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## Allianz proves its earnings power in the 3rd quarter

**Third quarter net income of 794 million euros – 1.7 billion euros operating profit despite a net burden arising from natural catastrophes amounting to 753 million euros – capital gains at prior year level – strong growth in Life Insurance and Asset Management**

Allianz demonstrated its earnings power and the quality of its insurance portfolio in a quarter which saw a higher frequency of severe natural catastrophes than ever before. Predominantly the hurricanes in the USA and the floods in Europe resulted in a net burden of 753 million euros during the third quarter. Even in this difficult environment, Allianz resolutely continued the positive trend for the fiscal year 2005. For the third quarter of 2005, the Allianz Group generated net income of 794 million euros. For the first nine months of 2005, total revenues improved by 5.2 percent<sup>1</sup> to 75.7 billion euros. Operating profit rose by 16.2 percent to 5.9 billion euros and net income grew to 3.5 billion euros - 25.4 percent more than the comparable result in the previous year<sup>2</sup>. "In spite of the high net burden, we will outperform the group's operating targets in 2005", announced Helmut Perlet, Member of Allianz AG's Board of Management.

- In the Property and Casualty business, natural catastrophes caused an increase in the combined ratio to 97.0 percent for the third quarter. The combined ratio was 93.0 percent for the first nine months (compared with 93.2 percent a year earlier) and is therefore substantially better than the full year target.
- In the core European markets of Germany, France and Italy, there was double-digit growth in premium income for the Life business.
- Dresdner Bank increased its operating profit by almost 81.9 percent to 231 million euros compared with the previous year. The third quarter trading result showed a notable improvement, rising by 43.2 percent to 358 million euros. Dresdner Bank is on track to earn its cost of capital.
- Asset Management recorded high net inflows totaling 16 billion euros in the third quarter. The operating profit rose by 37.8 percent to 299 million euros.

**Shareholders' equity** after minorities rose by 32.7 percent to 39.8 billion euros.

<sup>1</sup> All growth rates have been adjusted for consolidation effects and changes in exchange rates.

<sup>2</sup> All figures from the third quarter of 2004 quoted in this text are adjusted for the effects of the IFRS conversion and scheduled goodwill amortization after tax.

## Property and Casualty insurance

Allianz increased its business only in those markets that offered risk adequate prices. **Total premium income** grew in the third quarter by 2.6 percent to 10.5 billion euros. “In Property and Casualty business, there is clear evidence that our operating discipline is paying off, particularly in such a difficult market environment,” commented Helmut Perlet. The **combined ratio** rose to 97.0 percent during the third quarter. However, the 93.0 percent combined ratio during the first nine months of the year was still better compared with the same period last year and continues to significantly outperform the full-year target (<95 percent).

**Operating profit** fell by 38.8 percent in the third quarter to 696 million euros but nine-month operating profit climbed by 6.6 percent to 3.1 billion euros compared with the prior year period. **Net income** fell by 12.1 percent to 408 million euros in a quarterly comparison and increased by 3.1 percent to 2.7 billion euros in a nine-month comparison.

## Life and Health insurance

**Total premium income** rose slightly by 1.5 percent to 11.1 billion euros during the third quarter. The European core markets posted particularly strong growth in Italy (+13.4 percent), Germany (+12.9 percent) and France (+10.3 percent). Despite continuing high premium income, the US company Allianz Life performed in line with expectations as sales did not reach the previous year’s peak, which was caused by a successful product launch in the late summer of last year.

The **quarterly operating profit** increased by 26.5 percent to 478 million euros compared with the prior year quarter. **Net income for the quarter** more than doubled, from 165 million euros in the prior year quarter (after adjustment for goodwill amortization) to 376 million euros. “Our nine month operating profit for Life Insurance was 1.3 billion euros, meaning that we have almost achieved our target of at least 1.5 billion euros for the full year,” said Perlet.

## Banking

Dresdner Bank increased its **operating profit** by 81.9 percent to 231 million euros in the third quarter. **Revenues** at Dresdner Bank remained stable during the third quarter at 1.5 billion euros. Net interest income was negatively influenced by completing the processing of the non-strategic loan portfolio concentrated in the IRU. It fell by 21.1 percent to 517 million euros. The bank was also able to release **loan loss provisions** of 130 million euros during the third quarter as a result of the successful work carried out by the IRU.

The securities business in Personal Banking and Private & Business Banking generated growth of 5.3 percent in **commission income** to 599 million euros. The bank reported good **net trading income** with 358 million euros in the third quarter.

**Administrative expenses** rose during the third quarter by 6.2 percent to 1.4 billion euros. This reflects an increase in **personnel costs**, primarily due to the increase of performance-linked compensation commensurate with the higher revenues at DrKW. At the same time **non-personnel**

**costs** were reduced as a result of savings made in IT. Administration costs for the nine-month period sank by 4.6 percent to 3.8 billion euros.

**Net income for the quarter** was below last year at 113 million euros (-38.9 percent). However, the comparison is distorted by a positive tax effect in the third quarter of the previous year.

### **Asset Management**

During the first nine months of 2005, **Assets under Management for third parties** increased by 21.5 percent to 711 billion euros. This includes **net inflows** amounting to 48 billion euros. Particularly high levels of net inflows and continued favorable sentiment in the capital markets caused an increase in **revenues** of 17.0 percent (adjusted for consolidation effects and currency fluctuations) to 1.9 billion euros. During the third quarter of 2005, operating revenues increased by 23.5 percent to 708 million euros compared with the previous year quarter. Revenue increases and disciplined cost management permitted a further improvement in the **cost-income ratio** to 57.8 percent, compared with 61.5 percent in the equivalent previous quarter.

The **operating profit for the quarter** increased by 37.8 percent to 299 million euros. **Net income for the quarter** amounted to 40 million euros after 19 million euros last year (after adjustment for goodwill amortization).

### **Outlook – Allianz will outperform its group operating targets for 2005**

For 2005 Allianz continues to anticipate revenue growth in the order of magnitude of the previous year and is focusing on a sustainable improvement in operating profit. However, natural catastrophes or adverse developments in the capital markets could always exert a significant negative effect on the result.

Allianz intends to maintain the combined ratio at a level below 95 percent for Property and Casualty insurance. In Life and Health insurance, the goal remains to achieve an operating profit totaling at least 1.5 billion euros. Dresdner Bank is well on its way to earning its cost of capital in 2005. The intention is to improve the operating profit in Asset Management by ten percent compared with 2004.

## Allianz Group - Key figures

Euro m	9M 2005	9M 2004	Δ	3Q 2005	3Q 2004	Δ
<b>Total revenues (Euro bn)</b>	<b>75.7</b>	<b>72.6</b>	<b>4.3%</b>	<b>23.8</b>	<b>23.1</b>	<b>3.0%</b>
<b>Operating profit<sup>1)</sup></b>	<b>5,917</b>	<b>5,091</b>	<b>16.2%</b>	<b>1,723</b>	<b>1,869</b>	<b>-7.8%</b>
- Property/Casualty	3,090	2,898	6.6%	696	1,138	-38.8%
- Life/Health	1,283	1,048	22.4%	478	378	26.5%
- Banking	759	567	33.9%	250	136	83.8%
thereof Dresdner Bank	711	536	32.6%	231	127	81.9%
- Asset Management	785	578	35.8%	299	217	37.8%
<b>Profit before goodwill amortization, taxes and minority interests</b>	<b>6,069</b>	<b>4,980</b>	<b>21.9%</b>	<b>1,658</b>	<b>1,487</b>	<b>11.5%</b>
Goodwill amortization	0	-885	-100.0%	0	-297	-100.0%
Taxes	-1,541	-1,241	24.2%	-530	-498	6.4%
Minority interests in earnings	-1,020	-884	15.4%	-334	-224	49.1%
<b>Net income<sup>2)</sup></b>	<b>3,508</b>	<b>1,970</b>	<b>78.1%</b>	<b>794</b>	<b>468</b>	<b>69.7%</b>
- Property/Casualty	2,749	2,380	15.5%	408	368	10.9%
- Life/Health	1,108	586	89.1%	376	125	200.8%
- Banking <sup>3)</sup>	956	345	177.1%	123	125	-1.6%
thereof Dresdner Bank <sup>3)</sup>	932	373	149.9%	113	120	-5.8%
- Asset Management	144	-262	-	40	-57	-
- Consolidation adjustments	-1,449	-1,079	34.3%	-153	-93	64.5%
			-			-
<b>Earnings per share (basic) (Euro)</b>	<b>9.11</b>	<b>5.37</b>	<b>69.6%</b>	<b>2.03</b>	<b>1.28</b>	<b>58.6%</b>
<b>Ratios:</b>						
- Property/Casualty: Combined ratio	93.0%	93.2%	-0.2% -p	97.0%	90.9%	6.1% -p
- Life/Health: Statutory expense ratio <sup>4)</sup>	7.7%	9.6%	-1.9% -p	8.5%	10.1%	-1.6% -p
- Dresdner Bank: Cost-income ratio	85.8%	83.1%	2.7% -p	93.1%	87.7%	5.4% -p
- Asset Management: Cost-income ratio	59.4%	65.3%	-5.9% -p	57.8%	61.5%	-3.7% -p
<b>Euro bn</b>	<b>09/30/05</b>	<b>12/31/04</b>	<b>Δ</b>			
<b>Shareholders' equity before minority interests</b>	<b>48.6</b>	<b>37.7</b>	<b>28.9%</b>	-	-	-
<b>Shareholders' equity after minority interests</b>	<b>39.8</b>	<b>30.0</b>	<b>32.7%</b>	-	-	-
<b>Assets under management</b>	<b>1,234</b>	<b>1,071</b>	<b>15.2%</b>	-	-	-
thereof third-party assets under management	711	585	21.5%	-	-	-

1) For a description on how we measure operating profit and a reconciliation to net income, see interim report, pages 2, 15 (Property/Casualty), 19 (Life/Health), 23 (Banking), and 26 (Asset Management).

2) Q3 2004 resp. 9M 2004 figures have been restated according to IFRS accounting standards; amortization of goodwill has not been cancelled.

3) Net income of Dresdner Bank resp. the banking segment for the first quarter of 2005 showed a realized gain of 343 million euros from the intra-group transfer of Munich Re shares. This has been eliminated in the consolidation adjustment.

4) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned (statutory).

You will find this message, the **interim report** (pdf file) as well as **Excel spreadsheets** of the **consolidated balance sheet** and **consolidated income statement** (by segments and quarters) in the internet at <http://www.allianz.com/3q>.

We would like to again remind you of our **conference call** which will take place at 3 p.m. CET / 2 p.m. UK time today. The **presentation slides** will be available in the internet at <http://www.allianz.com/3q>.

These statements 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.

**No duty to update**

The company assumes no obligation to update any information contained herein.