Allianz Group

Interim Report

First three quarters of 2003

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OVERVIEW

In the third quarter, we achieved after-tax earnings of 372 million euros, which brings earnings for the first nine months of 2003 to a total of 421 million euros. That is close to 1.4 billion euros more than in the comparable prior-year period.

In all segments, we achieved clear improvements:

- In property and casualty insurance, revenues rose 1.8 percent to 34.2 billion euros. Adjusted for consolidation and exchange rate effects, growth came to 5.2 percent.
- The combined ratio, which measures claims and expenses as a percentage of net premiums earned, improved 9.8 percentage points over the prior-year period and now stands at 96.9 percent.
- In life and health insurance, total premium income went up 7.5 percent to 30.6 billion euros. After adjustment for exchange rate and consolidation effects, growth amounted to 13.5 percent. As in property and casualty insurance, we were able to further improve the cost ratio in life and health insurance. It fell from 9.6 to 7.6 percent.
- In banking, the persistent difficulties in the markets brought down our operating income by 9.1 percent, from 5.8 billion euros to 5.2 billion euros. At the same time, we were able to pare our administrative expenses by 16.0 percent to 4.6 billion euros. The relentless reduction of our risk assets brought down loan loss provisions from 1.8 billion euros in the prior-year period to 715 million euros in the current year. Overall, we significantly reduced our operating loss to 69 million euros, following a loss of 1.5 billion euros in the prior year.
- Our assets under management increased from 989 billion euros to 1,016 billion euros in the first nine months of the current year. This is attributable to the recovery of the stock and security markets as well as net inflows of 25 billion euros in third-party investments. Operating income in the asset management segment declined from 1.8 billion euros to 1.7 billion euros. After adjustment for exchange rate and consolidation effects, growth came to 5.6 percent. Our cost cutting measures significantly lowered the cost income ratio from 79.0 to 68.2 percent, while the operating result went up from 369 to 528 million euros. After deduction of acquisition-related expenses, taxes and minority interests, we posted a loss of 226 million euros. After-tax earnings were impacted by an adjustment of the accounting in connection with the acquisition of our subsidiary, PIMCO, which we made in agreement with our external auditor, KPMG. This change concerns the deferred acquisition of interests held by PIMCO management and resulted in an after-tax charge of 80 million euros for the first nine months of 2003.

Despite the recovery in the capital markets, investment income remained below the comparable prior-year figure. In the life and health insurance segment, it increased slightly from 6.2 to 6.5 billion euros. In the property and casualty insurance segment, investment income, which had been boosted by profit realization in the previous year, dropped significantly from 6.2 billion euros to 2.1 billion euros.

Progress in the operating business more than compensated the decline in investment income. After amortization of goodwill, taxes and minority interests, we achieved net earnings of 421 million euros in the first three quarters.

Earnings

In the first nine months of 2003, we generated earnings of 1.2 billion euros before taxes and amortization of goodwill. Compared to the prior-year period, amortization of goodwill went up slightly, from 859 million euros to 895 million euros. Effectively paid taxes increased from 649 million euros to 826 million euros. However, these were more than compensated by deferred tax income of 1,525 million euros (compared to 1,578 million euros in the prior year), which resulted in tax income of 663 million euros for the first nine months (following 890 million euros in the comparable prior-year period).

After deduction of minority interests in earnings, which fell from 764 million euros to 553 million euros, we reported net earnings of 421 million euros. This translates into earnings per share of 1.28 euros.

Premium income from the insurance business

Total premium income from the insurance business increased by 2.7 billion euros or 4.5 percent to 64.2 billion euros. Of this increase, 270 million euros were attributable to changes in the scope of consolidation, whereas exchange rate effects totaling 3.1 billion euros heavily depressed premium income in euro accounts. After adjustment for these effects, the growth rate was 9.1 percent. More than two-thirds of the growth came from the life/health segment, which increased its share of total premium income by 1.3 percentage points to 47.6 percent.

Revenues from investment-oriented life insurance products grew 15.3 percent to 15.9 billion euros. In IFRS accounts, which only recognize the risk and cost elements of these products as revenue, total premium income increased slightly by 0.6 billion euros to 48.4 billion euros.

Banking

Operating income from banking, which comprise revenues from interest, commissions and trading, declined by 9.1 percent compared to the first nine months of the previous year to 5.2 billion euros. The main contributing factors were lower interest income due to the deconsolidation of Deutsche Hyp as well as our targeted reduction of risk assets. On the other hand, we almost doubled trading income. The decline in income was more than compensated by cost reductions of 16.0 percent to 4.6 billion euros. At the same time, loan loss provisions of 715 million euros were considerably lower than in the comparable prior-year period. This enabled us to substantially lower our operating loss. However, we still incurred an operating loss of 69 million euros, following a loss of 1.5 billion euros in the corresponding prior-year period.

Asset management

Assets under management in the Allianz Group increased by 27 billion euros to 1,016 billion euros since the beginning of the year. In addition to investments from unit-linked life insurance amounting to 31 billion euros, this includes 414 billion euros in Group investments. Third-party investments, which increased by 10 billion euros since the end of the year, reached 571 billion euros. Net inflows of 25 billion euros, as well as capital market gains of 29 billion euros, were to a great extent offset by a negative effect from the currency translation into our euro accounts, which amounted to 44 billion euros. At last year’s exchange rates, the result would have been an increase of third-party investments by 54 billion euros.

Shareholders' equity

On September 30, 2003, the shareholders' equity of the Allianz Group amounted to 26.3 billion euros. This figure takes into account 18,203,668 treasury shares, which reduced shareholders' equity by their acquisition cost of 4.4 billion euros. Compared to the end of 2002, equity was up 4.7 billion euros. This is mainly attributable to the capital increase launched in April. After deduction of transactions costs, the 117 million new shares issued at a price of 38 euros increased our shareholder's equity by 4.4 billion euros. Compared to June 30, 2003, shareholders' equity declined by 1.0 billion euros, which is mainly due to the development of the currency and interest markets.

Market capitalization and the Allianz share

On September 30, 2003, the Allianz market capitalization, adjusted for treasury stock, amounted to 27.8 billion euros. In the first quarter of the current year, the Allianz share price fell to almost half of what it had been at the end of last year. Thereafter, it made a substantial recovery, but on September 30, 2003, it was still 6.3 percent lower than at year-end 2002. In comparison, the Dow Jones Euro STOXX gained 0.4 percent during this period, and the Dow Jones Euro STOXX Insurance lost 0.6 percent.

Employees

Compared to the end of 2002, the number of employees world-wide declined by 4,918 to 176,733.

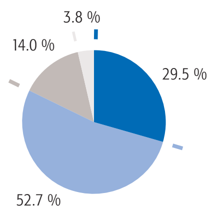
PROPERTY AND CASUALTY INSURANCE

In the first nine months of 2003, we were able to increase revenues from property and casualty insurance to 34.2 billion euros, 0.6 billion more than in the prior-year period. Adjusted for consolidation and exchange rate effects, this translates into a growth of 5.2 percent, which is mainly attributable to our European business.

Premium income was up, particularly in Germany, France and Spain. We also continued our growth in Eastern Europe. For this reason, the share of revenue generated in Germany and the rest of Europe went up slightly by 1.4 percentage points and 1.1 percentage points, respectively, while the revenue share of North and South America fell slightly by 2.3 percentage points, primarily due to exchange rate effects.

Transactions between segments are not consolidated in the following breakdowns by business segments and geographical regions. In order to provide a transparent picture of operational developments, we have adjusted the results reported for individual regions for amortization of goodwill and for minority interests.

Property and casualty insurance – premium income by region (€ 34.2 bn)



Compared to the prior-year period, the claims ratio improved 7.6 percentage points to 71.7 percent. In the current year, we benefited from a decline in elementary losses and a more favorable major claims situation. The lower claims ratio reflected our portfolio restructurings, especially in the U.S.A. and in France.

The cost ratio also declined from 27.4 to 25.2 percent. In particular, this is attributable to cost reductions in Germany and in the U.S.A. In addition, we were able to keep costs essentially stable while premiums increased, for example in France, Spain and Italy.

Our combined ratio, which measures claims and expenses as a percentage of net premiums earned, improved by 9.8 percentage points to 96.9 percent. Therefore, we are confident that we will achieve a combined ratio of less than 98 percent for the full year, provided that there will be no significant increase in charges from natural catastrophes and major claims until the end of 2003.

Compared to the prior-year period, required write-offs dropped substantially by 29.8 percent to 0.9 billion euros. Nonetheless, investment income, which came to 2.1 billion euros, was significantly lower than in the previous year, in particular due to lower profit realizations.

Earnings before taxes and amortization of goodwill amounted to 1.6 billion euros. Compared to the prior-year period, amortization of goodwill increased from 271 to 290 million euros. Taxes produced income of 154 million euros. After deduction of minority interests amounting to 240 million euros, net income for the first three quarters of 2003 came to 1.3 billion euros.

The following table shows the performance of our companies in individual countries:

Property and casualty insurance

	Gross premiums written	Change	Combined ratio		Earnings after taxes[1]	
	9/30/2003 € mn	%	9/30/2003 %	9/30/2002 %	9/30/2003 € mn	9/30/2002 € mn
Germany[2]	10,405	3.2	95.2	101.7	1,159	8,084
France[3]	4,262	11.5	104.2	109.0	142	385
Italy	3,513	3.5	94.9	99.6	371	856
Switzerland	1,165	2.8	100.0	101.9	8	11
Great Britain	1,930	– 6.9	94.6	99.2	226	107
Spain	1,308	13.6	95.1	97.4	73	37
Austria	740	6.4	99.7	107.8	15	– 52
USA	3,613	– 13.2	100.1	133.9	– 237	– 920
Australia	916	2.0	94.5	104.8	59	– 31
Allianz Global Risks Re	1,138		101.3		251	
Credit insurance	1,198	– 0,1	84.7	118.0	88	26
Travel insurance and assistance services	632	– 0.5	92.8	93.2	16	13
Allianz Marine & Aviation	842		85.0		64	

[1] Earnings after taxes and before amortization of goodwill and minority interests.
[2] The figures for 2003 as well as the pro-forma comparison figures showing the change in gross premiums written do not include Allianz Marine & Aviation and Allianz Global Risks Rückversicherungs-AG.
[3] The figures for 2003 as well as the pro-forma comparison figures showing the change in gross premiums written do not include Allianz Marine & Aviation.

In Germany, we generated premium income of 10.4 billion euros. Compared to the prior-year period, this no longer includes premiums earned by Allianz Marine & Aviation and Allianz Global Risks Rückversicherung, which are now reporting as separate units. Adjusted for this change, premium income increased 3.2 percent. The growth came from our property and casualty insurance business, which is combined in Allianz Sachgruppe Deutschland. One of the main contributing factors was rate adjustments in dynamic property insurance. Accident and liability insurance also registered continued growth. In automobile insurance, we benefited from the increase of our share in the business contracted through an insurance service.

In France, we were able to impose substantial rate increases in the market. Not including Allianz Marine & Aviation, which is now reported separately, our premium income rose 11.5 percent to reach 4.3 billion euros. This increase is particularly significant in view of our portfolio restructurings and our selective underwriting policy for new business.

Growth in Spain, where revenues increased 13.6 percent to 1.3 billion euros, is to a great extent attributable to targeted sales promotions and the new business they generated. The main growth driver was automobile insurance.

In addition to higher revenues in our traditional markets, we continued to benefit disproportionately from our growth strategy in Eastern Europe. In Slovakia, we were able to successfully conclude the merger of Allianz Bratislava and Allianz Slovenská poist'ovna and to generate revenues of 260 million euros. In Romania, internal growth amounted to 53.1 percent, and in Poland, total premium income was up 43.6 percent. After adjustments for exchange rate and consolidation effects, we increased our revenues in the Czech Republic and in Hungary by 13.5 and 12.8 percent, respectively.

The decline in revenues we registered in Great Britain and in the U.S.A. is attributable to exchange rate effects. In the original currency, growth amounted to 4.1 percent in the U.S.A. and to 2.5 percent in Great Britain.

In the first nine months of the current year we benefited from a favorable claims situation. Despite a multitude of lesser storm and hail damages, charges for elementary losses were substantially lower than in the previous year. Compared to the comparable prior-year period, the claims ratio, which had been heavily impacted by the flood catastrophe in Middle and Central Europe as well as asbestos and environmental exposure risks in the U.S.A., improved from 79.3 percent to 71.7 percent. If the prior-year figure is adjusted for charges from the flood catastrophe and the increase of reserves in the U.S.A., the improvement comes to 2.4 percentage points. Sachgruppe Deutschland, which was particularly affected by flood damages, reported a claims ratio of 66.9 percent (following 73.2 percent in the previous year). After adjustment of the prior-year claims ratio for the flood catastrophe, the improvement is 0.3 percentage points. In addition to the favorable development of the major claims situation in Germany, we also registered a downturn in claims from automobile liability insurance as well as in the property and comprehensive automobile insurance lines. In addition, our selective underwriting policy, particularly in France and in the U.S.A., resulted in a qualitative improvement of our contract portfolios. In France, this brought down the claims ratio from 84.1 to 80.6 percent. In the U.S.A., the claims ratio also improved by 30.5 percentage points from the comparable prior-year period, which had been heavily impacted by reserves for asbestos and environmental exposure, and now stands at 71.6 percent.

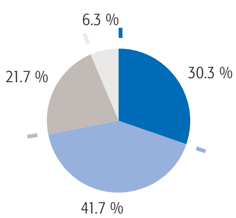
In addition, we were able to improve the cost ratio in many companies. In Germany, we pared the administrative and distribution expenses of Sachgruppe, particularly at headquarters, to trim the cost ratio from 28.5 to 25.5 percent. In France, savings mainly came from lower IT and administrative expenses. In addition, higher premium income helped to bring down the cost ratio from 24.9 to 23.6 percent. In Italy, the streamlining of administrative processes continued to lower the cost ratio from 23.0 to 22.6 percent. In the U.S.A., it was mainly staff reductions, which brought down the cost ratio from 31.7 to 28.4 percent.

The success of the turnaround program in the U.S.A. is reflected in the development of the combined ratio. In the business lines retained at Fireman's Fund, the ratio of claims and expenses to premiums earned came to 92.0 percent compared to 102.9 percent in the prior year. At Allianz Global Risks, which pools our world-wide business with international industrial customers, our restructuring measures proved to be effective. In the first nine months of the current year, we were able to reduce the combined ratio from 126.3 percent to 94.5 percent. A comparable improvement, from 142.5 percent to 101.3 percent, was made at Allianz Global Risks Rückversicherungs-AG, which assumes reinsurance for a large part of this business from our local companies. At AGF in France, which posted a combined ratio of 104.2 percent in the property and casualty business (which includes part of this company's health insurance business), we have not quite reached our objective of 103 percent.

LIFE AND HEALTH INSURANCE

We continued our growth in life and health insurance. After adjustments for exchange rate and consolidation effects, growth came to 13.3 percent. Of total revenues amounting to 30.6 billion euros, 51.9 percent were generated by unit-linked life insurance and other investment-oriented products, whose sale we were able to boost by 25.1 percent in the original currencies.

Life and health insurance – premium income by region (€ 30.6 bn)



In IFRS accounts, which only recognize the cost and risk elements of investment-oriented products, premium income grew 0.3 percent to 14.7 billion euros.

The share of European business increased 1.8 percentage points to 72.0 percent, while the share of business in the Americas fell 2.2 percentage points. This slight regional shift is in particular attributable to the decline of the U.S. dollar.

Strict cost management and a clear focus on growth in more profitable areas pushed down the IAS expense ratio from 19.5 to 16.7 percent. Based on total revenues, it was reduced from 9.6 to 7.6 percent.

Compared to the first three quarters of 2002, investment income rose slightly from 6.2 to 6.5 billion euros. This growth is mainly attributable to the fact that the balance of write-downs and write-ups dropped from 2.0 to 1.2 billion euros as a result of the recovery in the capital markets. This more than compensated lower profit realizations as well as the decline of trading income.

Earnings before taxes and amortization of goodwill for the first nine months of the current year came to 646 million euros. After amortization of goodwill of 132 million euros, taxes of 93 million euros and minority interests of 167 million euros, net income amounted to 254 million euros.

The following table provides an overview of the development of our companies in the various countries:

Life and health insurance

	Gross premiums written	Change	Expense ratio		Earnings after taxes[*)]	
	9/30/2003 € mn	%	9/30/2003 %	9/30/2002 %	9/30/2003 € mn	9/30/2002 € mn
Germany life	7,035	4.6	6.5	9.6	11	110
Germany health	2,220	3.3	9.7	9.4	46	30
Italy	6,574	20.7	31.2	36.8	146	236
France	3,167	1.0	46.7	51.2	163	– 112
Switzerland	996	6.2	15.1	18.2	– 15	14
USA	6,527	– 1.1	54.8	53.3	106	– 7
South Korea	1,243	– 12.2	17.0	18.0	– 5	60

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

In the German life insurance market, we were able to strengthen our growth. Since the solidity of some of our competitors has become the subject of critical discussion, customers increasingly scrutinize the financial strength of their life insurance provider when taking out a new policy. This benefited Allianz Leben, which was able to increase its new business 16.4 percent to 2.2 billion euros in the first nine months of the current year. New business was boosted by sales through the branches of Dresdner Bank, and premium income from new business was up 20.6 percent. At the same time, the share of business contributed by brokers rose from 10.1 to 15.5 percent. New business at Allianz Pensionskasse developed with equal success. With new premiums of 157 million euros, this pension fund has a leading position in its segment in Germany. Premium income increased 4.6 percent to 7.0 billion euros in the first nine months of the current year. After-tax earnings came to 11 million euros, following 110 million euros in the prior-year period.

In health insurance, we were able to increase revenues by 3.3 percent. The growth of premium income to 2.2 billion euro was due to both rate adjustments and new business. There was increasing demand for complementary health insurance, while the ongoing discussion on health policy continues to keep customers from wanting to take out full-coverage health insurance plans. Improvements in the benefit and health management brought down the claims ratio from 72.5 percent to 72.0 percent. While the cost ratio remained nearly unchanged, after-tax earnings improved from 30 million euros to 46 million euros.

In Italy, we boosted revenues to 6.6 billion euros. The growth of 20.7 percent is mainly attributable to investment-oriented bancassurance products with guaranteed capital. At nearly constant cost-levels, the cost ratio improved from 36.8 to 31.2 percent.

In France, revenues increased slightly to 3.2 billion euros. On the cost side, we generated savings in administrative and IT expenses, which lowered the cost ratio by 4.5 percentage points to 46.7 percent. In addition to these operating improvements, the increase of earnings after taxes to 163 million euros is also attributable to investment income, which benefited from the sale of our interest in Crédit Lyonnais in connection with the takeover offer by Crédit Agricole.

The 6.2 percent revenue increase to 1.0 billion euros in Switzerland is attributable to the successful expansion of our new business in individual life insurance as well as single premiums in collective life insurance. Due to higher premium income, the cost ratio fell 3.1 percentage points to 15.1 percent. Despite these operating improvements we had to post a loss of 15 million euros. This is due to the fact that the guaranteed interest, particularly in Swiss collective life insurance, is still excessive and cannot be generated under the conditions presently prevailing in the capital markets. In reaction thereto, the Swiss legislature lowered the guaranteed interest rate in individual life insurance to 2.0 percent as of July 1, 2003, and in collective life insurance to 2.25 percent from the beginning of 2004.

The 1.1 percent drop in the U.S.A. in revenues to 6.5 billion euros is attributable to exchange rate effects. In the original currency, total premium income was up 19.0 percent. This increase was mainly generated by annuity and investment products, which we sell through our distribution network, which was substantially expanded in the past year. Beginning with the second quarter, our margin came under pressure from a market-wide drop in interest rates. As a countermeasure, we discontinued the sale of certain products, lowered profit participation and cut commissions. Overall, we were able to generate a profit of 106 million euros, following a loss of 7 million euros in the comparable prior-year period.

In South Korea, premium income fell 12.2 percent. Due to lower sales and administrative expenses, the cost ratio improved from 18.0 to 17.0 percent. Given the popularity of guaranteed-interest products, falling interest rates put increasing pressure on life insurers. While we were still able to generate a profit of 60 million euros in the prior-year period, we had to post a loss of 5 million euros for the first nine months of the current year.

BANKING

Due to the persisting difficulties in the financial markets, our operating result deteriorated by 9.1 percent. This is partially compensated by our successful cost cutting drive, which brought down administrative expenses 16.0 percent to 4.6 billion euros. After deduction of loan loss allowances, which were substantially reduced by 1.1 billion euros to 715 million euros, our banking segment posted a slight operating loss of 69 million euros.

Banking

		9/30/2003	9/30/2002
Net interest and current income	€ mn	1,954	2,889
Net fee and commission income	€ mn	1,864	2,036
Trading income	€ mn	1,425	845
Operating income	€ mn	5,243	5,770
Administrative expenses	€ mn	– 4,596	– 5,473
Loan loss provisions	€ mn	– 715	– 1,836
Operating result	€ mn	– 69	– 1,539
Other income/expenses	€ mn	– 729	1,292
Net income first nine months	€ mn	– 454	– 152
Operating cost/income ratio	%	87.7	94.8
Loans and advances to customers and banks	€ bn	260	255
Liabilities to customers and banks	€ bn	314	283

In banking, we generated operating income of 5.2 billion euros in the first three quarters of 2003, against 5.8 billion euros in the corresponding prior-year period. Lower interest income and a moderate decline in net fee and commission income were counterbalanced by substantially higher trading income. The main reasons for the decline of net interest and current income by 32.4 percent to 2.0 billion euros were the deconsolidation of Deutsche Hyp in the second half of 2002 as well as the reduction of risk assets which we pursued vigorously. Net fee and commission income went down slightly by 172 million euros to 1.9 billion euros, given the reluctance of our customers in view of market volatility. Trading income increased 69 percent, mainly attributable to our highly successful trading with interest and securities products.

We pared administrative expenses by 877 million euros to 4.6 billion euros. This remarkable progress is also reflected in the development of the cost/income ratio, which was brought down from 94.8 percent to 87.7 percent despite lower earnings.

In addition, we reduced loan loss provisions from 1.8 billion euros to 715 million euros.

At the bottom line, we are posting a slight operating loss of 69 million euros, following a loss of 1.5 billion euros in the previous year.

The balance of other income/expenses, which amounted to minus 729 million euros, mainly resulted from write-offs and restructuring expenses. After amortization of goodwill, taxes and minority interests, the banking business still reported a loss of 454 million euros for the first nine months of the current year.

Private Customers & Business Customers

In the "Private Customers & Business Customers" segment, we achieved an operating result of 57 million euros, following an operating loss of 169 million euros in the prior year. Operating income increased slightly by 2.6 percent to 2.4 billion euros. At the same time, we cut administrative expenses by 4.3 percent to 2.1 million euros, which improved the cost/income ratio from 92.6 to 86.4 percent. Loan loss provisions came to 276 million euros, 20 percent less than the comparable prior-year figure. However, there was a substantial increase in other income/

Private Customers & Business Customers

		9/30/2003	9/30/2002
Operating income	€ mn	2,448	2,385
Administrative expenses	€ mn	– 2,114	– 2,209
Loan loss provisions	€ mn	– 276	– 345
Operating result	€ mn	57	– 169
Other income/expenses	€ mn	– 144	18
Earnings after taxes	€ mn	– 138	– 117
Operating cost/income ratio	%	86.4	92.6

expenses. After deduction of the balance of other income/expenses as well as taxes, this area reported a loss of 138 million euros, following a loss of 117 million euros in the previous year.

Corporates & Markets

In “Corporates & Markets”, good trading results enabled us to slightly increase operating income by 29 million euros to 2.9 billion euros. Administrative expenses were curtailed by 25.0 percent to 2.0 billion euros, which drove down the cost/income ratio by a solid 24.4 percent to 70.5 percent. Loan loss provisions dropped substantially from 1,336 to 552 million euros. After reporting a loss of 1.2 billion euros for the first nine months of the previous year, we were able to return the “Corporates & Markets” segment to profitability in the current year and generate an operating result of 304 million euros. After taking into account other income/expenses as well as taxes, earnings after taxes came to 112 million euros.

Corporates & Markets

		9/30/2003	9/30/2002
Operating income	€ mn	2,900	2,871
Administrative expenses	€ mn	– 2,044	– 2,725
Loan loss provisions	€ mn	– 552	– 1,336
Operating result	€ mn	304	– 1,190
Other income/expenses	€ mn	– 136	– 189
Earnings after taxes	€ mn	112	– 1,239
Operating cost/income ratio	%	70.5	94.9

Institutional Restructuring Unit

The Institutional Restructuring Unit (IRU) commenced its activities as a new unit of Dresdner Bank at the beginning of 2003. Beginning with the next fiscal year, this corporate unit will be reported separately. Pending future reports, we are providing an overview of its business development below.

Breakdown by segment after the transfer of business activities to the Institutional Restructuring Unit

		Institutional Restructuring Unit	Private Customers & Business Customers	Corporate Banking	DrKW
Operating income	€ mn	433	2,399	795	1,736
Administrative expenses	€ mn	– 310	– 2,041	– 397	– 1,453
Loan loss provisions	€ mn	– 506	– 188	– 94	– 1
Operating result	€ mn	– 383	170	304	282
Other income/expenses	€ mn	– 265	– 117	– 59	6
Earnings after taxes	€ mn	– 482	– 6	144	185
Operating cost/income ratio	%	71.5	85.1	49.9	83.7

For the first nine months of the current year, the IRU posted an operating result of 433 million euros. After deducting administrative expenses of 310 million euros and 506 million euros in loan loss provisions accrued in this corporate unit, this translates into an operating loss of 383 million euros. Taking into account the balance of other income/expenses as well as taxes, we posted a loss of 482 million euros.

ASSET MANAGEMENT

From the beginning of the year to September 30, our assets under management increased from 989 billion euros to 1,016 billion euros. In third-party investments, we registered net inflows of 25 billion euros as well as market gains of 29 billion euros. This increase in third-party investments more than compensated negative exchange rate effects totaling 44 billion euros, which are mainly attributable to the weakness of the U.S. dollar.

Assets Under Management

	current values 9/30/2003 € bn	current values 12/31/2002 € bn
Group investments	414	403
Investments for unit-linked life insurance	31	25
Investments for third-party investors	571	561
Total assets under management	1,016	989

Group investments increased slightly by 11 billion euros to 414 billion euros since the end of fiscal 2002.

We were also able to increase third-party investments in euro accounts by 10 billion euros to 571 billion euros. At constant exchange rates, the increase would have come to 54 billion euros, or 9.6 percent.

Approximately 75 percent of third-party investments are invested in interest-bearing securities and about 25 percent in equities. 60 percent of investments for third parties come from the institutional client business and 40 percent from the private client business.

In the U.S.A., we were able to sustain last year's success in the fixed-income business throughout the first nine months of this year. Our PIMCO Total Return Fund registered net inflows of 2.4 billion U.S. dollars and increased its assets under management to 73.7 billion euros.

In Germany, we increased the assets under management for institutional clients as well as in public funds. In institutional asset management, our subsidiary, dbi, registered net inflows of 2.9 billion euros to its special funds. In the area of public funds, dit capitalized on product innovation and intensified sales support to produce net inflows of 1.8 billion euros, which corresponds to a market share of 11 percent.

The operating result amounted to 528 million euros, following 369 million euros in the comparable prior-year period. At the same time, the cost/income ratio was slashed from 79.0 percent in the third quarter of 2002 to 68.2 percent in the current year.

Acquisition-related expenses totaled 633 million euros. They include amortization of goodwill of 280 million euros as well as write-offs of 104 million euros on capitalized loyalty bonuses for the management of the PIMCO group, which are written off over a five-year period from the date of acquisition. An additional 249 million euros were essentially retention payments to the management and employees of PIMCO and Nicholas-Applegate, which were also agreed upon at the time of acquisition of the fund management companies.

Taxes produced income of 22 million euros, while minority interests amounted to 143 million euros. After a loss of 350 million euros in the prior-year period, we thus ended the first nine months of the current year with a less than expected loss of 226 million euros.

As agreed with KPMG, we have adjusted the accounting of the deferred acquisition of certain interests in PIMCO held by the management of that company. This change took effect on September 30, 2003. More information about this change is provided in note 1 in the Notes to the Consolidated Financial Statements.

OUTLOOK

The positive trend in the operating business is expected to continue and to produce further sustainable improvements over the previous year.

If no major charges from, for example, natural catastrophes and major claims should arise before the end of 2003, we are highly confident that we will be able to keep the combined ratio in property and casualty insurance to under 98 percent for the full year.

In life and health insurance, we intend to continue our growth. In view of the fact that we registered exceptionally high premium growth in the second half of 2002, particularly in the U.S.A., it can be assumed that the growth rate of total premiums for fiscal 2003 will be lower than in the previous year. Additional charges could arise from a retroactively amended tax treatment of losses and write-downs on funds. Based on current government decisions, an additional fiscal charge on the order of 600 million euros is expected. Other measures taken might not be able to compensate this charge in full. This might result in a net charge to the consolidated profit and loss account in the range of 150 million euros that must be absorbed in the fourth quarter of 2003.

In banking, significant cost reductions and substantially lower loan loss provisions will return the strategic business lines to profitability. Overall, we will not quite reach our objective of achieving a balanced operating result for the full year 2003. Further charges could result from an accelerated reduction of risk assets in the non-strategic portfolio of the Institutional Restructuring Unit.

In asset management, we also project a continued improvement of the operating result.

The sale of the Beiersdorf stake will already be effective in the fourth quarter of 2003. It has been agreed that 19.6 percent of the registered share capital of Beiersdorf AG will be acquired by Tchibo Holding AG, 10.0 percent by HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung, Hamburg, and 3 percent by Troma Alters- und Hinterbliebenenstiftung, Hamburg. It is intended to offer a further 7.4 percent stake to Beiersdorf AG, as part of a share buy-back program. The price for the stake sold by Allianz totals approximately 4.4 billion euros. This corresponds to an average price per share of 130 euros. The average Beiersdorf share price during the last twelve months was 107.75 euros. The transaction will be implemented in several stages and is subject to the consent of the antitrust authorities.

Against this backdrop, Allianz expects a clearly positive result for fiscal 2003.

Effective as of December 31, 2003, Allianz AG and Munich Re have agreed to cancel their “principles of cooperation” agreement. Many of the issues outlined therein had already been superseded or outdated by the decisions or steps of recent years. With the cancellation of this agreement, the conditions for including Munich Re in the computation of our statutory solvency requirements do no longer apply. Irrespective of the cancellation we will pursue our good business relations and continue our close cooperation in reinsurance and retrocession. By participating only partially in the planned capital increase, we further reduced our interest in Munich Re.

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on the headline or the page number.

Consolidated Financial Statements First Three Quarters of 2003

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

Consolidated Balance Sheet as of September 30, 2003 and as of December 31, 2002

ASSETS	➤➤ Note	9/30/2003 € mn	12/31/2002 € mn
A. Intangible assets	2	17,047	18,273
B. Investments in affiliated enterprises, joint ventures and associated enterprises		8,757	11,345
C. Investments	3	297,833	285,340
D. Investments held on account and at risk of life insurance policyholders		31,288	25,657
E. Loans and advances to banks	4	100,936	86,822
F. Loans and advances to customers	5	188,686	188,084
G. Trading assets		155,558	124,842
H. Cash and cash equivalents		28,401	21,008
I. Amounts ceded to reinsurers from the insurance reserves	6	26,209	28,420
J. Deferred tax assets		13,619	13,311
K. Other assets		52,612	49,070
Total assets		920,946	852,172

EQUITY AND LIABILITIES	➤➤ Note	9/30/2003 € mn	12/31/2002 € mn
A. Shareholders' equity		26,326	21,673
B. Minority interests in shareholders' equity	7	8,250	8,315
C. Participation certificates and subordinated liabilities	8	12,720	14,174
D. Insurance reserves	9	315,654	305,763
E. Insurance reserves for life insurance where the investment risk is carried by policyholders		31,321	25,687
F. Liabilities to banks		165,633	137,332
G. Liabilities to customers		152,902	147,266
H. Certificated liabilities		61,802	78,750
I. Trading liabilities		84,159	53,520
J. Other accrued liabilities	10	12,795	13,069
K. Other liabilities	11	33,685	31,425
L. Deferred tax liabilities		12,146	12,188
M. Deferred income		3,553	3,010
Total equity and liabilities		920,946	852,172

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

Consolidated Income Statement for the Period from January 1 to September 30, 2003 and from January 1 to September 30, 2002

	➤➤ Note	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
1. Premiums earned (net)	12	41,426	40,548
2. Interest and similar income	13	17,009	21,214
3. Income (net) from affiliated enterprises, joint ventures and associated enterprises		– 160	3,555
4. Other income from investments	14	7,438	6,004
5. Trading income	15	275	1,355
6. Fee and commission income, and income resulting from service activities	16	4,553	5,679
7. Other income		2,337	1,710
Total income (1. to 7.)		72,878	80,065
8. Insurance benefits (net)	17	– 36,984	– 38,112
9. Interest and similar expenses	18	– 4,948	– 8,011
10. Other expenses for investments	19	– 8,269	– 8,962
11. Loan loss provisions	20	– 720	– 1,867
12. Acquisition costs and administrative expenses	21	– 16,301	– 18,082
13. Amortization of goodwill		– 895	– 859
14. Other expenses		– 4,450	– 5,272
Total expenses (8. to 14.)		– 72,567	– 81,165
15. Earnings from ordinary activities before taxes		311	– 1,100
16. Taxes	22	663	890
17. Minority interests in earnings	7	– 553	– 764
18. Net income		421	– 974
		€	€
Earnings per share	23	1.28	– 3.52*)
Earnings per share after elimination of amortization of goodwill	23	4.00	– 0.42*)
Diluted earnings per share	23	1.28	– 3.52*)

*) Adjusted for subscription rights issued in April 2003

Consolidated Income Statement for the Period from July 1 to September 30, 2003 and from July 1 to September 30, 2002

	7/1–9/30/2003 € mn	7/1–9/30/2002 € mn
1. Premiums earned (net)	13,923	13,643
2. Interest and similar income	5,143	6,539
3. Income (net) from affiliated enterprises, joint ventures and associated enterprises	72	345
4. Other income from investments	1,689	1,858
5. Trading income	241	883
6. Fee and commission income, and income resulting from service activities	1,523	1,783
7. Other income	445	94
Total income (1. to 7.)	23,036	25,145
8. Insurance benefits (net)	– 12,837	– 12,841
9. Interest and similar expenses	– 1,433	– 2,571
10. Other expenses for investments	– 1,466	– 4,086
11. Loan loss provisions	– 17	– 780
12. Acquisition costs and administrative expenses	– 5,372	– 5,828
13. Amortization of goodwill	– 296	– 292
14. Other expenses	– 1,069	– 1,975
Total expenses (8. to 14.)	– 22,490	– 28,373
15. Earnings from ordinary activities before taxes	546	– 3,228
16. Taxes	27	597
17. Minority interests in earnings	– 201	115
18. Net income	372	– 2,516

Statement of Changes in Shareholders' Equity

	Paid-in capital € mn	Revenue reserves € mn	Unrealized gains and losses € mn	Consolidated unappropriated profit € mn	Shareholders' equity € mn
12/31/2001	14,769	8,158	8,276	410	31,613
Currency translation adjustments		– 877	– 1		– 878
Changes in the group of consolidated companies		456			456
Treasury stock		– 134			– 134
Unrealized investment gains and losses			– 9,079		– 9,079
Net income		– 974			– 974
Reclassification of unappropriated profit		46		– 46	–
Shareholders' dividend				– 364	– 364
Miscellaneous		162			162
9/30/2002	14,769	6,837	– 804	–	20,802
12/31/2002	14,785	4,674	1,049	1,165	21,673
Currency translation adjustments		– 1,153	– 78		– 1,231
Changes in the group of consolidated companies		– 1,573	876		– 697
Capital paid-in	4,482				4,482
Treasury stock		1,530			1,530
Unrealized investment gains and losses			1,648		1,648
Net income		421			421
Reclassification of unappropriated profit		791		– 791	–
Shareholders' dividend				– 374	– 374
Miscellaneous		– 1,126			– 1,126
9/30/2003	19,267	3,564	3,495	–	26,326

Cash Flow Statement

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Net income	421	– 974
Change in unearned premiums	1,746	1,531
Change in aggregate policy reserves[1]	8,980	2,977
Change in reserves for loss and loss adjustment expenses	1,393	2,836
Change in other insurance reserves[2]	283	– 1,663
Change in deferred acquisition costs	– 1,774	– 667
Change in funds held by others under reinsurance business assumed	– 31	1,345
Change in funds held under reinsurance business ceded	306	– 236
Change in accounts receivable/payable on reinsurance business	118	159
Change in trading securities[3]	– 980	24,981
Change in loans and advances to banks and customers	– 15,543	– 8,789
Change in liabilities to banks and customers	34,072	– 2,406
Change in certificated liabilities	– 16,291	– 6,811
Change in other receivables and liabilities	737	– 1,978
Change in deferred tax assets/liabilities[4]	– 1,076	– 1,429
Non-cash investment income/expenses	2,204	– 1,515
Amortization of goodwill	895	859
Other	– 754	– 3,215
Net cash flow provided by (used in) operating activities	14,706	5,005
Change in securities available-for-sale	– 11,221	– 4,692
Change in securities held-to-maturity	2,397	1,227
Change in real estate	– 490	1,477
Change in other investments	– 814	34
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	–	– 9,153
Other	239	390
Net cash flow provided by (used in) investing activities	– 9,889	– 10,717
Change in participation certificates and subordinated liabilities	– 1,453	1,798
Change in investments held on account and at risk of life insurance policyholders	– 6,352	– 8
Change in aggregate policy reserves for life insurance products according to SFAS 97	7,445	6,343
Cash inflow from capital increases	4,482	–
Dividend payouts	– 651	– 416
Other from shareholders' equity and minority interests[5]	– 815	2,524
Net cash flow provided by financing activities	2,656	10,241
Effect of exchange rate changes on cash and cash equivalents	– 80	113
Change in cash and cash equivalents	7,393	4,642
Cash and cash equivalents at beginning of period	21,008	21,240
Cash and cash equivalents at end of period	28,401	25,882

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

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

The cash flow statement excludes effects of major changes in the scope of consolidation, in the first three quarters of 2003, in particular the deconsolidation of Pioneer Allianz Life Assurance Corporation, Metro Manila.

The deconsolidation reduced the value of investments held (excluding funds held by others) by € 24 (43 793 increase) mn while the total of other assets and liabilities had a net increase of € 24 (– 43,793) mn. Income taxes paid amounted to € 1,958 (1,347) mn.

Consolidated Balance Sheet by Business Segments as of September 30, 2003 and as of December 31, 2002

ASSETS	Property/Casualty		Life/Health	
	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn
A. Intangible assets	2,622	2,960	4,685	4,817
B. Investments in affiliated enterprises, joint ventures and associated enterprises	49,916	51,448	6,054	6,183
C. Investments	80,008	76,855	198,496	189,172
D. Investments held on account and at risk of life insurance policyholders	–	–	31,288	25,657
E. Loans and advances to banks	6,908	5,219	2,222	3,490
F. Loans and advances to customers	2,784	2,882	27,672	24,747
G. Trading assets	969	1,404	1,211	1,177
H. Cash and cash equivalents	1,603	2,880	965	2,267
I. Amounts ceded to reinsurers from the insurance reserves	15,735	17,188	16,732	17,623
J. Deferred tax assets	7,323	7,410	2,320	2,601
K. Other assets	22,225	21,482	18,470	17,320
Total assets	190,093	189,728	310,115	295,054

EQUITY AND LIABILITIES	Property/Casualty		Life/Health	
	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn
A. Participation certificates and subordinated liabilities	3,995	4,342	–	–
B. Insurance reserves	87,671	87,557	234,318	224,673
C. Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–	31,321	25,687
D. Liabilities to banks	4,535	5,166	2,963	1,708
E. Liabilities to customers	–	–	–	–
F. Certificated liabilities	16,189	19,031	240	263
G. Trading liabilities	389	544	1,269	825
H. Other accrued liabilities	5,562	5,626	615	850
I. Other liabilities	17,879	18,312	20,438	20,555
J. Deferred tax liabilities	6,869	7,356	2,716	2,551
K. Deferred income	104	104	324	354
Total	143,193	148,038	294,204	277,466

	Banking		Asset Management		Consolidation Adjustments		Group	
	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn
	3,074	3,509	6,666	6,987	–	–	17,047	18,273
	4,715	4,349	19	20	– 51,947	– 50,655	8,757	11,345
	29,232	28,965	631	993	– 10,534	– 10,645	297,833	285,340
	–	–	–	–	–	–	31,288	25,657
	92,813	76,748	232	1,863	– 1,239	– 498	100,936	86,822
	167,683	168,919	193	228	– 9,646	– 8,692	188,686	188,084
	153,340	122,139	126	156	– 88	– 34	155,558	124,842
	25,611	16,322	502	940	– 280	– 1,401	28,401	21,008
	–	–	–	–	– 6,258	– 6,391	26,209	28,420
	3,820	3,161	156	139	–	–	13,619	13,311
	16,471	15,416	3,610	3,735	– 8,164	– 8,883	52,612	49,070
	496,759	439,528	12,135	15,061	– 88,156	– 87,199	920,946	852,172

	Banking		Asset Management		Consolidation Adjustments		Group	
	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn
	8,808	9,846	–	–	– 83	– 14	12,720	14,174
	–	–	–	–	– 6,335	– 6,467	315,654	305,763
	–	–	–	–	–	–	31,321	25,687
	158,396	130,568	278	177	– 539	– 287	165,633	137,332
	155,517	146,945	429	2,754	– 3,044	– 2,433	152,902	147,266
	51,020	64,569	264	435	– 5,911	– 5,548	61,802	78,750
	82,603	52,152	–	–	– 102	– 1	84,159	53,520
	6,080	5,984	538	609	–	–	12,795	13,069
	6,853	5,468	1,236	1,304	– 12,721	– 14,214	33,685	31,425
	2,500	2,220	61	61	–	–	12,146	12,188
	3,118	2,545	7	7	–	–	3,553	3,010
	474,895	420,297	2,813	5,347	– 28,735	– 28,964	886,370	822,184
					Equity[*)]		34,576	29,988
					Total equity and liabilities		920,946	852,172

[*)] Shareholders' equity and minority interests

Consolidated income statement by business segments for the period from January 1 to September 30, 2003 and from January 1 to September 30, 2002

	Property/Casualty		Life/Health	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
1. Premiums earned (net)	28,068	27,307	13,358	13,241
2. Interest and similar income	3,166	3,438	8,353	8,322
3. Income (net) from affiliated enterprises, joint ventures and associated enterprises	128	7,352	215	745
4. Other income from investments	3,600	2,265	3,239	3,042
5. Trading income	– 1,370	238	100	281
6. Fee and commission income, and income from service activities	481	1,388	147	158
7. Other income	1,094	935	889	611
Total income (1. to 7.)	35,167	42,923	26,301	26,400
8. Insurance benefits (net)	– 20,453	– 22,168	– 16,629	– 15,942
9. Interest and similar expenses	– 1,174	– 1,086	– 218	– 361
10. Other expenses for investments	– 2,357	– 2,445	– 5,031	– 5,532
11. Loan loss provisions	– 3	– 23	– 2	– 7
12. Acquisition costs and administrative expenses	– 7,410	– 7,904	– 2,610	– 3,036
13. Amortization of goodwill	– 290	– 271	– 132	– 130
14. Other expenses	– 2,136	– 2,911	– 1,165	– 1,215
Total expenses (8. to 14.)	– 33,823	– 36,808	– 25,787	– 26,223
15. Earnings from ordinary activities before taxes	1,344	6,115	514	177
16. Taxes	154	588	– 93	– 26
17. Minority interests in earnings	– 240	– 767	– 167	– 31
18. Net income	1,258	5,936	254	120

Banking		Asset Management		Consolidation Adjustments		Group	
1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
–	–	–	–	–	–	41,426	40,548
6,045	10,080	48	88	– 603	– 714	17,009	21,214
– 122	2,054	–	– 14	– 381	– 6,582	– 160	3,555
666	794	8	23	– 75	– 120	7,438	6,004
1,425	845	17	– 8	103	– 1	275	1,355
2,209	2,229	2,116	2,221	– 400	– 317	4,553	5,679
337	187	59	47	– 42	– 70	2,337	1,710
10,560	16,189	2,248	2,357	– 1,398	– 7,804	72,878	80,065
–	–	–	–	98	– 2	– 36,984	– 38,112
– 4,091	– 7,191	– 23	– 65	558	692	– 4,948	– 8,011
– 678	– 978	– 3	– 11	– 200	4	– 8,269	– 8,962
– 715	– 1,836	–	– 1	–	–	– 720	– 1,867
– 4,941	– 5,666	– 1,695	– 1,767	355	291	– 16,301	– 18,082
– 193	– 175	– 280	– 283	–	–	– 895	– 859
– 932	– 765	– 352	– 492	135	111	– 4,450	– 5,272
– 11,550	– 16,611	– 2,353	– 2,619	946	1,096	– 72,567	– 81,165
– 990	– 422	– 105	– 262	– 452	– 6,708	311	– 1,100
580	230	22	90	–	8	663	890
– 44	40	– 143	– 178	41	172	– 553	– 764
– 454	– 152	– 226	– 350	– 411	– 6,528	421	– 974

1 Accounting regulations

In accordance with § 292 a of the German Commercial Code (HGB), the consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). In establishing these consolidated financial statements, all standards currently applicable to the interim report have been adhered to.

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

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

When acquiring PIMCO in 2000, it was agreed that PIMCO management would acquire PIMCO equity annually through 2004 subject to a vesting arrangement, and, following a blackout period, PIMCO management and Allianz would hold reciprocal rights to put or call such equity, enabling Allianz to increase its economic interest in the earnings of PIMCO in future periods.

We have adjusted the accounting for this arrangement. Previously, we had intended to recognize compensation expense associated with these equity transactions only following a vesting period. However, APB 25 requires that such expense be recognized ratably over the vesting period. The adjustment of the accounting is made in the current quarterly report. The following effects for the past are taken into account and disclosed: Revenue reserves and, accordingly, shareholders' equity as of December 31, 2001 will be reduced by € 51 mn. The result for the first nine months of 2002 will be adjusted by an after-tax charge of € 50 mn (€ 17 mn for the third quarter 2002). In addition, we have reported an after-tax expense for the first nine months of 2003 of € 80 million (€ 27 mn for the third quarter 2003).

The recognition of compensation expense in connection with this arrangement represents a non-cash charge that will have no effect on Allianz's cash position.

Beginning in the third quarter of 2003, we adopted SFAS 123 to account for all stock-based employee compensation plans. Compensation expense measured under SFAS 123 for the PIMCO arrangements described above approximates that measured under APB 25. The interim report otherwise follows the same accounting and valuation principles as the most recent annual financial statements.

The financial statements are presented in euros (€).

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED BALANCE SHEET

2 Intangible assets

Intangible assets comprise the following:

	9/30/2003 € mn	12/31/2002 € mn
Goodwill	13,092	13,786
Other intangible assets	3,955	4,487
Total	17,047	18,273

Changes in goodwill for the period under review were as follows:

	€ mn
Gross amount capitalized 12/31/2002	17,262
Accumulated amortization 12/31/2002	– 3,476
Value stated as of 12/31/2002	13,786
Translation differences	– 365
Value stated as of 1/1/2003	13,421
Additions	566
Amortization	– 895
Value stated as of 9/30/2003	13,092
Accumulated amortization 9/30/2003	– 4,371
Gross amount capitalized 9/30/2003	17,463

Additions are mainly comprised of goodwill due to the increase in ownership interest in:

- PIMCO Advisors L. P. by 8.4 % to 77.9 %,
- Riunione Adriatica di Sicurtà S. p. A. by 4.3 % to 55.4 %

3 Investments

	9/30/2003 € mn	12/31/2002 € mn
Securities held-to-maturity	4,074	6,533
Securities available-for-sale	280,634	265,997
Real estate used by third parties	11,045	10,747
Funds held by others under reinsurance contracts assumed	2,080	2,063
Total	297,833	285,340

Securities available-for-sale

	Amortized cost		Unrealized gains		Unrealized losses		Marktet values	
	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn	9/30/2003 € mn	12/31/2002 € mn
Equity securities	41,763	53,044	4,726	5,194	3,534	10,067	42,955	48,171
Government bonds	135,404	120,914	6,396	5,971	336	106	141,464	126,779
Corporate bonds	85,245	81,353	4,563	3,727	264	326	89,544	84,754
Other	6,485	6,061	196	256	10	24	6,671	6,293
Total	268,897	261,372	15,881	15 148	4,144	10,523	280,634	265,997

	Realized gains		Realized losses	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Equity securities	4,127	4,305	3,857	4,228
Government bonds	873	631	109	272
Corporate bonds	658	519	220	284
Other	22	32	6	11
Total	5,680	5,487	4,192	4,795

Realized gains and losses on securities are principally determined by applying the average cost method.

4 Loans and advances to banks

	9/30/2003 € mn	12/31/2002 € mn
Loans	4,598	5,213
Other advances	96,649	82,017
Loans and advances to banks	101,247	87,230
Less loan loss allowance	311	408
Loans and advances to banks after loan loss allowance	100,936	86,822

5 Loans and advances to customers

	9/30/2003 € mn	12/31/2002 € mn
Loans and advances to customers	194,823	194,643
Less loan loss allowance	6,137	6,559
Loans and advances to customers after loan loss allowance	188,686	188,084

6 Amounts ceded to reinsurers from the insurance reserves

	9/30/2003 € mn	12/31/2002 € mn
Unearned premiums	1,604	1,507
Aggregate policy reserves	10,798	11,350
Reserve for loss and loss adjustment expenses	13,584	15,334
Other insurance reserves	221	179
Subtotal	26,207	28,370
Insurance reserves for life insurance where the investment risk is carried by policyholders	2	50
Total	26,209	28,420

7 Minority interests in shareholders' equity and earnings

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

The minority interests in shareholders' equity are comprised of:

	9/30/2003 € mn	12/31/2002 € mn
Other reserves		
Unrealized gains and losses	373	– 76
Share of earnings	553	688
Other equity components	7,324	7,703
Total	8,250	8,315

8 Participation certificates and subordinated liabilities

	9/30/2003 € mn	12/31/2002 € mn
Participation certificates	1,602	1,955
Subordinated liabilities	11,118	12,219
Total	12,720	14,174

9 Insurance reserves

	9/30/2003 € mn	12/31/2002 € mn
Unearned premiums	13,837	12,248
Aggregate policy reserves	217,221	210,109
Reserves for loss and loss adjustment expenses	64,519	65,961
Reserves for premium refunds	18,827	16,190
Premium deficiency reserves	409	385
Other insurance reserves	841	870
Total	315,654	305,763

10 Other accrued liabilities

	9/30/2003 € mn	12/31/2002 € mn
Reserves for pensions and similar obligations	5,689	5,715
Accrued taxes	1,999	1,775
Miscellaneous accrued liabilities	5,107	5,579
Total	12,795	13,069

11 Other liabilities

	9/30/2003 € mn	12/31/2002 € mn
Funds held under reinsurance business ceded	8,744	8,562
Accounts payable on direct insurance business	7,266	7,972
Accounts payable on reinsurance business	1,888	2,257
Other liabilities	15,787	12,634
Total	33,685	31,425

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT

12 Premiums earned (net)

	Property/Casualty*)		Life/Health*)		Total	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Gross premiums written	33,664	33,097	14,714	14,636	48,378	47,733
Premiums ceded in reinsurance	– 4,313	– 4,645	– 785	– 892	– 5,098	– 5,537
Change in unearned premiums (net)	– 1,807	– 1,634	– 47	– 14	– 1,854	– 1,648
Premiums earned (net)	27,544	26,818	13,882	13,730	41,426	40,548

*) After eliminating intra-Group transactions between segments

13 Interest and similar income

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Income from		
Securities held-to-maturity	245	290
Securities available-for-sale	9,399	9,628
Real estate used by third parties	727	789
Lending, money market transactions and loans	6,083	8,994
Leasing agreements	52	84
Other interest-bearing instruments	503	1,429
Total	17,009	21,214

Net interest margin from banking business*)

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Interest and current income	5,999	10,071
Interest expenses	– 4,036	– 7,008
Net interest and current income	1,963	3,063
Less loan loss provisions	715	1,836
Net interest and current income after loan loss provisions	1,248	1,227

*) After eliminating intra-Group transactions between segments

14 Other income from investments

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Realized gains on		
Securities held-to-maturity	–	1
Securities available-for-sale	5,680	5,487
Real estate used by third parties	179	300
Other investments	8	26
Subtotal	5,867	5,814
Income from revaluations of		
Securities held-to-maturity	18	38
Securities available-for-sale	1,544	146
Real estate used by third parties	–	2
Other investments	9	4
Subtotal	1,571	190
Total	7,438	6,004

15 Trading income

Trading income includes expenses amounting to € 1,340 (+523) mn from derivative financial instruments where hedge accounting according to IAS 39 is not applied. These include losses from derivatives embedded in convertible bond issues amounting to € 15 (+368) mn. Options and forwards (macro hedges) were used to reduce exposure to equities. This resulted in a charge of € 1,299 mn. Trading income also includes losses of € 26 (+155) mn from the use of other derivative financial instruments by insurance companies.

Trading income amounting to € 275 (1,355) mn includes € 1,425 (845) mn income from trading activities of the banking business*). This is comprised as follows:

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Trading in interest products	617	566
Trading in equity products	178	– 85
Foreign exchange/precious metals trading	256	177
Other trading activities	374	187
Total	1,425	845

*) After eliminating intra-Group transactions between segments

16 Fee and commission income, and income resulting from service activities

Of the total fee and commission income, and income resulting from service activities, € 2,013 (2,054) mn are attributable to banking business*).

Net fee and commission income from banking business*)

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Fee and commission income	2,013	2,054
Fee and commission expenses	– 294	– 186
Total	1,719	1,868

*) After eliminating intra-Group transactions between segments

Net fee and commission income from banking business is comprised of the following:

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Securities business	878	588
Lending business	– 1	9
Underwriting business (new issues)	77	56
Other	765	1,215
Net fee and commission income	1,719	1,868

17 Insurance benefits

Insurance benefits in Property/Casualty*) include the following:

	Gross		Ceded in reinsurance		Net	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Claims						
Claims paid	– 21,091	– 21,606	2,832	3,709	– 18,259	– 17,897
Change in reserves for loss and loss adjustment expenses	– 584	– 3,493	– 784	175	– 1,368	– 3,318
Subtotal	– 21,675	– 25,099	2,048	3,884	– 19,627	– 21,215
Change in other reserves						
Aggregate policy reserves	– 196	– 273	35	23	– 161	– 250
Other	68	88	1	– 5	69	83
Subtotal	– 128	– 185	36	18	– 92	– 167
Expenses of premium refunds	– 154	– 332	– 7	27	– 161	– 305
Total	– 21,957	– 25,616	2,077	3,929	– 19,880	– 21,687

*) After eliminating intra-Group transactions between segments

Insurance benefits in Life/Health*) include the following:

	Gross		Ceded in reinsurance		Net	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Benefits paid	– 13,092	– 11,902	797	842	– 12,295	– 11,060
Change in reserves						
Aggregate policy reserves	– 4,046	– 4,572	– 64	– 61	– 4,110	– 4,633
Other	– 163	– 204	– 44	138	– 207	– 66
Subtotal	– 17,301	– 16,678	689	919	– 16,612	– 15,759
Expenses of premium refunds	– 505	– 669	13	3	– 492	– 666
Total	– 17,806	– 17,347	702	922	– 17,104	– 16,425

*) After eliminating intra-Group transactions between segments

18 Interest and similar expenses

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Interest expenses for		
Deposits	– 2,055	– 2,003
Certificated liabilities	– 1,377	– 4,494
Subtotal	– 3,432	– 6,497
Other interest expenses	– 1,516	– 1,514
Total	– 4,948	– 8,011

19 Other expenses for investments

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Realized losses:		
Securities held-to-maturity	– 1	– 1
Securities available-for-sale	– 4,192	– 4,795
Real estate used by third parties	– 31	– 53
Other investments	– 2	– 33
Subtotal	– 4,226	– 4,882
Depreciation and write-downs:		
Securities held-to-maturity	– 15	– 22
Securities available-for-sale	– 3,818	– 3,818
Real estate used by third parties	– 210	– 232
Other investments	–	– 8
Subtotal	– 4,043	– 4,080
Total	– 8,269	– 8,962

20 Loan loss provisions

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Additions to allowances including direct write-offs	– 1,525	– 2,432
Less amounts released	752	517
Less recoveries on loans previously written off	53	48
Loan loss provisions	– 720	– 1,867

21 Acquisition costs and administrative expenses

	Property/Casualty[*)]		Life/Health[*)]	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Acquisition costs				
Payments	– 5,018	– 5,072	– 2,691	– 2,778
Change in deferred acquisition costs	178	143	1,275	954
Subtotal	– 4,840	– 4,929	– 1,416	– 1,824
Administrative expenses	– 2,862	– 3,251	– 947	– 989
Underwriting costs (gross)	– 7,702	– 8,180	– 2,363	– 2,813
Less commissions and profit-sharing received on reinsurance business ceded	651	755	104	172
Underwriting costs (net)	– 7,051	– 7,425	– 2,259	– 2,641
Expenses for management of investment securities	– 319	– 410	– 303	– 386
Total acquisition costs and administrative expenses	– 7,370	– 7,835	– 2,562	– 3,027

	Banking Business[*)]		Asset Management[*)]	
	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Personnel expenses	– 2,768	– 3,293	– 906	– 998
Operating expenses	– 1,796	– 2,192	– 242	– 211
Fee and commission expenses	– 294	– 186	– 363	– 340
Total acquisition costs and administrative expenses	– 4,858	– 5,671	– 1,511	– 1,549

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

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

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

22 Taxes

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

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Current taxes	– 826	– 649
Deferred taxes	1,525	1,578
Subtotal	699	929
Other taxes	– 36	– 39
Total	663	890

OTHER INFORMATION

23 Other information

Number of employees

The Group had a total of 176,733 (181,651) employees as of the balance sheet date. Of the Group's total number of employees, 83,831 (86,768) were employed in Germany and 92,902 (94,883) in other countries. The number of employees undergoing training decreased by 898 to 6,691.

Personnel expenses

	1/1–9/30/2003 € mn	1/1–9/30/2002 € mn
Salaries and wages	6,388	6,813
Social security contributions and employee assistance	1,128	1,103
Expenses for pensions and other post-retirement benefits	501	552
Total	8,017	8,468

Hedge accounting

Fair value hedging is applied within the Allianz Group. Derivatives used for fair value hedges show a negative fair value of € 64 (+413) mn. Hedge ineffectiveness resulted in a loss of € 12 (16) mn. Cash flow hedges were used to hedge variable cashflows exposed to interest rate fluctuations. The derivatives used had a negative fair value of € 50 mn. Inefficiency amounted to € – 2 mn. Foreign currency hedging instruments that were used as hedges of a net investment in an economically independent foreign entity were closed out during the reporting period.

Earnings per share

Earnings per share are calculated by dividing the consolidated net income for the period under review by the weighted average number of common shares outstanding.

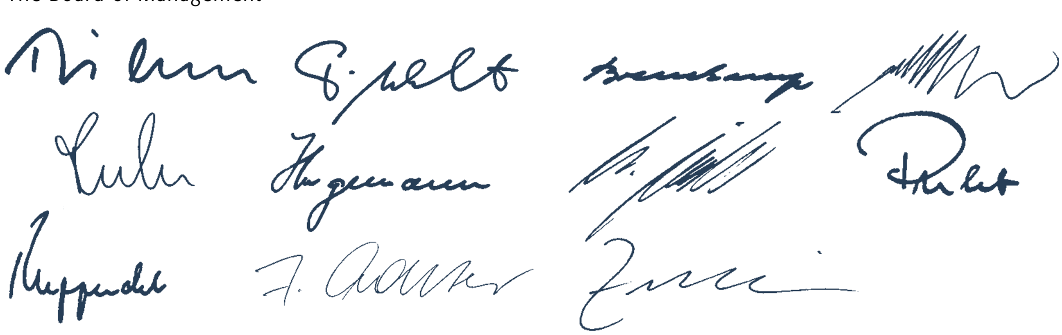
		9/30/2003	9/30/2002
Net income	€ mn	421	– 974
Weighted average number of shares		328,872,226	276,973,988*)
Number of shares (not including shares held by the company)		365,549,457	242,986,892
Earnings per share	€	1.28	– 3.52*)
Earnings per share after elimination of amortization of goodwill	€	4.00	– 0.42*)
Diluted earnings per share	€	1.28	– 3.52*)

*) Adjusted for subscription rights issued in April 2003

The weighted average number of shares does not include 18,934,848 (23,534,304) shares held by the company.

Munich, November 13, 2003

Allianz Aktiengesellschaft
The Board of Management



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