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Allianz strengthens positive earnings trend

- **Half-year profit of 1.3 billion euros**
- **Improved operating performance in all segments**
- **Combined ratio of 94.3 percent**

The Allianz Group reinforced its upward earnings trend in all segments during the first half of 2004. Net income was 1.3 billion euros. This represents an increase of more than 1.1 billion euros compared to the figure for the corresponding prior-year period. “We are on track”, said Michael Diekmann, chairman of the Board of Management of Allianz AG, at the presentation of the financial results for the first half of the year. “The positive results show that our ‘3+one’ program is taking effect.”

Earnings before taxes, goodwill amortization and minorities were up sharply from 0.5 billion euros to 3.3 billion euros in the first six months of 2004 as compared to the corresponding prior-year period. After deduction of tax charges of 743 million euros, minorities of 656 million euros and goodwill amortization of 588 million euros, Allianz achieved net income of 1.3 billion euros in the first six months of 2004.

“The first half of 2004 proves that our work has been successful. We are maintaining our upward trend in earnings. All segments show an improvement in the quality of earnings”, said Helmut Perlet, member of the Allianz Group Board of Management and responsible for controlling. However, he cautioned that the first half-year figures cannot be extrapolated to the year as whole. “There are still uncertainties such as major claims and natural catastrophes. In addition, we anticipate a decrease in capital gains in the second half of the year. Most dividends from shareholdings were booked to a large extent in the first six months. As a result, net income from investments will flatten out towards the end of the year.”

In the **Property and Casualty insurance** business, premium income increased slightly compared to the first half of 2003 by 0.6 percent to 24.2 billion euros. Adjusted for consolidation effects, growth came to 2.1 percent. Thanks to the strict implementation of our underwriting policy and the absence of major natural catastrophes, the claims ratio dropped substantially by 2.3 percentage points to 69.1 percent. Because we also succeeded in further lowering the expense ratio, the combined ratio - which measures claims and expenses as a percentage of net premiums earned - improved by 2.7 percentage points to 94.3 percent. These improvements and the substantially higher investment income enabled us to more than double our half-year net income from 824 million euros to 1.8 billion euros.

Although growth in the **Life and Health insurance** business fell short of expectations during the first half of the year, earnings in this segment were significantly higher than in the previous year. Half-year net income increased by 65.5 percent to 386 million euros. Premium income was practically unchanged. Across the entire segment, it rose slightly, by 0.1 percent, to 21.1 billion euros. Adjusted for exchange rate and consolidation effects, total premium income was up 3.1 percent. In IFRS accounts, which recognize only the risk and cost premium component from investment-oriented products, premium income increased 0.6 percent to 10.1 billion euros.

This overall weak growth did not adequately reflect the successes in some markets, such as Spain and France. The average internal growth was around 10 percent in most core markets. However, there were substantial declines in Italy, Korea and Switzerland. In Germany, Allianz Leben expects new business to pick up noticeably during the second half of the year as a result of the Retirement Income Act (Alterseinkünftegesetz), which has passed the second chamber of Parliament in June.

Investment income jumped from 4.1 billion euros to 6.7 billion euros, primarily as a result of substantially decreased impairment. Also contributing to the improved income picture was a 9.7 percent decrease in administrative expenses flanked by an increase in sales.

The **Banking** segment, which is primarily impacted by the performance of Dresdner Bank, also contributed positively to the net income of Allianz Group in the first six months of 2004. This contribution amounted to 197 million euros, as compared to a loss of 437 million euros in the same period one year earlier. During the first half of 2004, the Banking segment earned an operating profit of 431 million euros, following a loss of 23 million euros in the prior-year period. Dresdner Bank contributed 409 million euros to this result.

Following extensive restructuring, **Dresdner Bank** earned its second consecutive quarterly net profit. It amounted to 129 million euros. The quarterly operating result also shows that the turnaround is bearing fruit. At 234 million euros, it is the highest operating profit since the acquisition by Allianz. This good result is due to a stabilization of revenues, a further reduction of costs and an improvement in the risk profile of Dresdner Bank.

The success is reflected in a 6.5 percent decrease in administrative expenses in banking to 2.7 billion euros in the first six months. Dresdner Bank also succeeded in substantially decreasing net loan loss provisions by 68.9 percent to 217 million euros. After deduction of non-operating components, taxes and minority interests, Dresdner Bank contributed 231 million euros to the half-year net income of the Allianz Banking segment. “This shows that the Dresdner Bank Board of Management and the entire team are on the right course with the ‘New Dresdner’ program”, said Michael Diekmann, the CEO of Allianz AG.

In the **Asset Management** segment, Allianz succeeded in increasing operating profit during the first six months of this year by 12.7 percent, from 320 million euros to 361 million euros. Assets under management increased by 7 percent, or 70 billion euros, to 1,066 billion euros since the end of 2003. Investments for third parties also grew during this period by 6 percent, or 34 billion euros, to 599 billion euros.

Net inflows of 13 billion euros were not the only factor contributing to the better operating results. Improved cost management also had an impact. The cost-income ratio decreased to 67.2 percent, as compared to the prior-year level of 69 percent. After deducting acquisition-related expenses, taxes and minority interests, the negative contribution to net income from asset management was further reduced in line with expectations to 152 million euros, 31 million euros less than in the comparable prior-year period.

Provided capital markets do not suffer a setback in the second half of 2004 and the business environment does not undergo severe upheavals, Allianz Group expects to achieve its profitability target for the **current fiscal year**. "We have an optimistic view of the future", said Michael Diekmann. "Our group companies are well on the way to achieving our ambitious goals."

Allianz is confident that it can increase total premium income by approximately 4 percent and achieve a combined ratio of less than 97 percent in the Property and Casualty insurance business for the year as whole, barring major natural catastrophes. In Life insurance, Allianz aims to exploit the growth of individual markets and tap additional earning potential through product development and pricing. The goal in Banking is to stabilize income and continue with the cost-cutting drive in order to achieve a balanced annual result before restructuring expenses. In the Asset Management segment, Allianz plans to increase assets managed for third parties by 10 percent and further improve the operating result.

Allianz Group key figures (EUR m)	**2Q 2003**	**2Q 2004**	**Change %**	**6M 2003**	**6M 2004**	**Change %**
Total revenues (EUR bn)	22.0	22.2	0.9%	49.5	49.5	0.0%
Total insurance premiums (EUR bn)	19.7	20.0	1.5%	44.8	45.0	0.4%
Operating profit	1,344	1,961	45.9%	2,178	3,135	43.9%
Property/Casualty	952	1,283	34.8%	1,316	1,742	32.4%
Life/Health	301	245	-18.6%	565	601	6.4%
Banking	-92	252	-	-23	431	-
of which Dresdner Bank	-109	234	-	-45	409	-
Asset Management	183	181	-1.2%	320	361	12.7%
Profit before goodwill amortization, taxes and minorities	332	1,598	381.3%	477	3,276	586,8%
Goodwill amortization	-294	-294	0.0%	-599	-588	-1.8%
Taxes	866	-368	-	633	-743	-
Minorities	-242	-322	33.1%	-365	-656	79.7%
Net income	662	614	-7.3%	146	1,289	782.9%
Property/Casualty	782	1,274	62.9%	824	1,832	122.3%
Life/Health	231	139	-39.8%	233	386	65.5%
Banking	-13	127	-	-437	197	-
of which Dresdner Bank	-33	129	-	-386	231	-
Asset Management	-73	-79	8.3%	-183	-152	-16.9%
Earnings per share (EUR)	1.87	1.67	-10.7%	0.41	3.51	756.1%
Shareholders' equity (EUR bn)	27.2	29.3	7.5%	27.2	29.3	7.5%
Assets under Management (EUR bn)	1,020	1,066	4.5%	1,020	1,066	4.5%
of which third-party AuM (EUR bn)	571	599	4.9%	571	599	4.9%

P/C combined ratio	96.4%	92.8%	-3.6%-p	97.1%	94.3%	-2.8%-p
L/H statutory expense ratio*	5.5%	9.2%	+3.7%-p	7.7%	9.2%	+1.5%-p
Banking cost-income ratio	85.2%	80.5%	-4.7%-p	81.7%	81.1%	-0.6%-p
Asset Management cost-income ratio	66.4%	67.5%	+1.1%-p	69.0%	67.2%	-1.8%-p

*) Acquisition & administration costs divided by total premium income (net)

You will find this message, the Interim Report on the first half year of 2004 (pdf file) as well as Excel spreadsheets on the consolidated balance sheet and consolidated income statement in the internet at www.allianzgroup.com/ir. In addition, a hardcopy version of the interim report will be automatically sent to the persons on our mailing list by the end of August at the latest.

We would like to again remind you of our conference call taking place at 3 p.m. (CET) today. The presentation can be accessed in the Internet at www.allianzgroup.com/ir.

These assessments are, as always, subject to the disclaimer provided below.

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.

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