Allianz Group

Interim Report First Quarter of 2004

3 + One

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OVERVIEW

In the first three months of the current year, we vigorously pursued the implementation of our "3+One" program and were thus able to continue last year's positive earnings trend. With net income of 675 (–546) million euros, we clearly improved our result in comparison to the prior-year period. This fourth successive quarterly profit confirms that the continued improvement of our results is a sustainable trend.

All segments contributed to the continued improvement of our operating profitability:

- In property and casualty insurance, we continued our strict cost management and disciplined underwriting policy. We were able to improve the combined ratio, which measures claims and expenses as a percentage of net premiums earned, from 97.7 percent in the prior year to 95.8 percent.
- In life and health insurance, we succeeded in bringing down the expense ratio in relation to total premiums from 9.7 percent in the corresponding prior-year period to 9.2 percent.
- In banking, further cost reductions and a substantially lower need for loan loss provisions helped to improve the operating profit by 110 million euros to 179 million euros.
- In the asset management segment, we were able to increase operating income by 56 million euros to 544 million euros while at the same time bringing down the cost-income ratio from 71.9 to 66.9 percent. We thus boosted the operating profit from 137 million euros to 180 million euros.

Due to the operating improvements and substantially higher investment income, net income for the period increased by 1,221 million euros to 675 million euros.

At the same time, we were able to further strengthen our capital base. In addition to quarterly earnings, the increase in the value of our investment portfolio helped to bolster the capital resources of the Allianz Group. The balance of unrealized gains and losses from investments increased by 0.4 billion euros in the first quarter of the current year. Overall, our shareholder's equity grew by 1.2 billion euros since the end of 2003 to 29.8 billion euros at the end of the first quarter.

Earnings

In the first quarter of 2004, we succeeded in sustaining the positive earnings trend of the previous year.

After adjustment for currency and consolidation effects, we were able to further increase **revenues** in property/casualty insurance (+ 0.6 percent), life/health insurance (+ 6.3 percent) and asset management (+ 29.1 percent). Due to the swift reduction of risk-weighted assets in the past year in the banking business, operating revenues in this segment declined 12.4 percent.

The **claims ratio** in property and casualty insurance improved by 2.2 percentage points to 70.4 percent. This positive development is the result of our still highly-disciplined underwriting policy.

We continued to make good progress in increasing our operating efficiency. With respect to the prior-year period, improvements in all segments enabled us to reduce administrative **expenses** by 9.5 percent to 3.1 billion euros.

We were also able to reduce **loan loss provisions** in the banking business by 220 million euros to 135 million euros.

Investment income – before policyholders' profit participation – jumped from 2.0 billion euros in the corresponding prior-year period to 5.2 billion euros in the current year. This positive development, which also benefits our customers in life and health insurance, was favored by the clearly improved balance of write-ups and write-downs. While massive write-downs in the prior-year period had resulted in a charge of 2.1 billion euros, in the first quarter of the current year a gain of 0.1 billion euros was recorded. This is due to the fact that we had already examined the valuation of all investments on the basis of more stringent impairment criteria in the fourth quarter of last year and made adjustments in certain cases. We were also able to increase current investment income by 454 million euros to over 3.7 billion euros.

In the first three months of the current year, earnings before taxes and amortization of goodwill thus came to 1.7 billion euros, 1.6 billion euros more than in the previous year. Compared to the first quarter of 2003, amortization of goodwill declined from 305 million euros to 294 million euros. As a result of substantially higher pre-tax earnings, taxes increased from 233 million euros to 375 million euros, while minority interests rose from 120 million euros to 334 million euros. On March 31, 2004, we reported **net income** of 675 million euros compared to a loss of 546 million euros in the corresponding prior-year period. This translates into earnings per share of 1.84 euros (prior-year period: – 1.93 euros).

Shareholder's equity and finance

In February 2004 we issued a subordinated bond with a volume of 1.5 billion euros. We thereby took advantage of the low interest environment and the high liquidity in the market to refinance short-term by long-term debt at attractive conditions. This bond is recognized by the rating agencies as supplementary capital and thus further strengthens our capital base.

On March 31, 2004, the shareholders' equity of the Allianz Group amounted to 29.8 billion euros. This figure takes into account 17,905,174 treasury shares which reduce shareholders' equity and were acquired at a cost of 4.5 billion euros.

Market capitalization and the Allianz share

The market capitalization of Allianz AG, adjusted for treasury shares, amounted to 32.5 billion euros on March 31, 2004. In a volatile market, the price of the Allianz share dropped 11.5 percent since the end of 2003. In comparison, the DAX 30 lost 2.7 percent and the Dow Jones EURO STOXX Insurance index declined by 3.6 percent.

Employees

Since the end of the previous year, the number of employees worldwide decreased by 3,552 to 170,198 (173,750 at the end of 2003).

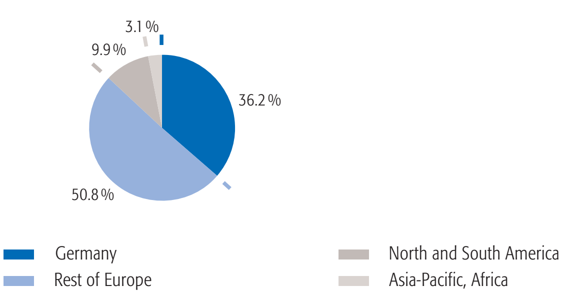
PROPERTY AND CASUALTY INSURANCE

Premium income in property and casualty insurance decreased slightly by 1.3 percent to 14.4 (14.6) billion euros in the first quarter of 2004. At the same time, we were able to considerably reduce claims and administrative expenses. Together with higher investment income, we could thus clearly improve net income in this segment from 27 million euros to 558 million euros.

Disregarding consolidation and currency effects, internal growth came to 0.6 percent. While we were able to expand our private customer business, premium volume in our international corporate business and in the special insurance business of Allianz Marine & Aviation declined. This is mainly due to the fact that in a market context where rate increases are fairly difficult to obtain, our strictly profitability-oriented market strategy required some concessions in terms of business volume.

Particularly strong growth of revenues was reported in Australia and Spain. But we also achieved good internal growth rates in Italy, Germany and the U.S.A.

Property and casualty insurance – premium income by region (€ 14.4 bn)



Compared to the prior-year period the claims ratio improved by 2.2 percentage points to 70.4 percent in the first quarter of 2004. This improvement reflects our risk-oriented pricing policy as well as the strict observance of our underwriting guidelines. We also benefitted from the continued absence of major natural catastrophes in the first quarter of the current year.

The expense ratio remained at the level of 2003. Compared to the corresponding prior-year period, higher acquisition costs slightly drove up the expense ratio from 25.1 percent to 25.5 percent even though administrative expenses were further reduced.

Overall, the combined ratio, which measures claims and expenses as a percentage of net premiums earned, improved by 1.9 percentage points to 95.8 percent. Provided the continued absence of major claims from natural catastrophes and large claims, we are well on our way towards achieving a combined ratio of less than 97 percent for the full year.

Investment income also rose significantly from 0.4 billion euros to 1.4 billion euros. This increase is mainly attributable to the improved balance of write-ups and write-downs. While the prior-year period still ended with a charge of 744 million euros, clearly lower write-downs produced an overall gain of 16 million euros in the first three months of the current year.

Earnings before taxes and amortization of goodwill came to 1.0 billion euros, compared to 0.2 billion euros in the corresponding prior-year period. Amortization of goodwill remained nearly constant at 95 (94) million euros. Taxes resulted in a charge of 192 (40) million euros. After minority interests of 177 (37) million euros, we ended the first quarter of 2004 with clearly improved net income of 558 (27) million euros.

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

Property and casualty insurance

	Gross premiums written	Change	Combined ratio		Earnings after taxes[1]	
	3/31/2004 € mn	%	3/31/2004 %	3/31/2003 %	3/31/2004 € mn	3/31/2003 € mn
Germany[2]	5,406	2.5	91.4	92.4	313	122
France	1,767	0.0	101.3	105.3	18	42
Italy	1,209	3.1	93.1	96.9	127	51
U.S.A.	1,064	– 8.9	98.7	99.7	62	– 36
Switzerland	749	– 3.0	99.5	99.1	17	– 8
Great Britain	682	2.1	94.4	94.9	57	63
Spain	585	7.1	94.3	94.8	59	14
Austria	349	0.9	95.2	100.1	23	– 5
Australia	302	15.0	96.9	96.4	28	– 1
Allianz Global Risks Rückversicherungs-AG	441	– 5.3	98.0	102.8	46	14
Credit Insurance	430	– 2.2	74.1	81.6	61	36
Allianz Marine & Aviation	262	– 38.1	116.5	102.6	16	15
Travel Insurance and Assistance	240	12.7	89.6	93.0	5	4

[1] Earnings after taxes before amortization of goodwill and minority interests
[2] The figures include both Allianz Sachgruppe Deutschland and Allianz AG

In **Germany**, Sachgruppe Deutschland achieved premium growth of 2.5 percent to 4.6 billion euros. A decline in automobile insurance was more than compensated by the positive development in the non-automotive business (in particular other property insurance, dynamic property insurance as well as casualty and liability insurance).

The claims ratio rose slightly from 59.3 percent in the prior-year period to 60 percent in the first quarter of 2004. This is mainly attributable to a minor increase of weather-related losses and major claims. At the same time, we were able to further bring down the expense ratio from 28.2 to 26.8 percent, mainly due to strict cost management.

In **France**, premium income remained stable at 1.8 billion euros. This development is the result of further portfolio restructurings and of selective rate increases. The combined ratio improved from 105.3 percent to 101.3 percent. In addition to rate adjustments, this is in particular due to our strict underwriting policy, the absence of major individual losses and strict cost management.

In the **Italian market**, we were able to raise premium income by 3.1 percent. Particularly in automobile insurance, we were able to expand our business significantly. RAS increased its revenues in this segment by 4.4 percent. With an increase of 22 percent, our direct insurer Genialloyd's business continued its brisk growth. Premium income rose from 43 million euros to 53 million euros. The improvement in the combined ratio from 96.9 to 93.1 percent is mainly attributable to the continued decline in the claims ratio.

In the **U.S.A.**, premium income fell 8.9 percent to 1.1 billion euros. In local currency, gross premiums increased by 6.3 percent. The improved claims ratio brought down the combined ratio from 99.7 percent in the prior-year period to 98.7 percent in the first quarter of 2004.

In **Switzerland**, gross premium income fell 3.0 percent to 749 million euros. Disregarding exchange rate fluctuations, however, organic growth came to 3.8 percent. While the expense ratio continued to improve from 25.5 to 24.0 percent, a higher claims ratio slightly brought up the combined ratio, which increased from 99.1 to 99.5 percent.

In **Spain**, we were able to increase gross premium income from 546 million euros in the comparable prior-year period by 7.1 percent to 585 million euros. A disproportionate contribution to this growth came from industrial insurance. Due to the more favorable loss situation, the combined ratio improved by 0.4 percentage points to 94.3 percent.

At **Allianz Global Risks Rückversicherungs-AG**, premium income fell 5.3 percent from the prior-year period to 441 million euros. In addition to currency effects, this is in particular attributable to our strict risk-oriented pricing policy. Due to a clearly lower claims ratio, which reflects the success of our profitability-oriented underwriting guidelines, the combined ratio improved from 102.8 to 98.0 percent.

The decline in premium income at **Allianz Marine & Aviation** by 38.1 percent to 262 million euros is mainly due to our selective, risk-oriented underwriting policy and to currency effects. A number of major claims drove up the combined ratio to 116.5 percent.

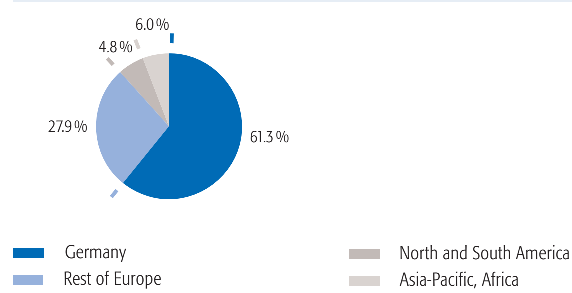
LIFE AND HEALTH INSURANCE

In life and health insurance, we returned to profitability. Net income for the first quarter came to 247 million euros, compared to a loss of 13 million euros in the prior-year period. Total premium income increased by 1.5 percent to 10.8 billion euros.

In IFRS accounts, which recognize only the cost and risk elements as revenue from investment-oriented life insurance products, premium income rose 5.7 percent to 5.3 billion euros.

After adjustment for consolidation and currency effects, our life insurance segment still posted considerable internal growth of 6.3 percent for the first quarter, but this increase remained clearly below that of the prior-year period when internal growth had amounted to 24 percent. The contributing factors were the spin-off of our "Pensionskasse" in Switzerland and the adjustment of our rate- und product policy in Korea as part of the measures taken to increase profitability. In addition, in Italy sales through the bank channel slowed down considerably and thus returned to normal levels, following extraordinary demand in the first quarter of 2003. At the same time, we registered very encouraging internal growth in other countries, for example in France and in the U.S.A.

Life and health insurance – premium income by region (€ 10.8 bn)



In relation to total premiums earned, we were able to reduce the expense ratio from 9.7 percent in the prior-year period to 9.2 percent.

Investment income increased from 1.1 billion euros in the first quarter of 2003 to 3.4 billion euros. The increase is mainly attributable to lower write-downs, which declined from 1.3 to 0.1 billion euros. In addition, the balance of unrealized gains and losses improved from a charge of 0.5 billion euros in the corresponding prior-year period to gains of 0.6 billion euros in the first quarter of the current year.

After policyholders' participation, earnings before taxes and amortization of goodwill came to 545 million euros for the first quarter of the current year, compared to 165 million euros for the prior-year period. After amortization of goodwill of 40 (43) million euros, taxes of 178 (94) million euros and minority interests of 80 (41) million euros, we posted net income of 247 (– 13) million euros.

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

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

Life and health insurance

	Total revenues	Change	Expense ratio[1]		Earnings after taxes[2]	
	3/31/2004 € mn	%	3/31/2004 %	3/31/2003 %	3/31/2004 € mn	3/31/2003 € mn
Germany Life	2,640	5.7	13.4	15.7	38	– 71
Germany Health	750	2.1	9.3	10.6	25	4
U.S.A.	2,346	– 2.3	4.8	5.3	62	36
Italy	1,936	– 18.2	4.2	3.5	27	1
France	1,132	11.6	15.9	17.3	120	81
Switzerland	468	– 12.0	6.3	6.9	8	1
South Korea	344	– 21.5	13.6	12.4	44	4

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

In the **German life insurance market**, we got off to a good start into the new year. Allianz Leben was able to boost its sales performance – i.e. the evaluated premium total of new business acquired – by 27.9 percent in the first quarter. This development was mainly fueled by the coming into force of the second stage of the so-called "Riester pensions", in which subsidized maximum premiums are doubled. Well over 90 percent of the "Riester customers" of Allianz decided to participate in this second stage. During the same period, total premium income in the German life insurance business increased by 5.7 percent to 2.6 billion euros. The future development of our business will to a great extent be determined by the regulatory environment.

In the **health insurance business**, we were able to raise our revenues by 2.1 percent. The increase of premium income to 0.8 billion euros is due to both rate increases and the positive development of new business. In particular, there was increasing demand for supplementary insurance, while customers still were reluctant to take out full-coverage health insurance contracts in view of the ongoing discussion in health care policy. As mounting health care costs were driving up claims expenses faster than premium increases since last year, the claims ratio deteriorated from 77.0 percent in the prior-year period to 78.2 percent. At the same time, the expense ratio clearly improved from 10.6 percent to 9.3 percent. Earnings after taxes grew 4 million euros to 25 million euros.

In **Italy**, revenues fell 18.2 percent to 1.9 (2.4) billion euros. In particular, sales through the bank channel dropped below the outstanding prior-year level. While our bancassurance joint ventures with Unicredito and Banca Antoniana Veneta were able to boost their premium income by 76 percent to record levels in the first quarter of 2003, we registered a decline of 22.3 percent in the first quarter of the current year, even though sales remained at a very high level. Investment-oriented products remained the mainstay of our new business. With nearly constant absolute costs, the expense ratio increased from 3.5 to 4.2 percent.

In **France**, revenues increased by 11.6 percent from 1.0 billion euros in the prior-year period to 1.1 billion euros in the current year. We were able to shift the product mix towards more profitable investment-oriented products. On the expense side, we generated further savings by optimizing our distribution networks and IT operations, which improved the expense ratio by 1.4 percentage points to 15.9 percent.

In **Switzerland**, the 12.0 percent decline in revenues to 468 million euros is to a great extent due to currency effects and to the spin-off of the company's "Pensionskasse". After adjustment for these effects, internal growth came to –5.5 percent. This reduction in premium income is to be seen in the context of our result-oriented strategy in the Swiss life insurance market. In unit-linked life insurance, we were able to nearly triple our sales, after adjustment for currency effects. The expense ratio fell from 6.9 to 6.3 percent.

The 2.3 percent drop in revenues in the **U.S.A.** to 2.3 billion euros is attributable to currency effects. In local currency, total revenues were up 13.8 percent. Favored by the build-up of our distribution network and the currently stable environment in the capital markets, sales in particular of variable annuities increased significantly. Due to the shift of our product portfolio towards variable annuities, we were able to reduce the expense ratio from 5.3 percent to 4.8 percent.

At **Allianz Life Korea**, we introduced a number of measures to improve profitability. In this program, we already achieved a number of essential milestones. In the first quarter of this year, we completed a review of the pricing structure of the entire product portfolio and made the adjustments required. We increased cost add-ons and lowered guaranteed interest rates to reflect the lower interest levels currently prevailing in the market. The sales organization has become substantially leaner and we have revised the commission system to make it more performance-oriented. While revenues fell 21.5 percent (11.1 percent in local currency) to 344 million euros, at the same time we improved the quality of our new business. Due to the lower premium base, the expense ratio rose from 12.4 percent in the prior-year period to 13.6 percent in the first quarter of the current year. At the beginning of the year, Allianz Group scaled down its interest in Hana Bank, our partner in the Hana Life joint venture, from 8.2 to 5.0 percent. However, we are still the largest non-governmental individual shareholder of the bank.

BANKING BUSINESS

In the first quarter of 2004, our banking business developed very positively: we achieved a substantial increase in our operating profit and we were also able to return the banking business to profitability.

We improved the operating profit to 179 (69) million euros. Of this amount, 174 (63) million euros were attributable to Dresdner Bank which, after three negative quarters, is now returning to operating profitability. After non-operating result components, taxes and minority interests, we are also recording net income of 70 million euros for the first quarter, compared to a loss of 424 million euros in the prior-year period. Dresdner Bank contributed 102 million euros to this amount (following a loss of 353 million euros in the previous year).

Banking Business

		3/31/2004 Banking	3/31/2004 thereof Dresdner Bank[1]	3/31/2003 Banking	3/31/2003 thereof Dresdner Bank[1]
Net interest income[2]	€ mn	536	517	689	611
Net fee and commission income	€ mn	741	708	694	671
Net trading income	€ mn	429	440	619	611
Operating revenues	€ mn	1,705	1,664	2,003	1,893
Operating expenses	€ mn	– 1,392	– 1,354	– 1,578	– 1,479
Net loan loss provisions	€ mn	– 135	– 135	– 355	– 351
Operating profit	€ mn	179	174	69	63
Net of other operating income/expenses	€ mn	16	14	16	26
Investment income	€ mn	11	3	– 266	– 264
Restructuring expenses	€ mn	– 12	– 12	– 54	– 19
Amortization of goodwill	€ mn	– 67	– 67	– 78	– 79
Profit/loss before taxes	€ mn	127	112	– 313	– 273
Taxes	€ mn	9	9	– 117	– 93
Profit/loss after taxes	€ mn	136	121	– 431	– 366
Minority interests in earnings	€ mn	– 66	– 20	6	13
Net income	€ mn	70	102	– 424s	– 353
Operating cost-income ratio	%	81.6	81.4	78.8	78.1

[1] Contribution of Dresdner Bank to the Allianz Group's banking business

[2] As of 2004, "net interest income" also includes "current income from associated companies" which, in the prior-year period, had been reported under "investment income" in the amount of – 103 million euros.

Operating revenues in banking declined by 297 million euros or 14.8 percent to 1.7 billion euros. 68 million euros of this amount are related to the sale of Entenial and of our banking activities in Belgium and Brazil. Of the remainder, 229 million euros are attributable to Dresdner Bank and in particular to lower **trading income**. This was 172 million euros or 28.1 percent lower than the prior-year figure which had been exceptionally high. **Net interest income** fell 94 million euros or 15.5 percent, while **net fee and commission income** increased by 37 million euros or 5.5 percent. This increase was mainly fueled by brisk private client business since the beginning of the year.

The decline of net interest income is in particular due to the reduction of **risk-weighted assets** at Dresdner Bank, which were down to approximately 108 billion euros at March 31, i.e. 26 billion euros or 19.4 percent less than at the end of the prior-year period. In addition, net interest income was weighed down by valuation effects from the application of IAS 39, amounting to – 85 (– 77) million euros. After adjustment for this effect, net interest income declined by 12.7 percent.

Operating expenses at Dresdner Bank were pared by 8.4 percent to 1.35 (1.48) billion euros, which shows that our cost-cutting drive continues to make good progress.

At the same time, we were able to substantially reduce **loan loss provisions**: at 135 million euros, these provisions at Dresdner Bank were 61.5 percent lower than in the prior-year period and also below our expectations.

After deduction of operating expenses and loan loss provisions from operating revenues, banking closed the first quarter with an **operating profit** of 179 (69) million euros. Of this amount, 174 (63) million euros are attributable to Dresdner Bank which, after three negative quarters, has now returned to operating profitability.

Non-operating income and expenses at Dresdner Bank came to a total of – 62 (– 336) million euros. The main components for the first quarter were scheduled amortization of goodwill amounting to 67 (79) million euros and restructuring expenses of 12 (19) million euros.

Overall, banking is reporting first-quarter net income of 70 (– 425) million euros. This is particularly satisfying because Dresdner Bank contributed 102 (– 353) million euros to this amount. It shows that – despite the efforts that are still ahead of us – the implementation of the "New Dresdner" program is well under way.

Segment reporting

The following segment presentation reflects the controlling structure of Dresdner Bank in the reporting period.

Private and Business Clients (PBC)

		3/31/2004	3/31/2003
Net interest income	€ mn	359	380
Net fee and commission income	€ mn	484	414
Net trading income	€ mn	12	9
Operating revenues	€ mn	854	803
Operating expenses	€ mn	– 620	– 654
Net loan loss provisions	€ mn	– 65	– 90
Operating profit	€ mn	168	59
Net of other operating income/ expenses	€ mn	1	0
Investment income	€ mn	5	8
Restructuring expenses	€ mn	– 3	– 10
Profit/loss before taxes and amortization of goodwill	€ mn	171	57
Taxes	€ mn	– 65	– 21
Profit/loss after taxes and before amortization of goodwill	€ mn	106	36
Operating cost-income ratio	%	72.6	81.4

The "Private and Business Clients" division generated operating income of 854 million euros in the first quarter of 2004, up 6.4 percent from the prior-year period. This is primarily due to clearly improved net fee and commission income, which was boosted by 70 million euros or 16.9 percent thanks to successful sales initiatives in securities trading as well as further growth in the sale of insurance products. Operating expenses fell by an additional 5.1 percent in comparison to the first quarter of 2003. The cost-income ratio improved substantially to 72.6 (81.4) percent. At the same time, loan loss provisions were down 25 million euros. We were thus able to clearly improve the operating profit of the "Private and Business Clients" division to 168 (59) million euros. After taxes, we reported a profit of 106 (36) million euros.

Corporate Banking (CB)

		3/31/2004	3/31/2003
Net interest income	€ mn	170	178
Net fee and commission income	€ mn	73	75
Net trading income	€ mn	12	14
Operating revenues	€ mn	255	268
Operating expenses	€ mn	– 119	– 136
Net loan loss provisions	€ mn	– 44	– 74
Operating profit	€ mn	92	57
Net of other operating income/ expenses	€ mn	1	2
Investment income	€ mn	0	0
Restructuring expenses	€ mn	– 1	0
Profit/loss before taxes and amortization of goodwill	€ mn	92	59
Taxes	€ mn	– 32	– 24
Profit/loss after taxes and before amortization of goodwill	€ mn	60	36
Operating cost-income ratio	%	46.5	51.0

Operating revenues in "Corporate Banking" declined slightly by 4.8 percent compared to the prior-year period. In particular, this was due to lower net interest income as a result of lower volume. Operating expenses and loan loss provisions were clearly below the comparable prior-year figures. The operating profit improved by over 60 percent and profit after taxes came to 60 (36) million euros. The cost-income ratio improved by 4.5 percentage points to 46.5 percent.

Dresdner Kleinwort Wasserstein (DrKW)

		3/31/2004	3/31/2003
Net interest income	€ mn	69	64
Net fee and commission income	€ mn	139	135
Net trading income	€ mn	351	403
Operating revenues	€ mn	560	603
Operating expenses	€ mn	– 464	– 481
Net loan loss provisions	€ mn	– 12	– 4
Operating profit	€ mn	84	118
Net of other operating income/ expenses	€ mn	– 1	8
Investment income	€ mn	7	17
Restructuring expenses	€ mn	0	– 8
Profit/loss before taxes and amortization of goodwill	€ mn	89	135
Taxes	€ mn	– 20	– 62
Profit/loss after taxes and before amortization of goodwill	€ mn	69	73
Operating cost-income ratio	%	82.9	79.8

The DrKW division, which includes the business areas "Capital Markets" and "Corporate Finance & Advisory", generated operating revenues of 560 million euros. The drop of 43 million euros (7.1 percent) against the prior-year period is exclusively due to lower trading income. While trading in equity and credit products developed positively, we were not able to repeat the extraordinarily good results of the first quarter of 2003 in the other areas. We continued to cut administrative expenses at DrKW as well. With slightly higher loan loss provisions, the operating profit came to 84 (118) million euros. At 69 million euros, profit after taxes was only slightly below the prior-year result of 73 million euros.

Institutional Restructuring Unit (IRU)

		3/31/2004	3/31/2003
Net interest income	€ mn	75	115
Net fee and commission income	€ mn	8	31
Net trading income	€ mn	3	2
Operating revenues	€ mn	87	149
Operating expenses	€ mn	– 75	– 108
Net loan loss provisions	€ mn	– 63	– 154
Operating profit	€ mn	– 52	– 113
Net of other operating income/ expenses	€ mn	4	– 29
Investment income	€ mn	– 19	6
Restructuring expenses	€ mn	0	0
Profit/loss before taxes and amortization of goodwill	€ mn	– 66	– 137
Taxes	€ mn	23	25
Profit/loss after taxes and before amortization of goodwill	€ mn	– 44	– 112
Operating cost-income ratio	%	86.6	72.6

The "Institutional Restructuring Unit" posted an after-tax loss of – 44 (–112) million euros. As in the previous year, this loss was essentially attributable to loan loss provisions. However, at 63 million euros, these provisions were considerably lower than in the prior-year period. This is largely due to the fact that we were able to phase out loans faster than expected. Overall, the IRU thus reduced its transferred loan portfolio by over 50 percent since its creation in 2003. In addition, the result was weighed down by write-offs on the "Private Equity Portfolio", which is included in the IRU.

Corporate Other*)

		3/31/2004	3/31/2003
Net interest income	€ mn	– 156	– 127
Net fee and commission income	€ mn	4	15
Net trading income	€ mn	61	183
Operating revenues	€ mn	– 91	71
Operating expenses	€ mn	– 76	– 100
Net loan loss provisions	€ mn	50	– 29
Operating profit	€ mn	–118	– 58
Net of other operating income/ expenses	€ mn	9	45
Investment income	€ mn	9	– 295
Restructuring expenses	€ mn	– 7	– 1
Profit/loss before taxes and amortization of goodwill	€ mn	– 107	– 309
Taxes	€ mn	103	– 12
Profit/loss after taxes and before amortization of goodwill	€ mn	– 4	– 321

*) Corporate Other = Corporate Functions (unless allocated to the other divisions), Corporate Items and Corporate Investments of Dresdner Bank as well as consolidations.

In the first quarter of 2004, the result components subsumed under “Corporate Other” essentially shows two features that impacted results. On the one hand, there were the effects of IAS 39, which amounted to – 85 (– 77) million euros in net interest income and to 88 (161) million euros in trading income. On the other hand, there was tax income of 103 million euros which brought profit after taxes to – 4 (– 321) million euros.

ASSET MANAGEMENT

From the beginning of the year to March 31, our assets under management increased from 996 billion euros to 1,061 billion euros. In investments for third parties, we registered net inflows of 9 billion euros as well as an increase of 14 billion euros due to the recovery of the capital markets. The increase in investments for third parties in euro accounts was also aided by a slight rise in the price of the dollar since the end of last year.

Assets under management

	Current values 3/31/2004 € bn	Current values 3/31/2003 € bn
Group's own investments	428	399
Investments for unit-linked life insurance	35	32
Investments for third parties	598	565
Assets under management	1,061	996

Since the end of 2003, the Group's own investments increased by 29 billion euros to 428 billion euros.

At the same time, we were able to boost investments for third parties in euro accounts by 33 billion euros to 598 billion euros. At constant exchange rates, the increase would have amounted to 23 billion euros or 4.1 percent.

Approximately 73 percent of the assets managed for third parties are invested in interest-bearing securities and 26 percent in equities. Business with institutional customers accounts for 61 percent of investments for third parties, while 39 percent come from business with private clients.

In the U.S.A., we were able to continue last year's success in fixed-interest securities throughout the first three months of the current year. Since the end of 2003, our PIMCO Total Return Fund increased its assets under management by 2 billion U.S. dollars to over 76 billion U.S. dollars, further strengthening its position as the biggest actively managed fixed income fund in the world.

In Germany, we increased assets under management in the institutional market as well as in the area of public funds. In institutional asset management, our subsidiary dbi continues to hold the unchallenged top position among special funds with managed assets of 69.3 billion euros (68.4 billion euros at the end of 2003). In the area of public funds, dit was able to strengthen its fourth place in the German market with managed assets of 47.7 billion euros (46.7 billion euros at the end of 2003).

The operating result amounted to 180 million euros, compared to 137 million euros in the prior-year period. We were able to bring down the cost-income ratio from 71.9 percent in the first quarter of 2003 to 66.9 percent at March 31.

Acquisition-related expenses came to 212 million euros. This includes amortization of goodwill totaling 92 million euros and 31 million euros for the amortization of capitalized loyalty premiums to the management of the PIMCO group, which will end in 2005. An additional 89 million euros were mainly retention payments for the employees and management of PIMCO and Nicholas Applegate, which were also agreed upon at the time of the acquisition of these fund management companies.

Taxes produced a charge of 1 million euros. After deduction of minority interests amounting to 40 million euros, the asset management segment reported a loss of 73 million euros as expected, compared to a loss of 111 million euros in the prior-year period.

In accordance with the agreement with Pacific Life, the minority shareholder of PIMCO, Allianz further increased its interest in PIMCO. In the fourth quarter of the previous year, Pacific Life exercised its right to offer us a 250 million U.S. dollar tranch of PIMCO shares. This transaction, which was completed in the first quarter of 2004, raised our interest in PIMCO to 86.8 percent at the end of March.

OUTLOOK

The development of our business in the first three months of the current year has brought us a good deal closer to reaching our objectives for 2004.

As stated previously, we expect total premium to increase by some 4 percent. In property and casualty insurance, we want to keep the combined ratio below 97 percent for the full year, provided that there are no major natural catastrophes. In life insurance, we are continuing our efforts in the areas of product development and pricing, with the objective of tapping additional earnings potentials. In banking, we intend to promote our cost-cutting drive and achieve a balanced annual result before restructuring charges. In asset management, we plan to raise assets managed for thirds parties by 10 percent year-on-year and further improve the operating result.

Throughout the rest of year, we will vigorously pursue the implementation of our "3+One" program. Provided there is no backlash on capital markets and no acute change in our business environment, we expect to reach the targeted results.

Cautionary Note Regarding Forward-Looking Statements

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

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

To go directly to any chapter, simply click ➤➤
on the headline or the page number.

Consolidated Financial Statements First Quarter of 2004

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

Consolidated Balance Sheet as of March 31, 2004 and as of December 31, 2003

ASSETS	➤➤Note	3/31/2004 € mn	12/31/2003 € mn
A. Intangible assets	2	16,102	16,262
B. Investments in affiliated enterprises, joint ventures and associated enterprises		6,257	6,442
C. Investments	3	301,200	295,067
D. Investments held on account and at risk of life insurance policyholders		35,495	32,460
E. Loans and advances to banks	4	123,736	117,511
F. Loans and advances to customers	5	217,258	203,259
G. Trading assets		173,825	146,154
H. Cash and cash equivalents		28,469	25,528
I. Amounts ceded to reinsurers from insurance reserves	6	25,986	25,061
J. Deferred tax assets		13,985	14,403
K. Other assets		52,701	53,804
Total assets		995,014	935,951

EQUITY AND LIABILITIES	➤➤Note	3/31/2004 € mn	12/31/2003 € mn
A. Shareholders' equity		29,810	28,592
B. Minority interests in shareholders' equity	7	8,744	8,367
C. Participation certificates and subordinated liabilities	8	13,709	12,230
D. Insurance reserves	9	321,875	311,471
E. Insurance reserves for life insurance where the investment risk is carried by policyholders		35,495	32,460
F. Liabilities to banks		189,004	178,316
G. Liabilities to customers		184,614	154,728
H. Certificated liabilities		53,775	63,338
I. Trading liabilities		93,890	84,835
J. Other accrued liabilities	10	13,332	13,908
K. Other liabilities	11	34,999	31,725
L. Deferred tax liabilities		13,614	13,548
M. Deferred income		2,153	2,433
Total equity and liabilities		995,014	935,951

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

Consolidated Income Statement for the Period from January 1 to March 31, 2004 and from January 1 to March 31, 2003

	➤➤Note	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
1. Premiums earned (net)	12	14,218	13,788
2. Interest and similar income	13	4,983	5,400
3. Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises		159	145
4. Other income from investments	14	1,941	2,346
5. Trading income	15	433	959
6. Fee and commission income, and income resulting from service activities	16	1,662	1,569
7. Other income		686	846
Total income (1. to 7.)		24,082	25,053
8. Insurance benefits (net)	17	– 13,412	– 11,265
9. Interest and similar expenses	18	– 1,310	– 1,570
10. Other expenses for investments	19	– 627	– 4,768
11. Loan loss provisions	20	– 137	– 358
12. Acquisition costs and administrative expenses	21	– 5,549	– 5,651
13. Amortization of goodwill		– 294	– 305
14. Other expenses		– 1,369	– 1,329
Total expenses (8. to 14.)		– 22,698	– 25,246
15. Earnings from ordinary activities before taxes		1,384	– 193
16. Taxes	22	– 375	– 233
17. Minority interests in earnings	7	– 334	– 120
18. Net income		675	– 546

		€	€
Earnings per share	23	1.84	– 1.93
Earnings per share after elimination of amortization of goodwill	23	2.64	– 0.85
Diluted earnings per share	23	1.83	– 1.93
Diluted earnings per share after elimination of amortization of goodwill	23	2.63	– 0.85

Statement of Changes in Shareholders' Equity

	Paid-in capital € mn	Revenue reserves € mn	Translation differences € mn	Unrealized gains and losses € mn	Shareholders' equity € mn
As of 12/31/2002	14,785	6,181	– 342	1,049	21,673
Translation differences			– 326	– 27	– 353
Changes in the group of consolidated companies		– 1,192		876	– 316
Treasury stock		1,548			1,548
Unrealized investment gains and losses				– 1,411	– 1,411
Net income		– 546			– 546
Miscellaneous		– 1,055			– 1,055
As of 3/31/2003	14,785	4,936	– 688	487	19,540
As of 12/31/2003	19,347	6,907	– 1,916	4,254	28,592
Translation differences			260	23	283
Changes in the group of consolidated companies		– 64	6	5	– 58
Treasury stock		42			42
Unrealized investment gains and losses				421	421
Net income		675			675
Miscellaneous		– 145			– 145
As of 3/31/2004	19,347	7,410	– 1,650	4,703	29,810

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

Cash Flow Statement

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Current business activities		
Net income	675	– 546
Change in unearned premiums	3,356	3,483
Change in aggregate policy reserves[1)]	5,978	1,266
Change in reserve for loss and loss adjustment expenses	1,429	309
Change in other insurance reserves[2)]	479	– 2,188
Change in deferred acquisition costs	– 144	– 1,008
Change in funds held by others under reinsurance business assumed	594	7
Change in funds held under reinsurance business ceded	252	134
Change in accounts receivable/payable on reinsurance business	259	164
Change in trading securities[3)]	– 18,555	– 1,674
Change in loans and advances to banks and customers	– 32,029	– 17,767
Change in liabilities to banks and customers	43,204	33,991
Change in certificated liabilities	1,582	– 10,941
Change in other receivables and liabilities	4,698	– 477
Change in deferred tax assets/liabilities[4)]	– 192	268
Non-cash investment income/expenses	– 1,415	1,325
Amortization of goodwill	294	305
Other	– 1,200	– 2,750
Net cash flow provided by (used in) operating activities	9,265	3,901
Investment activities		
Change in securities available for sale	– 4,381	– 3,297
Change in securities held to maturity	– 308	2,018
Change in real estate	– 60	– 733
Change in other investments	268	3,181
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	– 876	–
Other	–1,265	– 241
Net cash flow provided by (used in) investing activities	– 6,621	928
Financing activities		
Change in participation certificates and subordinated liabilities	1,479	– 418
Change in investments held on account and at risk of life insurance policyholders	– 3,273	– 401
Change in aggregate policy reserves for life insurance products according to SFAS 97	445	3,032
Cash inflow from capital increases	–	–
Dividend payouts	– 25	– 50
Other from shareholders' equity and minority interests[5)]	1,696	– 1,783
Net cash flow provided by financing activities	322	380
Effect of exchange rate changes on cash and cash equivalents	– 24	– 37
Change in cash and cash equivalents	2,941	5,172
Cash and cash equivalents at beginning of period	25,528	21,008
Cash and cash equivalents at end of period	28,469	26,180

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

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

The cash flow statement excludes effects of major changes in the scope of consolidation, in the first quarter of 2004 in particular the effects of the deconsolidation of Entenial, Guyancourt.

The deconsolidation reduced the value of investments held (excluding funds held by others) by € 1,514 (24) mn while the net total of other assets and liabilities increased by € 2,389 (24) mn. In addition, changes in the scope of consolidation resulted in a reduction of cash and cash equivalents by € 875 (0) mn. Outflow for taxes on income amounted to € 225 (1,792) mn.

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

ASSETS	Property/Casualty		Life/Health	
	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn
A. Intangible assets	2,397	2,520	4,295	4,351
B. Investments in affiliated enterprises, joint ventures and associated enterprises	48,370	48,385	5,564	5,717
C. Investments	82,349	80,920	202,385	196,335
D. Investments held on account and at risk of life insurance policyholders	–	–	35,495	32,460
E. Loans and advances to banks	12,203	9,693	4,701	2,103
F. Loans and advances to customers	2,389	3,033	27,582	28,155
G. Trading assets	546	1,375	1,096	1,646
H. Cash and cash equivalents	1,887	1,769	1,380	1,103
I. Amounts ceded to reinsurers from insurance reserves	15,276	14,400	16,960	16,875
J. Deferred tax assets	7,098	7,174	3,125	3,386
K. Other assets	22,573	23,628	19,711	19,747
Total segment assets	195,088	192,897	322,294	311,878

EQUITY AND LIABILITIES	Property/Casualty		Life/Health	
	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn
A. Participation certificates and subordinated liabilities	5,519	4,006	65	65
B. Insurance reserves	88,685	83,946	239,547	233,868
C. Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–	35,495	32,460
D. Liabilities to banks	4,469	8,687	2,592	1,662
E. Liabilities to customers	5,400	–	76	–
F. Certificated liabilities	10,639	17,757	94	90
G. Trading liabilities	225	353	1,704	1,396
H. Other accrued liabilities	5,716	5,594	1,269	1,242
I. Other liabilities	16,525	15,503	20,231	20,528
J. Deferred tax liabilities	7,507	7,495	4,214	4,161
K. Deferred income	92	135	525	557
Total segment liabilities	144,777	143,476	305,812	296,029

Banking		Asset Management		Consolidation Adjustments		Group	
3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn
2,727	2,847	6,683	6,544	–	–	16,102	16,262
3,336	3,303	18	6	– 51,031	– 50,969	6,257	6,442
26,400	27,732	514	565	– 10,448	– 10,485	301,200	295,067
–	–	–	–	–	–	35,495	32,460
108,724	106,794	141	160	– 2,033	– 1,239	123,736	117,511
196,220	182,304	90	24	– 9,023	– 10,257	217,258	203,259
172,107	143,167	142	125	– 66	– 159	173,825	146,154
25,192	22,987	531	365	– 521	– 696	28,469	25,528
–	–	–	–	– 6,250	– 6,214	25,986	25,061
3,690	3,768	72	75	–	–	13,985	14,403
14,374	13,837	3,836	3,744	– 7,793	– 7,152	52,701	53,804
552,770	506,739	12,027	11,608	– 87,165	– 87,171	995,014	935,951

Banking		Asset Management		Consolidation Adjustments		Group	
3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn
8,329	8,263	–	–	– 204	– 104	13,709	12,230
56	35	–	–	– 6,413	– 6,378	321,875	311,471
–	–	–	–	–	–	35,495	32,460
181,971	168,770	100	111	– 128	– 914	189,004	178,316
186,321	156,390	367	378	– 7,550	– 2,040	184,614	154,728
43,460	51,371	58	72	– 476	– 5,952	53,775	63,338
92,046	83,307	2	–	– 87	– 221	93,890	84,835
5,875	6,611	472	461	–	–	13,332	13,908
10,297	7,295	1,748	1,509	– 13,802	– 13,110	34,999	31,725
1,836	1,836	57	56	–	–	13,614	13,548
1,526	1,738	10	3	–	–	2,153	2,433
531,717	485,616	2,814	2,590	– 28,660	– 28,719	956,460	898,992
				Equity[*)]		38,554	36,959
				Total equity and liabilities		995,014	935,951

[*)] Shareholders' equity and minority interests

Consolidated Income Statement by Business Segments for the Period from January 1 to March 31, 2004 and from January 1 to March 31, 2003

	Property/Casualty		Life/Health	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
1. Premiums earned (net)	9,469	9,177	4,749	4,611
2. Interest and similar income	951	933	2,692	2,653
3. Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises	152	– 178	78	480
4. Other income from investments	863	895	939	1,309
5. Trading income	– 33	142	31	202
6. Fee and commission income, and income from service activities	176	193	49	46
7. Other income	169	479	418	241
Total income (1. to 7.)	11,747	11,641	8,956	9,542
8. Insurance benefits (net)	– 6,833	– 6,606	– 6,579	– 4,659
9. Interest and similar expenses	– 381	– 372	– 25	– 82
10. Other expenses for investments	– 232	– 1,122	– 231	– 3,363
11. Loan loss provisions	– 1	– 2	– 1	– 1
12. Acquisition costs and administrative expenses	– 2,501	– 2,385	– 1,067	– 1,117
13. Amortization of goodwill	– 95	– 94	– 40	– 43
14. Other expenses	– 777	– 956	– 508	– 155
Total expenses (8. to 14.)	– 10,820	– 11,537	– 8,451	– 9,420
15. Earnings from ordinary activities before taxes	927	104	505	122
16. Taxes	– 192	– 40	– 178	– 94
17. Minority interests in earnings	– 177	– 37	– 80	– 41
18. Net income	558	27	247	– 13

Banking		Asset Management		Consolidation Adjustments		Group	
1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
–	–	–	–	–	–	14,218	13,788
1,517	2,000	16	18	– 193	– 204	4,983	5,400
42	– 113	–	–	– 113	– 44	159	145
59	145	6	1	74	– 4	1,941	2,346
429	619	2	– 3	4	– 1	433	959
845	794	742	658	– 150	– 122	1,662	1,569
97	126	6	32	– 4	– 32	686	846
2,989	3,571	772	706	– 382	– 407	24,082	25,053
–	–	–	–	–	–	– 13,412	– 11,265
– 1,018	– 1,311	– 4	– 8	118	203	– 1,310	– 1,570
– 53	– 298	– 1	– 1	– 110	16	– 627	– 4,768
– 135	– 355	–	–	–	–	– 137	– 358
– 1,496	– 1,672	– 617	– 571	132	94	– 5,549	– 5,651
– 67	– 78	– 92	– 90	–	–	– 294	– 305
– 93	– 170	– 90	– 111	99	63	– 1,369	– 1,329
– 2,862	– 3,884	– 804	– 781	239	376	– 22,698	– 25,246
127	– 313	– 32	– 75	– 143	– 31	1,384	– 193
9	– 117	– 1	18	– 13	–	– 375	– 233
– 66	6	– 40	– 54	29	6	– 334	– 120
70	– 424	– 73	– 111	– 127	– 25	675	– 546

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.

As of September 30, 2003, we 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, the accounting and valuation provisions of Accounting Principles Board Opinion (APB) 25 and Statement of Financial Accounting Standards (SFAS) 123 require that such expense be recognized ratably over the vesting period. The adjustment of the accounting was made in the third quarter of 2003. For the past, the following effects have been recognized: revenue reserves and, accordingly, shareholders' equity as of March 31, 2003 were reduced by € 121 mn. Net income for the first three months 2003 was adjusted for an after-tax charge of € 26 mn.

The accounting adjustment had no effect on Allianz's cash position.

Beginning in the third quarter of 2003, all equity-based employee compensation plans are accounted for in accordance with the fair value method of SFAS 123. Compensation expense measured under SFAS 123 for the PIMCO arrangements described above approximates that measured under APB 25. The interim report follows the same accounting and valuation principles as the most recent annual financial statements.

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

The financial statements are presented in euros (€).

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED BALANCE SHEET

2 Intangible assets

Intangible assets comprise the following:

	3/31/2004 € mn	12/31/2003 € mn
Goodwill	12,306	12,370
Capitalized value of life/health insurance portfolios	1,640	1,658
Software	1,035	1,064
Loyalty bonuses	126	158
Brand names	772	782
Other	223	230
Total	16,102	16,262

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

	€ mn
Gross amount capitalized as of 12/31/2003	17,259
Accumulated amortization as of 12/31/2003	– 4,889
Value stated as of 12/31/2003	12,370
Translation differences	65
Value stated as of 1/1/2004	12,435
Reclassification	–
Additions	203
Disposals	– 38
Impairment	–
Amortization	– 294
Value stated as of 3/31/2004	12,306
Accumulated amortization as of 3/31/2004	– 5,154
Gross amount capitalized as of 3/31/2004	17,460

New acquisitions essentially include goodwill from increasing the interest in Pimco Advisors L.P., Delaware, by 2.9 % to 86.8 %.

Deconsolidations essentially include goodwill from the reduction of our interests in:

- Entenial, Guyancourt, by 72.2 % to 0.0 %,
- Assurance Générales de France, by 0.9 % to 62.6 %.

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

3 Investments

	3/31/2004 € mn	12/31/2003 € mn
Securities held-to-maturity	4,983	4,683
Securities available-for-sale	284,432	277,871
Real estate used by third parties	10,367	10,501
Funds held by others under reinsurance contracts assumed	1,418	2,012
Total	301,200	295,067

Securities available-for-sale

	Amortized cost		Unrealized gains		Unrealized losses		Market values	
	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn	3/31/2004 € mn	12/31/2003 € mn
Equity securities	38,478	43,014	6,343	6,363	1,193	1,107	43,627	48,270
Government debt securities	134,746	131,486	6,578	4,744	208	627	141,116	135,603
Corporate debt securities	89,941	86,238	4,876	3,722	138	300	94,679	89,660
Other	4,938	4,280	81	69	9	11	5,010	4,338
Total	268,102	265,018	17,878	14,898	1,548	2,045	284,432	277,871

	Realized gains		Realized losses	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Equity securities	1,134	1,436	282	2,152
Debt securities	436	599	135	204
Other	24	9	6	3
Total	1,594	2,044	423	2,359

Impairments on securities available-for-sale totaled € 130 (2,329) mn and are included in other expenses for investments. Reversal of impairments on securities available-for-sale totaled € 295 (252) mn and are included in other income from investments.

4 Loans and advances to banks

	3/31/2004 € mn	12/31/2003 € mn
Loans	4,972	4,439
Reverse repos	92,199	91,201
Other advances	26,729	22,171
Loans and advances to banks	123,900	117,811
Less loan loss allowance	164	300
Loans and advances to banks after loan loss allowance	123,736	117,511

5 Loans and advances to customers

	3/31/2004 € mn	12/31/2003 € mn
Loans and advances to customers	222,591	208,684
Less loan loss allowance	5,333	5,425
Loans and advances to customers after loan loss allowance	217,258	203,259

6 Amounts ceded to reinsurers from insurance reserves

	3/31/2004 € mn	12/31/2003 € mn
Unearned premiums	1,887	1,242
Aggregate policy reserves	10,955	10,923
Reserves for loss and loss adjustment expenses	12,908	12,765
Other insurance reserves	236	131
Subtotal	25,986	25,061
Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–
Total	25,986	25,061

7 Minority interests in shareholders' equity and earnings

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

The interests of minority shareholders are made up as follows:

	3/31/2004 € mn	12/31/2003 € mn
Other reserves unrealized gains and losses	839	646
Share of earnings	334	782
Other equity components	7,571	6,939
Total	8,744	8,367

8 Participation certificates and subordinated liabilities

	3/31/2004 € mn	12/31/2003 € mn
Participation certificates	1,607	1,596
Subordinated liabilities	12,102	10,634
Total	13,709	12,230

9 Insurance reserves

	3/31/2004 € mn	12/31/2003 € mn
Unearned premiums	16,066	12,198
Aggregate policy reserves	220,388	217,895
Reserves for loss and loss adjustment expenses	63,960	62,782
Reserves for premium refunds	20,152	17,338
Premium deficiency reserves	577	538
Other insurance reserves	732	720
Total	321,875	311,471

10 Other accrued liabilities

	3/31/2004 € mn	12/31/2003 € mn
Reserves for pensions and similar obligations	5,660	5,669
Accrued taxes	2,230	2,066
Miscellaneous accrued liabilities	5,442	6,173
Total	13,332	13,908

Of the accrued taxes, € 1,658 (1,488) mn is attributable to taxes on income.

11 Other liabilities

	3/31/2004 € mn	12/31/2003 € mn
Funds held under reinsurance business ceded	8,836	8,608
Accounts payable on direct insurance business	7,548	7,813
Accounts payable on reinsurance business	2,422	1,878
Other liabilities	16,193	13,426
Total	34,999	31,725

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT

12 Premiums earned (net)

	Property/Casualty*)		Life/Health*)		Total	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Gross premiums written:						
from direct insurance	13,621	13,658	5,139	4,860	18,760	18,518
from reinsurance assumed	580	742	158	147	738	889
Total	14,201	14,400	5,297	5,007	19,498	19,407
Reinsurance ceded	– 1,811	– 1,962	– 339	– 260	– 2,150	– 2,222
Premiums written (net)	12,390	12,438	4,958	4,747	17,348	17,185
Premiums earned:						
from direct insurance	9,919	9,793	5,106	4,887	15,025	14,680
from reinsurance assumed	569	589	157	149	726	738
Total	10,488	10,382	5,263	5,036	15,751	15,418
Reinsurance ceded	– 1,196	– 1,375	– 337	– 255	– 1,533	– 1,630
Premiums earned (net)	9,292	9,007	4,926	4,781	14,218	13,788

13 Interest and similar income

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Income from		
securities held-to-maturity	91	93
securities available-for-sale	2,898	2,816
real estate used by third parties	230	243
lending, money market transactions and loans	1,531	2,058
leasing agreements	10	11
other interest-bearing instruments	223	179
Total	4,983	5,400

Net interest margin from Banking*)

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Interest and current income	1,515	1,993
Interest expenses	– 1,011	– 1,287
Net interest margin	504	706
Less loan loss allowance	135	355
Net interest margin after loan loss allowance	369	351

*) After eliminating intra-Group transactions between segments

14 Other income from investments

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Realized gains on		
securities held-to-maturity	–	1
securities available-for-sale	1,594	2,044
real estate used by third parties	52	32
other investments	–	5
Subtotal	1,646	2,082
Income from revaluations of		
securities held-to-maturity	–	4
securities available-for-sale	295	252
real estate used by third parties	–	3
other investments	–	5
Subtotal	295	264
Income	1,941	2,346

15 Trading income

Trading income includes expenses amounting to € 279 mn (2003: income of 342 mn) from derivative financial instruments used by insurance companies for which hedge accounting is not applied. These include gains on derivative financial instruments embedded in exchangeable bonds issued amounting to € 5 (5) mn. Trading income also includes losses of € 284 mn (2003: gains of 337 mn) arising from the use of other derivative financial instruments by insurance companies.

Trading income amounting to € 433 (959) mn includes € 429 (619) mn income from trading activities of the banking business[*)].

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Trading in interest products	165	213
Trading in equity products	78	92
Foreign exchange/precious metals trading	52	105
Other trading activities	134	209
Total	429	619

This is comprised as follows:

16 Fee and commission income, and income from service activities

Of the total fee and commission income, and income from service activities, € 766 (724) mn are attributable to banking business[*)].

Net fee and commission income from banking business[*)]

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Fee and commission income	766	724
Fee and commission expenses	– 98	– 88
Net fee and commission income	668	636

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

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Securities business	361	333
Underwriting business	30	24
Mergers and Acquisitions advisory	40	45
Foreign commercial business	17	16
Payment transactions (domestic and foreign)	92	93
Other	128	125
Net fee and commission income	668	636

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

17 Insurance benefits

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

	Gross		Ceded in reinsurance		Net	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Claims						
Claims paid	– 6,649	– 7,523	791	1,168	– 5,858	– 6,355
Change in reserves for loss and loss adjustment expenses	– 496	192	– 141	– 351	– 637	– 159
Subtotal	– 7,145	– 7,331	650	817	– 6,495	– 6,514
Change in other reserves						
Aggregate policy reserves	– 29	– 54	10	8	– 19	– 46
Other	– 45	118	1	– 1	– 44	117
Subtotal	– 74	64	11	7	– 63	71
Expenses of premium refunds	– 91	25	3	– 16	– 88	9
Total	– 7,310	– 7,242	664	808	– 6,646	– 6,434

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

	Gross		Ceded in reinsurance		Net	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Benefits paid	– 4,861	– 4,878	279	260	– 4,582	– 4,618
Change in reserves						
Aggregate policy reserves	– 953	– 1,330	53	59	– 900	– 1,271
Other	– 13	– 193	12	1	– 1	– 192
Subtotal	– 5,827	– 6,401	344	320	– 5,483	– 6,081
Expenses of premium refunds	– 1,287	1,246	4	4	– 1,283	1,250
Total	– 7,114	– 5,155	348	324	– 6,766	– 4,831

18 Interest and similar expenses

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Interest expenses for		
deposits	– 509	– 657
certificated liabilities	– 300	– 539
Subtotal	– 809	– 1,196
Other interest expenses	– 501	– 374
Total	– 1,310	– 1,570

*) After eliminating intra-Group transactions between segments

19 Other expenses for investments

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Realized losses on		
securities held-to-maturity	–	–
securities available-for-sale	– 423	– 2,359
real estate used by third parties	– 17	– 8
other investments	–	– 1
Subtotal	– 440	– 2,368
Depreciation and write-downs on investments:		
securities held-to-maturity (impairment write-downs)	– 2	– 5
securities available-for-sale (impairment write-downs)	– 130	– 2,329
real estate used by third parties	– 55	– 62
other investments	–	– 4
Subtotal	– 187	– 2,400
Expenses	– 627	– 4,768

20 Loan loss provisions

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Additions to allowances including direct write-offs	– 409	– 618
Less amounts released	231	250
Less recoveries on loans previously impaired	41	10
Loan loss provisions	– 137	– 358

21 Acquisition costs and administrative expenses

	Property/Casualty*)		Life/Health*)	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Acquisition costs				
Payments	– 1,765	– 1,843	– 884	– 933
Change in deferred acquisition costs	233	249	145	261
Subtotal	– 1,532	– 1,594	– 739	– 672
Administrative expenses	– 907	– 971	– 297	– 326
Underwriting costs (gross)	– 2,439	– 2,565	– 1,036	– 998
Less commissions and profit-sharing received on reinsurance business ceded	55	224	59	43
Underwriting costs (net)	– 2,384	– 2,341	– 977	– 955
Expenses for management of investments	– 84	– 79	– 88	– 105
Acquisition costs and administrative expenses	– 2,468	– 2,420	– 1,065	– 1,060

	Banking*)		Asset Management*)	
	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Personnel costs	– 866	– 954	– 290	– 308
Operating costs	– 513	– 624	– 107	– 84
Fee and commission costs	– 97	– 88	– 143	– 113
Acquisition costs and administrative expenses	– 1,476	– 1,666	– 540	– 505

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

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

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.

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Current taxes	– 371	– 203
Deferred taxes	5	– 21
Subtotal	– 366	– 224
Other taxes	– 9	– 9
Total	– 375	– 233

*) After eliminating intra-Group transactions between segments

OTHER INFORMATION

23 Other information

Number of employees

The Group had a total of 170,198 (173,750) employees as of the balance sheet date. 80,247 (82,245) of these were employed in Germany and 89,951 (91,505) in other countries. The number of employees undergoing training decreased by 662 to 5,401.

Personnel expenses

	1/1–3/31/2004 € mn	1/1–3/31/2003 € mn
Salaries and wages	2,124	2,144
Social security contributions and employee assistance	358	433
Expenses for pensions and other post-retirement benefits	162	201
Total	2,644	2,778

Hedge accounting

Fair Value Hedging is mainly applied in the Allianz Group. Derivatives used for fair value hedges show a negative fair value of € 208 (50) mn. Ineffectiveness resulted in a loss of € 8 (5) mn. In addition, foreign currency hedging instruments with a negative fair value of € 0 (17) mn were used as hedges of a net investment in an economically independent foreign entity. This increased the item “Other reserves“ by € 0 (34) mn.

Additionally, cash flow hedges were used to hedge variable cashflows exposed to interest rate fluctuations. The swaps utilized had a

fair value of € 35 (–) mn; other reserves increased by € 19 (–) mn. Ineffectiveness amounted to € 1 (–) mn.

Earnings per share

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

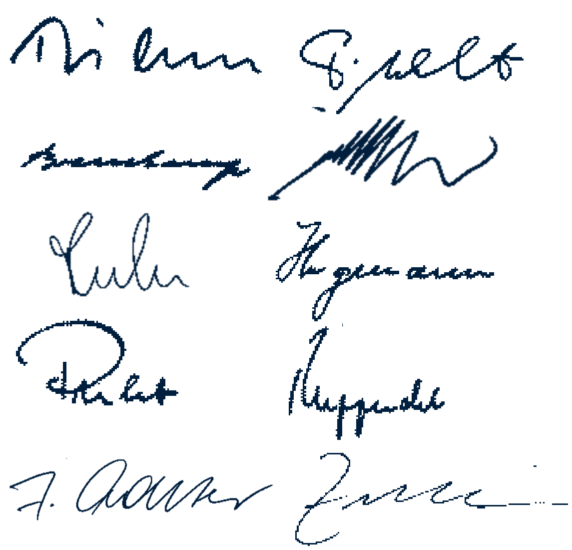
		3/31/2004	3/31/2003
Net income for the period	€ mn	675	– 546
Weighted average number of shares		366,813,576	282,677,823
Number of shares (not including shares held by the company)		366,813,576	249,125,324
Earnings per share[1)]	€	1.84	– 1.93
Earnings per share after elimination of amortization of goodwill	€	2.64	– 0.85
Diluted earnings per share	€	1.83[2)]	– 1.93
Diluted earnings per share after elimination of amortization of goodwill	€	2.63[2)]	– 0.85

[1)] Adjusted for the capital increase in April, 2003 and the PIMCO accounting change
[2)] Incl. outstanding participation certificates

The weighted average number of shares does not include 17,905,174 (18,669,923) shares held by the company.

Munich, May 13, 2004

Allianz Aktiengesellschaft
The Board of Management



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