mn	mn	mn	mn	mn	mn	mn	mn
Interest rate contracts, consisting of:									
OTC									
Forwards	96,462	9,326		105,788	25	(31)	99,794	35	(30)
Swaps	978,486	793,110	735,933	2,507,529	47,217	(45,823)	2,582,517	37,403	(35,519)
Swaptions	31,435	25,891	25,912	83,238	720	(1,708)	63,584	597	(1,472)
Caps	14,493	27,544	8,420	50,457	84	(73)	56,695	267	(120)
Floors									