results. In addition, net interest income in 2003 was charged by – 365 (– 119) million euros as a result of valuation effects from applying IAS 39.

At the same time, **loan loss provisions** went down very noticeably: at 1.0 billion euros, they were 54.4 percent lower than for the previous year. In spite of the persistently high number of insolvencies in the corporate customer business, we still managed to significantly cut back net additions to loan loss provisions which for the most part relate to Germany. As a result, the ratio of loan loss provisions to net interest income improved significantly, from 58 to 36 percent.

Net fee and commission income decreased by 7.8 percent to 2.5 billion euros as some of our customers were responding to the market development in a reserved manner. At the same time, the **trading income** showed an exceptionally encouraging development, improving by 37.4 percent to 1.5 billion euros. The main boost came from stock trading as well as currencies and interest products.

We reduced **administrative expenses** noticeably to 6.1 (7.3) billion euros thus succeeding in surpassing our cost reduction goals. The savings divide up almost equally between personnel and operating costs. The strong decline in **personnel costs** can be attributed on the one hand to the cutback in employees and on the other hand to the reduction in guaranteed boni. The reduction in **operating costs** is the result of tighter cost controls in all areas. The operating cost-income ratio, which shows the relation of administrative expenses to operating income, indicates the success of these measures: compared to 2002, the ratio improved by 6.4 percentage points to 90.3 percent.

After deducting administrative expenses and loan loss provisions from the operating income, the banking business posted an **operating loss** of 357 (operating loss 1,970) million euros. The positive operating result of 371 million euros in the strategic business was offset by an operating loss from the Institutional Restructuring Unit of 728 million euros. Overall, we managed to significantly improve the operating result even though we failed to meet our original goal of a balanced operating result.

The balance of **other income and expenses** amounted to –1,580 (675) million euros. On the one hand, this item includes write-offs, with 714 million euros relating to write-downs on financial assets. On the other hand, it encompasses restructuring expenses of 892 million euros, with the "Neue Dresdner" program accounting for 380 million euros of this amount.

Taxes generated income of more than 1 billion euros, which was predominantly due to deferred tax assets. In part, these were generated in the reporting year, in part they were due to the capitalization of tax losses carried forward from previous years already written off. As a result of a structured transaction, these are now considered to carry value.

Overall, the banking business reported a **net loss for the year** of 1,279 (net loss 1,358) million euros. This result reveals that – regardless of the progress achieved to date – we must continue to work hard in order to break even. With this goal in mind, the turnaround program "Neue Dresdner" was presented in August 2003. Its aim is to secure the bank's economic basis, ensure a more efficient use of the employed capital and thus grow profitably. A further unavoidable step towards improving earnings are additional cost reductions amounting to 1 billion euros (gross) until 2005; this includes reducing the number of employees by 4,700.

Segment reporting according to the 2003 reporting structure

Below we report the two operating divisions of Allianz Group's banking business for the last time in the old structure. The remaining activities not assigned to either one of these divisions essentially include Corporate Items (including Corporate Investments) of Dresdner Bank, as well as Entenial, which was sold at the beginning of 2004. Together, the remaining activities contributed an **after-tax result** of – 466 (803) million euros. One of the most important positions therein were restructuring expenses of 402 million euros.

We provide an explanation of the new reporting structure further on in this section.

Private & Business Clients

In persistently difficult market conditions, our Private & Business Clients generated **operating income** of 3.2 (3.2) billion euros. **Administrative expenses** were once again significantly reduced by 0.2 to 2.8 billion euros. As at the same time **loan loss provisions** were lowered to 429 (561) million euros, we recorded a slightly positive **operating result**. The balance of other income and expenses amounted to – 262 million euros and contained restructuring expenses of 270 million euros. Overall, the segment Private & Business Clients posted a **loss after taxes** of 173 (loss after taxes 304) million euros.