

## Earnings

**Premium income** from the **insurance business** grew 2.8 percent to 85.0 (82.7) billion euros. After adjustment for consolidation and currency effects, growth came to 7.3 percent. In IFRS accounts, which only recognize the risk and cost elements in premiums from investment-oriented products, we increased our revenues 0.4 percent to 63.4 billion euros.

**Operating revenues from the banking business** declined by 10.9 percent to 6.7 billion euros. Adjusted for consolidation and currency effects, the decrease came to only 3.1 percent.

In the **asset management** segment, we increased **investments for third-party investors** in euro accounts by 4 to 565 billion euros. At constant exchange rates, the increase would have amounted to 72 billion euros. The **operating result** grew 48 percent to 733 million euros. Adjusted for currency effects, mainly due to the weaker U.S. dollar with respect to the euro, the operating result would have grown 73 percent to 855 million euros.

**Group investments** generated income of 16.9 billion euros. While current income fell to 15.5 (17.8) billion euros, the balance of realized gains and losses – essentially from the sale of shares in Beiersdorf AG – increased by 1.6 billion euros to 5.7 billion euros. Despite the recovery in the financial markets, the balance of write-ups and write-downs was still clearly negative (3.4 billion euros). Amortization of goodwill increased to 1.4 (1.2) billion euros, mainly due to an unscheduled write-down of 224 million euros on our company in South Korea.

The **claims ratio** in the property and casualty insurance business improved by 6.7 percentage points to 71.5 percent, boosted by our portfolio restructurings and the success of our turnaround programs, and additionally favored by relatively low payouts for major and elementary losses.

Distribution **costs** and administrative expenses came to 22.1 billion euros in 2003 and were thus 2.4 billion euros or 9.7 percent lower than in the previous year, despite higher revenues. In each individual segment, absolute costs were reduced in comparison to the previous year. They amounted to 549 million euros in property and casualty insurance, to 550 million euros in life and health insurance, to 991 million euros in banking and to 173 million euros in the asset management segment.

Earnings before taxes and amortization of goodwill came to 3.9 billion euros, following a loss of 147 million euros in the previous year. The amount of taxes actually paid reached 1,565 (918) million euros. But this was offset by deferred tax assets of 1,435 (1,686) million euros, which resulted in a tax charge of 130 (tax income of 768) million euros. After deduction of minority interest, which increased from 688 million to 782 million euros, we posted **net income** of 1.6 billion euros. Earnings per share amounted to 4.77 (–4.44) euros.

## Financial assets

At the end of the year, the current value of the **Group's investments** was 398.8 billion euros. This figure also includes 86.4 billion euros of investments from banking business. On the whole, Group investments declined by 1.0 percent from the previous year (403.0 billion euros). To reduce the exposure of our earnings to fluctuations in the capital markets we further reduced the equity share of our investments from 19 percent to the current 16.4 percent, despite higher stock market prices.

Outstanding **financial liabilities** of Allianz AG (for further details please refer to page 33 of the Annual Report) totaled 12.9 (15.2) billion euros. The corresponding interest came to 681 million euros in the reporting year. In February 2004 we issued a subordinated bond with a nominal value of 1.5 billion euros. We thereby took advantage of the low interest environment and the high liquidity in the market to refinance short-term by long-term debt at attractive conditions.