

ALLIANZ AKTIENGESELLSCHAFT

Form 6-K

November 15, 2005

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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Report of Foreign Private Issuer

Pursuant to Rules 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the period ended September 30, 2005

Commission file Number: 1-15154

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# ALLIANZ AKTIENGESELLSCHAFT

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Königinstrasse 28

80802 Munich

Germany

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-13462) OF ALLIANZ AKTIENGESELLSCHAFT AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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Interim Report Third Quarter and First Nine Months of 2005

Allianz Group

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|   | Sep 30, 2005 | Dec 31, 2004 | Change |
|---|--------------|--------------|--------|
|   | mn           | mn           | in %   |
| <b>BALANCE SHEET</b>                            |              |              |        |
| Investments                                     | 276,177      | 248,327      | 11.2   |
| Loans and advances to banks and customers       | 343,227      | 377,223      | (9.0)  |
| Total assets                                    | 989,198      | 990,318      | (0.1)  |
| Shareholders' equity                            | 48,588       | 37,691       | 28.9   |
| Reserves for insurance and investment contracts | 356,489      | 326,380      | 9.2    |
| Liabilities to banks and customers              | 307,905      | 348,484      | (11.6) |

|  |    | 3Q 2005 | 3Q 2004 | Change | 9M 2005 | 9M 2004 | Change |
|--|----|---------|---------|--------|---------|---------|--------|
| <b>INCOME STATEMENT</b>                        |    |         |         |        |         |         |        |
| Total revenues                                 | mn | 23,775  | 23,136  | 2.8%   | 75,733  | 72,592  | 4.3%   |
| Operating profit                               | mn | 1,723   | 1,869   | (7.8)% | 5,917   | 5,091   | 16.2%  |
| Earnings from ordinary activities before taxes | mn | 1,658   | 1,189   | 39.4%  | 6,069   | 4,094   | 48.2%  |
| Net income                                     | mn | 794     | 468     | 69.7%  | 3,508   | 1,970   | 78.1%  |

|   |   |  |  |  |     |     |          |
|---|---|--|--|--|-----|-----|----------|
| <b>RETURNS</b>                                |   |  |  |  |     |     |          |
| Return on equity after taxes                  | % |  |  |  | 7.2 | 5.4 | 1.8pts   |
| Return on equity before goodwill amortization | % |  |  |  | 7.2 | 7.9 | (0.7)pts |

**SEGMENTS****Property-Casualty**

|                |   |      |      |          |      |      |          |
|----------------|---|------|------|----------|------|------|----------|
| Loss ratio     | % | 72.9 | 66.4 | 6.5pts   | 68.2 | 68.2 | 0.0pts   |
| Expense ratio  | % | 24.1 | 24.5 | (0.4)pts | 24.8 | 25.0 | (0.2)pts |
| Combined ratio | % | 97.0 | 90.9 | 6.1pts   | 93.0 | 93.2 | (0.2)pts |

**Life/Health**

|                         |   |     |      |          |     |     |          |
|-------------------------|---|-----|------|----------|-----|-----|----------|
| Statutory expense ratio | % | 8.5 | 10.1 | (1.6)pts | 7.7 | 9.6 | (1.9)pts |
|-------------------------|---|-----|------|----------|-----|-----|----------|

**Banking (Dresdner Bank)**

|   |    |      |      |        |      |       |        |
|---|----|------|------|--------|------|-------|--------|
| Cost-income ratio                                   | %  | 93.1 | 87.7 | 5.4pts | 85.8 | 83.1  | 2.7pts |
| Loan loss provisions                                | mn | 130  | (54) | 184    | 84   | (271) | 355    |
| Tier I capital ratio (core capital) at September 30 | %  |      |      |        | 10.9 | 6.7   | 1)     |

**Asset Management (Allianz Global Investors)**

|   |    |      |      |          |      |      |          |
|---|----|------|------|----------|------|------|----------|
| Cost-income ratio                                   | %  | 57.7 | 62.0 | (4.3)pts | 59.2 | 65.4 | (6.2)pts |
| Third-party assets under management at September 30 | bn |      |      |          | 711  | 592  | 20.1%    |

**SHARE INFORMATION**

|   |    |      |      |       |        |       |       |
|---|----|------|------|-------|--------|-------|-------|
| Basic earnings per share                            |    | 2.03 | 1.28 | 58.6% | 9.11   | 5.37  | 69.6% |
| Diluted earnings per share                          |    | 2.02 | 1.27 | 59.1% | 9.06   | 5.35  | 69.3% |
| Share price at September 30                         |    |      |      |       | 112.30 | 81.10 | 38.5% |
| Market capitalization at September 30 <sup>2)</sup> | bn |      |      |       | 45.5   | 29.8  | 52.7% |

1)

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Calculation of the Tier 1 capital ratio at September 30, 2005, is based on IFRS methodology, whereas calculation at September 30, 2004 is based on German Accounting principles (Handelsgesetzbuch or HGB). Therefore, values are not comparable and presentation of the change is not meaningful.

2) Excluding treasury shares.

### Allianz AG Ratings at September 30, 2005

|                                    | <b>Standard<br/>&amp;<br/>Poor's</b> | <b>Moody's</b> | <b>A.M. Best</b>          |
|------------------------------------|--------------------------------------|----------------|---------------------------|
| Insurer financial strength Outlook | AA Stable                            | Aa3 Stable     | A+ Stable                 |
| Counterparty credit Outlook        | AA Stable                            | not applicable | aa Stable                 |
| Senior unsecured debt Outlook      | AA                                   | Aa3 Stable     | aa Stable                 |
| Subordinated debt Outlook          | A                                    | A2 Stable      | a+/a <sup>*)</sup> Stable |
| Commercial paper (short term)      | A-1+                                 | P-1 Stable     | not rated                 |

\*) Ratings vary on the basis of maturity period and terms.

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The following discussion is based on our consolidated financial statements and should be read in conjunction with those statements. We evaluate the results of our Property-Casualty, Life/Health insurance, Banking and Asset Management segments using a financial performance measure we refer to herein as "operating profit". We define our segment operating profit as earnings from ordinary activities before taxation, excluding, as applicable for each respective segment, either all or some of the following items: net capital gains and impairments on investments, net trading income, intra-Allianz Group dividends and profit transfer, interest expense on external debt, restructuring charges, other non-operating income/(expense), acquisition-related expenses and amortization of goodwill.

While these excluded items are significant components in understanding and assessing our consolidated financial performance, we believe that the presentation of operating results enhances the understanding and comparability of the performance of our operating segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of our businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments on investment securities, as these are largely dependent on market cycles or issuer specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion. Operating profit is not a substitute for earnings from ordinary activities before taxation or net income as determined in accordance with IFRS. Our definition of operating profit may differ from similar measures used by other companies, and may change over time. For further information on operating profit, as well as the particular reconciling items between operating profit and net income, see Note 3 to the consolidated financial statements.

In the following discussion, we analyze the Allianz Group's consolidated results of operations for the three and nine months ended September 30, 2005 as compared to September 30, 2004, respectively, using operating profit and net income as the relevant performance measures, as permitted under IFRS and as presented in our German Annual Report for the year 2004.

We further believe that an understanding of our revenue performance is enhanced when the effects of foreign currency translations and acquisitions and disposals (or "changes in scope of consolidation") are excluded. Accordingly, in addition to presenting "nominal growth", "internal growth", which excludes the effects from foreign currency translation and changes in scope of consolidation, is also provided.

The following tables set forth the reconciliation of nominal revenue growth to internal revenue growth for each of our segments and the Allianz Group as a whole for the three and nine months ended September 30, 2005, as compared to September 30, 2004, respectively.

**Composition of total revenue growth for the three months ended September 30, 2005, compared to three months ended September 30, 2004<sup>\*)</sup>**

| Segment           | Nominal<br>Growth<br>% | Changes in<br>scope of<br>consolidation<br>% | Foreign<br>currency<br>translation<br>% | Internal<br>Growth<br>% |
|-------------------|------------------------|--|---|-------------------------|
| Property-Casualty | 0.4                    | (2.8)  | 0.6                                     | 2.6                     |
| Life/Health       | 2.5                    | 0.4  | 0.6                                     | 1.5                     |
| Banking           | 1.0                    | 0.0  | (0.2)                                   | 1.2                     |
| thereof:          |                        |  |   |                         |
| Dresdner Bank     | 0.0                    | 0.0  | (0.3)                                   | 0.3                     |
| Asset Management  | 25.5                   | 1.8  | 0.2                                     | 23.5                    |
| thereof: Allianz  |                        |  |   |                         |

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|                    |            |              |            |            |
|--------------------|------------|--------------|------------|------------|
| Global Investors   | 25.1       | 0.0          | 0.5        | 24.6       |
| <b>Total Group</b> | <b>2.8</b> | <b>(0.5)</b> | <b>0.5</b> | <b>2.8</b> |

\*) Before the elimination of transactions between Allianz Group companies in different segments.

**Composition of total revenue growth for the nine months ended September 30, 2005, compared to nine months ended September 30, 2004<sup>\*)</sup>**

| Segment            | Nominal<br>Growth<br>% | Changes in<br>scope of<br>consolidation<br>% | Foreign<br>currency<br>translation<br>% | Internal<br>Growth<br>% |
|--------------------|------------------------|--|---|-------------------------|
| Property-Casualty  | (0.6)                  | (2.5)  | 0.0                                     | 1.9                     |
| Life/Health        | 9.4                    | 0.1  | (0.4)                                   | 9.7                     |
| Banking            | (6.8)                  | 0.0  | (0.3)                                   | (6.5)                   |
| thereof:           |                        |  |   |                         |
| Dresdner Bank      | (7.6)                  | 0.0  | (0.4)                                   | (7.2)                   |
| Asset Management   | 16.2                   | 1.5  | (2.3)                                   | 17.0                    |
| thereof: Allianz   |                        |  |   |                         |
| Global Investors   | 15.0                   | 0.0  | (2.3)                                   | 17.3                    |
| <b>Total Group</b> | <b>4.3</b>             | <b>(0.7)</b>                                 | <b>(0.2)</b>                            | <b>5.2</b>              |

\*) Before the elimination of transactions between Allianz Group companies in different segments.



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**Executive Summary**

**Continued profitable growth.**

- \_ Life and Asset Management continued to enjoy considerable growth.
  
- \_ Growth continues to be accompanied by margin improvements across all segments.
  
- \_ Strong increase in our net income, driven by operating profit.
  
- \_ Our shareholders' equity increased by 28.9% over the last nine months.

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- <sup>1)</sup> Compounded annual growth rate (or CAGR). CAGR is defined as the year-over-year growth rate over a multiple-year period.
  - <sup>2)</sup> Comprises net income in 1Q, 2Q and 3Q of (882) million, 1,066 million and 664 million, respectively, as well as goodwill amortization (net of tax) of 853 million for the nine months ended September 30, 2003.
  - <sup>3)</sup> Net income contained goodwill amortization (net of tax).

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### Allianz Group's Consolidated Results of Operations

#### Revenues

Led by our Life/Health and Asset Management operations, our total revenues in 3Q and for the first nine months of 2005 increased by 2.8% to 23.8 billion and 4.3% to 75.7 billion, respectively, compared to the corresponding prior year periods. Internal growth, which excludes the effects from foreign currency translation and changes in scope of consolidation, was 2.8% in 3Q (first nine months of 2005: 5.2%).

**Property-Casualty** With the focus on maintaining and strengthening operating profitability, our gross premiums written were successful in achieving internal growth of 2.6% in 3Q despite selective underwriting and increasing pricing pressure in some markets. For the first nine months of 2005, internal growth reached 1.9%. Gross premiums written amounted to 10.5 billion and 34.4 billion in 3Q and for the first nine months of 2005, respectively.

**Life/Health** Our Life/Health segment's statutory premiums increased by 2.5% to 11.1 billion in 3Q from continued strong growth in our core European markets, particularly in Italy, France and Germany, where growth rates of greater than 10% were achieved. Statutory premiums at Allianz Life of North America (or Allianz Life) declined in 3Q, as expected, due to a very successful, albeit limited, sales promotion which caused an extraordinary surge in statutory premiums in the third quarter of last year. Despite the extraordinary surge in statutory premiums at Allianz Life in 3Q 2004, for the first nine months of 2005, statutory premiums at Allianz Life were above that of 2004 for the same period, and together with growth rates exceeding 10% in our core European markets, helped excel statutory premiums to 34.9 billion, a market increase of 9.4% over the prior year period. Internal growth of statutory premiums in 3Q and for the first nine months of 2005 amounted to 1.5% and 9.7%, respectively, compared to the corresponding prior year periods. Overall, the increase in statutory premiums stemmed principally from investment-oriented products.

**Banking** In 3Q, operating revenues were stabilized at 1.5 billion. Offsetting the strong development within our strategic divisions at Dresdner Bank was the close of our Institutional Restructuring Unit (or IRU) after the division's completion of the sale of its non-strategic portfolios, as well as negative impacts from IAS 39. Operating revenues for the first nine months of 2005 decreased by 6.8% to 4.6 billion. In addition to the reductions of our non-strategic IRU portfolios, this decline was principally driven by the challenging capital market conditions in April and May, as with some of the other investment banks, negatively affecting our net trading income at Dresdner Kleinwort Wasserstein (or DrKW).

**Asset Management** Our Asset Management segment achieved strong net inflows of third-party assets of 48 billion in the first nine months of 2005, particularly to our fixed income business in the United States and Germany. Total third-party assets at September 30, 2005, amounted to 711 billion, an increase of 21.5% from December 31, 2004. These positive developments led to significant operating revenue growth of 25.5% in 3Q compared to the prior year period (first nine months of 2005: 16.2%). Internal growth of our operating revenues was comparable at 23.5% for 3Q (first nine months of 2005: 17.0%).

#### Operating Profit

For the first nine months of 2005, our operating profit increased by 16.2% over the prior year period to 5.9 billion, thereby demonstrating our further commitment to **continued operational discipline**. In 3Q, whereas operating profit across all other segments improved strongly, operating profit of our Property-Casualty operations was negatively impacted by various natural catastrophes, which significantly affected the

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insurance and reinsurance markets as a whole. Our losses, net of reinsurance, from these natural catastrophes approximated 753 million. As a result of these developments, overall, our operating profit amounted to 1.7 billion in 3Q, a decrease of 7.8% compared to 3Q 2004.

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**Property-Casualty** Consistent with a large number of other insurance and reinsurance companies, our combined ratio in 3Q was negatively affected by various natural catastrophes, including hurricanes Katrina and Rita in the United States, and floods in Central Europe. Despite the positive claims development experienced by our German property-casualty operations, namely by Sachgruppe Deutschland and by our Credit Insurance speciality line, the combined effects of losses, net of reinsurance, from natural catastrophes in the United States (€ 620 million) and Central Europe (€ 58 million), caused our loss ratio to deteriorate by 6.5 percentage points compared to 3Q 2004 to 72.9%, contributing to a combined ratio of 97.0% in 3Q, a 6.1 percentage point deterioration compared to 3Q 2004. However, notwithstanding this development, our combined ratio for the first nine months of 2005 improved by 20 basis points over the prior year period to 93.0%, largely due to positive claims development in Germany, excluding the worldwide natural catastrophes, as well as continued adherence to our disciplined underwriting and pricing practices, thereby maintaining progress towards achieving our combined ratio target for fiscal year 2005. Commensurate with these developments, in 3Q, operating profit decreased by 38.8% to € 696 million, whereas operating profit for the first nine months of 2005 increased by 6.6% to € 3.1 billion, compared to the corresponding prior year period.

**Life/Health** In 3Q, operating profit reached € 478 million, a significant strengthening of 26.5% over the prior year period. A decline within our net acquisition costs and administrative expenses of € 128 million, as well as growth within our current income from investments and net trading income of € 167 million and € 94 million, respectively, contributed in large part to our improved operating profit. Net acquisition costs and administrative expenses decreased predominantly due to a decline in costs at Allianz Life due to the novation of a reinsurance contract in 3Q 2004 as well as sales promotion measures in the prior year period, helping to drive down our statutory expense ratio by 1.6 percentage points to 8.5% in 3Q. Current investment income and net trading income were principally driven by significant inflows of funds brought about by new business underwritten at Allianz Life and Allianz Leben in the prior quarters, and changes in fair values of freestanding derivatives in connection with equity-indexed annuities sold by Allianz Life, respectively. For the first nine months of 2005, operating profit also benefited from increased business volume as well as our improved statutory expense ratio and rose significantly by 22.4% over the prior year period to € 1.3 billion. After consecutively increasing operating profit levels in 2005, we are well on track to achieving our 2005 target.

**Banking** In 3Q, operating profit increased by 83.8% over the prior year period to € 250 million. This development was principally due to a substantial decline of net loan loss provisions, resulting in a net release of € 129 million (3Q 2004: net charge of € 54 million), driven predominantly by the planned reductions in our non-strategic portfolios within our IRU division, which closed in 3Q ahead of plan. Partially offsetting was an increase of administrative expenses by 6.3% primarily attributable to increased performance linked compensation at DrKW, following the division's strong operating revenues in 3Q. For the first nine months of 2005, we achieved an operating profit of € 759 million, an increase of 33.9% over the prior year period, despite the decline in operating revenues. In addition to a net release of loan loss provisions of € 88 million (9M 2004: net charge of € 271 million), operating profit growth stemmed from reduced administrative expenses on a year-to-date basis, including a positive one-off effect from releases of provisions for employment anniversary payments at Dresdner Bank in 2Q.

**Asset Management** We succeeded in reducing our cost-income ratio for the third consecutive quarter to 57.8% in 3Q, a marked improvement of 3.7 percentage points over the prior year period. This was due in large part to strict cost management resulting in an under-proportionate increase in operating expenses compared to that of our operating revenues. These positive developments led to an operating profit of € 299 million in 3Q, a 37.8% growth over 3Q 2004, the third consecutive quarter of greater than 20% growth. For the first nine months of 2005, operating profit increased by 35.8% over the prior year period to € 785 million. These achievements demonstrate our strong market position and attest to our superior performance as more than 85% of the third-party assets we manage outperformed their respective benchmarks in the first nine months of 2005.

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**Table of Contents****Net Income**

**The continued strengthening of our earnings** was also reflected in our consolidated net income, which increased by 69.7% to 794 million, compared with the prior year period (first nine months of 2005: 78.1% increase to 3.5 billion), inclusive of the positive impact brought about by the discontinuance of amortization of goodwill due to a change in accounting under IFRS (3Q 2004: 297 million and first nine months of 2004: 885 million), as well as the retrospective application of new accounting standards further discussed below. Net capital gains and impairments, inclusive non-operating net trading income, after policyholders' participation, increased by 247 million to 371 million in 3Q over the prior year period. This increase was mainly attributable to significantly decreased net impairments compared to the prior year period. Whereas, no significant restructuring charges occurred both in 3Q 2005 and 3Q 2004, our net income for the first nine months benefited from a decline of 36.1% in restructuring charges to 85 million due primarily to the absence of significant restructuring charges at Dresdner Bank. Due to the changes in fair value of derivatives associated with our All-in-one capital market transactions, a pre-tax charge to earnings of 52 million was incurred in 3Q. However, economically, these negative fair value changes are compensated by the increased market prices of respective shares of DAX companies we own, albeit the development of these available-for-sale securities is reflected in unrealized gains and losses within shareholders' equity, and not net income. These developments resulted in earnings from ordinary activities before taxes and minorities of 1.7 billion in 3Q, a significant improvement of 39.4% over the prior year period, including the discontinuance of goodwill amortization (3Q 2004: 297 million). For the first nine months of 2005, earnings from ordinary activities rose by 48.2% to 6.1 billion over the first nine months of 2004, which included goodwill amortization of 885 million. Our consolidated tax expense increased by 6.6% to 530 million in 3Q compared to the prior year period, representing an overall effective income tax rate of 31.4% in 3Q (3Q 2004: 41.5%). Our effective tax rate benefited from tax free income at various operating entities including Allianz Leben, as well as the write-down of deferred tax assets at Allianz Life Insurance Company in Korea in 3Q 2004. Taxes for the first nine months of 2005 amounted to 1.5 billion, an increase of 24.3% over the prior year period, representing an overall effective tax rate of 25.0% (first nine months of 2004: 29.8%). Minority interests in earnings increased by 49.1% to 334 million in 3Q compared to the prior year period primarily due to increased earnings at our Italian and French Life/Health operating entities (first nine months of 2005: increase by 15.4% to 1.0 billion).

**Earnings per Share**

in

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\*) See Note 33 to our consolidated financial statements for further details regarding the dilutive effect.

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| Effects on 2005  | Three months ended<br>June 30, 2005 | Six months ended<br>June 30, 2005 | Three months ended<br>March 31, 2005 |
|--|-------------------------------------|-----------------------------------|--------------------------------------|
| net income   | mn                                  | mn                                | mn                                   |
| <b>Net income, previously reported</b>   | 1,395                               | 2,579                             | 1,184                                |
| IAS 39 (revised): Impairment policy  | 14                                  | 157                               | 143                                  |
| IFRS 3: Accounting for business combinations                                   | (11)                                | (8)                               | 3                                    |
| IFRS 4: Discretionary participation features                                   | (8)                                 | (8)                               |                                      |
| IAS 39 (revised): Fair value option - liabilities                              |                                     | (6)                               | (6)                                  |
| <b>Net income, after retrospective application of new accounting standards</b> | <b>1,390</b>                        | <b>2,714</b>                      | <b>1,324</b>                         |

| Effects on 2004   | Three months ended<br>September 30, 2004 | Nine months ended<br>September 30, 2004 | Three months ended<br>June 30, 2004 | Six months ended<br>June 30, 2004 | Three months ended<br>March 31, 2004 |
|---|--|---|-------------------------------------|-----------------------------------|--------------------------------------|
| net income  | mn                                       | mn                                      | mn                                  | mn                                | mn                                   |
| <b>Net income under IFRS regime effective through December 31, 2004</b> | 539                                      | 1,828                                   | 614                                 | 1,289                             | 675                                  |
| IFRS 2: Share-based compensation  | (19)                                     | (72)                                    | (19)                                | (53)                              | (34)                                 |
| IAS 39 (revised): Reversal of impairments                               | (4)                                      | (56)                                    | (23)                                | (52)                              | (29)                                 |
| IAS 39 (revised): Fair value option assets                              | 1  | 6                                       |                                     | 5                                 | 5                                    |
| IAS 39 (revised): Impairment policy                                     | (47)                                     | 267                                     | 75                                  | 314                               | 239                                  |
| IFRS 4: Discretionary participation features                            |  | (1)                                     | (1)                                 | (1)                               |                                      |
| IAS 39 (revised): Fair value option liabilities                         | (2)                                      | (2)                                     | 3                                   |                                   | (3)                                  |
| <b>Net income under IFRS regime effective January 1, 2005</b>           | <b>468</b>                               | <b>1,970</b>                            | <b>649</b>                          | <b>1,502</b>                      | <b>853</b>                           |

<sup>\*)</sup> See Note 2 to our consolidated financial statements for further details.

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The following table sets forth the total revenues, operating profit and IFRS net income for each of our business segments for the three and nine months ended September 30, 2005, and September 30, 2004, respectively, as well as IFRS consolidated net income of the Allianz Group.

|   | Property-Casualty |              | Life/Health  |              | Banking      |            | Asset Management |              | Consolidation adjustments |                | Total Group  |              |
|---|-------------------|--------------|--------------|--------------|--------------|------------|------------------|--------------|---------------------------|----------------|--------------|--------------|
|   | 2005              | 2004         | 2005         | 2004         | 2005         | 2004       | 2005             | 2004         | 2005                      | 2004           | 2005         | 2004         |
|   | mn                | mn           | mn           | mn           | mn           | mn         | mn               | mn           | mn                        | mn             | mn           | mn           |
| Three months ended September 30                       |                   |              |              |              |              |            |                  |              |                           |                |              |              |
| Total revenues <sup>*)</sup>                          | 10,472            | 10,432       | 11,116       | 10,841       | 1,542        | 1,527      | 708              | 564          | (63)                      | (228)          | 23,775       | 23,136       |
| Operating profit                                      | 696               | 1,138        | 478          | 378          | 250          | 136        | 299              | 217          |                           |                | 1,723        | 1,869        |
| <b>Earnings from ordinary activities before taxes</b> |                   |              |              |              |              |            |                  |              |                           |                |              |              |
|   | <b>866</b>        | <b>952</b>   | <b>663</b>   | <b>382</b>   | <b>223</b>   | <b>13</b>  | <b>86</b>        | <b>(53)</b>  | <b>(180)</b>              | <b>(105)</b>   | <b>1,658</b> | <b>1,189</b> |
| Taxes   | (277)             | (452)        | (147)        | (186)        | (74)         | 134        | (34)             | 9            | 2                         | (2)            | (530)        | (497)        |
| Minority interests in earnings                        | (181)             | (132)        | (140)        | (71)         | (26)         | (22)       | (12)             | (13)         | 25                        | 14             | (334)        | (224)        |
| <b>Net income (loss)</b>                              | <b>408</b>        | <b>368</b>   | <b>376</b>   | <b>125</b>   | <b>123</b>   | <b>125</b> | <b>40</b>        | <b>(57)</b>  | <b>(153)</b>              | <b>(93)</b>    | <b>794</b>   | <b>468</b>   |
| Nine months ended September 30                        |                   |              |              |              |              |            |                  |              |                           |                |              |              |
| Total revenues <sup>*)</sup>                          | 34,439            | 34,646       | 34,942       | 31,946       | 4,611        | 4,948      | 1,933            | 1,664        | (192)                     | (612)          | 75,733       | 72,592       |
| Operating profit                                      | 3,090             | 2,898        | 1,283        | 1,048        | 759          | 567        | 785              | 578          |                           |                | 5,917        | 5,091        |
| <b>Earnings from ordinary activities before taxes</b> |                   |              |              |              |              |            |                  |              |                           |                |              |              |
|   | <b>4,382</b>      | <b>4,174</b> | <b>1,784</b> | <b>1,311</b> | <b>1,341</b> | <b>224</b> | <b>229</b>       | <b>(264)</b> | <b>(1,667)</b>            | <b>(1,351)</b> | <b>6,069</b> | <b>4,094</b> |
| Taxes   | (909)             | (1,069)      | (282)        | (442)        | (308)        | 225        | (51)             | 42           | 9                         | 4              | (1,541)      | (1,240)      |
| Minority interests in earnings                        | (724)             | (725)        | (394)        | (283)        | (77)         | (104)      | (34)             | (40)         | 209                       | 268            | (1,020)      | (884)        |
| <b>Net income (loss)</b>                              | <b>2,749</b>      | <b>2,380</b> | <b>1,108</b> | <b>586</b>   | <b>956</b>   | <b>345</b> | <b>144</b>       | <b>(262)</b> | <b>(1,449)</b>            | <b>(1,079)</b> | <b>3,508</b> | <b>1,970</b> |

<sup>\*)</sup> Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, and asset management segment's operating revenues.

**Allianz Group's Consolidated Assets, Liabilities and Shareholders' Equity**

In the nine months ended September 30, 2005, our shareholders' equity increased by 28.9% to 48.6 billion at September 30, 2005 (December 31, 2004: 37.7 billion), further strengthening our capital base. This increase resulted primarily from our strong net income for the nine months ended September 30, 2005, growth in unrealized gains on investments stemming from favorable equity market conditions and lower interest rates in Europe and reduced negative foreign currency translation effects from the strengthening of the U.S. dollar against the Euro. Additionally, the sale of treasury shares (1.6 billion) in connection with our All-in-One capital market transaction in January and February 2005 and the issuance of warrants on Allianz AG shares, of which 9 million were exercised in 3Q 2005 generating consideration of 828 million, increased our shareholders' equity, respectively.

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In connection with the purchase of the remaining Riunione Adriatica di Sicurtà S.p.A. minority interest in 3Q 2005 our shareholders' equity also increased by 1.1 billion through the issuance of shares out of authorized capital without pre-emptive rights. See Allianz-RAS Merger/European Company (SE) for further information on the merger of Reunione Adriatica di Sicurtà S.p.A. into Allianz AG.

## **Shareholders' Equity**

in mn

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- 1) Restated as a result of the implementation of new accounting standards; see Note 2 to the consolidated financial statements within (this interim report and) our 1Q 2005 report.
  - 2) Effective January 1, 2005, and as a result of IAS 1 (revised), minority interests in shareholders' equity was reclassified into shareholders' equity.
  - 3) Consists of the following developments (in mn): foreign currency translation + 1,428; treasury shares + 1,640; net income + 3,508; shareholders' dividend 674; miscellaneous 365.

In the nine months ended September 30, 2005, total assets and liabilities decreased by 1.1 billion (0.1%) and 12.0 billion (1.3%), respectively, from December 31, 2004. Increases were primarily experienced within cash and cash equivalents, investments, and reserves for insurance and investment contracts, where balances rose by 8.5 billion (54.2%), 27.9 billion (11.2%) and 30.1 billion (9.2%), respectively. The growth in reserves for insurance and investment contracts was driven predominantly by aggregate policy reserves at 14.0 billion (6.1%) and reserves for premium refunds at 7.5 billion (35.3%). These increases were offset by declines predominantly in loans and advances to banks of 31.5 billion (17.3%) as well as liabilities to banks of 43.3 billion (22.7%), primarily reflecting reduced volumes of repurchase and reverse repurchase operations at Dresdner Bank. Additionally, investments in associated enterprises and joint ventures also declined by 2.3 billion (39.7%). See Group Asset Allocation for, among others, further information on our investments and investments in associated enterprises and joint ventures.



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The following table presents the Allianz Group's consolidated balance sheets as of September 30, 2005, and December 31, 2004, and the respective changes:\*)

| ASSETS   | September 30,  | December 31,   | Change<br>in % | SHAREHOLDERS EQUITY<br>AND LIABILITIES                     | September 30,  | December 31,   | Change<br>in % |
|--|----------------|----------------|----------------|--|----------------|----------------|----------------|
|  | 2005           | 2004           |                |  | 2005           | 2004           |                |
|  | mn             | mn             |                |  | mn             | mn             |                |
| Intangible assets  | 15,465         | 15,147         | 2.1            | Shareholders equity  | 48,588         | 37,691         | 28.9           |
| Investments in associated enterprises and joint ventures                         | 3,470          | 5,757          | (39.7)         | Participation certificates and subordinated liabilities    | 14,547         | 13,230         | 10.0           |
| Investments  | 276,177        | 248,327        | 11.2           | Reserves for insurance and investment contracts            | 356,489        | 326,380        | 9.2            |
| Loans and advances to banks  | 150,048        | 181,543        | (17.3)         | Liabilities to banks                                       | 147,998        | 191,347        | (22.7)         |
| Loans and advances to customers  | 193,179        | 195,680        | (1.3)          | Liabilities to customers                                   | 159,907        | 157,137        | 1.8            |
| Financial assets carried at fair value through income                            | 235,097        | 240,574        | (2.3)          | Certificated liabilities                                   | 58,645         | 57,752         | 1.5            |
| Cash and cash equivalents  | 24,093         | 15,628         | 54.2           | Financial liabilities carried at fair value through income | 141,085        | 145,137        | (2.8)          |
| Amounts ceded to reinsurers from reserves for insurance and investment contracts | 23,533         | 22,310         | 5.5            | Other accrued liabilities                                  | 13,797         | 13,984         | (1.3)          |
| Deferred tax assets  | 15,242         | 14,139         | 7.8            | Other liabilities  | 29,154         | 31,271         | (6.8)          |
| Other assets   | 52,894         | 51,213         | 3.3            | Deferred tax liabilities                                   | 15,544         | 14,350         | 8.3            |
|  |                |                |                | Deferred income  | 3,444          | 2,039          | 68.9           |
| <b>Total assets</b>  | <b>989,198</b> | <b>990,318</b> | <b>(0.1)</b>   | <b>Total shareholders equity and liabilities</b>           | <b>989,198</b> | <b>990,318</b> | <b>(0.1)</b>   |

\*) Beginning January 1, 2005, under IFRS, various existing accounting standards changed and additional new accounting standards became effective, both of which impacted the Allianz Group's consolidated financial statements prospectively, and to a certain extent, retrospectively, requiring restatement. For further information concerning the impact of these accounting standards, see Note 2 to the consolidated financial statements.

**Group Asset Allocation**

Of the total group's own investments, the majority are invested in fixed income securities and, to a lesser extent, equities. We limit our fixed income investment risk by setting high requirements on the creditworthiness of our debtors and by spreading the risk. At September 30, 2005, approximately 94% of the fixed income investments of the insurance companies of the Allianz Group have an investment grade rating. More than 88% are distributed over obligors that have been assigned at least an A rating by Standard & Poor's.

At September 30, 2005, group's own investments amounted to 471.2 billion, an increase of 5.9% compared to December 31, 2004. This increase was predominantly due to higher balances at our fixed income and equity available-for-sale securities, stemming predominantly from favorable capital market conditions, lower interest rates in Europe, and strong growth in sales of our life operations. Growth of our group's own

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investments was partially offset by decreased financial assets held for trading, net, primarily reflecting a reduced volume of Dresdner Bank's fixed income trading portfolio. Further, investments in associated enterprises and joint ventures, which are classified as equity investments within group's own investments, decreased principally as a result of sales of our shareholdings in MAN AG and Gecina S.A. in 1Q and Bilfinger Berger AG in 2Q.

The following table sets forth our assets under management, excluding third-party assets.

| <b>Fair Value as of</b>                                  | <b>September 30,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|--|-------------------------------|------------------------------|
| <b>Fair Value as of</b>                                  | <b>mn</b>                     | <b>mn</b>                    |
| Group's own investments <sup>1)</sup>                    | 471,210                       | 445,131 <sup>3)</sup>        |
| Financial assets for unit-linked contracts <sup>2)</sup> | 51,663                        | 41,409 <sup>3)</sup>         |

<sup>1)</sup> Includes adjustments to reflect real estate and investments in associated enterprises and joint ventures at fair value. These adjustments were made in order to reflect the definition of group's own investments used by management for its controlling purposes.

<sup>2)</sup> Represents assets owned by, and managed on the behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders.

<sup>3)</sup> As a result of a new IFRS accounting standard (IAS 39 revised), certain unit-linked contracts previously classified as trading assets within group's own investments were reclassified to financial assets for unit-linked contracts, resulting in no net income statement impact.

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- 1) Consists of available-for-sale fixed income securities ( 206.0 billion and 186.7 billion at September 30, 2005 and December 31, 2004, respectively), loans and advances to banks and customers ( 91.6 billion and 81.4 billion at September 30, 2005 and December 31, 2004, respectively), fixed income financial assets designated at fair value through income ( 8.1 billion and 1.7 billion at September 30, 2005 and December 31, 2004, respectively), and held-to-maturity securities ( 5.0 billion and 5.2 billion at September 30, 2005 and December 31, 2004, respectively). Loans and advances to banks and customers exclude loans from our banking and asset management operations ( 251.6 billion and 295.8 billion at September 30, 2005 and December 31, 2004, respectively). See Notes 5, 6, 7 and 8 to our consolidated financial statements for further details.
- 2) Consists of available-for-sale equity securities ( 52.8 billion and 44.2 billion at September 30, 2005 and December 31, 2004, respectively), investments in associated enterprises and joint ventures ( 3.5 billion and 6.3 billion at September 30, 2005 and December 31, 2004, respectively), and equity financial assets designated at fair value through income ( 2.9 billion and 1.7 billion at September 30, 2005 and December 31, 2004, respectively). Investments in associated enterprises and joint ventures is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 0.0 billion and 0.5 billion at September 30, 2005 and December 31, 2004, respectively. See Notes 5 and 8 to our consolidated financial statements for further details.
- 3) Real estate used by third parties is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 3.5 billion and 3.6 billion at September 30, 2005 and December 31, 2004, respectively. See Note 5 to our consolidated financial statements for further details.
- 4) Consists primarily of funds held by others under reinsurance contracts assumed ( 1.6 billion and 1.6 billion at September 30, 2005 and December 31, 2004, respectively). See Note 5 to our consolidated financial statements for further details. In 1Q 2005, certain short-term investments of 8.5 billion previously included within other investments were reclassified to fixed income investments.
- 5) Consists of financial assets held for trading ( 170.6 billion and 194.4 billion at September 30, 2005 and December 31, 2004, respectively), financial liabilities held for trading ( 87.1 billion and 102.1 billion at September 30, 2005 and December 31, 2004, respectively), and financial assets designated at fair value through income from our banking and asset management operations ( 1.9 billion and 1.3 billion at September 30, 2005 and December 31, 2004, respectively). See Notes 8 and 16 to our consolidated financial statements for further details.

**Group's Own Investments Property-Casualty Segment Asset Allocation at September 30, 2005**

in bn (Total: 103.1 billion)

- 
- 1) Excluding trading.
  - 2) Includes investments in associated enterprises and joint ventures that is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 0.0 billion and 0.2 billion at September 30, 2005 and December 31, 2004, respectively.
  - 3) Real estate used by third parties is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 1.6 billion and 1.6 billion at September 30, 2005 and December 31, 2004, respectively.

**Group's Own Investments Life/Health Segment Asset Allocation at September 30, 2005**

in bn (Total: 262.7 billion)

- 
- 1) Excluding trading.
  - 2)

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Includes investments in associated enterprises and joint ventures that is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 0.0 billion and 0.3 billion at September 30, 2005 and December 31, 2004, respectively.

- <sup>3)</sup> Real estate used by third parties is stated at fair value and, accordingly, does not reconcile to our consolidated financial statements. Fair value adjustments amounted to 2.0 billion and 2.0 billion at September 30, 2005 and December 31, 2004, respectively.

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### **Allianz-RAS Merger / European Company (SE)**

At September 30, 2005, the Allianz Group owned 55.4% of the total share capital of Riunione Adriatica di Sicurtà S.p.A. (or RAS), and taken together with its subsidiaries, the RAS Group) in Italy, which offers insurance and other financial services to more than 5 million clients in Italy and other European countries. On October 13, 2005, Consob, the Italian financial markets authority, approved Allianz AG's tender offer document relating to the voluntary offer to purchase all ordinary and savings shares, it does not already own, of RAS. The offer period began on October 20. The acceptance period will close on November 23 and the payment date is expected for November 30, 2005.

The offer represents a preparatory step of a broad repositioning plan for the Allianz Group and its Italian operations, the general terms of which were approved by the boards of Allianz AG and RAS. The cornerstone of this repositioning plan is the ultimate merger of RAS into Allianz AG, with Allianz AG converting into a European Company (Societas Europaea or SE). Additionally, RAS will contribute its insurance and other financial services business with the exception of the participation in certain foreign subsidiaries to a newly incorporated, wholly owned Italian subsidiary that will continue the corporate name RAS S.p.A.

The merger of RAS into Allianz AG will make it possible to combine the Allianz Group's activities in Italy. Italy, where, in the first nine months of 2005, the Allianz Group generated 3.7 billion in gross premiums written and 6.9 billion in statutory premiums from property-casualty and life/health insurance operations, respectively, is the Allianz Group's second most important European insurance market after Germany. The Allianz Group is represented in Italy by RAS and Lloyd Adriatico, which we refer to together with our other Italian subsidiaries as our Italian Subsidiaries. Taken together, our Italian Subsidiaries are the third-largest property-casualty and second-largest life insurer in the Italian market, based on gross premiums written and statutory premiums, respectively, in 2004. By fully integrating RAS, Allianz AG expects to increase profitability and customer service.

Based on full acceptance of the voluntary tender offer, the cost of the entire transaction will be approximately 5.7 billion. However, this amount may vary, depending upon the acceptance rate of the voluntary tender offer and the exchange ratio between Allianz AG shares and RAS ordinary and savings shares, which will be determined in mid-December 2005.

Approximately 2.2 billion, in aggregate, was secured in 3Q 2005 from equity-based financing and an equity-linked borrowing. In this context, approximately 1.1 billion was placed out of authorized capital without pre-emptive rights and a 1.1 billion equity-linked borrowing was executed with a variable redemption amount linked to the share price of Allianz AG, which can be settled, at the Allianz Group's option, in cash or 10.7 million Allianz AG shares. The remaining amount will be financed through internal funds, as well as hybrid debt and senior debt.

In connection with the RAS merger and the conversion of Allianz AG into a SE, the structure of the entire Allianz Group will be further simplified and focused. In the future, the Allianz Group will operate its insurance activities in Germany—the Property-Casualty and the Life/Health business—under one holding company and directly reallocate the holdings of operations to Allianz SE in key European markets, such as Austria, Switzerland and Spain. This is a significant step forward in reducing complexity.

### **Management Board Changes**

With effect from December 31, 2005, Detlev Bremkamp will retire and Dr. Reiner Hagemann will resign upon their own initiative from the Management Board of Allianz AG. The Supervisory Board has appointed Enrico Cucchiani, currently Chief Executive Officer of Lloyd

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Adriatico, Jean-Philippe Thierry, currently Chief Executive Officer of AGF, and Clement Booth, currently Chief Executive Officer of AON Re International, as new members of the Management Board of Allianz AG with effect from January 1, 2006.

On September 17, 2005, Dr. Reiner Hagemann resigned from his position as Chairman of the Management Board of Allianz Versicherungs-AG. Hansjörg Cramer, deputy Chairman of the Management Board of Allianz Versicherungs-AG, took over the tasks of Dr. Hagemann for the intervening period. The Supervisory Board has appointed Thomas Pleines, currently Chief Executive Officer of Allianz Suisse, as new Chairman of the Management Board of Allianz Versicherungs-AG with effect from January 1, 2006.

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### **Property-Casualty Insurance Operations**

#### **On track despite impact of natural catastrophes.**

- \_ We continued our focus on profitable, managed growth and selectively increased our business where risk-adequate premiums could be attained. Internal growth picked up in 3Q to 2.6%, leading to an overall internal growth rate of 1.9% for the first nine months of 2005.
- \_ One of the worst hurricane seasons on record in North America and the effects of natural catastrophes in Europe and Asia drove the 3Q combined ratio up to 97.0%. For the nine months ended September 30, 2005 our combined ratio amounted to 93.0%, clearly better than our 2005 target and 20 basis points below the prior year level.
- \_ Our operating profit was strong at 6.6% growth and net income experienced double-digit growth of 15.5% for the nine months ended September 30, 2005, as compared to the prior year period. While operating profit in 3Q was hindered by natural catastrophes, net income growth excelled by 10.9%, driven by increased net capital gains and lower impairments and other non-operating expenses.

### **Earnings Summary**

#### **Gross Premiums Written for the nine months ended September 30 by region<sup>\*)</sup>**

in bn

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<sup>\*)</sup> After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

### **Gross Premiums Written**

#### **2005 to 2004 Three Month Comparison**

Capitalizing on growth opportunities in markets that offered a profitable correlation between premium rates and risks, and our willingness to forego premium growth in markets with increasing pricing pressures, we were successful in slightly growing gross premiums written in 3Q to 10,472 million, despite the disposal of our Taiwanese, Chilean and Canadian property-casualty operations in the second half of 2004. Based on internal growth, gross premiums written increased by 2.6%. Growth varied considerably across different markets. Positive developments were primarily experienced by Allianz Marine & Aviation, Allianz Australia and Allianz Spain with additional gross premiums written of 110 million (46.0%), 50 million (12.7%) and 30 million (8.0%), respectively. Within Allianz Australia, growth continued, driven by our brokers and agency division, as well as our financial institutions and direct division primarily as a result of new products, innovative sales channels, and successful advertising. At Allianz Seguros, the positive development in our motor, personal lines and industrial lines continued. These increases were offset by decreased gross premiums written primarily at Allianz Cornhill in Great Britain and at Allianz Risk Transfer in

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Switzerland where gross premiums written decreased by 60 million (9.5%) and 44 million (23.0%), respectively. At Allianz Cornhill, this decline was largely the result of a decline in new personal motor business, a development that was significantly driven by cycle management. The decline at Allianz Risk Transfer occurred as the result of a large transaction in the prior year period.

### **2005 to 2004 Nine Month Comparison**

For the first nine months of 2005, our gross premiums written of 34.4 billion were relatively stable, despite the deconsolidation of our property-casualty operations in Taiwan, Chile and Canada in the second half of 2004. Overall, the premium development in our Property-Casualty segment reflects our continued strategy of selective and profitable growth.



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**Table of Contents****Operating Profit**

in mn

**Operating Profit****2005 to 2004 Three Month Comparison**

In 3Q, major catastrophes in the United States, Central Europe and Asia inflicted multi-billion Euros in damages, heavily impacting the insurance and reinsurance markets as a whole. The development of our operating profit was markedly affected by these events in 3Q, resulting in expected claims, net of reinsurance, of approximately 753 million. In that context, hurricane Katrina comprised the bulk of claims with losses, net of reinsurance, of 519 million, and hurricane Rita accounted for an additional 101 million in net losses. Despite the positive claims development experienced by our German property-casualty operations, namely by Sachgruppe Deutschland, especially within its general liability and homeowner lines and by our Credit Insurance Line, the combined effects of losses, net of reinsurance, from natural catastrophes in the United States ( 620 million) and Central Europe ( 58 million) caused our **loss ratio** to deteriorate by 6.5 percentage points to 72.9%. Correspondingly, the **combined-ratio** of our property-casualty segment increased by 6.1 percentage points to 97.0% (3Q 2004: 90.9%). Operating entities most affected by the natural catastrophes in 3Q included Fireman's Fund, Allianz Global Risks, Allianz Marine & Aviation, Allianz Suisse and Allianz AG. In the United States, the planned external review of the asbestos & environmental (or A&E) liability reserves at Fireman's Fund had no net impact at the Allianz Group level as a result of already sufficient reserves, absent a \$ 56 million loss caused by the increase in provision for uncollectible reinsurance recoverables. Due to combined effects of natural catastrophes our **operating profit** decreased by 38.8% to 696 million. **Net acquisition costs and administrative expenses** rose slightly by 4.3% to 2,648 million, due to increased expenses for service agreements from the consolidation of Four Seasons Health Care Ltd. in the latter part of 3Q 2004. We were however successful in reducing our **expense ratio**, which excludes expenses for service agreements, by 40 basis points to 24.1% largely due to a decline in administrative expenses caused by headcount reductions in the United States and Germany.

**2005 to 2004 Nine Month Comparison**

Despite the negative impact of natural catastrophes in 3Q, our **combined ratio** for the first nine months of 2005 improved by 20 basis points to 93.0%, driving us towards achieving our target for 2005. Equally as positive, we strengthened **operating profit** by 6.6% to 3,090 million.

Additionally, and as a result of hurricane Wilma in October 2005, we currently estimate our loss, net of reinsurance, at approximately 124 million. We will continue to monitor this development throughout 4Q 2005 and may make adjustments to our estimate accordingly.

**Net Income**

**2005 to 2004 Three Month Comparison**

Notwithstanding the effects of the natural catastrophes in 3Q, **net income** increased markedly by 10.9% to 408 million. **Net capital gains and impairments on investments** increased by 408 million to 296 million, predominantly from higher realized net gains and lower impairments. **Net trading income** declined to a loss of 108 million in 3Q. This decline was primarily driven by changes in fair values of certain embedded and freestanding derivatives in connection with our All-in-one capital market transactions. However, economically, these negative fair value changes are compensated by the increased market prices of respective shares of DAX companies we own, albeit the development of these available-for-sale securities is reflected in unrealized gains and losses within shareholders' equity, and not net income. Net income was also positively impacted from the elimination of the amortization of goodwill brought about by a change in accounting under IFRS (3Q 2004: 96 million). Mirroring the development in operating profit, our **tax expense** decreased by 38.7% to 277 million, leading to an effective tax rate of 31.5% (3Q 2004: 47.3%). **Minority interests in earnings** increased by 37.1% to 181 million.

**2005 to 2004 Nine Month Comparison**

**Net income** for the first nine months of 2005 rose by 15.5%, to 2,749 million, despite the impact of natural catastrophes in 3Q. Our effective tax rate improved by more than four percentage points to 20.4%, largely driven by tax exempt income.

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|   | Three months ended |              | Nine months ended |              |
|---|--------------------|--------------|-------------------|--------------|
|   | September 30       |              | September 30      |              |
|   | 2005               | 2004         | 2005              | 2004         |
|   | mn                 | mn           | mn                | mn           |
| Gross premiums written  | 10,472             | 10,432       | 34,439            | 34,646       |
| Premiums earned (net) <sup>1)</sup>                             | 9,788              | 9,840        | 28,522            | 28,827       |
| Current income from investments (net) <sup>2)</sup>             | 776                | 721          | 2,622             | 2,387        |
| Insurance benefits (net) <sup>3)</sup>                          | (7,225)            | (6,803)      | (19,845)          | (20,249)     |
| Net acquisition costs and administrative expenses <sup>4)</sup> | (2,648)            | (2,540)      | (7,954)           | (7,619)      |
| Other operating income/(expenses)(net)                          | 5                  | (80)         | (255)             | (448)        |
| <b>Operating profit</b>   | <b>696</b>         | <b>1,138</b> | <b>3,090</b>      | <b>2,898</b> |
| Net capital gains and impairments on investments <sup>5)</sup>  | 296                | (112)        | 1,040             | 982          |
| Net trading income/(expenses) <sup>6)</sup>                     | (108)              | (1)          | (269)             | (36)         |
| Intra-group dividends and profit transfer                       | 143                | 96           | 1,207             | 1,145        |
| Interest expense on external debt                               | (160)              | (199)        | (630)             | (654)        |
| Amortization of goodwill <sup>7)</sup>                          |                    | (96)         |                   | (287)        |
| Restructuring charges   | (1)                |              | (56)              |              |
| Other non-operating income/(expenses)(net)                      |                    | 126          |                   | 126          |
| <b>Earnings from ordinary activities before taxes</b>           | <b>866</b>         | <b>952</b>   | <b>4,382</b>      | <b>4,174</b> |
| Taxes   | (277)              | (452)        | (909)             | (1,069)      |
| Minority interests in earnings                                  | (181)              | (132)        | (724)             | (725)        |
| <b>Net income</b>   | <b>408</b>         | <b>368</b>   | <b>2,749</b>      | <b>2,380</b> |
| Loss ratio <sup>8)</sup> in %                                   | 72.9               | 66.4         | 68.2              | 68.2         |
| Expense ratio <sup>9)</sup> in %                                | 24.1               | 24.5         | 24.8              | 25.0         |
| <b>Combined ratio in %</b>                                      | <b>97.0</b>        | <b>90.9</b>  | <b>93.0</b>       | <b>93.2</b>  |

<sup>1)</sup> Net of earned premiums ceded to reinsurers of 1,614 million and 4,071 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,518 million and 9M 2004: 4,079 million).

<sup>2)</sup> Net of investment management expenses of 88 million and 257 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 79 million and 9M 2004: 244 million), and interest expenses of 22 million and 136 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 99 million and 9M 2004: 341 million).

<sup>3)</sup> Comprises net claims incurred of 7,130 million and 19,456 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 6,529 million and 9M 2004: 19,655 million), net expenses from changes in other net underwriting provisions of 44 million and 130 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 398 million), and net expenses for premium refunds of 51 million and 259 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 62 million and 9M 2004: 196 million). Net expenses for premium refunds were adjusted for income of 6 million and 24 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 0 million and 9M 2004: 220 million), related to policyholders' participation of net capital gains and impairments on investments, as well as net trading income/(expenses), that were excluded from the determination of operating profit.

<sup>4)</sup> Comprises net acquisition costs of 1,426 million and 4,277 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,435 million and 9M 2004: 4,314 million), administrative expenses of 937 million and 2,799 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 977 million and 9M 2004: 2,885 million), and expenses for service agreements of 285 million and 878 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 128 million

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and 9M 2004: 420 million). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the consolidated financial statements.

- 5) Comprises net realized gains on investments of 280 million and 1,068 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 88 million and 9M 2004: 1,517 million), and income from net impairments on investments of 16 million and expenses of 28 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: expenses of 200 million and 9M 2004: expenses of 535 million). These amounts are net of policyholders' participation.
- 6) Net trading income/(expenses) are net of policyholders' participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net claims incurred to net premiums earned.
- 9) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned.

**Table of Contents****Property-Casualty Operations by Geographic Region**

The following table sets forth our property-casualty gross premiums written, combined ratio, as well as earnings after taxes and before minority interests in earnings and excludes amortization of goodwill, applicable only for 2004, which we refer to herein as earnings after taxes and before minority interests, by geographic region. Consistent with our general practice, gross premiums written, combined ratio as well as earnings after taxes and before minority interests by geographic region are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

|  | Three months ended September 30 |                |  |                        |                |  | Nine months ended September 30 |                |  |                        |                |  |
|--|---------------------------------|----------------|--|------------------------|----------------|--|--------------------------------|----------------|--|------------------------|----------------|--|
|  | 2005                            |                |  | 2004                   |                |  | 2005                           |                |  | 2004                   |                |  |
|  | Gross premiums written          | Combined Ratio | Earnings after taxes and before minority interests <sup>1)</sup> | Gross premiums written | Combined Ratio | Earnings after taxes and before minority interests <sup>1)</sup> | Gross premiums written         | Combined Ratio | Earnings after taxes and before minority interests <sup>1)</sup> | Gross premiums Written | Combined Ratio | Earnings after taxes and before Minority interests <sup>1)</sup> |
| mn                                       | %                               | mn             | mn   | %                      | mn             | mn   | %                              | mn             | mn   | %                      | mn             |  |
| Germany                                  | 2,680                           | 87.3           | 353  | 2,706                  | 86.1           | 598  | 10,297                         | 89.4           | 1,559  | 10,582                 | 88.2           | 1,979  |
| France                                   | 1,196                           | 97.8           | 183  | 1,210                  | 99.4           | 99   | 4,063                          | 99.0           | 766  | 4,197                  | 99.4           | 710  |
| Italy                                    | 1,083                           | 91.4           | 425  | 1,081                  | 89.9           | 140  | 3,679                          | 91.9           | 902  | 3,605                  | 91.3           | 540  |
| Switzerland                              | 393                             | 112.5          | 4  | 436                    | 97.6           | 42   | 1,646                          | 98.3           | 99   | 1,578                  | 94.8           | 124  |
| United Kingdom                           | 569                             | 91.4           | 89   | 629                    | 95.1           | 41   | 1,859                          | 92.3           | 195  | 2,033                  | 94.4           | 161  |
| Spain                                    | 403                             | 89.7           | 48   | 373                    | 90.7           | 36   | 1,459                          | 90.9           | 127  | 1,372                  | 91.4           | 141  |
| Other Europe                             | 1,098                           | 81.5           | 137  | 1,152                  | 88.9           | 162  | 4,039                          | 94.4           | 750  | 4,102                  | 96.6           | 419  |
| NAFTA                                    | 1,742                           | 108.0          | 107  | 1,741                  | 93.8           | 95   | 4,057                          | 95.5           | 542  | 4,317                  | 93.9           | 305  |
| Asia-Pacific                             | 510                             | 94.6           | 40   | 480                    | 91.5           | 43   | 1,317                          | 90.0           | 145  | 1,292                  | 95.2           | 122  |
| South America                            | 181                             | 96.3           | 16   | 146                    | 110.8          | (7)  | 493                            | 94.6           | 45   | 440                    | 97.6           | 38   |
| Other                                    | 13                              | 2)             | 2  | 14                     | 2)             | 2  | 50                             | 2)             | 4  | 52                     | 2)             | 5  |
| Specialty Lines                          |                                 |                |  |                        |                |  |                                |                |  |                        |                |  |
| Credit Insurance                         | 397                             | 62.7           | 69   | 407                    | 68.0           | 34   | 1,281                          | 70.3           | 195  | 1,236                  | 73.1           | 139  |
| Allianz Global Risks Re                  | 333                             | 136.8          | (36)   | 341                    | 99.5           | 34   | 1,047                          | 109.7          | 51   | 1,150                  | 98.4           | 96   |
| Allianz Marine & Aviation                | 349                             | 177.3          | (48)   | 239                    | 85.1           | 16   | 898                            | 119.5          | (29)   | 779                    | 91.5           | 37   |
| Travel Insurance and Assistance Services | 259                             | 90.7           | 15   | 253                    | 93.0           | 8  | 764                            | 90.4           | 41   | 717                    | 91.4           | 17   |

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|   |               |             |              |               |             |              |               |             |              |               |             |              |
|---|---------------|-------------|--------------|---------------|-------------|--------------|---------------|-------------|--------------|---------------|-------------|--------------|
| <b>Subtotal</b>                         | <b>11,206</b> |             | <b>1,404</b> | <b>11,208</b> |             | <b>1,343</b> | <b>36,949</b> |             | <b>5,392</b> | <b>37,452</b> |             | <b>4,833</b> |
| Consolidation adjustments <sup>3)</sup> | (734)         |             | (815)        | (776)         |             | (747)        | (2,510)       |             | (1,919)      | (2,806)       |             | (1,441)      |
| <b>Subtotal</b>                         | <b>10,472</b> |             | <b>589</b>   | <b>10,432</b> |             | <b>596</b>   | <b>34,439</b> |             | <b>3,473</b> | <b>34,646</b> |             | <b>3,392</b> |
| Amortization of goodwill <sup>1)</sup>  |               |             |              |               |             | (96)         |               |             |              |               |             | (287)        |
| Minority interests                      |               |             | (181)        |               |             | (132)        |               |             | (724)        |               |             | (725)        |
| <b>Total</b>                            | <b>10,472</b> | <b>97.0</b> | <b>408</b>   | <b>10,432</b> | <b>90.9</b> | <b>368</b>   | <b>34,439</b> | <b>93.0</b> | <b>2,749</b> | <b>34,646</b> | <b>93.2</b> | <b>2,380</b> |

<sup>1)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>2)</sup> Presentation not meaningful.

<sup>3)</sup> Represents elimination of transactions between Allianz Group companies in different geographic regions. Additionally, we have excluded a number of significant non-operating intra-Allianz Group transactions from various country and speciality lines above and instead have netted them in the consolidation line, including the impacts from September 30, 2002 reinsurance agreement between Fireman's Fund in the United States and Allianz AG in Germany, providing cover for asbestos and environmental exposures, for the three and nine months ended September 30, 2005.

## **Table of Contents**

### **Life/Health Insurance Operations**

#### **Well on track to achieve operating profit target.**

- \_ Statutory premiums in our key European markets of France, Italy and Germany grew by more than 10% in 3Q, achieving an overall 2.5% increase in statutory premiums to 11.1 billion in 3Q over the prior year period despite the decline in the United States from an extraordinary surge in 3Q 2004.
  
- \_ In 3Q, operating profit reached 478 million, an increase of 26.5% compared to the prior year period, supported by lower net acquisition costs and administrative expenses and increased net current income from investments.
  
- \_ Net income tripled to 376 million in 3Q from the prior year period.

### **Earnings Summary**

#### **Statutory Premiums for the nine months ended September 30 by regions<sup>\*)</sup>**

in bn

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<sup>\*)</sup> After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

### **Statutory Premiums**

#### **2005 to 2004 Three Month Comparison**

Our statutory premiums rose by 2.5% to 11.1 billion in 3Q. Based on internal growth, our statutory premiums increased by 1.5%. We continued to report significant growth in key European markets. The strongest growth rates were achieved in France at 193 million (18.5%), in Italy at 245 million (14.1%) and in Germany at 307 million (10.1%), whereas premiums in the United States declined by 19.8% to 2,853 million. In France, the strong growth was driven by our well-performing partnership and broker business. Our Italian subsidiaries RAS Group and Lloyd Adriatico again experienced significant growth from the sale of unit-linked and index-linked products through the bancassurance channels. Through Allianz Leben, Germany continued to experience strong growth, which reflected the success it had achieved in the context of last year's Retirement Revenue Act ( Alterseinkünftegesetz ), resulting in a strong increase in statutory premiums ever since year-end 2004. Conversely, statutory premiums in the United States at Allianz Life declined by 19.8% to 2,853 million in 3Q, as expected, due to a very successful, albeit limited, sales promotion which caused an extraordinary surge in statutory premiums in the third quarter of last year. However, statutory premium

volume in the United States remained strong, at a level well above 1Q and 2Q 2004.

**2005 to 2004 Nine Month Comparison**

Statutory premiums increased by 9.4% to 34.9 billion. This strong growth stemmed predominantly from key European markets, in particular Germany, Italy and France, as well as the United States.



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**Table of Contents****Operating Profit****2005 to 2004 Three Month Comparison**

In 3Q, **operating profit** from our Life/Health insurance operations increased significantly by 26.5% to 478 million. **Current income from investments** developed favorably with an increase by 6.4% to 2,764 million, driven predominantly by a significant inflow of funds brought about by new business underwritten at Allianz Life in the United States and Allianz Leben in Germany in prior quarters. **Insurance benefits (net)** increased by 8.4% to 5,697 million, principally from higher premium refunds at Allianz Leben. **Net acquisition costs and administrative expenses** decreased significantly by 11.8% to 955 million, due in large part to a decline in costs at Allianz Life, which, in 3Q 2004, stemmed from the novation of a reinsurance contract and very successful, but limited, sales promotion measures. At the same time, our statutory premiums increased by 2.5% to 11,116 million in 3Q, successfully driving our **statutory expense ratio** down by 1.6 percentage point to 8.5%. **Net trading income**, almost exclusively attributable to policyholders, more than doubled, reaching 163 million, primarily from changes in fair values of freestanding derivatives in connection with equity-indexed annuities sold by Allianz Life in the United States.

**2005 to 2004 Nine Month Comparison**

After consecutively increasing operating profit levels in 2005, **operating profit** rose by 22.4% to 1,283 million. This positive development originated largely from strong profitable growth within statutory premiums in our key European markets of Italy, France and Germany, where growth rates of greater than 10% were achieved, and favorable development of net acquisition costs and administrative expenses. We achieved a **statutory expense ratio** of 7.7%, a marked decrease of 1.9 percentage points. However, this improvement was also driven by the regular unlocking of assumptions within our deferred policy acquisition cost asset in 1Q.

**Net Income****2005 to 2004 Three Month Comparison**

Overall, **net income** tripled, with an increase of 251 million to 376 million. **Net capital gains and impairments on investments** attributable to shareholders increased significantly by 141 million to 183 million. We leveraged the favorable capital market environment for limited realizations, though none individually significant, and also benefited from a considerably lower need to impair investments. Net income was also positively affected by the elimination of the amortization of goodwill brought about by a change in accounting under IFRS (3Q 2004: 40 million). Restructuring charges of 18 million in 3Q resulted from an early retirement program at AGF in France. Despite a dynamic growth in operating profit, **tax expense** decreased by 21.0% to 147 million, leading to an effective tax rate of 21.7% (3Q 2004: 48.3%). This decline was influenced by tax free income at various operating entities, including Allianz Leben, as well as the write-down of deferred tax assets at Allianz Life Insurance Company in Korea in 3Q 2004. **Minority interests in earnings** nearly doubled to 140 million, primarily due to increased earnings at our Italian and French entities.

**2005 to 2004 Nine Month Comparison**

Following three quarters of dynamic growth, **net income** rose by 89.1% to 1,108 million due primarily to strong profitable growth in our key European markets and the United States. Additionally, increases in **net capital gains and impairments on investments** and the elimination of goodwill amortization as a result of a change in accounting under IFRS also contributed to the strengthening of our net income. Largely due to tax exempt income at various operating entities, including Allianz Leben, and favorable taxation of capital gains at AGF Vie in France, our effective tax rate improved considerably to 15.4% from 33.2%.

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|   | Three months ended |             | Nine months ended |              |
|---|--------------------|-------------|-------------------|--------------|
|   | September 30       |             | September 30      |              |
|   | 2005               | 2004        | 2005              | 2004         |
|   | mn                 | mn          | mn                | mn           |
| Statutory premiums <sup>1)</sup>                                | 11,116             | 10,841      | 34,942            | 31,946       |
| Gross premiums written  | 4,508              | 4,465       | 14,643            | 14,579       |
| Premiums earned (net) <sup>2)</sup>                             | 4,206              | 3,990       | 13,770            | 13,002       |
| Current income from investments (net) <sup>3)</sup>             | 2,764              | 2,597       | 8,547             | 8,156        |
| Insurance benefits (net) <sup>4)</sup>                          | (5,697)            | (5,254)     | (18,005)          | (17,136)     |
| Net acquisition costs and administrative expenses <sup>5)</sup> | (955)              | (1,083)     | (2,705)           | (2,989)      |
| Net trading income/ (expenses)                                  | 163                | 69          | (185)             | 62           |
| Other operating income/ (expenses) (net)                        | (3)                | 59          | (139)             | (47)         |
| <b>Operating profit</b>   | <b>478</b>         | <b>378</b>  | <b>1,283</b>      | <b>1,048</b> |
| Net capital gains and impairments on investments <sup>6)</sup>  | 183                | 42          | 431               | 315          |
| Intra-group dividends and profit transfer                       | 20                 | 2           | 88                | 67           |
| Amortization of goodwill <sup>7)</sup>                          |                    | (40)        |                   | (119)        |
| Restructuring charges   | (18)               |             | (18)              |              |
| <b>Earnings from ordinary activities before taxes</b>           | <b>663</b>         | <b>382</b>  | <b>1,784</b>      | <b>1,311</b> |
| Taxes   | (147)              | (186)       | (282)             | (442)        |
| Minority interests in earnings                                  | (140)              | (71)        | (394)             | (283)        |
| <b>Net income</b>   | <b>376</b>         | <b>125</b>  | <b>1,108</b>      | <b>586</b>   |
| <b>Statutory expense ratio<sup>8)</sup> in %</b>                | <b>8.5</b>         | <b>10.1</b> | <b>7.7</b>        | <b>9.6</b>   |

<sup>1)</sup> Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

<sup>2)</sup> Net of earned premiums ceded to reinsurers of 259 million and 780 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 463 million and 9M 2004: 1,519 million).

<sup>3)</sup> Net of investment management expenses of 117 million and 332 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 102 million and 9M 2004: 309 million), and interest expenses of 2 million and 0 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 24 million and 9M 2004: 35 million).

<sup>4)</sup> Net insurance benefits were adjusted for income of 428 million and 2,279 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 1,152 million), related to policyholders' participation of net capital gains and impairments on investments that were excluded from the determination of operating profit.

<sup>5)</sup> Comprises net acquisition costs of 598 million and 1,617 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 712 million and 9M 2004: 1,959 million), administrative expenses of 323 million and 993 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 342 million and 9M 2004: 941 million), and expenses for service agreements of 34 million and 95 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 29 million and 9M 2004: 89 million). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the consolidated financial statements.

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- 6) Comprises net realized gains on investments of 191 million and 510 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 139 million and 9M 2004: 423 million), and expenses for net impairments on investments of 8 million and 79 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: expenses of 97 million and 9M 2004: expenses of 108 million). These amounts are net of policyholders' participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned (statutory).

**Table of Contents****Life/Health Operations by Geographic Region**

The following table sets forth our life/health statutory premiums, gross premiums written, as well as earnings after taxes and before minority interests in earnings and excludes amortization of goodwill, applicable only for 2004, which we refer to herein as earnings after taxes and before minority interests, by geographic region. Consistent with our general practice, statutory premiums, gross premiums written as well as earnings after taxes and before minority interests by geographic region are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

|   | Three months ended September 30  |                        |  |                                  |                        |  | Nine months ended September 30   |                        |  |                                  |                        |  |
|---|----------------------------------|------------------------|--|----------------------------------|------------------------|--|----------------------------------|------------------------|--|----------------------------------|------------------------|--|
|   | 2005                             |                        |  | 2004                             |                        |  | 2005                             |                        |  | 2004                             |                        |  |
|   | Statutory premiums <sup>1)</sup> | Gross premiums written | Earnings after taxes and before minority interests <sup>2)</sup> | Statutory premiums <sup>1)</sup> | Gross premiums written | Earnings after taxes and before minority interests <sup>2)</sup> | Statutory premiums <sup>1)</sup> | Gross premiums written | Earnings after taxes and before minority interests <sup>2)</sup> | Statutory premiums <sup>1)</sup> | Gross premiums written | Earnings after taxes and before minority interests <sup>2)</sup> |
| mn                                      | mn                               | mn                     | mn   | mn                               | mn                     | mn   | mn                               | mn                     | mn   | mn                               | mn                     |  |
| Germany                                 | 3,360                            | 3,029                  | 112  | 3,053                            | 2,880                  | 77   | 10,542                           | 9,566                  | 306  | 9,553                            | 9,099                  | 206  |
| France <sup>3)</sup>                    | 1,234                            | 273                    | 155  | 1,041                            | 379                    | 55   | 3,821                            | 1,116                  | 389  | 3,321                            | 1,131                  | 216  |
| Italy                                   | 1,980                            | 197                    | 88   | 1,735                            | 205                    | 66   | 6,909                            | 713                    | 312  | 5,832                            | 737                    | 220  |
| Switzerland                             | 170                              | 82                     | 15   | 177                              | 61                     | 3  | 862                              | 373                    | 31   | 865                              | 384                    | 13   |
| Spain                                   | 94                               | 76                     | 13   | 92                               | 77                     | 9  | 379                              | 327                    | 34   | 511                              | 469                    | 33   |
| Other Europe                            | 484                              | 312                    | 45   | 478                              | 353                    | 17   | 1,465                            | 963                    | 118  | 1,555                            | 1,062                  | 151  |
| United States                           | 2,853                            | 180                    | 56   | 3,557                            | 199                    | 58   | 8,614                            | 550                    | 252  | 8,286                            | 730                    | 134  |
| Asia-Pacific                            | 894                              | 338                    | 26   | 684                              | 291                    | (51)   | 2,210                            | 976                    | 56   | 1,944                            | 913                    | 10   |
| Other                                   | 51                               | 25                     | 6  | 29                               | 24                     | 1  | 156                              | 75                     | 4  | 95                               | 70                     | 8  |
| <b>Subtotal</b>                         | <b>11,120</b>                    | <b>4,512</b>           | <b>516</b>   | <b>10,846</b>                    | <b>4,469</b>           | <b>235</b>   | <b>34,958</b>                    | <b>14,659</b>          | <b>1,502</b>   | <b>31,962</b>                    | <b>14,595</b>          | <b>991</b>   |
| Consolidation adjustments <sup>4)</sup> | (4)                              | (4)                    |  | (5)                              | (5)                    | 1  | (16)                             | (16)                   |  | (16)                             | (16)                   | (3)  |
| <b>Subtotal</b>                         | <b>11,116</b>                    | <b>4,508</b>           | <b>516</b>   | <b>10,841</b>                    | <b>4,464</b>           | <b>236</b>   | <b>34,942</b>                    | <b>14,643</b>          | <b>1,502</b>   | <b>31,946</b>                    | <b>14,579</b>          | <b>988</b>   |
| Amortization of goodwill <sup>2)</sup>  |                                  |                        |  |                                  |                        | (40)   |                                  |                        |  |                                  |                        | (119)  |
| Minority interests                      |                                  |                        | (140)  |                                  |                        | (71)   |                                  |                        | (394)  |                                  |                        | (283)  |
| <b>Total</b>                            | <b>11,116</b>                    | <b>4,508</b>           | <b>376</b>   | <b>10,841</b>                    | <b>4,464</b>           | <b>125</b>   | <b>34,942</b>                    | <b>14,643</b>          | <b>1,108</b>   | <b>31,946</b>                    | <b>14,579</b>          | <b>586</b>   |

<sup>1)</sup> Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other

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investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

- 2) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 3) Effective in 1Q 2005, Assurance Vie et Prevoyance and Martin Maurel Vie were consolidated within the Life/Health insurance operations of France.
- 4) Represents elimination of transactions between Allianz Group companies in different geographic regions.

## **Table of Contents**

### **Banking Operations**

#### **Operating revenues stabilized. Dresdner Bank remains well on track to earn its cost of capital in 2005.**

- \_ In 3Q, operating profit increased by 83.8% to 250 million compared to the prior year period, principally driven by a net release of loan loss provisions from Dresdner Bank's IRU division. Dresdner Bank contributed 231 million of operating profit.
- \_ Operating revenues were stabilized at 1.5 billion in 3Q, for the first time this year. Offsetting the strong development within our strategic divisions at Dresdner Bank was the close of our IRU division after the faster than planned completion of the wind-down of its portfolios, as well as negative impacts from IAS 39 of 154 million.
- \_ Net income of Dresdner Bank amounted to 113 million in 3Q, a slight decline of 5.8% compared to the prior year period due largely to one-off tax credits in 3Q 2004.

### **Earnings Summary**

The results of operations of our banking segment are almost exclusively represented by Dresdner Bank, accounting for 95.7% and 97.5% of our total banking segment's operating revenues and net income, respectively, for the first nine months of 2005 (first nine months of 2004: 96.5% and 108.1%). Accordingly, the discussion of our banking segment's results of operations for the three and nine months ended September 30, 2005 as compared to September 30, 2004, respectively, relate solely to the operations of Dresdner Bank.

### **Operating Revenues**

#### **2005 to 2004 Three Month Comparison**

Whereas operating revenues in our strategic divisions, that is Personal Banking, Private & Business Banking, Corporate Banking and DrKW, increased by 203 million (14.3%), the close of our IRU division, effective September 30, 2005, after the completion of the wind-down of its portfolios, as well as negative impacts from IAS 39, resulted in stable operating revenues at Dresdner Bank of 1,474 million in 3Q. At September 30, 2005 the IRU's remaining exposure amounted to 2.7 billion of which 1.2 billion is scheduled for sale, with the then remaining exposure of 1.5 billion being re-transferred mainly to our Corporate Other division. Net fee and commission income grew by 5.3% to 599 million, driven by the securities business in our Personal Banking and Private & Business Banking divisions. Net trading income increased significantly by 43.2% to 358 million due primarily to strong performance of DrKW's client and customer business, especially with derivatives. Partially off-setting the growth of our net trading income were charges of 49 million relating to IAS 39. Net interest income decreased by 21.1% to 517 million, primarily attributable to the wind-down of our IRU division and a negative impact from IAS 39 of 105 million.

#### **2005 to 2004 Nine Month Comparison**

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Operating revenues decreased by 7.6% to 4,413 million. Approximately two-thirds of this decline was attributable to the reduction of our non-strategic IRU portfolios. In addition, net trading income at DrKW in 2Q was negatively affected, to a significant degree, by the challenging capital market conditions in April and May.

### Operating Profit

#### 2005 to 2004 Three Month Comparison

**Operating profit** increased by 81.9% to 231 million, driven by favorable developments within our **net loan loss provisions**, resulting in a net release of 130 million. Gross new additions to allowances of 58 million were significantly lower, predominantly due to the reductions in our non-strategic business within our IRU division and the significantly improved risk profile of Dresdner Bank's strategic loan portfolio. Gross releases and recoveries of 188 million remained relatively consistent, stemming principally from exits from large debtors, mainly within our IRU division. **Administrative expenses** increased by 6.2% to 1,373 million. Whereas personnel expenses increased by 11.7% to 879 million primarily due to the increase of performance-linked compensation commensurate with the higher operating revenues at DrKW in 3Q, non-personnel operating expenses declined by 2.4% to 494 million largely as a result of lower expenses related to information technology and office space. Non-personnel operating



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expenses decreased despite focused investments in certain growth areas, such as infrastructure established for our Business Model 3, which comprises the sale of our banking products through insurance agents. In 3Q, we have again acquired an increasing number of clients through this sales channel. Our **cost-income ratio** increased to 93.1% in 3Q (3Q 2004: 87.7%), following the increase of our administrative expenses, while operating revenues remained stable, negatively affected by IAS 39.

### 2005 to 2004 Nine Month Comparison

**Operating profit** increased significantly by 32.6% to 711 million. This positive development is largely attributable to the substantial decline in our **net loan loss provisions**, resulting in a net release of 84 million. Notwithstanding the net release in loan loss provisions, our coverage ratio at September 30, 2005, remained stable at 58.8% as compared to September 30, 2004. Further, **administrative expenses** decreased by 4.6% to 3,786 million, driven by both personnel and non-personnel operating expenses. Personnel operating expenses were also positively affected by a one-off effect in 2Q, stemming from the release of provisions for employment anniversary payments due to the alignment of Dresdner Bank's payment scheme to that of the Allianz Group. Further, headcount at September 30, 2005, has been reduced by approximately 7% compared to the level at September 30, 2004. Our **cost-income ratio** increased to 85.8% from 83.1%.

### Banking Segment Operating Profit

in mn

### Net Income

#### 2005 to 2004 Three Month Comparison

Although our earnings from ordinary activities before taxes increased by 188 million, **net income** remained relatively stable at 113 million, with only a slight decline of 5.8%, caused predominantly by higher taxes, driven by our improved operating profitability. Further, taxes in the prior year period were positively affected by a one-off tax credit. In 3Q, non-operating results were characterized by significantly reduced **net capital gains and impairments on investments**, as well as sharply lower other non-operating expenses (net), primarily attributable to decreased capital gains and impairments on certain non-strategic assets in 3Q 2004, respectively. Dresdner Bank's net income benefited from the elimination of goodwill amortization brought about by a change in accounting under IFRS (3Q 2004: 65 million).

#### 2005 to 2004 Nine Month Comparison

Net income increased significantly by 57.9% to 589 million, even excluding the tax-exempt gain of 343 million from the transfer of 5% of our 7.3% shareholding in Munich Re to Allianz AG in 1Q. In addition to the positive operating profit development, the growth in net income was

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attributable to our sharply increased non-operating results, offset to a large extent by higher taxes, also resulting from a one-off tax credit in 3Q 2004. **Net capital gains and impairments on investments** of Dresdner Bank rose by 381 million, stemming principally from the aforementioned Munich Re transfer, the sale of our shareholdings in Bilfinger Berger in 2Q, and strongly reduced net impairments on investments. The absence of significant restructuring charges and the elimination of goodwill amortization also benefited our net income.

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|   | Three months ended September 30 |               |                  |               | Nine months ended September 30 |               |                   |               |
|---|---------------------------------|---------------|------------------|---------------|--------------------------------|---------------|-------------------|---------------|
|   | 2005                            |               | 2004             |               | 2005                           |               | 2004              |               |
|   | Banking Segment                 | Dresdner Bank | Banking Segment  | Dresdner Bank | Banking Segment                | Dresdner Bank | Banking Segment   | Dresdner Bank |
|   | mn                              | mn            | mn               | mn            | mn                             | mn            | mn                | mn            |
| Net interest income                                   | 532                             | 517           | 685              | 655           | 1,641                          | 1,588         | 1,815             | 1,753         |
| Net fee and commission income                         | 635                             | 599           | 598              | 569           | 2,017                          | 1,909         | 1,974             | 1,858         |
| Net trading income                                    | 375                             | 358           | 244              | 250           | 953                            | 916           | 1,159             | 1,165         |
| <b>Operating revenues</b>                             | <b>1,542</b>                    | <b>1,474</b>  | <b>1,527</b>     | <b>1,474</b>  | <b>4,611</b>                   | <b>4,413</b>  | <b>4,948</b>      | <b>4,776</b>  |
| Administrative expenses                               | (1,421)                         | (1,373)       | (1,337)          | (1,293)       | (3,940)                        | (3,786)       | (4,110)           | (3,969)       |
| Net loan loss provisions                              | 129                             | 130           | (54)             | (54)          | 88                             | 84            | (271)             | (271)         |
| <b>Operating profit</b>                               | <b>250</b>                      | <b>231</b>    | <b>136</b>       | <b>127</b>    | <b>759</b>                     | <b>711</b>    | <b>567</b>        | <b>536</b>    |
| Net capital gains and impairments on investments      | (5) <sup>1)</sup>               | (4)           | 78 <sub>1)</sub> | 77            | 541 <sub>1)</sub>              | 542           | 170 <sub>1)</sub> | 161           |
| Restructuring charges                                 | (5)                             | (5)           | (11)             | (11)          | (10)                           | (10)          | (127)             | (127)         |
| Other non-operating income/(expenses)(net)            | (17)                            | (25)          | (125)            | (119)         | 51                             | 43            | (192)             | (182)         |
| Amortization of goodwill <sup>2)</sup>                |                                 |               | (65)             | (65)          |                                |               | (194)             | (194)         |
| <b>Earnings from ordinary activities before taxes</b> | <b>223</b>                      | <b>197</b>    | <b>13</b>        | <b>9</b>      | <b>1,341</b>                   | <b>1,286</b>  | <b>224</b>        | <b>194</b>    |
| Taxes   | (74)                            | (65)          | 134              | 129           | (308)                          | (294)         | 225               | 235           |
| Minority interests in earnings                        | (26)                            | (19)          | (22)             | (18)          | (77)                           | (60)          | (104)             | (56)          |
| <b>Net income</b>                                     | <b>123</b>                      | <b>113</b>    | <b>125</b>       | <b>120</b>    | <b>956</b>                     | <b>932</b>    | <b>345</b>        | <b>373</b>    |
| <b>Cost-income ratio<sup>3)</sup> in %</b>            | <b>92.2</b>                     | <b>93.1</b>   | <b>87.6</b>      | <b>87.7</b>   | <b>85.4</b>                    | <b>85.8</b>   | <b>83.1</b>       | <b>83.1</b>   |

<sup>1)</sup> Comprises primarily net realized gains on investments of 29 million and 649 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 145 million and 9M 2004: 511 million), and net impairments on investments of 34 million and 112 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 71 million and 9M 2004: 371 million). For the three and nine months ended September 30, 2005, net impairments on investments includes 9 million and 28 million, respectively, (3Q 2004: 12 million and 9M 2004: 23 million) of scheduled depreciation of real estate used by third parties.

<sup>2)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>3)</sup> Represents ratio of administrative expenses to operating revenues.

**Table of Contents****Banking Operations by Division**

The following table sets forth our banking operating revenues and earnings after taxes before minority interests in earnings and excludes amortization of goodwill, applicable only for 2004, which we refer to herein as earnings after taxes and before minority interests, by division. Consistent with our general practice, operating revenues and earnings after taxes and before minority interests by division are presented before consolidation adjustments representing the elimination of transactions between Allianz Group companies in different divisions and different segments.

|  | Three months ended September 30  |  |                                  |  | Nine months ended September 30   |  |                                  |  |
|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|
|  | 2005                             |  | 2004                             |  | 2005                             |  | 2004                             |  |
|  | Operating revenues <sup>1)</sup> | Earnings after taxes and before minority interests <sup>2)</sup> | Operating revenues <sup>1)</sup> | Earnings after taxes and before minority interests <sup>2)</sup> | Operating revenues <sup>1)</sup> | Earnings after taxes and before minority interests <sup>2)</sup> | Operating revenues <sup>1)</sup> | Earnings after taxes and before minority interests <sup>2)</sup> |
|  | mn                               | mn   | mn                               | mn   | mn                               | mn   | mn                               | mn   |
| Personal Banking                       | 468                              | 31   | 432                              | (1)  | 1,417                            | 115  | 1,393                            | 36   |
| Private & Business Banking             | 283                              | 67   | 267                              | 39   | 878                              | 238  | 871                              | 155  |
| Corporate Banking                      | 258                              | 106  | 245                              | 86   | 757                              | 240  | 748                              | 201  |
| Dresdner Kleinwort Wasserstein         | 613                              | 22   | 475                              | 44   | 1,450                            | 108  | 1,542                            | 160  |
| IRU                                    | 15                               | 43   | 65                               | (90)   | 70                               | 91   | 314                              | 83   |
| Corporate Other <sup>3)</sup>          | (163)                            | (137)  | (10)                             | 125  | (159)                            | 200  | (92)                             | (12)   |
| <b>Dresdner Bank</b>                   | <b>1,474</b>                     | <b>132</b>   | <b>1,474</b>                     | <b>203</b>   | <b>4,413</b>                     | <b>992</b>   | <b>4,776</b>                     | <b>623</b>   |
| <b>Other Banks<sup>4)</sup></b>        | <b>68</b>                        | <b>17</b>  | <b>53</b>                        | <b>9</b>   | <b>198</b>                       | <b>41</b>  | <b>172</b>                       | <b>20</b>  |
| <b>Subtotal</b>                        | <b>1,542</b>                     | <b>149</b>   | <b>1,527</b>                     | <b>212</b>   | <b>4,611</b>                     | <b>1,033</b>   | <b>4,948</b>                     | <b>643</b>   |
| Amortization of goodwill <sup>2)</sup> |                                  |  |                                  | (65)   |                                  |  |                                  | (194)  |
| Minority Interests                     |                                  | (26)   |                                  | (22)   |                                  | (77)   |                                  | (104)  |
| <b>Total</b>                           | <b>1,542</b>                     | <b>123</b>   | <b>1,527</b>                     | <b>125</b>   | <b>4,611</b>                     | <b>956</b>   | <b>4,948</b>                     | <b>345</b>   |

<sup>1)</sup> Consists of net interest income, net fee and commission income, and net trading income. Operating revenue is a measure used by management to calculate and monitor the activities and operating performance of its banking operations. This measure is used by other banks, but other banks may calculate operating income on a different basis and accordingly may not be comparable to operating income as used herein. With effect from January 1, 2004, current income (loss) from investments in associated enterprises and joint ventures is included within operating revenues.

<sup>2)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>3)</sup> The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include, in particular, expenses for central functions and projects affecting Dresdner Bank as a whole which are not allocated to the operating divisions, as well as provisioning requirements for country and general risks, and realized gains and losses from Dresdner Bank's non-strategic investment portfolio.

<sup>4)</sup> Consists of non-Dresdner Bank banking operations within our banking segment.



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### **Asset Management Operations**

**We continued to increase third-party assets under management and further strengthened our operating profit.**

- \_ Since December 31, 2004, we have achieved an increase in our third-party assets under management of 21.5% to 711 billion. This growth includes strong net inflows of 48 billion.
- \_ In 3Q, commensurate with the marked 3.7 percentage point improvement of our cost-income ratio, which reached 57.8%, our operating profit grew by 37.8% over the prior year period to 299 million.
- \_ Our asset management segment reported an improvement in net income of 97 million, with net income reaching 40 million in 3Q.

### **Earnings Summary**

Our asset management segment's results of operations are almost exclusively represented by Allianz Global Investors (or AGI), which accounted for 98.6% and 97.2% of our total asset management segment's operating revenues and net income, respectively, for the first nine months of 2005. Accordingly, the discussion of our asset management segment's results of operations for the three and nine months ended September 30, 2005, as compared to September 30, 2004, respectively, relate solely to the operations of AGI.

### **Operating Revenues**

#### **2005 to 2004 Three Month Comparison**

**Operating revenues** of AGI grew by 25.1% to 698 million. Internal growth was comparable at 24.6%. This increase reflects positive business developments worldwide, resulting primarily from higher average third-party assets under management in the United States and Germany as discussed further under Third-party Assets Under Management of the Allianz Group .

#### **2005 to 2004 Nine Month Comparison**

**Our operating revenues** increased by 15.0% to 1,906 million, despite the depreciation of the U.S. dollar against the Euro. Internal growth was even stronger at 17.3%. This growth reflects our continuous positive business developments worldwide, particularly in the United States and Germany, as discussed further under Third-party Assets Under Management of the Allianz Group .

### **Operating Profit**

### 2005 to 2004 Three Month Comparison

**Operating profit** of AGI increased significantly by 39.2% to 295 million, primarily due to the aforementioned growth in our **operating revenues**. **Operating expenses** rose by 16.5% to 403 million, which is significantly less than the increase in operating revenues, due largely to increased performance-linked compensation following our strong business development worldwide. We were successful in improving our **cost-income ratio** for the third consecutive quarter to 57.7% (3Q 2004: 62.0%) due in large part to strict cost management resulting in an under-proportionate increase in operating expenses compared to that of our operating revenues.

### 2005 to 2004 Nine Month Comparison

**Operating profit** grew by 35.6% to 777 million. This positive development was driven by a 15.0% increase in **operating revenues**, which was markedly higher than the 4.1% rise in **operating expenses**.

### Asset Management Segment Operating Profit

in mn

**Table of Contents****Net Income****2005 to 2004 Three Month Comparison**

AGI reported **net income** of 38 million, representing a 100 million improvement from prior year's net loss of 62 million, despite a 39 million increase in **acquisition-related expenses**. In 3Q, acquisition-related expenses reflect solely deferred purchases of interests in PIMCO, which were agreed upon at the time our fixed income fund manager in the United States was acquired. Commensurate with the strong performance at PIMCO and the increased number of vested shares due to the maturation of the purchase program, the value of the purchase program grew significantly, resulting in an increase of deferred purchases of interest. No further acquisition-related expenses were recorded in 3Q. Our net income also benefited from the elimination of goodwill amortization under IFRS, effective January 1, 2005 (3Q 2004: 96 million). Primarily due to improved operating profitability, **tax expense** increased to 32 million compared to a tax benefit of 9 million in the prior year period.

**2005 to 2004 Nine Month Comparison**

AGI reported **net income** of 140 million, a 407 million improvement from prior year's net loss of 267 million. **Acquisition-related expenses** remained stable at 556 million. The deferred purchases of interests in PIMCO increased by 42.6% following PIMCO's strong performance over the first nine months of 2005 and the increased number of vested shares. **Tax expense** increased by 91 million due predominantly to improved operating profitability. Partially offsetting this development was a one-off deferred tax credit in 2Q related to goodwill amortization of 36 million.

|   | Three months ended September 30 |                          |                          |                          | Nine months ended September 30 |                          |                          |                          |
|---|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
|   | 2005                            |                          | 2004                     |                          | 2005                           |                          | 2004                     |                          |
|   | Asset Management Segment        | Allianz Global Investors | Asset Management Segment | Allianz Global Investors | Asset Management Segment       | Allianz Global Investors | Asset Management Segment | Allianz Global Investors |
|   | mn                              | mn                       | mn                       | mn                       | mn                             | mn                       | mn                       | mn                       |
| Operating revenues  | 708                             | 698                      | 564                      | 558                      | 1,933                          | 1,906                    | 1,664                    | 1,658                    |
| Operating expenses  | (409)                           | (403)                    | (347)                    | (346)                    | (1,148)                        | (1,129)                  | (1,086)                  | (1,085)                  |
| <b>Operating profit</b>   | <b>299</b>                      | <b>295</b>               | <b>217</b>               | <b>212</b>               | <b>785</b>                     | <b>777</b>               | <b>578</b>               | <b>573</b>               |
| Acquisition-related expenses thereof:   | (213)                           | (213)                    | (174)                    | (174)                    | (556)                          | (556)                    | (557)                    | (557)                    |
| Deferred purchases of interests in PIMCO <sup>1)</sup>                          | (213)                           | (213)                    | (111)                    | (111)                    | (519)                          | (519)                    | (364)                    | (364)                    |
| Retention payments for management and employees of PIMCO and Nicholas Applegate |                                 |                          | (31)                     | (31)                     | (12)                           | (12)                     | (98)                     | (98)                     |
| Amortization charges relating to capitalized bonuses for PIMCO management       |                                 |                          | (32)                     | (32)                     | (25)                           | (25)                     | (95)                     | (95)                     |



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|   |             |             |             |             |             |             |              |              |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Amortization of goodwill <sup>2)</sup>                |             |             | (96)        | (96)        |             |             | (285)        | (285)        |
| <b>Earnings from ordinary activities before taxes</b> | <b>86</b>   | <b>82</b>   | <b>(53)</b> | <b>(58)</b> | <b>229</b>  | <b>221</b>  | <b>(264)</b> | <b>(269)</b> |
| Taxes   | (34)        | (32)        | 9           | 9           | (51)        | (49)        | 42           | 42           |
| Minority interests in earnings                        | (12)        | (12)        | (13)        | (13)        | (34)        | (32)        | (40)         | (40)         |
| <b>Net income (loss)</b>                              | <b>40</b>   | <b>38</b>   | <b>(57)</b> | <b>(62)</b> | <b>144</b>  | <b>140</b>  | <b>(262)</b> | <b>(267)</b> |
| <b>Cost-income ratio<sup>3)</sup> in %</b>            | <b>57.8</b> | <b>57.7</b> | <b>61.5</b> | <b>62.0</b> | <b>59.4</b> | <b>59.2</b> | <b>65.3</b>  | <b>65.4</b>  |

<sup>1)</sup> Effective January 1, 2005, and applied retrospectively, under IFRS, the PIMCO LLC Class B Unit Purchase Plan ( Class B Plan ) is considered a cash settled plan, resulting in changes in the fair value of the shares issued to be recognized as expense.

<sup>2)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>3)</sup> Represents ratio of operating expenses to operating revenues.

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### **Third-party Assets Under Management of the Allianz Group**

Overall, third-party assets accounted for approximately 58% or 711 billion of assets managed by the Allianz Group at September 30, 2005. We manage our third-party asset management business primarily through our asset management subsidiary AGI. At September 30, 2005, AGI managed approximately 677 billion, or 95.2%, of our third-party assets under management. The remainder of our third-party assets are managed by Dresdner Bank (approximately 16 billion, or 2.3%) and other Allianz Group companies (approximately 18 billion, or 2.5%).

Since December 31, 2004, our third-party assets under management have increased by 21.5% to 711 billion. With significant net inflows of 48 billion, we continue to demonstrate our strong market position as one of the world's five largest asset managers. Net inflows were particularly strong in our fixed income business within the United States at PIMCO and within Germany at Allianz Dresdner Global Investors. Primarily attributable to favorable equity capital markets and, to a lesser extent, bond capital markets, market-related appreciation in the value of our third-party assets amounted to 27 billion. Positive effects from exchange rate movements were 56 billion, resulting primarily from the strengthening of the U.S. dollar compared to the Euro. Our third-party assets under management were negatively affected by the sale of Cadence Capital Management in the United States in 3Q, which resulted in a 5 billion decline in our third-party assets.

### **Third-party Assets Under Management Fair Values by Geographic Region**

in bn

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<sup>1)</sup> Based on the domicile of respective investment companies.

<sup>2)</sup> Consists of third-party assets managed by Dresdner Bank (approximately 16 billion and 19 billion at September 30, 2005 and December 31, 2004, respectively) and by other Allianz Group companies (approximately 18 billion and 16 billion at September 30, 2005 and December 31, 2004, respectively).

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<sup>\*)</sup> Includes primarily investments in real estate

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### **Outlook**

We expect an overall increase in total revenues in line with 2004 and continue to focus our efforts in sustaining and selectively improving our operating profit. However, as always, natural catastrophes and adverse developments in the capital markets, as well as the other factors noted below, may severely impact our profitability.

For 2005, the Allianz Group has the following targets:

Within our Property-Casualty segment we want to maintain a combined ratio below 95%. We remain confident that our Life/Health segment will achieve its operating profit target of at least 1.5 billion. Dresdner Bank is on track to earn its cost of capital in 2005. Additionally, we target a 10% increase in operating profit for our Asset Management business.

Due to the strong performance in 3Q and the first nine months of 2005, we expect to surpass our targets for 2005.

### **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 company assumes no obligation to update any forward-looking information contained herein.

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**Consolidated Financial Statements**

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As of September 30, 2005 and as of December 31, 2004

|  | Note | September 30,  | December 31,   |
|--|------|----------------|----------------|
|  |      | 2005           | 2004           |
|  |      | mn             | mn             |
| <b>ASSETS</b>  |      |                |                |
| Intangible assets  | 4    | 15,465         | 15,147         |
| Investments in associated enterprises and joint ventures                         |      | 3,470          | 5,757          |
| Investments  | 5    | 276,177        | 248,327        |
| Loans and advances to banks  | 6    | 150,048        | 181,543        |
| Loans and advances to customers  | 7    | 193,179        | 195,680        |
| Financial assets carried at fair value through income                            | 8    | 235,097        | 240,574        |
| Cash and cash equivalents  |      | 24,093         | 15,628         |
| Amounts ceded to reinsurers from reserves for insurance and investment contracts | 9    | 23,533         | 22,310         |
| Deferred tax assets  |      | 15,242         | 14,139         |
| Other assets   |      | 52,894         | 51,213         |
| <b>Total assets</b>  |      | <b>989,198</b> | <b>990,318</b> |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>                                       |      |                |                |
| Shareholders equity  | 10   | 48,588         | 37,691         |
| Participation certificates and subordinated liabilities                          | 11   | 14,547         | 13,230         |
| Reserves for insurance and investment contracts                                  | 12   | 356,489        | 326,380        |
| Liabilities to banks   | 13   | 147,998        | 191,347        |
| Liabilities to customers   | 14   | 159,907        | 157,137        |
| Certificated liabilities   | 15   | 58,645         | 57,752         |
| Financial liabilities carried at fair value through income                       | 16   | 141,085        | 145,137        |
| Other accrued liabilities  | 17   | 13,797         | 13,984         |
| Other liabilities  | 18   | 29,154         | 31,271         |
| Deferred tax liabilities   |      | 15,544         | 14,350         |
| Deferred income  |      | 3,444          | 2,039          |
| <b>Total shareholders equity and liabilities</b>                                 |      | <b>989,198</b> | <b>990,318</b> |

**Table of Contents****Consolidated Income Statements**

for the three months and nine months ended September 30, 2005 and 2004

|   | Note | Three months ended<br>September 30, |                 | Nine months ended<br>September 30, |                 |
|---|------|-------------------------------------|-----------------|------------------------------------|-----------------|
|   |      | 2005                                | 2004            | 2005                               | 2004            |
|   |      | mn                                  | mn              | mn                                 | mn              |
| Premiums earned (net)   | 19   | 13,994                              | 13,830          | 42,292                             | 41,829          |
| Interest and similar income   | 20   | 5,282                               | 5,181           | 16,597                             | 15,773          |
| Income from investments in associated enterprises and joint ventures (net)              | 21   | 80                                  | 68              | 962                                | 707             |
| Other income from investments   | 22   | 1,008                               | 783             | 3,487                              | 4,137           |
| Income from financial assets and liabilities carried at fair value through income (net) | 23   | 617                                 | 346             | 1,099                              | 1,305           |
| Fee and commission income, and income from service activities                           | 24   | 2,074                               | 1,616           | 5,989                              | 4,962           |
| Other income  | 25   | 408                                 | 678             | 1,679                              | 1,791           |
| <b>Total income</b>   |      | <b>23,463</b>                       | <b>22,502</b>   | <b>72,105</b>                      | <b>70,504</b>   |
| Insurance and investment contract benefits (net)  | 26   | (13,375)                            | (12,318)        | (40,194)                           | (38,860)        |
| Interest and similar expenses   | 27   | (1,387)                             | (1,460)         | (4,700)                            | (4,234)         |
| Other expenses from investments   | 28   | (310)                               | (651)           | (925)                              | (2,102)         |
| Loan loss provisions  | 29   | 132                                 | (51)            | 88                                 | (273)           |
| Acquisition costs and administrative expenses (net)                                     | 30   | (6,141)                             | (5,806)         | (17,598)                           | (17,286)        |
| Amortization of goodwill  |      |                                     | (297)           |                                    | (885)           |
| Other expenses  | 31   | (724)                               | (730)           | (2,707)                            | (2,770)         |
| <b>Total expenses</b>   |      | <b>(21,805)</b>                     | <b>(21,313)</b> | <b>(66,036)</b>                    | <b>(66,410)</b> |
| Earnings from ordinary activities before taxes  |      | 1,658                               | 1,189           | 6,069                              | 4,094           |
| Taxes   | 32   | (530)                               | (497)           | (1,541)                            | (1,240)         |
| Minority interests in earnings  |      | (334)                               | (224)           | (1,020)                            | (884)           |
| <b>Net income</b>   |      | <b>794</b>                          | <b>468</b>      | <b>3,508</b>                       | <b>1,970</b>    |
| <b>Basic earnings per share</b>   | 33   | 2.03                                | 1.28            | 9.11                               | 5.37            |
| Diluted earnings per share  | 33   | 2.02                                | 1.27            | 9.06                               | 5.35            |

**Table of Contents****Consolidated Statements of Changes in Shareholders' Equity**

for the nine months ended September 30, 2005 and 2004

|  | Paid in<br>capital | Revenue<br>reserves | Foreign<br>currency<br>translation<br>adjustments | Unrealized<br>gains and<br>losses<br>(net) | Shareholders<br>equity before<br>minority<br>interests | Minority<br>interests in<br>shareholders<br>equity | Shareholders<br>equity |
|--|--------------------|---------------------|---|--|--|--|------------------------|
|  | mn                 | mn                  | mn  | mn   | mn   | mn   | mn                     |
| <b>Balance as of December 31, 2003, as previously reported</b> | <b>19,347</b>      | <b>6,914</b>        | <b>(1,916)</b>                                    | <b>4,247</b>                               | <b>28,592</b>  | <b>8,367</b>                                       | <b>36,959</b>          |
| Effect of implementation of new accounting standards (Note 2)  |                    | (2,821)             | 23  | 2,199                                      | (599)  | (1,101)  | (1,700)                |
| <b>Balance as of December 31, 2003, as adjusted</b>            | <b>19,347</b>      | <b>4,093</b>        | <b>(1,893)</b>                                    | <b>6,446</b>                               | <b>27,993</b>  | <b>7,266</b>                                       | <b>35,259</b>          |
| Foreign currency translation adjustments                       |                    |                     | 99  | 17   | 116  | 15   | 131                    |
| Changes in the group of consolidated companies                 |                    | (22)                | 14  | 5  | (3)  |  | (3)                    |
| Treasury shares  |                    | 43                  |   |  | 43   |  | 43                     |
| Unrealized gains and losses (net)                              |                    |                     |   | (704)                                      | (704)  | 39   | (665)                  |
| Net income   |                    | 1,970               |   |  | 1,970  | 884  | 2,854                  |
| Dividends paid   |                    | (551)               |   |  | (551)  | (432)  | (983)                  |
| Miscellaneous  |                    | 104                 |   |  | 104  | (433)  | (329)                  |
| <b>Balance as of September 30, 2004</b>                        | <b>19,347</b>      | <b>5,637</b>        | <b>(1,780)</b>                                    | <b>5,764</b>                               | <b>28,968</b>  | <b>7,339</b>                                       | <b>36,307</b>          |
| <b>Balance as of December 31, 2004, as previously reported</b> | <b>19,433</b>      | <b>8,478</b>        | <b>(2,680)</b>                                    | <b>5,597</b>                               | <b>30,828</b>  | <b>9,531</b>                                       | <b>40,359</b>          |
| Effect of implementation of new accounting standards (Note 2)  |                    | (2,585)             | 46  | 1,706                                      | (833)  | (1,835)  | (2,668)                |
| <b>Balance as of December 31, 2004, as adjusted</b>            | <b>19,433</b>      | <b>5,893</b>        | <b>(2,634)</b>                                    | <b>7,303</b>                               | <b>29,995</b>  | <b>7,696</b>                                       | <b>37,691</b>          |
| Foreign currency translation adjustments                       |                    |                     | 1,428   | 44   | 1,472  | 34   | 1,506                  |
| Changes in the group of consolidated companies                 |                    | (195)               | 2   | (13)                                       | (206)  | 106  | (100)                  |
| Capital paid in  | 2,064              |                     |   |  | 2,064  |  | 2,064                  |
| Treasury shares  |                    | 1,640               |   |  | 1,640  |  | 1,640                  |
| Unrealized gains and losses (net)                              |                    |                     |   | 2,191                                      | 2,191  | 466  | 2,657                  |
| Net income   |                    | 3,508               |   |  | 3,508  | 1,020  | 4,528                  |
| Dividends paid   |                    | (674)               |   |  | (674)  | (594)  | (1,268)                |
| Miscellaneous  |                    | (172)               |   |  | (172)  | 42   | (130)                  |
| <b>Balance as of September 30, 2005</b>                        | <b>21,497</b>      | <b>10,000</b>       | <b>(1,204)</b>                                    | <b>9,525</b>                               | <b>39,818</b>  | <b>8,770</b>                                       | <b>48,588</b>          |



**Table of Contents****Consolidated Statements of Cash Flows****for the nine months ended September 30, 2005 and 2004**

|   | <u>2005</u>            | <u>2004</u>            |
|---|------------------------|------------------------|
| <u>Nine months ended September 30,</u>  | <u>mn</u>              | <u>mn</u>              |
| <b>Operating activities</b>   |                        |                        |
| Net income  | 3,508                  | 1,970                  |
| Change in unearned premiums   | 1,712                  | 1,469                  |
| Change in aggregate policy reserves (without aggregate policy reserves for life insurance products in accordance with SFAS 97)            | 12,283                 | 10,912                 |
| Change in reserve for loss and loss adjustment expenses   | 2,759                  | 2,091                  |
| Change in other insurance reserves (without change in the reserve for latent premium refunds from unrealized investment gains and losses) | 2,745                  | 1,714                  |
| Change in deferred acquisition costs  | (1,716)                | (544)                  |
| Change in funds held by others under reinsurance business assumed   | (10)                   | 457                    |
| Change in funds held under reinsurance business ceded   | (1,240)                | 477                    |
| Change in accounts receivable/payable on reinsurance business   | (84)                   | (49)                   |
| Change in trading securities (including trading liabilities)  | 8,513                  | (22,059)               |
| Change in loans and advances to banks and customers   | 34,657                 | (38,888)               |
| Change in liabilities to banks and customers  | (40,857)               | 47,255                 |
| Change in certificated liabilities  | 797                    | 2,397                  |
| Change in other receivables and liabilities   | (1,388)                | 5,392                  |
| Change in deferred tax assets/liabilities (without change in deferred tax assets/liabilities from unrealized investment gains and losses) | (52)                   | 164                    |
| Non-cash investment income/expenses   | (4,470)                | (3,024)                |
| Amortization of goodwill  |                        | 885                    |
| Other   | 1,518                  | (1,958)                |
| <b>Net cash flow provided by operating activities</b>   | <b><u>18,675</u></b>   | <b><u>8,661</u></b>    |
| <b>Investing activities</b>   |                        |                        |
| Change in securities available-for-sale   | (19,716)               | (9,648)                |
| Change in investments held-to-maturity  | 200                    | (607)                  |
| Change in real estate   | (53)                   | (1,457)                |
| Change in other investments   | 3,124                  | 861                    |
| Change in cash and cash equivalents from the acquisition of consolidated affiliated companies   |                        | (1,293)                |
| Other   | (284)                  | (1,528)                |
| <b>Net cash flow used in investing activities</b>   | <b><u>(16,729)</u></b> | <b><u>(13,672)</u></b> |
| <b>Financing activities</b>   |                        |                        |
| Change in participation certificates and subordinated liabilities   | 1,311                  | 1,232                  |
| Change in investments held on account and at risk of life insurance policyholders   | (8,916)                | (6,177)                |
| Change in aggregate policy reserves for life insurance products according to SFAS 97  | 10,404                 | 4,365                  |
| Cash inflow from capital increases  | 2,064                  |                        |
| Dividend payouts  | (1,268)                | (983)                  |
| Other from shareholders capital and minority interests (without change in revenue reserve from unrealized investment gains and losses)    | 2,862                  | 1,830                  |
| <b>Net cash flow provided by financing activities</b>   | <b><u>6,457</u></b>    | <b><u>267</u></b>      |

|  |               |                |
|--|---------------|----------------|
| Effect of exchange rate changes on cash and cash equivalents | 62            | 14             |
| <b>Change in cash and cash equivalents</b>                   | <b>8,465</b>  | <b>(4,730)</b> |
| Cash and cash equivalents at beginning of period             | 15,628        | 25,528         |
| <b>Cash and cash equivalents at end of period</b>            | <b>24,093</b> | <b>20,798</b>  |

The data for the Allianz Group's consolidated statements of cash flows was prepared in accordance with International Financial Reporting Standards (IFRS).

Outflows for taxes on income amounted to 969 mn (2004: 885 mn).

**Table of Contents****Notes to the Consolidated Financial Statements****1 Basis of presentation**

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted under European Union (EU) regulations in accordance with clause 315a of the German Commercial Code (HGB). EU regulations require full compliance with IFRS with the exception of the IAS 39 carve-out rules. Nevertheless, the endorsement by the EU, i.e. the elimination of the carve-out-rule, is expected before year-end 2005 and thus the fair value option for liabilities is already applied. 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). All standards currently applicable have been adopted in the preparation of these consolidated financial statements.

For years through 2004, IFRS did not provide specific guidance concerning the reporting of insurance and reinsurance contracts. Therefore, as envisioned in the IFRS Framework, the provisions embodied under accounting principles generally accepted in the United States of America (U.S. GAAP) have been applied. See Note 2 regarding changes to IFRS effective January 1, 2005. The financial statements are presented in Euros ( € ).

In certain cases, prior reporting period figures were reclassified in the consolidated balance sheet and in the consolidated income statement to make them comparable with the presentation of the current reporting period. These reclassifications had no impact on income.

**2 Recently adopted accounting pronouncements****Effects of accounting pronouncements adopted prior to July 1, 2005**

Effective January 1, 2005, the Allianz Group adopted IAS 32 revised, Financial Instruments: Disclosure and Presentation ( IAS 32 revised ) and IAS 39 revised, Financial Instruments: Recognition and Measurement ( IAS 39 revised ).

IAS 39 revised prohibits reversals of impairment losses on equity securities. According to the Allianz Group's previous accounting policy, if the amount of an impairment previously recorded on an equity security decreases, the impairment was reversed. IAS 39 revised required retrospective application of this change; therefore, the Allianz Group's previously issued consolidated financial statements were required to be restated to include the effects of this change. As a result of the adoption of this provision of IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

|  | <b>Three months ended<br/>September 30,</b> | <b>Nine months ended<br/>September 30,</b> |
|--|---|--|
|  | <b>2004</b>                                 | <b>2004</b>                                |
|  |   |  |

(Debit) Credit

|   | <u>mn</u>         | <u>mn</u>         |
|---|-------------------|-------------------|
| Other income from investments                       | (15)              | (262)             |
| Insurance and investment contract benefits (net)    | (27)              | 93                |
| Other expenses from investments                     | 34                | 100               |
| Taxes   | 5                 | 18                |
| Minority interests in earnings                      | (1)               | (5)               |
|   | <u>          </u> | <u>          </u> |
| <b>Net impact on previously reported net income</b> | <b>(4)</b>        | <b>(56)</b>       |
|   | <u>          </u> | <u>          </u> |

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In accordance with IAS 32 revised, a financial instrument qualifies as a financial liability of the issuer if it gives the holder the right to put the instrument back to the issuer for cash or another financial asset (a puttable instrument). The classification as a financial liability is independent of considerations such as when the right is exercisable, how the amount payable or receivable upon exercise of the right is determined, and whether the puttable instrument has a fixed maturity. As a result of the adoption of IAS 32 revised, the Allianz Group was required to reclassify the minority interests in shareholders' equity of certain consolidated investment funds to liabilities. These liabilities are required to be recorded at redemption amount with changes recorded in the consolidated income statement.

Further, IAS 39 revised created a new category, designated at fair value through income, for financial assets. Financial assets designated at fair value through income are recognized at fair value with changes recognized in net income. As a result of being required to record the liabilities related to the previously mentioned consolidated investment funds at the redemption amount due to the adoption of IAS 32 revised, the Allianz Group reclassified the related investments from securities available-for-sale to financial assets designated at fair value through income. IAS 39 revised required retrospective application of these changes.

As a result of the adoption of these provisions of IAS 32 revised and IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

| <u>(Debit) Credit</u>   | <b>Three months ended<br/>September 30,<br/>2004</b> | <b>Nine months ended<br/>September 30,<br/>2004</b> |
|---|--|---|
|   | <b>mn</b>  | <b>mn</b>   |
| Interest and similar income   | (9)  | (38)  |
| Other income from investments   | (54)   | (130)   |
| Income from financial assets and liabilities carried at fair value through income (net) | 38   | 125   |
| Insurance and investment contract benefits (net)  | 10   | (33)  |
| Other expenses from investments   | 27   | 82  |
| Taxes   | (4)  | (2)   |
| Minority interests in earnings  | (7)  | 2   |
| <b>Net impact on previously reported net income</b>                                     | <b>1</b>   | <b>6</b>  |

In addition, as a result of the adoption of IAS 39 revised, the Allianz Group reclassified certain securities available-for-sale to loans and advances to banks and loans and advances to customers. As a result of the adoption of this provision of IAS 39 revised, the Allianz Group recorded the following effects in its consolidated income statements:

| <u>(Debit) Credit</u> | <b>Three months ended<br/>September 30,<br/>2004</b> | <b>Nine months ended<br/>September 30,<br/>2004</b> |
|-----------------------|--|---|
|                       | <b>mn</b>  | <b>mn</b>   |

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|   |       |       |
|---|-------|-------|
| Other income from investments                       | 11    | 8     |
| Other income  | (11)  | (8)   |
| Other expenses from investments                     | 33    | 45    |
| Other expenses                                      | (33)  | (45)  |
|   | <hr/> | <hr/> |
| <b>Net impact on previously reported net income</b> | <hr/> | <hr/> |

Effective January 1, 2005, the Allianz Group adopted IFRS 2, Share Based Payments ( IFRS 2 ). In accordance with IFRS 2, share based compensation plans are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date with changes recognized in the income statement and shareholders' equity over the vesting period. Cash settled plans are measured at fair value at each reporting date and recognized as liabilities. Changes in the fair value of cash settled plans are recognized as expense in the income statement.

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A company is considered to have a cash settled plan if the shares issued are redeemable, either mandatorily or at the counter-party's option. In this respect, IFRS 2 has incorporated the "puttable instrument" concept of IAS 32 revised, which requires that such instruments be classified as liabilities rather than equity instruments. As a result of the adoption of IFRS 2, the PIMCO LLC Class B Unit Purchase Plan ( "Class B Plan" ) is considered a cash settled plan as the equity instruments issued are puttable at the counter-party's option. According to the Allianz Group's previous accounting policy, the Class B Plan was considered an equity settled plan.

Further, IFRS 2 requires that equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. The Allianz Group's previous accounting policy required that forfeitures of equity instruments be recognized when incurred.

As a result of the adoption of IFRS 2, the Allianz Group recorded the following effects in its consolidated income statements:

| (Debit) Credit                                      | Three months ended | Nine months ended |
|---|--------------------|-------------------|
|   | September 30,      | September 30,     |
|   | 2004               | 2004              |
|   | mn                 | mn                |
| Acquisition and administrative expenses (net)       | (60)               | (206)             |
| Taxes   | 12                 | 50                |
| Minority interests in earnings                      | 29                 | 84                |
| <b>Net impact on previously reported net income</b> | <b>(19)</b>        | <b>(72)</b>       |

Effective January 1, 2005, the Allianz Group adopted IFRS 3, Business Combinations ( "IFRS 3" ). In accordance with IFRS 3, a company must cease the amortization of goodwill and intangible assets with an indefinite life and rather test for impairment on an annual basis in addition to whenever there is an indication that the carrying value is not recoverable. As a result of the adoption on IFRS 3 on January 1, 2005, the Allianz Group ceased amortization of goodwill and brand names.

Effective January 1, 2005, the Allianz Group adopted IFRS 4, Insurance Contracts ( "IFRS 4" ). IFRS 4 represents the completion of phase I and is a transitional standard until the IASB has more fully addressed the recognition and measurement of insurance contracts. IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. IFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. As a result, the Allianz Group principally continues to apply the provisions of US GAAP for the recognition and measurement of insurance contracts. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with IAS 39 revised. As a result of the adoption of IFRS 4, certain contracts were reclassified as investment contracts. This change did not have a material effect on the Allianz Group's shareholders' equity as of December 31, 2003.

Further, the Allianz Group reclassified the assets related to unit-linked insurance and investment contracts to financial assets designated at fair value through income and the related liabilities to financial liabilities designated at fair value through income as allowed under the EU insurance directives.

As a result of this reclassification, the Allianz Group recorded the following effects in its consolidated income statements:

| <u>(Debit) Credit</u>   | <u>Three months ended<br/>September 30,<br/>2004</u> | <u>Nine months ended<br/>September 30,<br/>2004</u> |
|---|--|---|
|   | <u>mn</u>  | <u>mn</u>   |
| Income from financial assets and liabilities carried at fair value through income (net) | 12   | (105)   |
| Insurance and investment contract benefits (net)  | (12)   | 105   |
| <b>Net impact on previously reported net income</b>                                     |  |   |

As previously disclosed, the retrospective application of adoption of these new standards, resulted in a decrease in shareholders' equity of 2,631 mn and 1,700 mn as of December 31, 2004 and 2003, respectively.

#### Effects of accounting pronouncements adopted subsequent to June 30, 2005

#### Impairments of equity securities

IAS 39 revised requires a change to the Allianz Group's impairment criteria for available-for-sale equity securities. An equity security is considered to be impaired if there is objective evidence that the cost of the equity security may not be recovered. IAS 39 revised requires that a significant or prolonged decline in the fair value of an equity security below cost is considered to be objective evidence of impairment. The Allianz Group established, beside the existing qualitative impairment criteria, new quantitative impairment criteria for equity securities to define significant or prolonged decline. To satisfy the significant criteria, the Allianz Group



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has established a policy that an equity security is considered impaired if the fair value is below the weighted-average cost by more than 20%. To satisfy the prolonged criteria, the Allianz Group established a policy that an equity security is considered impaired if the fair value is below the weighted-average cost for greater than nine months. Each of these policies is applied independently at the subsidiary level.

In addition, IAS 39 revised does not allow an adjusted cost basis to be established upon impairment of an equity security. Rather, each reporting period, if the fair value is less than the original cost basis of the equity security, the security is analyzed for impairment based upon the Allianz Group's impairment criteria. At each reporting date, for equity securities that are determined to be impaired based upon the Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. According to the Allianz Group's previously applied accounting policy, upon the recognition of an impairment of an equity security, an adjusted cost basis was established. Therefore, at each reporting period, if the fair value was less than the adjusted cost basis of the equity security, the security was analyzed for impairment based upon the Allianz Group's impairment criteria.

IAS 39 revised required retrospective application of these changes; therefore, the Allianz Group's previously issued consolidated financial statements were required to be restated to include the effects of these changes. During the three months ended September 30, 2005, the Allianz Group adopted these provisions of IAS 39. The Allianz Group did not adopt these provisions prior to the three months ended September 30, 2005, as it was in discussions with accounting standard setters to determine if the adoption of IAS 39 revised would result in a difference to accounting principles generally accepted in the United States ( US GAAP ). These discussions were concluded in the third quarter 2005 and will result in a difference in accounting under US GAAP after January 1, 2005, as the Allianz Group is not allowed to retrospectively apply these provisions under US GAAP. The Allianz Group continues to monitor the discussions by the IFRIC regarding clarification of the timing of impairment testing (quarterly versus annually).

As a result, the Allianz Group recorded the following effects in the consolidated income statements:

|   | Three months ended<br>September 30,<br>2004 | Nine months ended<br>September 30,<br>2004 | Three months ended<br>March 31,<br>2005 | Three months ended<br>June 30,<br>2005 |
|---|---|--|---|--|
| (Debit) Credit                                      | mn  | mn   | mn                                      | mn                                     |
| Other income from investments                       | 111   | 742  | 307                                     | 38                                     |
| Insurance and investment contract benefits (net)    | 17  | (138)                                      | (179)                                   | (7)                                    |
| Other expenses from investments                     | (157)                                       | (199)                                      | 56                                      | (11)                                   |
| Taxes   | (15)  | (70)                                       | (31)                                    | (3)                                    |
| Minority interests in earnings                      | (3)   | (68)                                       | (10)                                    | (3)                                    |
| <b>Net impact on previously reported net income</b> | <b>(47)</b>                                 | <b>267</b>                                 | <b>143</b>                              | <b>14</b>                              |

Further, as a result of these provisions of IAS 39, the Allianz Group recorded the following effects in shareholders' equity:

Increase (Decrease)

|  | As of<br>December 31,<br>2003 | As of<br>December 31,<br>2004 |
|--|-------------------------------|-------------------------------|
|  | mn                            | mn                            |
| Revenue reserves   | (2,105)                       | (1,655)                       |
| Unrealized gains and losses (net)                            | 2,105                         | 1,655                         |
| <b>Net impact on previously reported shareholders equity</b> |                               |                               |

#### Fair value option for financial liabilities

IAS 39 revised created a new category, designated at fair value through income, for financial assets and liabilities. Both, financial assets and liabilities designated at fair value through income are recognised at fair value with changes recognised in net income. The Allianz Group already implemented this new rule for financial assets as of January 1, 2005. The implementation of this regulation with regard to financial liabilities was not allowed because the EU did not endorse it based on the revised IAS 39. In June 2005 the IASB adjusted the fair value regulation and considered the concerns raised by the EU. It is expected that the EU will endorse the new rules in the fourth quarter 2005. Thus, the Allianz Group already applied the fair value option for financial liabilities retrospectively in the third quarter due to the forthcoming EU endorsement.

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As a result, the Allianz Group recorded the following effects in the consolidated income statements:

| (Debit) Credit  | Three months ended<br>March 31, 2005 | Three months ended<br>June 30, 2005 |
|---|--------------------------------------|-------------------------------------|
|   | mn                                   | mn                                  |
| Interest and similar income   | (15)                                 | (17)                                |
| Income from financial assets and liabilities carried at fair value through income | (9)                                  | 4                                   |
| Interest and similar expenses   | 15                                   | 13                                  |
| Taxes   | 3                                    |                                     |
| <b>Net impact on previously reported net income</b>                               | <b>(6)</b>                           |                                     |

Further, as a result of this change, the Allianz Group recorded the following effect in shareholders' equity:

| Increase (Decrease)   | As of December 31,<br>2003 | As of December 31,<br>2004 |
|---|----------------------------|----------------------------|
|   | mn                         | mn                         |
| Revenue reserves  | (12)                       | (23)                       |
| <b>Net impact on previously reported shareholders' equity</b> | <b>(12)</b>                | <b>(23)</b>                |

**Discretionary participating features**

IFRS 4 contains specific guidance for contracts with discretionary participation features (DPF). These include other contracts that have additional payments where the timing or amount is at the discretion of the company. Based on this definition the Allianz Group recognised retrospectively a deferred premium refund for specific contracts for the Swiss business.

As a result, the Allianz Group recorded the following effects in the consolidated income statements:

| (Debit) Credit | Three months ended<br>March 31, 2005 | Three months ended<br>June 30, 2005 |
|----------------|--------------------------------------|-------------------------------------|
|                | mn                                   | mn                                  |

|   |  |            |
|---|--|------------|
| Insurance and investment contract benefits (net)    |  | (17)       |
| Taxes   |  | 5          |
| Minority interests in earnings                      |  | 4          |
| <b>Net impact on previously reported net income</b> |  | <b>(8)</b> |

Further, as a result of this change, the Allianz Group recorded the following effects in shareholders' equity:

| Increase (Decrease)   | As of December 31, | As of December 31, |
|---|--------------------|--------------------|
|   | 2003               | 2004               |
|   | mn                 | mn                 |
| Revenue reserves  | 24                 | 5                  |
| Unrealized gains and losses (net)                             | (15)               | (13)               |
| Minority interests in shareholders' equity                    | 3                  | (6)                |
| <b>Net impact on previously reported shareholders' equity</b> | <b>12</b>          | <b>(14)</b>        |

#### Accounting for business combinations

During the three months ended September 30, 2005, the Allianz Group revised its accounting policy for accounting of business combinations for acquisitions of companies already under control of the Allianz Group. IFRS 3 does not include any regulations on minority acquisition accounting. Thus, the Allianz Group introduced the pure equity transaction approach to cover this accounting gap. According to the pure equity transaction approach, the acquisition of a minority does not result in further revaluations of assets and liabilities. Instead the excess amount of the purchase price over the carrying amount of the minority will directly reduce the equity. The Allianz Group has to retrospectively apply this rule as of January 1, 2005 because since then minorities have to be presented in the equity according to the revised IAS 27.

As a result, the Allianz Group recorded the following effects in the consolidated income statements:

| (Debit) Credit   | Three months ended | Three months ended |
|--|--------------------|--------------------|
|  | March 31,          | June 30,           |
|  | 2005               | 2005               |
|  | mn                 | mn                 |
| Income from investments in associated enterprises and joint ventures (net) |                    | (15)               |
| Other income from investments  | (1)                | (13)               |
| Interest and similar expenses  | 4                  | 1                  |
| Taxes  | 1                  | 5                  |
| Minority interests in earnings   | (1)                | 11                 |

|   |          |             |
|---|----------|-------------|
| <b>Net impact on previously reported net income</b> | <b>3</b> | <b>(11)</b> |
|---|----------|-------------|

In addition, during the three months ended March 31, 2005 and six months ended June 30, 2005, the Allianz Group recorded 2 mn and 199 mn of previously capitalized goodwill directly in equity as a result of this provision.

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**3 Segment reporting**

**Business Segment Information Consolidated Balance Sheets**

As of September 30, 2005 and as of December 31, 2004

| Property-Casualty  |                   | Life/Health        |                   | Banking            |                   | Asset Management   |                   | Consolidation Adjustments |                   | GR                 |
|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|---------------------------|-------------------|--------------------|
| September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005        | December 31, 2004 | September 30, 2005 |
| mn                 | mn                | mn                 | mn                | mn                 | mn                | mn                 | mn                | mn                        | mn                | mn                 |
| 2,230              | 2,185             | 4,012              | 4,075             | 2,541              | 2,526             | 6,682              | 6,362             |                           | (1)               | 15,46              |
| 48,231             | 48,359            | 4,038              | 5,532             | 2,764              | 3,037             | 3                  | 3                 | (51,566)                  | (51,174)          | 3,47               |
| 86,612             | 81,245            | 173,886            | 154,920           | 16,672             | 17,736            | 800                | 529               | (1,793)                   | (6,103)           | 276,17             |
| 13,632             | 7,424             | 56,984             | 56,699            | 81,281             | 119,025           | 274                | 144               | (2,123)                   | (1,749)           | 150,04             |
| 2,006              | 6,224             | 27,658             | 28,808            | 171,348            | 168,346           | 85                 | 29                | (7,918)                   | (7,727)           | 193,17             |
| 3,285              | 1,137             | 61,708             | 46,668            | 169,914            | 192,746           | 307                | 131               | (117)                     | (108)             | 235,09             |
| 2,336              | 1,665             | 1,574              | 968               | 20,054             | 13,097            | 588                | 431               | (459)                     | (533)             | 24,09              |
| 14,561             | 12,337            | 10,827             | 16,382            |                    |                   |                    |                   | (1,855)                   | (6,409)           | 23,53              |
| 7,597              | 6,816             | 3,849              | 3,451             | 3,588              | 3,679             | 202                | 187               | 6                         | 6                 | 15,24              |
| 21,579             | 20,045            | 23,501             | 20,362            | 10,131             | 15,341            | 3,407              | 2,942             | (5,724)                   | (7,477)           | 52,89              |
| <b>202,069</b>     | <b>187,437</b>    | <b>368,037</b>     | <b>337,865</b>    | <b>478,293</b>     | <b>535,533</b>    | <b>12,348</b>      | <b>10,758</b>     | <b>(71,549)</b>           | <b>(81,275)</b>   | <b>989,19</b>      |

| Property-Casualty  |                   | Life/Health        |                   | Banking            |                   | Asset Management   |                   | Consolidation Adjustments |                   | GR                 |
|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|---------------------------|-------------------|--------------------|
| September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005 | December 31, 2004 | September 30, 2005        | December 31, 2004 | September 30, 2005 |
| mn                 | mn                | mn                 | mn                | mn                 | mn                | mn                 | mn                | mn                        | mn                | mn                 |

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|   |                |                |                |                |                |                |              |              |                 |                 |               |
|---|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|-----------------|-----------------|---------------|
|   | 7,307          | 5,497          | 140            | 141            | 7,308          | 7,815          |              |              | (208)           | (223)           | 14,54         |
|   | 86,931         | 83,095         | 271,574        | 249,854        | 4              | 4              |              |              | (2,020)         | (6,573)         | 356,48        |
|   | 2,605          | 1,358          | 1,082          | 1,241          | 144,644        | 189,187        | 41           | 7            | (374)           | (446)           | 147,99        |
|   | 5,080          | 5,336          | 74             | 165            | 161,718        | 158,127        | 500          | 294          | (7,465)         | (6,785)         | 159,90        |
|   | 9,668          | 11,405         | 4              | 68             | 49,610         | 47,041         | 4            | 4            | (641)           | (766)           | 58,64         |
| d | 1,252          | 530            | 56,679         | 44,776         | 83,277         | 99,934         |              |              | (123)           | (103)           | 141,08        |
|   | 6,032          | 5,960          | 856            | 1,016          | 5,115          | 5,783          | 1,794        | 1,225        |                 |                 | 13,79         |
|   | 13,652         | 12,352         | 16,371         | 21,280         | 4,482          | 8,859          | 1,290        | 709          | (6,641)         | (11,929)        | 29,15         |
|   | 8,310          | 7,894          | 5,172          | 4,539          | 1,989          | 1,860          | 73           | 57           |                 |                 | 15,54         |
| e | 124            | 161            | 124            | 139            | 3,170          | 1,737          | 26           | 2            |                 |                 | 3,44          |
|   | <b>140,961</b> | <b>133,588</b> | <b>352,076</b> | <b>323,219</b> | <b>461,317</b> | <b>520,347</b> | <b>3,728</b> | <b>2,298</b> | <b>(17,472)</b> | <b>(26,825)</b> | <b>940,61</b> |
|   |                |                |                |                |                |                |              |              |                 |                 | <b>48,58</b>  |
|   |                |                |                |                |                |                |              |              |                 |                 | <b>989,19</b> |

\*) Shareholders' equity and minority interests in shareholders' equity.

**Table of Contents****Business Segment Information Consolidated Income Statements**

for the three months ended September 30, 2005 and 2004

|   | Property-Casualty |                 | Life/Health    |                | Banking        |                | Asset Management |              | Consolidation Adjustments |              | Group           |                 |
|---|-------------------|-----------------|----------------|----------------|----------------|----------------|------------------|--------------|---------------------------|--------------|-----------------|-----------------|
|   | 2005              | 2004            | 2005           | 2004           | 2005           | 2004           | 2005             | 2004         | 2005                      | 2004         | 2005            | 2004            |
| Three months ended September 30,  | mn                | mn              | mn             | mn             | mn             | mn             | mn               | mn           | mn                        | mn           | mn              | mn              |
| Premiums earned (net)   | 9,788             | 9,840           | 4,206          | 3,990          |                |                |                  |              |                           |              | 13,994          | 13,830          |
| Interest and similar income   | 906               | 932             | 2,846          | 2,693          | 1,643          | 1,751          | 23               | 16           | (136)                     | (211)        | 5,282           | 5,181           |
| Income from associated enterprises and joint ventures (net)                             | 152               | 72              | 54             | 82             | 54             | 29             |                  |              | (180)                     | (115)        | 80              | 68              |
| Other income from investments   | 329               | 207             | 639            | 443            | 44             | 130            | 1                |              | (5)                       | 3            | 1,008           | 783             |
| Income from financial assets and liabilities carried at fair value through income (net) | (65)              | 3               | 291            | 103            | 375            | 244            | 16               | (1)          |                           | (3)          | 617             | 346             |
| Fee and commission income, and income from service activities                           | 451               | 243             | 53             | 52             | 772            | 701            | 968              | 778          | (170)                     | (158)        | 2,074           | 1,616           |
| Other income  | 176               | 281             | 211            | 387            | 35             | 42             | 5                | 6            | (19)                      | (38)         | 408             | 678             |
| <b>Total income</b>   | <b>11,737</b>     | <b>11,578</b>   | <b>8,300</b>   | <b>7,750</b>   | <b>2,923</b>   | <b>2,897</b>   | <b>1,013</b>     | <b>799</b>   | <b>(510)</b>              | <b>(522)</b> | <b>23,463</b>   | <b>22,502</b>   |
| Insurance and investment contract benefits (net)  | (7,247)           | (6,853)         | (6,128)        | (5,465)        |                |                |                  |              |                           |              | (13,375)        | (12,318)        |
| Interest and similar expenses   | (243)             | (369)           | (102)          | (212)          | (1,165)        | (1,092)        | (11)             | (3)          | 134                       | 216          | (1,387)         | (1,460)         |
| Other expenses from investments   | (74)              | (319)           | (187)          | (275)          | (49)           | (56)           |                  | (1)          |                           |              | (310)           | (651)           |
| Loan loss provisions  | (3)               | 2               | 6              | (1)            | 129            | (54)           |                  |              |                           | 2            | 132             | (51)            |
| Acquisition costs and administrative expenses (net)                                     | (2,799)           | (2,654)         | (1,077)        | (1,199)        | (1,558)        | (1,440)        | (891)            | (657)        | 184                       | 144          | (6,141)         | (5,806)         |
| Amortization of goodwill  |                   | (96)            |                | (40)           |                | (65)           |                  | (96)         |                           |              |                 | (297)           |
| Other expenses  | (505)             | (337)           | (149)          | (176)          | (57)           | (177)          | (25)             | (95)         | 12                        | 55           | (724)           | (730)           |
| <b>Total expenses</b>   | <b>(10,871)</b>   | <b>(10,626)</b> | <b>(7,637)</b> | <b>(7,368)</b> | <b>(2,700)</b> | <b>(2,884)</b> | <b>(927)</b>     | <b>(852)</b> | <b>330</b>                | <b>417</b>   | <b>(21,805)</b> | <b>(21,313)</b> |
| Earnings from ordinary activities before taxes  | 866               | 952             | 663            | 382            | 223            | 13             | 86               | (53)         | (180)                     | (105)        | 1,658           | 1,189           |
| Taxes   | (277)             | (452)           | (147)          | (186)          | (74)           | 134            | (34)             | 9            | 2                         | (2)          | (530)           | (497)           |
| Minority interests in earnings  | (181)             | (132)           | (140)          | (71)           | (26)           | (22)           | (12)             | (13)         | 25                        | 14           | (334)           | (224)           |
| <b>Net income</b>   | <b>408</b>        | <b>368</b>      | <b>376</b>     | <b>125</b>     | <b>123</b>     | <b>125</b>     | <b>40</b>        | <b>(57)</b>  | <b>(153)</b>              | <b>(93)</b>  | <b>794</b>      | <b>468</b>      |



**Table of Contents****Business Segment Information Consolidated Income Statements**

for the nine months ended September 30, 2005 and 2004

|   | Property-Casualty |                 | Life/Health     |                 | Banking        |                | Asset Management |                | Consolidation Adjustments |                | Group           |                 |
|---|-------------------|-----------------|-----------------|-----------------|----------------|----------------|------------------|----------------|---------------------------|----------------|-----------------|-----------------|
|   | 2005              | 2004            | 2005            | 2004            | 2005           | 2004           | 2005             | 2004           | 2005                      | 2004           | 2005            | 2004            |
| Nine months ended September 30,   | mn                | mn              | mn              | mn              | mn             | mn             | mn               | mn             | mn                        | mn             | mn              | mn              |
| Premiums earned (net)   | 28,522            | 28,827          | 13,770          | 13,002          |                |                |                  |                |                           |                | 42,292          | 41,829          |
| Interest and similar income   | 3,067             | 3,076           | 8,786           | 8,383           | 5,100          | 4,878          | 67               | 47             | (423)                     | (611)          | 16,597          | 15,773          |
| Income from associated enterprises and joint ventures (net)                             | 1,305             | 1,560           | 724             | 283             | 238            | 116            |                  |                | (1,305)                   | (1,252)        | 962             | 707             |
| Other income from investments   | 1,143             | 1,647           | 2,082           | 1,931           | 596            | 515            | 6                | 7              | (340)                     | 37             | 3,487           | 4,137           |
| Income from financial assets and liabilities carried at fair value through income (net) | (166)             | (22)            | 291             | 168             | 953            | 1,160          | 21               | 2              |                           | (3)            | 1,099           | 1,305           |
| Fee and commission income, and income from service activities                           | 1,266             | 672             | 136             | 154             | 2,412          | 2,310          | 2,661            | 2,283          | (486)                     | (457)          | 5,989           | 4,962           |
| Other income  | 817               | 650             | 669             | 971             | 249            | 195            | 22               | 23             | (78)                      | (48)           | 1,679           | 1,791           |
| <b>Total income</b>   | <b>35,954</b>     | <b>36,410</b>   | <b>26,458</b>   | <b>24,892</b>   | <b>9,548</b>   | <b>9,174</b>   | <b>2,777</b>     | <b>2,362</b>   | <b>(2,632)</b>            | <b>(2,334)</b> | <b>72,105</b>   | <b>70,504</b>   |
| Insurance and investment contract benefits (net)  | (19,884)          | (20,575)        | (20,285)        | (18,285)        |                |                |                  |                | (25)                      |                | (40,194)        | (38,860)        |
| Interest and similar expenses   | (1,125)           | (1,121)         | (340)           | (542)           | (3,615)        | (3,162)        | (37)             | (10)           | 417                       | 601            | (4,700)         | (4,234)         |
| Other expenses from investments   | (270)             | (912)           | (498)           | (672)           | (137)          | (364)          |                  | (2)            | (20)                      | (152)          | (925)           | (2,102)         |
| Loan loss provisions  | (3)               | (1)             | 3               | (2)             | 88             | (271)          |                  |                |                           | 1              | 88              | (273)           |
| Acquisition costs and administrative expenses (net)                                     | (8,305)           | (7,928)         | (3,055)         | (3,331)         | (4,336)        | (4,446)        | (2,427)          | (2,010)        | 525                       | 429            | (17,598)        | (17,286)        |
| Amortization of goodwill  |                   | (287)           |                 | (119)           |                | (194)          |                  | (285)          |                           |                |                 | (885)           |
| Other expenses  | (1,985)           | (1,412)         | (499)           | (630)           | (207)          | (513)          | (84)             | (319)          | 68                        | 104            | (2,707)         | (2,770)         |
| <b>Total expenses</b>   | <b>(31,572)</b>   | <b>(32,236)</b> | <b>(24,674)</b> | <b>(23,581)</b> | <b>(8,207)</b> | <b>(8,950)</b> | <b>(2,548)</b>   | <b>(2,626)</b> | <b>965</b>                | <b>983</b>     | <b>(66,036)</b> | <b>(66,410)</b> |
| Earnings from ordinary activities before taxes  | 4,382             | 4,174           | 1,784           | 1,311           | 1,341          | 224            | 229              | (264)          | (1,667)                   | (1,351)        | 6,069           | 4,094           |
| Taxes   | (909)             | (1,069)         | (282)           | (442)           | (308)          | 225            | (51)             | 42             | 9                         | 4              | (1,541)         | (1,240)         |
| Minority interests in earnings  | (724)             | (725)           | (394)           | (283)           | (77)           | (104)          | (34)             | (40)           | 209                       | 268            | (1,020)         | (884)           |
| <b>Net income</b>   | <b>2,749</b>      | <b>2,380</b>    | <b>1,108</b>    | <b>586</b>      | <b>956</b>     | <b>345</b>     | <b>144</b>       | <b>(262)</b>   | <b>(1,449)</b>            | <b>(1,079)</b> | <b>3,508</b>    | <b>1,970</b>    |

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The following table sets forth the total revenues, operating profit and IFRS net income for each of our business segments for the three months and nine months ended September 30, 2005 and 2004, as well as IFRS consolidated net income of the Allianz Group.

|   | Property-Casualty |              | Life/Health  |              | Banking      |            | Asset Management |              | Consolidation Adjustments |                | Total Group  |              |
|---|-------------------|--------------|--------------|--------------|--------------|------------|------------------|--------------|---------------------------|----------------|--------------|--------------|
|   | 2005              | 2004         | 2005         | 2004         | 2005         | 2004       | 2005             | 2004         | 2005                      | 2004           | 2005         | 2004         |
|   | mn                | mn           | mn           | mn           | mn           | mn         | mn               | mn           | mn                        | mn             | mn           | mn           |
| <b>Three months ended September 30,</b>               |                   |              |              |              |              |            |                  |              |                           |                |              |              |
| Total revenues <sup>*)</sup>                          | 10,472            | 10,432       | 11,116       | 10,841       | 1,542        | 1,527      | 708              | 564          | (63)                      | (228)          | 23,775       | 23,136       |
| Operating profit                                      | 696               | 1,138        | 478          | 378          | 250          | 136        | 299              | 217          |                           |                | 1,723        | 1,869        |
| <b>Earnings from ordinary activities before taxes</b> | <b>866</b>        | <b>952</b>   | <b>663</b>   | <b>382</b>   | <b>223</b>   | <b>13</b>  | <b>86</b>        | <b>(53)</b>  | <b>(180)</b>              | <b>(105)</b>   | <b>1,658</b> | <b>1,189</b> |
| Taxes   | (277)             | (452)        | (147)        | (186)        | (74)         | 134        | (34)             | 9            | 2                         | (2)            | (530)        | (497)        |
| Minority interests in earnings                        | (181)             | (132)        | (140)        | (71)         | (26)         | (22)       | (12)             | (13)         | 25                        | 14             | (334)        | (224)        |
| <b>Net income (loss)</b>                              | <b>408</b>        | <b>368</b>   | <b>376</b>   | <b>125</b>   | <b>123</b>   | <b>125</b> | <b>40</b>        | <b>(57)</b>  | <b>(153)</b>              | <b>(93)</b>    | <b>794</b>   | <b>468</b>   |
| <b>Nine months ended September 30,</b>                |                   |              |              |              |              |            |                  |              |                           |                |              |              |
| Total revenues <sup>*)</sup>                          | 34,439            | 34,646       | 34,942       | 31,946       | 4,611        | 4,948      | 1,933            | 1,664        | (192)                     | (612)          | 75,733       | 72,592       |
| Operating profit                                      | 3,090             | 2,898        | 1,283        | 1,048        | 759          | 567        | 785              | 578          |                           |                | 5,917        | 5,091        |
| <b>Earnings from ordinary activities before taxes</b> | <b>4,382</b>      | <b>4,174</b> | <b>1,784</b> | <b>1,311</b> | <b>1,341</b> | <b>224</b> | <b>229</b>       | <b>(264)</b> | <b>(1,667)</b>            | <b>(1,351)</b> | <b>6,069</b> | <b>4,094</b> |
| Taxes   | (909)             | (1,069)      | (282)        | (442)        | (308)        | 225        | (51)             | 42           | 9                         | 4              | (1,541)      | (1,240)      |
| Minority interests in earnings                        | (724)             | (725)        | (394)        | (283)        | (77)         | (104)      | (34)             | (40)         | 209                       | 268            | (1,020)      | (884)        |
| <b>Net income (loss)</b>                              | <b>2,749</b>      | <b>2,380</b> | <b>1,108</b> | <b>586</b>   | <b>956</b>   | <b>345</b> | <b>144</b>       | <b>(262)</b> | <b>(1,449)</b>            | <b>(1,079)</b> | <b>3,508</b> | <b>1,970</b> |

<sup>\*)</sup> Total revenues comprise property-casualty segment's gross premiums written, life/health segment's statutory premiums, banking segment's operating revenues, and asset management segment's operating revenues.

**Table of Contents****Property-Casualty Insurance Segment**

|   | Three months ended |              | Nine months ended |              |
|---|--------------------|--------------|-------------------|--------------|
|   | September 30,      |              | September 30,     |              |
|   | 2005               | 2004         | 2005              | 2004         |
|   | mn                 | mn           | mn                | mn           |
| Gross premiums written  | 10,472             | 10,432       | 34,439            | 34,646       |
| Premiums earned (net) <sup>1)</sup>                             | 9,788              | 9,840        | 28,522            | 28,827       |
| Current income from investments (net) <sup>2)</sup>             | 776                | 721          | 2,622             | 2,387        |
| Insurance benefits (net) <sup>3)</sup>                          | (7,225)            | (6,803)      | (19,845)          | (20,249)     |
| Net acquisition costs and administrative expenses <sup>4)</sup> | (2,648)            | (2,540)      | (7,954)           | (7,619)      |
| Other operating income/(expenses)(net)                          | 5                  | (80)         | (255)             | (448)        |
| <b>Operating profit</b>   | <b>696</b>         | <b>1,138</b> | <b>3,090</b>      | <b>2,898</b> |
| Net capital gains and impairments on investments <sup>5)</sup>  | 296                | (112)        | 1,040             | 982          |
| Net trading income/(expenses) <sup>6)</sup>                     | (108)              | (1)          | (269)             | (36)         |
| Intra-group dividends and profit transfer                       | 143                | 96           | 1,207             | 1,145        |
| Interest expense on external debt                               | (160)              | (199)        | (630)             | (654)        |
| Amortization of goodwill <sup>7)</sup>                          |                    | (96)         |                   | (287)        |
| Restructuring charges   | (1)                |              | (56)              |              |
| Other non-operating income/(expenses) (net)                     |                    | 126          |                   | 126          |
| <b>Earnings from ordinary activities before taxes</b>           | <b>866</b>         | <b>952</b>   | <b>4,382</b>      | <b>4,174</b> |
| Taxes   | (277)              | (452)        | (909)             | (1,069)      |
| Minority interests in earnings                                  | (181)              | (132)        | (724)             | (725)        |
| <b>Net income</b>   | <b>408</b>         | <b>368</b>   | <b>2,749</b>      | <b>2,380</b> |
| Loss ratio <sup>8)</sup> in %                                   | 72.9               | 66.4         | 68.2              | 68.2         |
| Expense ratio <sup>9)</sup> in %                                | 24.1               | 24.5         | 24.8              | 25.0         |
| <b>Combined ratio in %</b>                                      | <b>97.0</b>        | <b>90.9</b>  | <b>93.0</b>       | <b>93.2</b>  |

<sup>1)</sup> Net of earned premiums ceded to reinsurers of 1,614 million and 4,071 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,518 million and 9M 2004: 4,079 million).

<sup>2)</sup> Net of investment management expenses of 88 million and 257 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 79 million and 9M 2004: 244 million), and interest expenses of 21 million and 136 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 99 million and 9M 2004: 341 million).

<sup>3)</sup> Comprises net claims incurred of 7,130 million and 19,456 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 6,529 million and 9M 2004: 19,655 million), net expenses from changes in other net underwriting provisions of 44 million and 130 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 398 million), and net expenses for premium refunds of 51 million and 259 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 62 million and 9M 2004: 196 million). Net expenses for premium refunds were adjusted for income of 6 million and 24 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: million and 9M 2004: 220 million), related to policyholders participation of net capital gains and impairments on investments, as well as net trading income/(expenses), that were excluded from the determination of operating profit.

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- 4) Comprises net acquisition costs of 1,426 million and 4,277 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 1,435 million and 9M 2004: 4,314 million), administrative expenses of 937 million and 2,799 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 977 million and 9M 2004: 2,885 million), and expenses for service agreements of 285 million and 878 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 128 million and 9M 2004: 420 million). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the consolidated financial statements.
- 5) Comprises net realized gains on investments of 280 million and 1,068 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 88 million and 9M 2004: 1,517 million), and net impairments on investments of 16 million and 28 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 200 million and 9M 2004: 535 million). These amounts are net of policyholders participation.
- 6) Net trading income/(expenses) are net of policyholders participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net claims incurred to net premiums earned.
- 9) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned.

**Table of Contents****Life/Health Insurance Segment**

|   | Three months ended |             | Nine months ended |              |
|---|--------------------|-------------|-------------------|--------------|
|   | September 30,      |             | September 30,     |              |
|   | 2005               | 2004        | 2005              | 2004         |
|   | mn                 | mn          | mn                | mn           |
| Statutory premiums <sup>1)</sup>                                | 11,116             | 10,841      | 34,942            | 31,946       |
| Gross premiums written  | 4,508              | 4,465       | 14,643            | 14,579       |
| Premiums earned (net) <sup>2)</sup>                             | 4,206              | 3,990       | 13,770            | 13,002       |
| Current income from investments (net) <sup>3)</sup>             | 2,764              | 2,597       | 8,547             | 8,156        |
| Insurance benefits (net) <sup>4)</sup>                          | (5,697)            | (5,254)     | (18,005)          | (17,136)     |
| Net acquisition costs and administrative expenses <sup>5)</sup> | (955)              | (1,083)     | (2,705)           | (2,989)      |
| Net trading income/(expenses)                                   | 163                | 69          | (185)             | 62           |
| Other operating income/(expenses) (net)                         | (3)                | 59          | (139)             | (47)         |
| <b>Operating profit</b>   | <b>478</b>         | <b>378</b>  | <b>1,283</b>      | <b>1,048</b> |
| Net capital gains and impairments on investments <sup>6)</sup>  | 183                | 42          | 431               | 315          |
| Intra-group dividends and profit transfer                       | 20                 | 2           | 88                | 67           |
| Amortization of goodwill <sup>7)</sup>                          |                    | (40)        |                   | (119)        |
| Restructuring charges   | (18)               |             | (18)              |              |
| <b>Earnings from ordinary activities before taxes</b>           | <b>663</b>         | <b>382</b>  | <b>1,784</b>      | <b>1,311</b> |
| Taxes   | (147)              | (186)       | (282)             | (442)        |
| Minority interests in earnings                                  | (140)              | (71)        | (394)             | (283)        |
| <b>Net income</b>   | <b>376</b>         | <b>125</b>  | <b>1,108</b>      | <b>586</b>   |
| Statutory expense ratio <sup>8)</sup> in %                      | <b>8.5</b>         | <b>10.1</b> | <b>7.7</b>        | <b>9.6</b>   |

- <sup>1)</sup> Under the Allianz Group's accounting policies for life insurance contracts, for which we have adopted U.S. GAAP accounting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
- <sup>2)</sup> Net of earned premiums ceded to reinsurers of 259 million and 780 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 463 million and 9M 2004: 1,519 million).
- <sup>3)</sup> Net of investment management expenses of 117 million and 332 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 102 million and 9M 2004: 309 million), and interest expenses of 2 million and (-) million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 24 million and 9M 2004: (35) million).
- <sup>4)</sup> Net insurance benefits were adjusted for income of 428 million and 2,279 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 212 million and 9M 2004: 1,152 million), related to policyholders' participation of net capital gains and impairments on investments that were excluded from the determination of operating profit.
- <sup>5)</sup> Comprises net acquisition costs of 598 million and 1,617 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 712 million and 9M 2004: 1,959 million), administrative expenses of 323 million and 993 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 342 million and 9M 2004: 941 million), and expenses for service agreements of 34 million and 95 million for the three and nine months ended September 30, 2005, respectively (3Q

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- 2004: 29 million and 9M 2004: 89 million). Net acquisition costs and administrative expenses do not include expenses for the management of investments and, accordingly, do not reconcile to the acquisition costs and administrative expenses as presented in the consolidated financial statements.
- 6) Comprises net realized gains on investments of 191 million and 510 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 139 million and 9M 2004: 423 million), and net impairments on investments of 8 million and 79 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 97 million and 9M 2004: 108 million). These amounts are net of policyholders' participation.
- 7) Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
- 8) Represents ratio of net acquisition costs and administrative expenses as presented in the consolidated financial statements to net premiums earned (statutory).

**Table of Contents****Banking Segment**

|   | Three months ended September 30, |               |                  |               | Nine months ended September 30, |               |                   |               |
|---|----------------------------------|---------------|------------------|---------------|---------------------------------|---------------|-------------------|---------------|
|   | 2005                             |               | 2004             |               | 2005                            |               | 2004              |               |
|   | Banking Segment                  | Dresdner Bank | Banking Segment  | Dresdner Bank | Banking Segment                 | Dresdner Bank | Banking Segment   | Dresdner Bank |
|   | mn                               | mn            | mn               | mn            | mn                              | mn            | mn                | mn            |
| Net interest income                                   | 532                              | 517           | 685              | 655           | 1,641                           | 1,588         | 1,815             | 1,753         |
| Net fee and commission income                         | 635                              | 599           | 598              | 569           | 2,017                           | 1,909         | 1,974             | 1,858         |
| Net trading income                                    | 375                              | 358           | 244              | 250           | 953                             | 916           | 1,159             | 1,165         |
| <b>Operating revenues</b>                             | <b>1,542</b>                     | <b>1,474</b>  | <b>1,527</b>     | <b>1,474</b>  | <b>4,611</b>                    | <b>4,413</b>  | <b>4,948</b>      | <b>4,776</b>  |
| Administrative expenses                               | (1,421)                          | (1,373)       | (1,337)          | (1,293)       | (3,940)                         | (3,786)       | (4,110)           | (3,969)       |
| Net loan loss provisions                              | 129                              | 130           | (54)             | (54)          | 88                              | 84            | (271)             | (271)         |
| <b>Operating profit</b>                               | <b>250</b>                       | <b>231</b>    | <b>136</b>       | <b>127</b>    | <b>759</b>                      | <b>711</b>    | <b>567</b>        | <b>536</b>    |
| Net capital gains and impairments on investments      | (5) <sup>1)</sup>                | (4)           | 78 <sub>1)</sub> | 77            | 541 <sub>1)</sub>               | 542           | 170 <sub>1)</sub> | 161           |
| Restructuring charges                                 | (5)                              | (5)           | (11)             | (11)          | (10)                            | (10)          | (127)             | (127)         |
| Other non-operating income/(expenses)(net)            | (17)                             | (25)          | (125)            | (119)         | 51                              | 43            | (192)             | (182)         |
| Amortization of goodwill <sup>2)</sup>                |                                  |               | (65)             | (65)          |                                 |               | (194)             | (194)         |
| <b>Earnings from ordinary activities before taxes</b> | <b>223</b>                       | <b>197</b>    | <b>13</b>        | <b>9</b>      | <b>1,341</b>                    | <b>1,286</b>  | <b>224</b>        | <b>194</b>    |
| Taxes   | (74)                             | (65)          | 134              | 129           | (308)                           | (294)         | 225               | 235           |
| Minority interests in earnings                        | (26)                             | (19)          | (22)             | (18)          | (77)                            | (60)          | (104)             | (56)          |
| <b>Net income</b>                                     | <b>123</b>                       | <b>113</b>    | <b>125</b>       | <b>120</b>    | <b>956</b>                      | <b>932</b>    | <b>345</b>        | <b>373</b>    |
| Cost-income ratio <sup>3)</sup> in %                  | 92.2                             | 93.1          | 87.6             | 87.7          | 85.4                            | 85.8          | 83.1              | 83.1          |

<sup>1)</sup> Comprises primarily net realized gains on investments of 29 million and 649 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 145 million and 9M 2004: 511 million), and net impairments on investments of 34 million and 112 million for the three and nine months ended September 30, 2005, respectively (3Q 2004: 71 million and 9M 2004: 371 million). For the three and nine months ended September 30, 2005, net impairments on investments includes 9 million and 28 million, respectively, (3Q 2004: 12 million and 9M 2004: 23 million) of scheduled depreciation of real estate used by third parties.

<sup>2)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>3)</sup> Represents ratio of administrative expenses to operating revenues.

**Table of Contents****Asset Management Segment**

|   | Three months ended September 30, |                          |                          |                          | Nine months ended September 30, |                          |                          |                          |
|---|----------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
|   | 2005                             |                          | 2004                     |                          | 2005                            |                          | 2004                     |                          |
|   | Asset Management Segment         | Allianz Global Investors | Asset Management Segment | Allianz Global Investors | Asset Management Segment        | Allianz Global Investors | Asset Management Segment | Allianz Global Investors |
|   | mn                               | mn                       | mn                       | mn                       | mn                              | mn                       | mn                       | mn                       |
| Operating revenues  | 708                              | 698                      | 564                      | 558                      | 1,933                           | 1,906                    | 1,664                    | 1,658                    |
| Operating expenses  | (409)                            | (403)                    | (347)                    | (346)                    | (1,148)                         | (1,129)                  | (1,086)                  | (1,085)                  |
| <b>Operating profit</b>   | <b>299</b>                       | <b>295</b>               | <b>217</b>               | <b>212</b>               | <b>785</b>                      | <b>777</b>               | <b>578</b>               | <b>573</b>               |
| Acquisition-related expenses thereof:   | (213)                            | (213)                    | (174)                    | (174)                    | (556)                           | (556)                    | (557)                    | (557)                    |
| Deferred purchases of interests in PIMCO <sup>1)</sup>                          | (213)                            | (213)                    | (111)                    | (111)                    | (519)                           | (519)                    | (364)                    | (364)                    |
| Retention payments for management and employees of PIMCO and Nicholas Applegate |                                  |                          | (31)                     | (31)                     | (12)                            | (12)                     | (98)                     | (98)                     |
| Amortization charges relating to capitalized bonuses for PIMCO management       |                                  |                          | (32)                     | (32)                     | (25)                            | (25)                     | (95)                     | (95)                     |
| Amortization of goodwill <sup>2)</sup>  |                                  |                          | (96)                     | (96)                     |                                 |                          | (285)                    | (285)                    |
| <b>Earnings from ordinary activities before taxes</b>                           | <b>86</b>                        | <b>82</b>                | <b>(53)</b>              | <b>(58)</b>              | <b>229</b>                      | <b>221</b>               | <b>(264)</b>             | <b>(269)</b>             |
| Taxes   | (34)                             | (32)                     | 9                        | 9                        | (51)                            | (49)                     | 42                       | 42                       |
| Minority interests in earnings  | (12)                             | (12)                     | (13)                     | (13)                     | (34)                            | (32)                     | (40)                     | (40)                     |
| <b>Net income (loss)</b>  | <b>40</b>                        | <b>38</b>                | <b>(57)</b>              | <b>(62)</b>              | <b>144</b>                      | <b>140</b>               | <b>(262)</b>             | <b>(267)</b>             |
| Cost-income ratio <sup>3)</sup> in %  | 57.8                             | 57.7                     | 61.5                     | 62.0                     | 59.4                            | 59.2                     | 65.3                     | 65.4                     |

<sup>1)</sup> Effective January 1, 2005, and applied retrospectively, under IFRS, the PIMCO LLC Class B Unit Purchase Plan ( Class B Plan ) is considered a cash settled plan, resulting in changes in the fair value of the shares issued to be recognized as expense.

<sup>2)</sup> Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

<sup>3)</sup> Represents ratio of operating expenses to operating revenues.



**Table of Contents****Supplementary Information to the Consolidated Balance Sheets****4 Intangible assets**

|                                 | September 30,<br>2005 | December 31,<br>2004 |
|---------------------------------|-----------------------|----------------------|
|                                 | mn                    | mn                   |
| Goodwill                        | 12,097                | 11,677               |
| Present value of future profits | 1,398                 | 1,522                |
| Software                        | 1,030                 | 972                  |
| Brand names                     | 740                   | 740                  |
| Loyalty bonuses                 |                       | 33                   |
| Other                           | 200                   | 203                  |
| <b>Total</b>                    | <b>15,465</b>         | <b>15,147</b>        |

Changes in goodwill for the nine months ended September 30, 2005, were as follows:

|  | mn            |
|--|---------------|
| Cost as of December 31, 2004                     | 11,901        |
| Accumulated impairments as of December 31, 2004  | (224)         |
| <b>Carrying value as of December 31, 2004</b>    | <b>11,677</b> |
| Additions  | 57            |
| Disposals  | (45)          |
| Foreign currency translation adjustments         | 408           |
| <b>Carrying value as of September 30, 2005</b>   | <b>12,097</b> |
| Accumulated impairments as of September 30, 2005 | 224           |
| Cost as of September 30, 2005                    | 12,321        |

Additions include goodwill from

- \_ increasing the interest in GamePlan Financial Marketing LLC, Woodstock, by 60.0% to 100.0%,
- \_ the acquisition of 100.0% interest in Bettercare Group Limited, Kingston upon Thames.

Disposals include goodwill from

\_ reducing the interest in Cadence Capital Management Inc., Delaware, by 100.0% to 0.0%.

**5 Investments**

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | mn                    | mn                   |
| Securities held-to-maturity                              | 4,986                 | 5,179                |
| Securities available-for-sale                            | 258,797               | 230,919              |
| Real estate used by third parties                        | 10,781                | 10,628               |
| Funds held by others under reinsurance contracts assumed | 1,613                 | 1,601                |
| <b>Total</b>   | <b>276,177</b>        | <b>248,327</b>       |

**Table of Contents****Securities available-for-sale**

|                   | Amortized cost        |                      | Unrealized gains      |                      | Unrealized losses     |                      | Fair values           |                      |
|-------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                   | September 30,<br>2005 | December 31,<br>2004 | September 30,<br>2005 | December 31,<br>2004 | September 30,<br>2005 | December 31,<br>2004 | September 30,<br>2005 | December 31,<br>2004 |
|                   | mn                    | mn                   | mn                    | mn                   | mn                    | mn                   | mn                    | mn                   |
| Equity securities | 35,671                | 32,106               | 17,293                | 12,488               | (212)                 | (394)                | 52,752                | 44,200               |
| Government bonds  | 115,136               | 106,155              | 7,470                 | 5,375                | (346)                 | (235)                | 122,260               | 111,295              |
| Corporate bonds   | 77,986                | 69,083               | 4,344                 | 3,629                | (197)                 | (95)                 | 82,133                | 72,617               |
| Other             | 1,483                 | 2,721                | 170                   | 90                   | (1)                   | (4)                  | 1,652                 | 2,807                |
| <b>Total</b>      | <b>230,276</b>        | <b>210,065</b>       | <b>29,277</b>         | <b>21,582</b>        | <b>(756)</b>          | <b>(728)</b>         | <b>258,797</b>        | <b>230,919</b>       |

| Nine months ended September 30, | Gross realized gains |              | Gross realized losses |              |
|---------------------------------|----------------------|--------------|-----------------------|--------------|
|                                 | 2005                 | 2004         | 2005                  | 2004         |
|                                 | mn                   | mn           | mn                    | mn           |
| Equity securities               | 2,383                | 2,997        | (257)                 | (408)        |
| Debt securities                 | 789                  | 849          | (226)                 | (241)        |
| Other                           | 24                   | 26           | (8)                   | (43)         |
| <b>Total</b>                    | <b>3,196</b>         | <b>3,872</b> | <b>(491)</b>          | <b>(692)</b> |

**6 Loans and advances to banks**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Loans   | 67,429                | 59,543               |
| Reverse repurchase agreements and collateral paid for securities borrowing transactions | 66,334                | 103,406              |
| Short-term investments and certificates of deposit                                      | 9,248                 | 7,729                |
| Other   | 7,282                 | 11,096               |
| <b>Loans and advances to banks</b>  | <b>150,293</b>        | <b>181,774</b>       |

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|                     |                |                |
|---------------------|----------------|----------------|
| Loan loss allowance | (245)          | (231)          |
| <b>Total</b>        | <b>150,048</b> | <b>181,543</b> |

**7 Loans and advances to customers**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Loans   | 116,514               | 119,832              |
| Reverse repurchase agreements and collateral paid for securities borrowing transactions | 61,425                | 70,459               |
| Other   | 16,869                | 9,293                |
| <b>Loans and advances to customers</b>  | <b>194,808</b>        | <b>199,584</b>       |
| Loan loss allowance   | (1,629)               | (3,904)              |
| <b>Total</b>  | <b>193,179</b>        | <b>195,680</b>       |

**8 Financial assets carried at fair value through income**

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | mn                    | mn                   |
| Financial assets held for trading                        | 170,569               | 194,439              |
| Financial assets for unit linked contracts               | 51,663                | 41,409               |
| Financial assets designated at fair value through income | 12,865                | 4,726                |
| <b>Total</b>   | <b>235,097</b>        | <b>240,574</b>       |

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Financial assets held for trading comprised the following:

|                                  | September 30,<br>2005 | December 31,<br>2004 |
|----------------------------------|-----------------------|----------------------|
|                                  | mn                    | mn                   |
| Fixed-income securities          | 124,382               | 153,858              |
| Equities                         | 25,725                | 20,033               |
| Derivative financial instruments | 20,462                | 20,548               |
| <b>Total</b>                     | <b>170,569</b>        | <b>194,439</b>       |

**9 Amounts ceded to reinsurers from reserves for insurance and investment contracts**

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | mn                    | mn                   |
| Unearned premiums                              | 1,607                 | 1,238                |
| Aggregate policy reserves                      | 9,134                 | 10,276               |
| Reserves for loss and loss adjustment expenses | 12,688                | 10,684               |
| Other insurance reserves                       | 104                   | 112                  |
| <b>Total</b>                                   | <b>23,533</b>         | <b>22,310</b>        |

**10 Shareholders' equity**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Issued capital  | 1,037                 | 988                  |
| Capital reserve                                       | 20,460                | 18,445               |
| Revenue reserves                                      | 10,063                | 10,498               |
| Treasury shares                                       | (63)                  | (4,605)              |
| Foreign currency translation adjustments              | (1,204)               | (2,634)              |
| Unrealized gains and losses (net)                     | 9,525                 | 7,303                |
| <b>Shareholders' equity before minority interests</b> | <b>39,818</b>         | <b>29,995</b>        |

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|  |               |               |
|--|---------------|---------------|
| Minority interests in shareholders' equity | 8,770         | 7,696         |
| <b>Total</b>                               | <b>48,588</b> | <b>37,691</b> |

On February 18, 2005, the Allianz Group issued a subordinated bond with 11.2 mn detachable warrants, which allow the holder to purchase a share of Allianz AG. The warrants are exercisable at any time during their 3 year term and have an exercise price of 92 per share. The warrants were recorded in capital reserve at the premium received of 174 mn on their issuance date. As a result of the exercise of 9 mn warrants during the third quarter 2005, the consideration received of 828 mn was recorded in issued capital, 23 mn, and capital reserve, 805 mn. During the third quarter 2005, the Allianz Group issued 10,116,850 shares for proceeds of 1,062 mn, which was recorded in issued capital, 26 mn, and capital reserve 1,036 mn.

Minority interests in shareholders' equity are comprised of the following:

|                                   | September 30,<br>2005 | December 31,<br>2004 |
|-----------------------------------|-----------------------|----------------------|
|                                   | mn                    | mn                   |
| Unrealized gains and losses (net) | 1,685                 | 1,206                |
| Share of earnings                 | 1,020                 | 1,168                |
| Other equity components           | 6,065                 | 5,322                |
| <b>Total</b>                      | <b>8,770</b>          | <b>7,696</b>         |

The primary subsidiaries of the Allianz Group included in minority interests in shareholders' equity are AGF Group, Paris and RAS Group, Milan.

#### 11 Participation certificates and subordinated liabilities

|                                 | September 30,<br>2005 | December 31,<br>2004 |
|---------------------------------|-----------------------|----------------------|
|                                 | mn                    | mn                   |
| <b>Allianz AG<sup>(*)</sup></b> |                       |                      |
| Subordinated bonds              | 6,188                 | 4,775                |
| Participation certificates      | 85                    | 85                   |
| <b>Subtotal</b>                 | <b>6,273</b>          | <b>4,860</b>         |
| <b>Banking subsidiaries</b>     |                       |                      |
| Subordinated liabilities        | 4,179                 | 4,779                |
| Hybrid equity                   | 1,599                 | 1,500                |
| Participation certificates      | 1,520                 | 1,526                |

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|                               |               |               |
|-------------------------------|---------------|---------------|
| <b>Subtotal</b>               | <b>7,298</b>  | <b>7,805</b>  |
| <b>All other subsidiaries</b> |               |               |
| Subordinated liabilities      | 931           | 520           |
| Hybrid equity                 | 45            | 45            |
| <b>Subtotal</b>               | <b>976</b>    | <b>565</b>    |
| <b>Total</b>                  | <b>14,547</b> | <b>13,230</b> |

<sup>\*)</sup> Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz AG.

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On February 18, 2005, the Allianz Group issued a subordinated bond with a principal amount of 1,400 mn. The subordinated bond is perpetual, however, the Allianz Group has the right to call the bond after 12 years. The subordinated bond has a coupon rate of 4.375%.

On January 27, 2005, the AGF Group issued a subordinated bond with a principal amount of 400 mn. The subordinated bond is perpetual and has a coupon rate of 4.625%.

**12 Reserves for insurance and investment contracts**

|  | <b>September 30,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|--|-------------------------------|------------------------------|
|  | <b>mn</b>                     | <b>mn</b>                    |
| Unearned premiums                              | 14,478                        | 12,050                       |
| Aggregate policy reserves                      | 244,286                       | 229,873                      |
| Reserves for loss and loss adjustment expenses | 68,176                        | 62,331                       |
| Reserves for premium refunds                   | 28,741                        | 21,237                       |
| Other insurance reserves                       | 808                           | 889                          |
| <b>Total</b>                                   | <b>356,489</b>                | <b>326,380</b>               |

Reserves for loss and loss adjustment expenses are comprised of the following:

|                   | <b>September 30,<br/>2005</b> | <b>December 31,<br/>2004</b> |
|-------------------|-------------------------------|------------------------------|
|                   | <b>mn</b>                     | <b>mn</b>                    |
| Property-Casualty | 61,133                        | 55,536                       |
| Life/Health       | 7,043                         | 6,795                        |
| <b>Total</b>      | <b>68,176</b>                 | <b>62,331</b>                |

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty insurance segment for the nine months ended September 30, 2005, were as follows:

2005



|   | <u>mn</u>       |
|---|-----------------|
| Gross reserves for loss and loss adjustment expenses as of January 1,           | 55,536          |
| Amount ceded to reinsurers  | (10,029)        |
| <b>Net reserves for loss and loss adjustment expenses as of January 1,</b>      | <b>45,507</b>   |
| Loss and loss adjustment expenses incurred (net)                                |                 |
| Current year  | 19,846          |
| Prior years   | (593)           |
| <b>Subtotal</b>   | <b>19,253</b>   |
| Loss and loss adjustment expenses paid (net)                                    |                 |
| Current year  | (7,599)         |
| Prior years   | (9,277)         |
| <b>Subtotal</b>   | <b>(16,876)</b> |
| Foreign currency translation adjustments  | 1,369           |
| <b>Net reserves for loss and loss adjustment expenses as of September 30,</b>   | <b>49,253</b>   |
| Amount ceded to reinsurers  | 11,880          |
| <b>Gross reserves for loss and loss adjustment expenses as of September 30,</b> | <b>61,133</b>   |

#### Asbestos and Environmental (A&E) Reserves

In the United States, the planned external review of the asbestos & environmental (or A&E) liability reserves at Fireman's Fund had no net impact at the Allianz Group level as a result of already sufficient reserves, absent a \$ 56 mn loss caused by the increase in provisions for uncollectible reinsurance recoverables.

**Table of Contents****13 Liabilities to banks**

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | mn                    | mn                   |
| Payable on demand  | 16,775                | 14,003               |
| Repurchase agreements and collateral received from securities lending transactions | 51,262                | 78,675               |
| Term deposits and certificates of deposit  | 77,339                | 96,736               |
| Other  | 2,622                 | 1,933                |
| <b>Total</b>   | <b>147,998</b>        | <b>191,347</b>       |

**14 Liabilities to customers**

|  | September 30,<br>2005 | December 31,<br>2004 |
|--|-----------------------|----------------------|
|  | mn                    | mn                   |
| Savings deposits   | 2,313                 | 2,410                |
| Home loan savings deposits   | 3,292                 | 3,214                |
| Payable on demand  | 53,336                | 50,946               |
| Repurchase agreements and collateral received from securities lending transactions | 43,900                | 49,276               |
| Term deposits and certificates of deposit  | 55,130                | 49,124               |
| Other  | 1,936                 | 2,167                |
| <b>Total</b>   | <b>159,907</b>        | <b>157,137</b>       |

**15 Certificated liabilities**

|                                 | September 30,<br>2005 | December 31,<br>2004 |
|---------------------------------|-----------------------|----------------------|
|                                 | mn                    | mn                   |
| <b>Allianz AG<sup>(*)</sup></b> |                       |                      |
| Senior bonds                    | 4,776                 | 5,741                |
| Exchangeable bonds              | 2,316                 | 2,742                |
| Money market securities         | 1,202                 | 1,428                |

|                               |               |               |
|-------------------------------|---------------|---------------|
| <b>Subtotal</b>               | <b>8,294</b>  | <b>9,911</b>  |
| <b>Banking subsidiaries</b>   |               |               |
| Certificated liabilities      | 25,705        | 25,140        |
| Money market securities       | 23,831        | 21,693        |
| <b>Subtotal</b>               | <b>49,536</b> | <b>46,833</b> |
| <b>All other subsidiaries</b> |               |               |
| Certificated liabilities      | 415           | 458           |
| Money market securities       | 400           | 550           |
| <b>Subtotal</b>               | <b>815</b>    | <b>1,008</b>  |
| <b>Total</b>                  | <b>58,645</b> | <b>57,752</b> |

\*) Includes senior bonds, exchangeable bonds and money market securities issued by Allianz Finance B.V., Allianz Finance II B.V. and Allianz Finance Corporation and guaranteed by Allianz AG.

On February 18, 2005, the Allianz Group issued a senior exchangeable bond, Basket Index Tracking Equity Linked Securities ( BITES ), with a principal amount of 1,262 mn. The redemption value of the BITES is linked to the performance of the DAX Index. The BITES were issued at a DAX reference level of 4,205.115. The Allianz Group will redeem the BITES with shares of BMW AG, Munich Re and/or Siemens AG. The BITES have a term of 3 years, however, the Allianz Group has the right to redeem the BITES at anytime during their term. The holders of the BITES have the right to exchange the BITES during their term at the redemption value. An outperformance premium is paid annually equal to 0.75% of the average DAX Index during the reference period prior to the payment date. Upon redemption of the BITES by the Allianz Group or at maturity, the holders of the BITES receive a redemption premium of 1.75% of the redemption value. The Allianz Group has recorded an embedded derivative related to this transaction in financial liabilities carried at fair value through income of 253 mn as of September 30, 2005.

On March 23, 2005, the Allianz Group repaid in cash a senior exchangeable bond with a face amount of 1,700 mn.

On August 26, 2005, the Allianz Group repaid a senior bond with a face amount of CHF 1,500 mn.

**Table of Contents****16 Financial liabilities carried at fair value through income**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Financial liabilities held for trading                        | 87,084                | 102,141              |
| Financial liabilities for unit linked contracts               | 51,663                | 41,409               |
| Liabilities for puttable equity instruments                   | 2,112                 | 1,386                |
| Financial liabilities designated at fair value through income | 226                   | 201                  |
| <b>Total</b>  | <b>141,085</b>        | <b>145,137</b>       |

Financial liabilities held for trading are comprised of the following:

|                                   | September 30,<br>2005 | December 31,<br>2004 |
|-----------------------------------|-----------------------|----------------------|
|                                   | mn                    | mn                   |
| Obligations to deliver securities | 55,310                | 72,804               |
| Derivative financial instruments  | 23,357                | 23,018               |
| Other trading liabilities         | 8,417                 | 6,319                |
| <b>Total</b>                      | <b>87,084</b>         | <b>102,141</b>       |

**17 Other accrued liabilities**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Reserves for pensions and similar obligations | 5,788                 | 5,738                |
| Accrued taxes                                 | 1,440                 | 1,408                |
| Miscellaneous accrued liabilities             | 6,569                 | 6,838                |
| <b>Total</b>                                  | <b>13,797</b>         | <b>13,984</b>        |

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Of the accrued taxes, 1,304 mn (2004: 1,278 mn) is attributed to taxes on income.

**18 Other liabilities**

|   | September 30,<br>2005 | December 31,<br>2004 |
|---|-----------------------|----------------------|
|   | mn                    | mn                   |
| Funds held under reinsurance business ceded   | 7,541                 | 8,706                |
| Accounts payable on direct insurance business | 7,233                 | 8,199                |
| Accounts payable on reinsurance business      | 1,649                 | 1,694                |
| Other liabilities                             | 12,731                | 12,672               |
| <b>Total</b>                                  | <b>29,154</b>         | <b>31,271</b>        |

**Table of Contents****Supplementary Information to the Consolidated Income Statements****19 Premiums earned (net)**

|   | Property-Casualty |                           |                     | Life/Health  |                           |                     | Total               |
|---|-------------------|---------------------------|---------------------|--------------|---------------------------|---------------------|---------------------|
|   | Segment           | Consolidation adjustments | Group <sup>*)</sup> | Segment      | Consolidation adjustments | Group <sup>*)</sup> | Group <sup>*)</sup> |
|   | mn                | mn                        | mn                  | mn           | mn                        | mn                  | mn                  |
| <b>Three months ended September 30,</b> |                   |                           |                     |              |                           |                     |                     |
| <b>2005</b>                             |                   |                           |                     |              |                           |                     |                     |
| Premiums written                        |                   |                           |                     |              |                           |                     |                     |
| Direct                                  | 9,357             |                           | 9,357               | 4,447        |                           | 4,447               | 13,804              |
| Assumed                                 | 1,115             | (58)                      | 1,057               | 61           |                           | 61                  | 1,118               |
| <b>Subtotal</b>                         | <b>10,472</b>     | <b>(58)</b>               | <b>10,414</b>       | <b>4,508</b> |                           | <b>4,508</b>        | <b>14,922</b>       |
| Ceded                                   | (1,493)           |                           | (1,493)             | (258)        | 58                        | (200)               | (1,693)             |
| <b>Net</b>                              | <b>8,979</b>      | <b>(58)</b>               | <b>8,921</b>        | <b>4,250</b> | <b>58</b>                 | <b>4,308</b>        | <b>13,229</b>       |
| Premiums earned                         |                   |                           |                     |              |                           |                     |                     |
| Direct                                  | 10,285            |                           | 10,285              | 4,406        |                           | 4,406               | 14,691              |
| Assumed                                 | 1,116             | (59)                      | 1,057               | 59           |                           | 59                  | 1,116               |
| <b>Subtotal</b>                         | <b>11,401</b>     | <b>(59)</b>               | <b>11,342</b>       | <b>4,465</b> |                           | <b>4,465</b>        | <b>15,807</b>       |
| Ceded                                   | (1,613)           |                           | (1,613)             | (259)        | 59                        | (200)               | (1,813)             |
| <b>Net</b>                              | <b>9,788</b>      | <b>(59)</b>               | <b>9,729</b>        | <b>4,206</b> | <b>59</b>                 | <b>4,265</b>        | <b>13,994</b>       |
| <b>2004</b>                             |                   |                           |                     |              |                           |                     |                     |
| Premiums written                        |                   |                           |                     |              |                           |                     |                     |
| Direct                                  | 9,351             |                           | 9,351               | 4,391        |                           | 4,391               | 13,742              |
| Assumed                                 | 1,081             | (207)                     | 874                 | 74           | (7)                       | 67                  | 941                 |
| <b>Subtotal</b>                         | <b>10,432</b>     | <b>(207)</b>              | <b>10,225</b>       | <b>4,465</b> | <b>(7)</b>                | <b>4,458</b>        | <b>14,683</b>       |
| Ceded                                   | (1,323)           | 7                         | (1,316)             | (462)        | 207                       | (255)               | (1,571)             |
| <b>Net</b>                              | <b>9,109</b>      | <b>(200)</b>              | <b>8,909</b>        | <b>4,003</b> | <b>200</b>                | <b>4,203</b>        | <b>13,112</b>       |
| Premiums earned                         |                   |                           |                     |              |                           |                     |                     |
| Direct                                  | 10,273            |                           | 10,273              | 4,380        |                           | 4,380               | 14,653              |
| Assumed                                 | 1,084             | (207)                     | 877                 | 74           | (5)                       | 69                  | 946                 |
| <b>Subtotal</b>                         | <b>11,357</b>     | <b>(207)</b>              | <b>11,150</b>       | <b>4,454</b> | <b>(5)</b>                | <b>4,449</b>        | <b>15,599</b>       |
| Ceded                                   | (1,517)           | 5                         | (1,512)             | (464)        | 207                       | (257)               | (1,769)             |
| <b>Net</b>                              | <b>9,840</b>      | <b>(202)</b>              | <b>9,638</b>        | <b>3,990</b> | <b>202</b>                | <b>4,192</b>        | <b>13,830</b>       |

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\*) After elimination of intra-Allianz Group transactions between segments.

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|  | Property-Casualty |                           |                     | Life/Health   |                           |                     | Total               |
|--|-------------------|---------------------------|---------------------|---------------|---------------------------|---------------------|---------------------|
|  | Segment           | Consolidation adjustments | Group <sup>*)</sup> | Segment       | Consolidation adjustments | Group <sup>*)</sup> | Group <sup>*)</sup> |
|  | mn                | mn                        | mn                  | mn            | mn                        | mn                  | mn                  |
| <b>Nine months ended September 30,</b> |                   |                           |                     |               |                           |                     |                     |
| <b>2005</b>                            |                   |                           |                     |               |                           |                     |                     |
| Premiums written                       |                   |                           |                     |               |                           |                     |                     |
| Direct                                 | 31,656            |                           | 31,656              | 14,467        |                           | 14,467              | 46,123              |
| Assumed                                | 2,783             | (171)                     | 2,612               | 176           | (1)                       | 175                 | 2,787               |
| <b>Subtotal</b>                        | <b>34,439</b>     | <b>(171)</b>              | <b>34,268</b>       | <b>14,643</b> | <b>(1)</b>                | <b>14,642</b>       | <b>48,910</b>       |
| Ceded                                  | (4,364)           | 1                         | (4,363)             | (782)         | 171                       | (611)               | (4,974)             |
| <b>Net</b>                             | <b>30,075</b>     | <b>(170)</b>              | <b>29,905</b>       | <b>13,861</b> | <b>170</b>                | <b>14,031</b>       | <b>43,936</b>       |
| Premiums earned                        |                   |                           |                     |               |                           |                     |                     |
| Direct                                 | 29,954            |                           | 29,954              | 14,375        |                           | 14,375              | 44,329              |
| Assumed                                | 2,638             | (169)                     | 2,469               | 175           | (1)                       | 174                 | 2,643               |
| <b>Subtotal</b>                        | <b>32,592</b>     | <b>(169)</b>              | <b>32,423</b>       | <b>14,550</b> | <b>(1)</b>                | <b>14,549</b>       | <b>46,972</b>       |
| Ceded                                  | (4,070)           | 1                         | (4,069)             | (780)         | 169                       | (611)               | (4,680)             |
| <b>Net</b>                             | <b>28,522</b>     | <b>(168)</b>              | <b>28,354</b>       | <b>13,770</b> | <b>168</b>                | <b>13,938</b>       | <b>42,292</b>       |
| <b>2004</b>                            |                   |                           |                     |               |                           |                     |                     |
| Premiums written                       |                   |                           |                     |               |                           |                     |                     |
| Direct                                 | 31,835            |                           | 31,835              | 14,162        |                           | 14,162              | 45,997              |
| Assumed                                | 2,811             | (568)                     | 2,243               | 416           | (12)                      | 404                 | 2,647               |
| <b>Subtotal</b>                        | <b>34,646</b>     | <b>(568)</b>              | <b>34,078</b>       | <b>14,578</b> | <b>(12)</b>               | <b>14,566</b>       | <b>48,644</b>       |
| Ceded                                  | (4,362)           | 12                        | (4,350)             | (1,516)       | 568                       | (948)               | (5,298)             |
| <b>Net</b>                             | <b>30,284</b>     | <b>(556)</b>              | <b>29,728</b>       | <b>13,062</b> | <b>556</b>                | <b>13,618</b>       | <b>43,346</b>       |
| Premiums earned                        |                   |                           |                     |               |                           |                     |                     |
| Direct                                 | 30,149            |                           | 30,149              | 14,106        |                           | 14,106              | 44,255              |
| Assumed                                | 2,756             | (572)                     | 2,184               | 416           | (13)                      | 403                 | 2,587               |
| <b>Subtotal</b>                        | <b>32,905</b>     | <b>(572)</b>              | <b>32,333</b>       | <b>14,522</b> | <b>(13)</b>               | <b>14,509</b>       | <b>46,842</b>       |
| Ceded                                  | (4,078)           | 13                        | (4,065)             | (1,520)       | 572                       | (948)               | (5,013)             |
| <b>Net</b>                             | <b>28,827</b>     | <b>(559)</b>              | <b>28,268</b>       | <b>13,002</b> | <b>559</b>                | <b>13,561</b>       | <b>41,829</b>       |

<sup>\*)</sup> After elimination of intra-Allianz Group transactions between segments.



**Table of Contents****20 Interest and similar income**

|  | Three months ended |              | Nine months ended |               |
|--|--------------------|--------------|-------------------|---------------|
|  | September 30,      |              | September 30,     |               |
|  | 2005               | 2004         | 2005              | 2004          |
|  | mn                 | mn           | mn                | mn            |
| Securities held-to-maturity                  | 66                 | 44           | 192               | 204           |
| Securities available-for-sale                | 2,343              | 2,090        | 7,557             | 6,879         |
| Real estate used by third parties            | 225                | 237          | 770               | 690           |
| Lending, money market transactions and loans | 2,586              | 2,605        | 7,889             | 7,438         |
| Leasing agreements                           | 17                 | 12           | 63                | 35            |
| Other interest-bearing instruments           | 45                 | 193          | 126               | 527           |
| <b>Total</b>                                 | <b>5,282</b>       | <b>5,181</b> | <b>16,597</b>     | <b>15,773</b> |

**Net interest income from the banking segment**

|   | Segment    | Consolidation<br>adjustments | Group <sup>*)</sup> |
|---|------------|------------------------------|---------------------|
|   | mn         | mn                           | mn                  |
| <b>Three months ended September 30, 2005</b>          |            |                              |                     |
| Interest and similar income                           | 1,643      | (10)                         | 1,633               |
| Interest expense                                      | (1,165)    | 19                           | (1,146)             |
| <b>Net interest income</b>                            | <b>478</b> | <b>9</b>                     | <b>487</b>          |
| Loan loss provisions                                  | 129        |                              | 129                 |
| <b>Net interest income after loan loss provisions</b> | <b>607</b> | <b>9</b>                     | <b>616</b>          |
| <b>Three months ended September 30, 2004</b>          |            |                              |                     |
| Interest and similar income                           | 1,751      | (7)                          | 1,744               |
| Interest expense                                      | (1,092)    | 22                           | (1,070)             |
| <b>Net interest income</b>                            | <b>659</b> | <b>15</b>                    | <b>674</b>          |
| Loan loss provisions                                  | (54)       |                              | (54)                |
| <b>Net interest income after loan loss provisions</b> | <b>605</b> | <b>15</b>                    | <b>620</b>          |

<sup>\*)</sup> After elimination of intra-Allianz Group transactions between segments.

|   | Segment      | Consolidation<br>adjustments | Group <sup>*)</sup> |
|---|--------------|------------------------------|---------------------|
|   | mn           | mn                           | mn                  |
| <b>Nine months ended September 30, 2005</b>           |              |                              |                     |
| Interest and similar income                           | 5,100        | (26)                         | 5,074               |
| Interest expense                                      | (3,615)      | 58                           | (3,557)             |
| <b>Net interest income</b>                            | <b>1,485</b> | <b>32</b>                    | <b>1,517</b>        |
| Loan loss provisions                                  | 88           |                              | 88                  |
| <b>Net interest income after loan loss provisions</b> | <b>1,573</b> | <b>32</b>                    | <b>1,605</b>        |
| <b>Nine months ended September 30, 2004</b>           |              |                              |                     |
| Interest and similar income                           | 4,878        | (18)                         | 4,860               |
| Interest expense                                      | (3,162)      | 50                           | (3,112)             |
| <b>Net interest income</b>                            | <b>1,716</b> | <b>32</b>                    | <b>1,748</b>        |
| Loan loss provisions                                  | (271)        |                              | (271)               |
| <b>Net interest income after loan loss provisions</b> | <b>1,445</b> | <b>32</b>                    | <b>1,477</b>        |

\*) After elimination at intra-Allianz Group transactions between segments.

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

|   | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |              |
|---|-------------------------------------|-------------|------------------------------------|--------------|
|   | 2005                                | 2004        | 2005                               | 2004         |
|   | mn                                  | mn          | mn                                 | mn           |
| <b>Income</b>   |                                     |             |                                    |              |
| Current income  | 64                                  | 60          | 211                                | 219          |
| Reversal of impairments   |                                     | 2           |                                    | 2            |
| Realized gains from investments in associated enterprises and joint ventures  | 22                                  | 48          | 810                                | 727          |
| <b>Subtotal</b>   | <b>86</b>                           | <b>110</b>  | <b>1,021</b>                       | <b>948</b>   |
| <b>Expenses</b>   |                                     |             |                                    |              |
| Impairments   |                                     | (32)        | (39)                               | (53)         |
| Realized losses from investments in associated enterprises and joint ventures | (3)                                 | (8)         | (13)                               | (181)        |
| Miscellaneous expenses  | (3)                                 | (2)         | (7)                                | (7)          |
| <b>Subtotal</b>   | <b>(6)</b>                          | <b>(42)</b> | <b>(59)</b>                        | <b>(241)</b> |
| <b>Total</b>  | <b>80</b>                           | <b>68</b>   | <b>962</b>                         | <b>707</b>   |



**Table of Contents****22 Other income from investments**

|  | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2005                                | 2004       | 2005                               | 2004         |
|  | mn                                  | mn         | mn                                 | mn           |
| <b>Realized gains from investments</b>           |                                     |            |                                    |              |
| Securities available-for-sale                    | 874                                 | 699        | 3,196                              | 3,872        |
| Real estate used by third parties                | 132                                 | 72         | 282                                | 183          |
| <b>Subtotal</b>                                  | <b>1,006</b>                        | <b>771</b> | <b>3,478</b>                       | <b>4,055</b> |
| <b>Reversals of impairments from investments</b> |                                     |            |                                    |              |
| Securities held-to-maturity                      |                                     |            | 2                                  |              |
| Securities available-for-sale                    | 2                                   | 15         | 7                                  | 75           |
| Real estate used by third parties                |                                     | (3)        |                                    | 7            |
| <b>Subtotal</b>                                  | <b>2</b>                            | <b>12</b>  | <b>9</b>                           | <b>82</b>    |
| <b>Total</b>                                     | <b>1,008</b>                        | <b>783</b> | <b>3,487</b>                       | <b>4,137</b> |

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

|  | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2005                                | 2004       | 2005                               | 2004         |
|  | mn                                  | mn         | mn                                 | mn           |
| <b>Income from financial assets and liabilities held for trading:</b>                |                                     |            |                                    |              |
| Banking segment <sup>*)</sup>  | 380                                 | 247        | 964                                | 1,160        |
| Other segments <sup>*)</sup>   | 62                                  | 65         | (440)                              | 24           |
| <b>Subtotal</b>  | <b>442</b>                          | <b>312</b> | <b>524</b>                         | <b>1,184</b> |
| Income from financial assets and liabilities designated at fair value through income | 175                                 | 34         | 575                                | 121          |
| <b>Total</b>   | <b>617</b>                          | <b>346</b> | <b>1,099</b>                       | <b>1,305</b> |

<sup>\*)</sup> After elimination of intra-Allianz Group transactions between segments.

Income from financial assets and liabilities held for trading of the Banking segment<sup>\*)</sup> comprises:

|  | Three months ended |            | Nine months ended |              |
|--|--------------------|------------|-------------------|--------------|
|  | September 30,      |            | September 30,     |              |
|  | 2005               | 2004       | 2005              | 2004         |
|  | mn                 | mn         | mn                | mn           |
| Trading in interest products             | 204                | 208        | 359               | 665          |
| Trading in equity products               | 131                | 50         | 126               | 177          |
| Foreign exchange/precious metals trading | 64                 | (8)        | 188               | 101          |
| Other trading activities                 | (19)               | (3)        | 291               | 217          |
| <b>Total</b>                             | <b>380</b>         | <b>247</b> | <b>964</b>        | <b>1,160</b> |

Income from financial assets and liabilities held for trading for the nine months ended September 30, 2005, includes expenses of 465 mn (2004: 288 mn) from derivative financial instruments used by the Property-Casualty and Life/Health insurance segments for which hedge accounting is not applied. This includes expenses from derivative financial instruments embedded in exchangeable bonds of 376 mn (2004: 10 mn), income from derivative financial instruments which economically hedge the exchangeable bonds, however which do not qualify for hedge accounting, of 191 mn (2004: 16 mn) and expenses from other derivative financial instruments of 280 mn (2004: 294 mn).

#### 24 Fee and commission income, and income from service activities

|                                | Three months ended |                   | Nine months ended   |                   |
|--------------------------------|--------------------|-------------------|---------------------|-------------------|
|                                | September 30,      |                   | September 30,       |                   |
|                                | 2005               | 2004              | 2005                | 2004              |
|                                | mn                 | mn                | mn                  | mn                |
| Banking segment <sup>*)</sup>  | 690                | 622               | 2,182               | 2,081             |
| Asset Management <sup>*)</sup> | 939                | 752               | 2,578               | 2,219             |
| Other segments <sup>*)</sup>   | 445 <sub>1)</sub>  | 242 <sub>1)</sub> | 1,229 <sub>2)</sub> | 662 <sub>2)</sub> |
| <b>Total</b>                   | <b>2,074</b>       | <b>1,616</b>      | <b>5,989</b>        | <b>4,962</b>      |

<sup>1)</sup> Includes fee revenue from Four Seasons Health Care Ltd., Wilmslow and Bettercare Group Limited, Kingston upon Thames of 268 mn and mn for the three months ended September 30, 2005 and September 30, 2004, respectively.

<sup>2)</sup> Includes fee revenue from Four Seasons Health Care Ltd., Wilmslow and Bettercare Group Limited, Kingston upon Thames of 419 mn and 39 mn for the nine months ended September 30, 2005 and September 30, 2004, respectively.

<sup>\*)</sup> After elimination of intra-Allianz Group transactions between segments.

**Table of Contents****Net fee and commission income from the Banking segment<sup>(\*)</sup>**

|                                      | <b>Three months ended</b> |             | <b>Nine months ended</b> |              |
|--------------------------------------|---------------------------|-------------|--------------------------|--------------|
|                                      | <b>September 30,</b>      |             | <b>September 30,</b>     |              |
|                                      | <b>2005</b>               | <b>2004</b> | <b>2005</b>              | <b>2004</b>  |
|                                      | <b>mn</b>                 | <b>mn</b>   | <b>mn</b>                | <b>mn</b>    |
| Fee and commission income            | 690                       | 622         | 2,182                    | 2,081        |
| Fee and commission expenses          | (125)                     | (96)        | (373)                    | (312)        |
| <b>Net fee and commission income</b> | <b>565</b>                | <b>526</b>  | <b>1,809</b>             | <b>1,769</b> |

Net fee and commission income from Allianz Group's banking segment<sup>(\*)</sup>, by type of business comprised the following:

|   | <b>Three months ended</b> |             | <b>Nine months ended</b> |              |
|---|---------------------------|-------------|--------------------------|--------------|
|   | <b>September 30,</b>      |             | <b>September 30,</b>     |              |
|   | <b>2005</b>               | <b>2004</b> | <b>2005</b>              | <b>2004</b>  |
|   | <b>mn</b>                 | <b>mn</b>   | <b>mn</b>                | <b>mn</b>    |
| Securities business                         | 262                       | 160         | 819                      | 707          |
| Underwriting business                       | 15                        | 15          | 50                       | 69           |
| Mergers and acquisitions advisory           | 53                        | 33          | 155                      | 123          |
| Foreign commercial business                 | 17                        | 16          | 47                       | 47           |
| Payment transactions (domestic and foreign) | 88                        | 93          | 266                      | 279          |
| Other                                       | 130                       | 209         | 472                      | 544          |
| <b>Net fee and commission income</b>        | <b>565</b>                | <b>526</b>  | <b>1,809</b>             | <b>1,769</b> |

**25 Other income**

|  | <b>Three months ended</b> |             | <b>Nine months ended</b> |             |
|--|---------------------------|-------------|--------------------------|-------------|
|  | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|  | <b>2005</b>               | <b>2004</b> | <b>2005</b>              | <b>2004</b> |
|  | <b>mn</b>                 | <b>mn</b>   | <b>mn</b>                | <b>mn</b>   |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Foreign currency transaction gains              | 60                | (22)              | 457               | 227               |
| Fees  | 94                | 251               | 307               | 525               |
| Release of miscellaneous accrued liabilities    | 46                | 12                | 230               | 108               |
| Income from assets held for disposal            | 7                 |                   | 17                |                   |
| Income from reinsurance business                | 28                | 50                | 95                | 163               |
| Release of allowance for doubtful accounts      | 7                 | 8                 | 50                | 44                |
| Income from other assets                        | 15                |                   | 19                | 19                |
| Realized gains from sales of loans and advances | 20                | 15                | 99                | 4                 |
| Other   | 131               | 364               | 405               | 701               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Total</b>                                    | <b>408</b>        | <b>678</b>        | <b>1,679</b>      | <b>1,791</b>      |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

\*) After elimination of intra-Allianz Group transactions between segments.

**Table of Contents****26 Insurance and investment contract benefits (net)****Property-Casualty**

|                                 | Three months ended September 30, |                           |                     |                |                           |                     | Nine months ended September 30, |                           |                     |                 |                           |                     |
|---------------------------------|----------------------------------|---------------------------|---------------------|----------------|---------------------------|---------------------|---------------------------------|---------------------------|---------------------|-----------------|---------------------------|---------------------|
|                                 | 2005                             |                           |                     | 2004           |                           |                     | 2005                            |                           |                     | 2004            |                           |                     |
|                                 | Segment                          | Consolidation adjustments | Group <sup>*)</sup> | Segment        | Consolidation adjustments | Group <sup>*)</sup> | Segment                         | Consolidation adjustments | Group <sup>*)</sup> | Segment         | Consolidation adjustments | Group <sup>*)</sup> |
|                                 | mn                               | mn                        | mn                  | mn             | mn                        | mn                  | mn                              | mn                        | mn                  | mn              | mn                        | mn                  |
| <b>GROSS</b>                    |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| <b>Claims</b>                   |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Claims paid                     | (6,421)                          | 82                        | (6,339)             | (6,513)        | 159                       | (6,354)             | (19,270)                        | 201                       | (19,069)            | (20,054)        | 461                       | (19,593)            |
| Change in loss reserves         | (2,793)                          | (3)                       | (2,796)             | (796)          | (9)                       | (805)               | (3,520)                         | 1                         | (3,519)             | (1,877)         | 3                         | (1,874)             |
| <b>Subtotal</b>                 | <b>(9,214)</b>                   | <b>79</b>                 | <b>(9,135)</b>      | <b>(7,309)</b> | <b>150</b>                | <b>(7,159)</b>      | <b>(22,790)</b>                 | <b>202</b>                | <b>(22,588)</b>     | <b>(21,931)</b> | <b>464</b>                | <b>(21,467)</b>     |
| <b>Change in other reserves</b> |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Aggregate policy reserves       | (37)                             | (11)                      | (48)                | (221)          | 53                        | (168)               | (125)                           | (46)                      | (171)               | (380)           | 119                       | (261)               |
| Other                           | (8)                              |                           | (8)                 | (59)           | 3                         | (56)                | (22)                            | (1)                       | (23)                | (147)           | 4                         | (143)               |
| <b>Subtotal</b>                 | <b>(45)</b>                      | <b>(11)</b>               | <b>(56)</b>         | <b>(280)</b>   | <b>56</b>                 | <b>(224)</b>        | <b>(147)</b>                    | <b>(47)</b>               | <b>(194)</b>        | <b>(527)</b>    | <b>123</b>                | <b>(404)</b>        |
| Expenses for premium refunds    | (66)                             |                           | (66)                | (72)           | 1                         | (71)                | (308)                           |                           | (308)               | (442)           | 1                         | (441)               |
| <b>Total</b>                    | <b>(9,325)</b>                   | <b>68</b>                 | <b>(9,257)</b>      | <b>(7,661)</b> | <b>207</b>                | <b>(7,454)</b>      | <b>(23,245)</b>                 | <b>155</b>                | <b>(23,090)</b>     | <b>(22,900)</b> | <b>588</b>                | <b>(22,312)</b>     |
| <b>CEDED REINSURANCE</b>        |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| <b>Claims</b>                   |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Claims paid                     | 714                              | (5)                       | 709                 | 672            | (1)                       | 671                 | 2,200                           | (7)                       | 2,193               | 2,219           | (4)                       | 2,215               |
| Change in loss reserves         | 1,369                            | 5                         | 1,374               | 108            | (1)                       | 107                 | 1,133                           | 9                         | 1,142               | 57              |                           | 57                  |
| <b>Subtotal</b>                 | <b>2,083</b>                     |                           | <b>2,083</b>        | <b>780</b>     | <b>(2)</b>                | <b>778</b>          | <b>3,333</b>                    | <b>2</b>                  | <b>3,335</b>        | <b>2,276</b>    | <b>(4)</b>                | <b>2,272</b>        |
| <b>Change in other reserves</b> |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Aggregate policy reserves       | (3)                              |                           | (3)                 | 16             |                           | 16                  | 2                               |                           | 2                   | 21              |                           | 21                  |
| Other                           | (11)                             |                           | (11)                | 1              |                           | 1                   | 1                               |                           | 1                   | 2               |                           | 2                   |
| <b>Subtotal</b>                 | <b>(14)</b>                      |                           | <b>(14)</b>         | <b>17</b>      |                           | <b>17</b>           | <b>3</b>                        |                           | <b>3</b>            | <b>23</b>       |                           | <b>23</b>           |
| Expenses for premium refunds    | 9                                |                           | 9                   | 11             |                           | 11                  | 25                              |                           | 25                  | 26              |                           | 26                  |



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|                                  |                |              |                |                |            |                |                 |              |                 |                 |              |                 |
|----------------------------------|----------------|--------------|----------------|----------------|------------|----------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|
| <b>Total</b>                     | <b>2,078</b>   | <b>2,078</b> | <b>808</b>     | <b>(2)</b>     | <b>806</b> | <b>3,361</b>   | <b>2</b>        | <b>3,363</b> | <b>2,325</b>    | <b>(4)</b>      | <b>2,321</b> |                 |
| <b>NET</b>                       |                |              |                |                |            |                |                 |              |                 |                 |              |                 |
| <b>Claims</b>                    |                |              |                |                |            |                |                 |              |                 |                 |              |                 |
| Claims paid                      | (5,707)        | 77           | (5,630)        | (5,841)        | 158        | (5,683)        | (17,070)        | 194          | (16,876)        | (17,835)        | 457          | (17,378)        |
| Change in loss reserves          | (1,424)        | 2            | (1,422)        | (688)          | (10)       | (698)          | (2,387)         | 10           | (2,377)         | (1,820)         | 3            | (1,817)         |
| <b>Subtotal</b>                  | <b>(7,131)</b> | <b>79</b>    | <b>(7,052)</b> | <b>(6,529)</b> | <b>148</b> | <b>(6,381)</b> | <b>(19,457)</b> | <b>204</b>   | <b>(19,253)</b> | <b>(19,655)</b> | <b>460</b>   | <b>(19,195)</b> |
| <b>Change in other reserves</b>  |                |              |                |                |            |                |                 |              |                 |                 |              |                 |
| <b>Aggregate policy reserves</b> |                |              |                |                |            |                |                 |              |                 |                 |              |                 |
| Aggregate policy reserves        | (40)           | (11)         | (51)           | (205)          | 53         | (152)          | (123)           | (46)         | (169)           | (359)           | 119          | (240)           |
| Other                            | (19)           |              | (19)           | (58)           | 3          | (55)           | (21)            | (1)          | (22)            | (145)           | 4            | (141)           |
| <b>Subtotal</b>                  | <b>(59)</b>    | <b>(11)</b>  | <b>(70)</b>    | <b>(263)</b>   | <b>56</b>  | <b>(207)</b>   | <b>(144)</b>    | <b>(47)</b>  | <b>(191)</b>    | <b>(504)</b>    | <b>123</b>   | <b>(381)</b>    |
| Expenses for premium refunds     | (57)           |              | (57)           | (61)           | 1          | (60)           | (283)           |              | (283)           | (416)           | 1            | (415)           |
| <b>Total</b>                     | <b>(7,247)</b> | <b>68</b>    | <b>(7,179)</b> | <b>(6,853)</b> | <b>205</b> | <b>(6,648)</b> | <b>(19,884)</b> | <b>157</b>   | <b>(19,727)</b> | <b>(20,575)</b> | <b>584</b>   | <b>(19,991)</b> |

\*) After elimination of intra-Allianz Group transactions between segments.

**Table of Contents****Life/Health**

|                              | Three months ended September 30, |                           |                     |                |                           |                     | Nine months ended September 30, |                           |                     |                 |                           |                     |
|------------------------------|----------------------------------|---------------------------|---------------------|----------------|---------------------------|---------------------|---------------------------------|---------------------------|---------------------|-----------------|---------------------------|---------------------|
|                              | 2005                             |                           |                     | 2004           |                           |                     | 2005                            |                           |                     | 2004            |                           |                     |
|                              | Segment                          | Consolidation adjustments | Group <sup>*)</sup> | Segment        | Consolidation adjustments | Group <sup>*)</sup> | Segment                         | Consolidation adjustments | Group <sup>*)</sup> | Segment         | Consolidation adjustments | Group <sup>*)</sup> |
|                              | mn                               | mn                        | mn                  | mn             | mn                        | mn                  | mn                              | mn                        | mn                  | mn              | mn                        | mn                  |
| <b>GROSS</b>                 |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Benefits paid                | (4,125)                          | 5                         | (4,120)             | (3,940)        | 2                         | (3,938)             | (13,413)                        | 7                         | (13,406)            | (13,047)        | 4                         | (13,043)            |
| <b>Change in reserves</b>    |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Aggregate policy reserves    | (1,297)                          |                           | (1,297)             | (1,320)        |                           | (1,320)             | (3,470)                         |                           | (3,470)             | (3,253)         |                           | (3,253)             |
| Other                        | 138                              | (5)                       | 133                 | (41)           | (1)                       | (42)                | 168                             | (9)                       | 159                 | (112)           | (1)                       | (113)               |
| <b>Subtotal</b>              | <b>(5,284)</b>                   |                           | <b>(5,284)</b>      | <b>(5,301)</b> | <b>1</b>                  | <b>(5,300)</b>      | <b>(16,715)</b>                 | <b>(2)</b>                | <b>(16,717)</b>     | <b>(16,412)</b> | <b>3</b>                  | <b>(16,409)</b>     |
| Expenses for premium refunds | (1,106)                          |                           | (1,106)             | (532)          |                           | (532)               | (4,410)                         | (25)                      | (4,435)             | (3,252)         |                           | (3,252)             |
| <b>Total</b>                 | <b>(6,390)</b>                   |                           | <b>(6,390)</b>      | <b>(5,833)</b> | <b>1</b>                  | <b>(5,832)</b>      | <b>(21,125)</b>                 | <b>(27)</b>               | <b>(21,152)</b>     | <b>(19,664)</b> | <b>3</b>                  | <b>(19,661)</b>     |
| <b>CEDED REINSURANCE</b>     |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Benefits paid                | 264                              | (81)                      | 183                 | 352            | (159)                     | 193                 | 821                             | (200)                     | 621                 | 1,226           | (461)                     | 765                 |
| <b>Change in reserves</b>    |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Aggregate policy reserves    | 37                               | 11                        | 48                  | 100            | (53)                      | 47                  | (10)                            | 46                        | 36                  | 147             | (119)                     | 28                  |
| Other                        | (45)                             | 2                         | (43)                | (87)           | 6                         | (81)                | 13                              | (1)                       | 12                  | (4)             | (6)                       | (10)                |
| <b>Subtotal</b>              | <b>256</b>                       | <b>(68)</b>               | <b>188</b>          | <b>365</b>     | <b>(206)</b>              | <b>159</b>          | <b>824</b>                      | <b>(155)</b>              | <b>669</b>          | <b>1,369</b>    | <b>(586)</b>              | <b>783</b>          |
| Expenses for premium refunds | 6                                |                           | 6                   | 3              |                           | 3                   | 16                              |                           | 16                  | 10              | (1)                       | 9                   |
| <b>Total</b>                 | <b>262</b>                       | <b>(68)</b>               | <b>194</b>          | <b>368</b>     | <b>(206)</b>              | <b>162</b>          | <b>840</b>                      | <b>(155)</b>              | <b>685</b>          | <b>1,379</b>    | <b>(587)</b>              | <b>792</b>          |
| <b>NET</b>                   |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Benefits paid                | (3,861)                          | (76)                      | (3,937)             | (3,588)        | (157)                     | (3,745)             | (12,592)                        | (193)                     | (12,785)            | (11,821)        | (457)                     | (12,278)            |
| <b>Change in reserves</b>    |                                  |                           |                     |                |                           |                     |                                 |                           |                     |                 |                           |                     |
| Aggregate policy reserves    | (1,260)                          | 11                        | (1,249)             | (1,220)        | (53)                      | (1,273)             | (3,480)                         | 46                        | (3,434)             | (3,106)         | (119)                     | (3,225)             |
| Other                        | 93                               | (3)                       | 90                  | (128)          | 5                         | (123)               | 181                             | (10)                      | 171                 | (116)           | (7)                       | (123)               |
| <b>Subtotal</b>              | <b>(5,028)</b>                   | <b>(68)</b>               | <b>(5,096)</b>      | <b>(4,936)</b> | <b>(205)</b>              | <b>(5,141)</b>      | <b>(15,891)</b>                 | <b>(157)</b>              | <b>(16,048)</b>     | <b>(15,043)</b> | <b>(583)</b>              | <b>(15,626)</b>     |
| Expenses for premium refunds | (1,100)                          |                           | (1,100)             | (529)          |                           | (529)               | (4,394)                         | (25)                      | (4,419)             | (3,242)         | (1)                       | (3,243)             |

|              |                |             |                |                |              |                |                 |              |                 |                 |              |                 |
|--------------|----------------|-------------|----------------|----------------|--------------|----------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|
| <b>Total</b> | <b>(6,128)</b> | <b>(68)</b> | <b>(6,196)</b> | <b>(5,465)</b> | <b>(205)</b> | <b>(5,670)</b> | <b>(20,285)</b> | <b>(182)</b> | <b>(20,467)</b> | <b>(18,285)</b> | <b>(584)</b> | <b>(18,869)</b> |
|--------------|----------------|-------------|----------------|----------------|--------------|----------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|

\*) After elimination of intra-Allianz Group transactions between segments.

**Table of Contents****27 Interest and similar expenses**

|                          | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                |
|--------------------------|-------------------------------------|----------------|------------------------------------|----------------|
|                          | 2005                                | 2004           | 2005                               | 2004           |
|                          | mn                                  | mn             | mn                                 | mn             |
| Deposits                 | (718)                               | (541)          | (1,875)                            | (1,604)        |
| Certificated liabilities | (464)                               | (322)          | (1,544)                            | (912)          |
| <b>Subtotal</b>          | <b>(1,182)</b>                      | <b>(863)</b>   | <b>(3,419)</b>                     | <b>(2,516)</b> |
| Other interest expenses  | (205)                               | (597)          | (1,281)                            | (1,718)        |
| <b>Total</b>             | <b>(1,387)</b>                      | <b>(1,460)</b> | <b>(4,700)</b>                     | <b>(4,234)</b> |

**28 Other expenses from investments**

|   | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |                |
|---|-------------------------------------|--------------|------------------------------------|----------------|
|   | 2005                                | 2004         | 2005                               | 2004           |
|   | mn                                  | mn           | mn                                 | mn             |
| <b>Realized losses from investments</b>           |                                     |              |                                    |                |
| Securities held-to-maturity                       |                                     |              |                                    | (1)            |
| Securities available-for-sale                     | (169)                               | (139)        | (491)                              | (692)          |
| Real estate used by third parties                 | (3)                                 | (13)         | (13)                               | (42)           |
| <b>Subtotal</b>                                   | <b>(172)</b>                        | <b>(152)</b> | <b>(504)</b>                       | <b>(735)</b>   |
| <b>Impairments from investments</b>               |                                     |              |                                    |                |
| Securities held-to-maturity                       | (1)                                 | (1)          | (2)                                | (3)            |
| Securities available-for-sale                     | (88)                                | (302)        | (193)                              | (644)          |
| Real estate used by third parties                 | 15                                  | (134)        | (30)                               | (547)          |
| <b>Subtotal</b>                                   | <b>(74)</b>                         | <b>(437)</b> | <b>(225)</b>                       | <b>(1,194)</b> |
| Depreciation of real estate used by third parties | (64)                                | (62)         | (196)                              | (173)          |
| <b>Total</b>                                      | <b>(310)</b>                        | <b>(651)</b> | <b>(925)</b>                       | <b>(2,102)</b> |

**29 Loan loss provisions**

|  | Three months ended |             | Nine months ended |              |
|--|--------------------|-------------|-------------------|--------------|
|  | September 30,      |             | September 30,     |              |
|  | 2005               | 2004        | 2005              | 2004         |
|  | mn                 | mn          | mn                | mn           |
| Additions to allowances including direct impairments | (59)               | (249)       | (628)             | (1,039)      |
| Amounts released                                     | 147                | 170         | 639               | 664          |
| Recoveries on loans previously impaired              | 44                 | 28          | 77                | 102          |
| <b>Total</b>   | <b>132</b>         | <b>(51)</b> | <b>88</b>         | <b>(273)</b> |

**Table of Contents****30 Acquisition costs and administrative expenses (net)**

|   | 2005           |                              |                | 2004           |                              |                |
|---|----------------|------------------------------|----------------|----------------|------------------------------|----------------|
|   | Segment        | Consolidation<br>adjustments | Group*)        | Segment        | Consolidation<br>Adjustments | Group*)        |
|   | mn             | mn                           | mn             | mn             | mn                           | mn             |
| <b>Three months ended September 30,</b>                               |                |                              |                |                |                              |                |
| <b>PROPERTY-CASUALTY</b>  |                |                              |                |                |                              |                |
| <b>Acquisition costs</b>  |                |                              |                |                |                              |                |
| Payments  | (1,558)        |                              | (1,558)        | (1,612)        |                              | (1,612)        |
| Less commissions and profit received on reinsurance<br>business ceded | 210            |                              | 210            | 198            | (1)                          | 197            |
| Change in deferred acquisition costs                                  | (79)           |                              | (79)           | (21)           |                              | (21)           |
| <b>Total acquisition costs (net)</b>                                  | <b>(1,427)</b> |                              | <b>(1,427)</b> | <b>(1,435)</b> | <b>(1)</b>                   | <b>(1,436)</b> |
| Administrative expenses   | (936)          | 4                            | (932)          | (977)          | 16                           | (961)          |
| <b>Underwriting costs (net)</b>                                       | <b>(2,363)</b> | <b>4</b>                     | <b>(2,359)</b> | <b>(2,412)</b> | <b>15</b>                    | <b>(2,397)</b> |
| Expenses for management of investments                                | (151)          | 7                            | (144)          | (114)          | 6                            | (108)          |
| Expenses from service agreements                                      | (285)          | 5                            | (280)          | (128)          | 2                            | (126)          |
| <b>Total acquisition costs and administrative expenses<br/>(net)</b>  | <b>(2,799)</b> | <b>16</b>                    | <b>(2,783)</b> | <b>(2,654)</b> | <b>23</b>                    | <b>(2,631)</b> |
| <b>LIFE/HEALTH</b>  |                |                              |                |                |                              |                |
| <b>Acquisition costs</b>  |                |                              |                |                |                              |                |
| Payments  | (911)          |                              | (911)          | (1,031)        |                              | (1,031)        |
| Less commissions and profit received on reinsurance<br>business ceded | 27             | (4)                          | 23             | 27             | (16)                         | 11             |
| Change in deferred acquisition costs                                  | 285            |                              | 285            | 292            |                              | 292            |
| <b>Total acquisition costs (net)</b>                                  | <b>(599)</b>   | <b>(4)</b>                   | <b>(603)</b>   | <b>(712)</b>   | <b>(16)</b>                  | <b>(728)</b>   |
| Administrative expenses   | (322)          |                              | (322)          | (342)          | 1                            | (341)          |
| <b>Underwriting costs (net)</b>                                       | <b>(921)</b>   | <b>(4)</b>                   | <b>(925)</b>   | <b>(1,054)</b> | <b>(15)</b>                  | <b>(1,069)</b> |
| Expenses for management of investments                                | (123)          | 38                           | (85)           | (115)          | 31                           | (84)           |
| Expenses from service agreements                                      | (33)           | 7                            | (26)           | (30)           | (7)                          | (37)           |
| <b>Total acquisition costs and administrative expenses<br/>(net)</b>  | <b>(1,077)</b> | <b>41</b>                    | <b>(1,036)</b> | <b>(1,199)</b> | <b>9</b>                     | <b>(1,190)</b> |
| <b>BANKING</b>  |                |                              |                |                |                              |                |
| Personnel expenses  | (897)          |                              | (897)          | (803)          |                              | (803)          |
| Operating expenses  | (526)          | 9                            | (517)          | (535)          | 25                           | (510)          |
| Fee and commission expenses   | (135)          | 10                           | (125)          | (102)          | 6                            | (96)           |
| <b>Total acquisition costs and administrative expenses</b>            | <b>(1,558)</b> | <b>19</b>                    | <b>(1,539)</b> | <b>(1,440)</b> | <b>31</b>                    | <b>(1,409)</b> |
| <b>ASSET MANAGEMENT</b>   |                |                              |                |                |                              |                |
| Personnel expenses  | (465)          |                              | (465)          | (357)          |                              | (357)          |

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|  |              |            |              |              |           |              |
|--|--------------|------------|--------------|--------------|-----------|--------------|
| Operating expenses   | (139)        | 5          | (134)        | (69)         | 5         | (64)         |
| Fee and commission expenses                                | (287)        | 103        | (184)        | (231)        | 76        | (155)        |
| <b>Total acquisition costs and administrative expenses</b> | <b>(891)</b> | <b>108</b> | <b>(783)</b> | <b>(657)</b> | <b>81</b> | <b>(576)</b> |

\*) After elimination of intra-Allianz Group transactions between segments.

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|  | 2005           |                           |                     | 2004           |                           |                     |
|--|----------------|---------------------------|---------------------|----------------|---------------------------|---------------------|
|  | Segment        | Consolidation adjustments | Group <sup>*)</sup> | Segment        | Consolidation adjustments | Group <sup>*)</sup> |
|  | mn             | mn                        | mn                  | mn             | mn                        | mn                  |
| <b>PROPERTY-CASUALTY</b>   |                |                           |                     |                |                           |                     |
| Acquisition costs  |                |                           |                     |                |                           |                     |
| Payments   | (5,085)        |                           | (5,085)             | (5,096)        |                           | (5,096)             |
| Less commissions and profit received on reinsurance business ceded | 648            | (1)                       | 647                 | 631            | (2)                       | 629                 |
| Change in deferred acquisition costs                               | 159            |                           | 159                 | 151            | 4                         | 155                 |
| <b>Total acquisition costs (net)</b>                               | <b>(4,278)</b> | <b>(1)</b>                | <b>(4,279)</b>      | <b>(4,314)</b> | <b>2</b>                  | <b>(4,312)</b>      |
| Administrative expenses  | (2,798)        | 32                        | (2,766)             | (2,885)        | 60                        | (2,825)             |
| <b>Underwriting costs (net)</b>                                    | <b>(7,076)</b> | <b>31</b>                 | <b>(7,045)</b>      | <b>(7,199)</b> | <b>62</b>                 | <b>(7,137)</b>      |
| Expenses for management of investments                             | (351)          | 21                        | (330)               | (309)          | 15                        | (294)               |
| Expenses from service agreements                                   | (878)          | 12                        | (866)               | (420)          | 4                         | (416)               |
| <b>Total acquisition costs and administrative expenses (net)</b>   | <b>(8,305)</b> | <b>64</b>                 | <b>(8,241)</b>      | <b>(7,928)</b> | <b>81</b>                 | <b>(7,847)</b>      |
| <b>LIFE/HEALTH</b>   |                |                           |                     |                |                           |                     |
| Acquisition costs  |                |                           |                     |                |                           |                     |
| Payments   | (2,761)        |                           | (2,761)             | (2,879)        |                           | (2,879)             |
| Less commissions and profit received on reinsurance business ceded | 111            | (32)                      | 79                  | 192            | (64)                      | 128                 |
| Change in deferred acquisition costs                               | 1,032          |                           | 1,032               | 728            |                           | 728                 |
| <b>Total acquisition costs (net)</b>                               | <b>(1,618)</b> | <b>(32)</b>               | <b>(1,650)</b>      | <b>(1,959)</b> | <b>(64)</b>               | <b>(2,023)</b>      |
| Administrative expenses  | (992)          | 1                         | (991)               | (941)          | 2                         | (939)               |
| <b>Underwriting costs (net)</b>                                    | <b>(2,610)</b> | <b>(31)</b>               | <b>(2,641)</b>      | <b>(2,900)</b> | <b>(62)</b>               | <b>(2,962)</b>      |
| Expenses for management of investments                             | (350)          | 112                       | (238)               | (342)          | 87                        | (255)               |
| Expenses from service agreements                                   | (95)           | 22                        | (73)                | (89)           | 20                        | (69)                |
| <b>Total acquisition costs and administrative expenses (net)</b>   | <b>(3,055)</b> | <b>103</b>                | <b>(2,952)</b>      | <b>(3,331)</b> | <b>45</b>                 | <b>(3,286)</b>      |
| <b>BANKING</b>   |                |                           |                     |                |                           |                     |
| Personnel expenses   | (2,346)        |                           | (2,346)             | (2,489)        |                           | (2,489)             |
| Operating expenses   | (1,596)        | 51                        | (1,545)             | (1,621)        | 48                        | (1,573)             |
| Fee and commission expenses  | (394)          | 21                        | (373)               | (336)          | 24                        | (312)               |
| <b>Total acquisition costs and administrative expenses</b>         | <b>(4,336)</b> | <b>72</b>                 | <b>(4,264)</b>      | <b>(4,446)</b> | <b>72</b>                 | <b>(4,374)</b>      |
| <b>ASSET MANAGEMENT</b>  |                |                           |                     |                |                           |                     |
| Personnel expenses   | (1,243)        |                           | (1,243)             | (1,078)        |                           | (1,078)             |
| Operating expenses   | (390)          | 18                        | (372)               | (252)          | 13                        | (239)               |
| Fee and commission expenses  | (794)          | 268                       | (526)               | (680)          | 218                       | (462)               |
| <b>Total acquisition costs and administrative expenses</b>         | <b>(2,427)</b> | <b>286</b>                | <b>(2,141)</b>      | <b>(2,010)</b> | <b>231</b>                | <b>(1,779)</b>      |



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\*) After elimination of intra-Allianz Group transactions between segments.

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Acquisition costs and administrative expenses in the Property-Casualty and Life/Health insurance segments include the personnel and operating expenses of the Property-Casualty and Life/Health insurance segments allocated to the functional areas acquisition of insurance policies, administration of insurance policies and management of investments. Other personnel and operating expenses of the Property-Casualty and Life/Health insurance segments are included in insurance and investment contract benefits (net) (claims settlement expenses) and other expenses.

All personnel and operating expenses of the Banking segment are reported under acquisition costs and administrative expenses.

**31 Other expenses**

|  | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |                |
|--|-------------------------------------|--------------|------------------------------------|----------------|
|  | 2005                                | 2004         | 2005                               | 2004           |
|  | mn                                  | mn           | mn                                 | mn             |
| Corporate expenses   | (238)                               | (266)        | (600)                              | (657)          |
| Restructuring charges  | (2)                                 | (6)          | (85)                               | (133)          |
| Foreign currency transaction losses  | (110)                               | 18           | (597)                              | (258)          |
| Expense of transferring or increasing miscellaneous or accrued liabilities               | (136)                               | (62)         | (409)                              | (243)          |
| Bad debt expense   | 4                                   | (16)         | (85)                               | (100)          |
| Fees   | (31)                                | (50)         | (128)                              | (141)          |
| Expenses resulting from reinsurance business   | 7                                   | 1            | (5)                                | (36)           |
| Amortization of intangible assets  | (18)                                | (29)         | (66)                               | (92)           |
| Direct charge to policy reserve  | (16)                                | (21)         | (57)                               | (59)           |
| Amortization of capitalized loyalty bonuses to senior management of PIMCO Group          |                                     | (32)         | (25)                               | (95)           |
| Fire protection tax  | (30)                                | (20)         | (90)                               | (92)           |
| Interest on accumulated policyholder dividends   | (24)                                | (25)         | (75)                               | (78)           |
| Expenses for assistance to victims under joint and several liability and road casualties | (24)                                | (25)         | (78)                               | (77)           |
| Other  | (106)                               | (197)        | (407)                              | (709)          |
| <b>Total</b>   | <b>(724)</b>                        | <b>(730)</b> | <b>(2,707)</b>                     | <b>(2,770)</b> |

**32 Taxes**

|  | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2005                                | 2004 | 2005                               | 2004 |
|  | mn                                  | mn   | mn                                 | mn   |

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|                           |              |              |                |                |
|---------------------------|--------------|--------------|----------------|----------------|
| Current taxes             | (595)        | (372)        | (1,536)        | (1,027)        |
| Deferred taxes            | 78           | (120)        | 29             | (186)          |
| <b>Total income taxes</b> | <b>(517)</b> | <b>(492)</b> | <b>(1,507)</b> | <b>(1,213)</b> |
| Other taxes               | (13)         | (5)          | (34)           | (27)           |
| <b>Total</b>              | <b>(530)</b> | <b>(497)</b> | <b>(1,541)</b> | <b>(1,240)</b> |

**Other Information**

**33 Other information**

**Number of employees**

The Allianz Group had a total of 178,462 (176,501<sup>\*)</sup>) employees as of September 30, 2005. 73,178 (75,667) of these were employed in Germany and 105,284 (100,834<sup>\*)</sup>) in other countries. The number of employees undergoing training decreased by 440 to 4,466.

<sup>\*)</sup> increase of 14,321 reflects changes in scope of consolidation in 2004

**Personnel expenses**

|  | Three months ended |              | Nine months ended |              |
|--|--------------------|--------------|-------------------|--------------|
|  | September 30,      |              | September 30,     |              |
|  | 2005               | 2004         | 2005              | 2004         |
|  | mn                 | mn           | mn                | mn           |
| Salaries and wages                                       | 2,269              | 2,104        | 6,632             | 6,404        |
| Social security contributions and employee assistance    | 374                | 329          | 1,079             | 1,050        |
| Expenses for pensions and other post-retirement benefits | 163                | 124          | 505               | 445          |
| <b>Total</b>   | <b>2,806</b>       | <b>2,557</b> | <b>8,216</b>      | <b>7,899</b> |

**Table of Contents****Earnings per share**

Basic earnings per share is computed by dividing the Allianz Group's consolidated net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the effect of potentially dilutive securities. As of September 30, 2005, 1,175,554 (2004: 1,175,554) participation certificates issued by Allianz AG were outstanding which can potentially be converted to 1,469,443 (2004: 1,469,443) Allianz shares and therefore have a dilutive effect.

The Allianz Group's share-based compensation plans and warrants issued by Allianz AG with potentially dilutive securities of 1,195,053 are included in the calculation of diluted earnings per share for the nine months ended September 30, 2005.

|   | Three months ended<br>September 30,<br><br>2005 | Three months ended<br>September 30,<br><br>2004 | Nine months ended<br>September 30,<br><br>2005 | Nine months ended<br>September 30,<br><br>2004 |
|---|---|---|--|--|
|   | mn  | mn  | mn   | mn   |
| <b>Numerator for basic earnings per share (net income)</b>  | <b>794</b>                                      | <b>468</b>                                      | <b>3,508</b>                                   | <b>1,970</b>                                   |
| Effect of dilutive securities   | 2   | 1   | 2  | 2  |
| <b>Numerator for diluted earnings per share (net income after assumed conversion)</b>   | <b>796</b>                                      | <b>469</b>                                      | <b>3,510</b>                                   | <b>1,972</b>                                   |
| <b>Denominator for basic earnings per share (weighted-average shares excluding treasury shares held by the Allianz Group)</b> | <b>390,716,685</b>                              | <b>366,815,372</b>                              | <b>384,869,124</b>                             | <b>366,792,461</b>                             |
| Potential dilutive securities   | 2,629,010                                       | 1,469,443                                       | 2,664,496                                      | 1,469,443                                      |
| <b>Denominator for diluted earnings per share (weighted-average shares after assumed conversion)</b>                          | <b>393,345,695</b>                              | <b>368,284,815</b>                              | <b>387,533,620</b>                             | <b>368,261,904</b>                             |
| Basic earnings per share  | 2.03  | 1.28  | 9.11   | 5.37   |
| Diluted earnings per share  | 2.02  | 1.27  | 9.06   | 5.35   |

The weighted average number of shares does not include 2,758,450 (2004: 17,926,289) treasury shares held by the Allianz Group for the nine months ended September 30, 2005. The potential settlement of the equity-linked borrowing has not been included in the calculation of diluted earnings per share as it is anti-dilutive.

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### **34 Subsequent events**

#### **Merger of Allianz AG and RAS and conversion to SE**

On September 11, 2005, Allianz AG and Riunione Adriatica di Sicurtà S.p.A. ( RAS ) announced their intention to merge. On October 13, 2005, Consob, the Italian financial markets authority, approved Allianz AG's tender offer document relating to the voluntary offer to purchase all ordinary and savings shares, it does not already own, of RAS. The offer period began on October 20, 2005. The acceptance period will close on November 23 and the payment date is expected for November 30, 2005.

The offer represents a preparatory step of a broad repositioning plan for the Allianz Group and its Italian operations, the general terms of which were approved by the boards of Allianz AG and RAS. The cornerstone of this repositioning plan is the ultimate merger of RAS into Allianz AG, with Allianz AG converting into a European Company (Societas Europaea or SE ). Additionally, RAS will contribute its insurance and other financial services business, with the exception of the participations in certain foreign subsidiaries, to a newly incorporated, wholly owned Italian subsidiary that will continue the corporate name RAS S.p.A. .

Based on full acceptance of the voluntary tender offer, the cost of the entire transaction will be approximately 5.7 billion. However, this amount may vary, depending upon the acceptance rate of the voluntary tender offer and the exchange ratio between Allianz AG shares and RAS ordinary and savings shares, which will be determined in mid-December 2005.

Approximately 2.2 billion, in aggregate, was secured in the third quarter 2005 from equity-based financing and an equity-linked borrowing. In this context, approximately 1.1 billion was placed out of authorized capital without pre-emptive rights and a 1.1 billion equity-linked borrowing was executed with a variable redemption amount linked to the share price of Allianz AG, which can be settled, at the Allianz Group's option, in cash or 10.7 million Allianz AG shares. The remaining amount will be financed through internal funds, as well as hybrid debt and senior debt.

#### **Hurricane Wilma**

As a result of hurricane Wilma in October 2005, the Allianz Group currently estimates its loss, net of reinsurance, at approximately 124 mn. The Allianz Group will continue to monitor this development through the fourth quarter 2005 and may make adjustments to this estimate accordingly.

Munich, November 11, 2005

Allianz Aktiengesellschaft

The Board of Management



**Table of Contents**

Allianz AG

Koeniginstraße 28

D-80802 Munich

Telephone +49 89 38 00 00

Telefax +49 89 34 99 41

[www.allianz.com](http://www.allianz.com)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 15, 2005

ALLIANZ AKTIENGESELLSCHAFT

By       /s/ Dr. Joerg Weber      

Name: Dr. Joerg Weber  
Title: Head of Group Management Reporting

By       /s/ Jonathan Wismer      

Name: Jonathan A. Wismer  
Title: Group Management Reporting