



Annual Report 2002

| ALLIANZ GROUP | | 2002 | Change from previous year in % | 2001 | 2000 | 1999 | 1998 | 1997 | More details on page |
|--|------|---------|--------------------------------------|---------|---------|---------|------------------|-------------------|----------------------------|
| Earnings | | | | | | | | | |
| Earnings before taxes ¹⁾ | € mn | - 1,214 | - 166.4 | 1,827 | 4,913 | 4,804 | 4,910 | 3,259 | 35 |
| Property/casualty insurance | € mn | 7,554 | 213.6 | 2,409 | 3,899 | 3,639 | 3,747 | 2,560 | 40 |
| Life/health insurance | € mn | - 91 | - 122.1 | 412 | 1,626 | 1,229 | 1,137 | 785 | 56 |
| Banking | € mn | - 1,537 | - 777.1 | 227 | 124 | 56 | | | 66 |
| Asset management | € mn | - 234 | - | - 334 | 45 | 108 | 98 ²⁾ | 112 ²⁾ | 69 |
| Taxes | € mn | 735 | - 12.5 | 840 | - 176 | - 1,513 | - 1,920 | - 1,783 | 130 |
| Minority interest in earnings | € mn | 688 | - 34.1 | 1,044 | - 1,277 | - 974 | - 814 | - 469 | 116 |
| Net income | € mn | - 1,167 | - 171.9 | 1,623 | 3,460 | 2,317 | 2,176 | 1,706 | 35 |
| Total premium income | € bn | 82.6 | 9.9 | 75.1 | 68.7 | 60.6 | 51.0 | 41.9 | 35 |
| Net revenue from banking | € bn | 7.6 | 94.1 | 3.9 | 0.2 | 0.2 | - | - | 36 |
| Net revenue from asset management | € bn | 2.3 | 12.7 | 2.0 | 1.1 | 0.5 | - | - | 35 |
| Balance sheet | | | | | | | | | |
| Investments | € bn | 285 | - 17.4 | 345 | 281 | 271 | 240 | 170 | 108 |
| Trading assets | € bn | 125 | - 2.8 | 128 | - | | - | - | 112 |
| Receivables | € bn | 275 | - 8.7 | 301 | 35 | 31 | 39 | 23 | 110 |
| Shareholders' equity | € bn | 22 | - 31.2 | 32 | 36 | 30 | 25 | 19 | 24 |
| Minority interest in equity | € bn | 8 | - 52.9 | 17 | 16 | 13 | 12 | 8 | 116 |
| Participation certificates, subordinated liabilities | € bn | 14 | 16.1 | 12 | 1 | 1 | 1 | 1 | 116 |
| Insurance provisions | € bn | 306 | 2.1 | 300 | 285 | 268 | 238 | 172 | 117 |
| Liabilities | € bn | 285 | - 9.0 | 313 | 15 | 14 | 16 | 3 | 119 ff. |
| Balance sheet total | € bn | 852 | - 9.6 | 943 | 440 | 411 | 364 | 252 | 84 |
| Return | | | | | | | | | |
| Return on equity after taxes | % | - 4.4 | - 190.5 | 4.8 | 10.6 | 8.5 | 9.8 | 8.8 | |
| Return on equity before amortization of goodwill | % | 0.0 | - 100.3 | 7.2 | 12.1 | 10.2 | 10.9 | 9.6 | |
| Per share | | | | | | | | | |
| Earnings per share | € | - 4.81 | - 172.1 | 6.66 | 14.10 | 9.46 | 8.97 | 7.30 | 20 |
| Earnings per share before amortization of goodwill | € | - 0.02 | - 100.2 | 9.98 | 16.12 | 11.44 | 9.99 | 7.96 | 22 |
| Dividend per share | € | 1.50 | - | 1.50 | 1.50 | 1.25 | 1.12 | 0.97 | 21 |
| Dividend payment | € mn | 374 | 2.6 | 364 | 369 | 307 | 276 | 224 | |
| Share price at year-end | € | 91 | - 65.9 | 266 | 399 | 334 | 316 | 238 | 20 |
| Market capitalization at year-end | € bn | 22.0 | - 65.7 | 64.2 | 98.0 | 81.8 | 77.6 | 54.8 | 20 |
| Other | | | | | | | | | |
| Employees | | 181,651 | 0.9 | 179,946 | 119,683 | 113,472 | 105,676 | 76,951 | 79 |
| Assets under management | € bn | 989 | - 12.1 | 1,126 | 700 | 382 | 343 | 244 | 68 |

¹⁾ 1997 without IAS SIC 12 and SEC adjustment

²⁾ Including banking

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Cover photo

Small cause, big effect. Our cover photo shows a microscopic view of a corroded microvalve on an offshore drilling platform, which caused the shut-down of an entire platform in March 2001, although it only weighs a few milligrams. The Allianz Technical Center identified the cause of the problem.

Allianz at a glance

Allianz is one of the leading global service providers in insurance, banking and asset management. We serve our customers in more than 70 countries. The solidity, service and competence of our Group are backed by the commitment of our approximately 182,000 employees worldwide.

In 2002, we focused our efforts on improving our operating results. But the improvements we made were overshadowed by the development the stock markets, natural catastrophes and the need to bolster our claims reserves in the U.S.. We therefore had to report a loss of just under 1.2 billion euros.

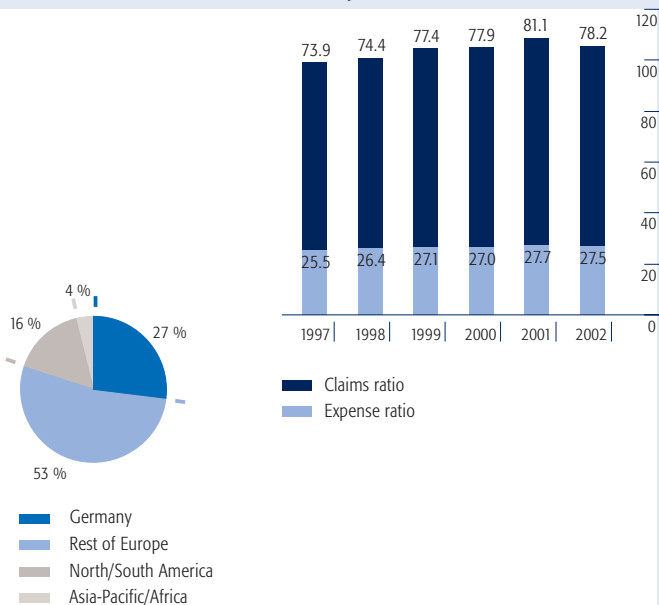
PROPERTY AND CASUALTY INSURANCE

Premium income from property and casualty insurance was up 2.7 percent to 43.3 billion euros. This represented 51.5 percent of total revenues. The combined ratio decreased 3.1 percentage points to 105.7 percent. Net income came to 7.2 billion euros. After restatement to eliminate inter-company transactions, net income amounted to 3.4 billion euros.

LIFE AND HEALTH INSURANCE

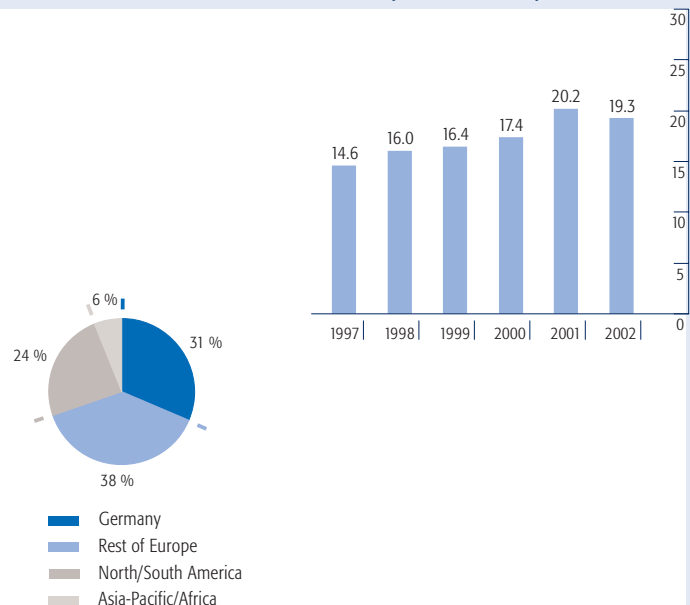
Total life and health insurance revenues increased 18.9 percent to 40.1 billion euros. Almost half of these premiums derived from investment-oriented products, mainly unit-linked life insurance. Despite the state of the capital markets, we were able to increase revenues from these products by 43.3 percent to 19.4 billion euros. We also improved our expense ratio, but investment income declined sharply to 7.4 billion euros, which in turn reduced net income to 19 (229) million euros.

Development of the combined ratio in %



Premium income by regions € 43.3 bn

Development of the expense ratio in %



Premium income by regions € 40.1 bn

In the future, we want to become less dependent on economic trends and the development of the capital markets. More efficient workflows and thus lower costs, an improved claims ratio in the insurance business and the sustained improvement of our performance in the banking business are the foremost priorities of our operating units.

Segment overview

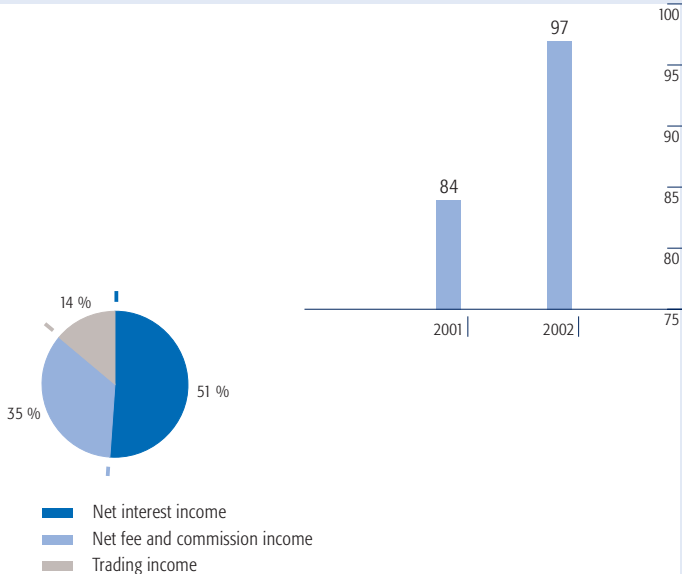
BANKING

The Group's banking business experienced an extremely difficult year. The downturn in the capital markets and a weak, in some countries crisis-prone economy, put a severe strain on our operating business. Loan loss allowances had to be substantially increased, which tangibly depressed earnings. These influences were so acute that the progress achieved in cost management did not yet produce the expected results. Administrative expenses at Dresdner Bank were cut by 12.3 percent. The banking business reported a loss of 1.4 billion euros.

ASSET MANAGEMENT

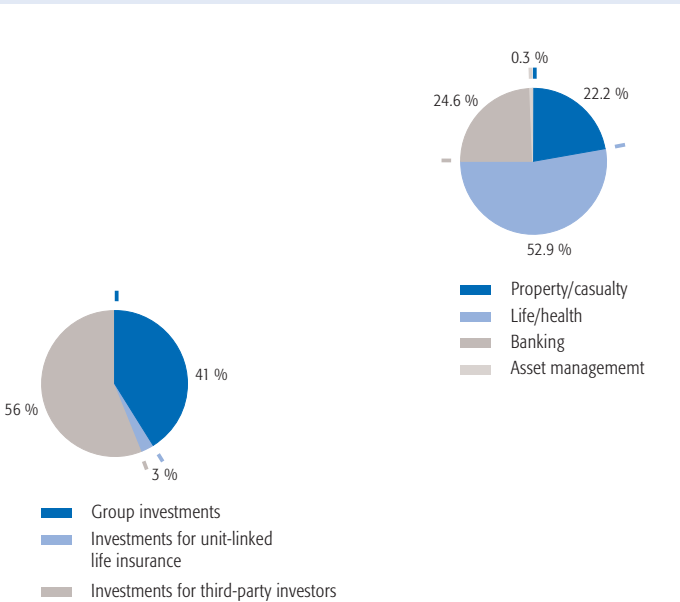
Allianz is one of the five leading asset managers in the world. Net inflow to assets under management for third-party investors reached 43 billion euros. Nonetheless, assets managed for third parties decreased by 59 billion euros or 9.5 percent to 561 billion euros. This was due to falling stock prices and the depreciation of the U.S. dollar against the euro. The operating result amounted to 495 million euros. After deduction of acquisition-related expenses as well as taxes and minority interests, the segment reported a loss as expected of 405 million euros.

Development of the operating cost income ratio in %



Net revenues from banking by category € 7.6 bn

Structure of Group-internal investments by segments € 403 bn



Assets under management € 989 bn



New Shareholder,

In my last letter to you, a little less than a year ago, I made a simple observation: the year 2002 will be, above all, a year of consolidation. I anticipated a year of great uncertainty, but I was still confident that my colleagues on the Board of Management and I would be able to deliver significantly better results than in 2001.

We have clearly missed this objective. For you, the owners of Allianz, 2002 was a bad year. In my 28 years with the company, I have never seen so many major risks materialize in such a short period. The bottom line was a loss of 1.2 billion euros and by year-end, our market capitalization stood at 22 billion euros.

The consolidation phase that I had announced was implemented earnestly and there were initial signs of success: we did cut costs at Dresdner Bank, streamline operations in property and casualty insurance, boost performance in asset management and increase our market share in private and corporate retirement plans. But we did not progress far enough to withstand the many blows that fell on us in 2002: the worldwide economic crisis and the free fall in the stock markets caused us to make significant write-downs in our investment portfolio and further impacted the bank's earnings.

Adding to these factors were threats of war and natural catastrophes of unexpected intensity and scale. Finally, we had to re-evaluate our exposure to asbestos-related and environmental risks in the U.S., leading us to increase the reserves related to these risks.

Have the risks in a highly integrated and complex world become so overwhelming that they threaten to undermine our business? Are forces of nature and market fluctuations hurting our ability to make decisions? As justified as such questions may appear in the face of turbulent forces of this magnitude and their mutually reinforcing effects, my answer is an unequivocal no. Let me remind you of the words of the British philosopher Isaiah Berlin, who cautioned against looking at history as “a highway with no exits”. He wrote, “Our margin of decision is not very big. Let’s say, one percent. But it is this one percent that matters.”

That is the lesson we have learned in 2002. It was an extraordinarily bad year, without doubt. But we did not waste it, because we used what margin we had to make the hard decisions necessary to restore our business to sustained profitability.

It is time to return to simple but vital and proven principles. Consistently applied, these are the principles that create true value. We have three primary objectives. In property and casualty insurance, we want to reduce the combined ratio (which measures claims and expenses as a percentage of premiums earned) to under 100 percent in 2003. That way, the profitability of this business will become increasingly independent of the capital markets. In banking, we want to control costs and structure our business model in such a way as to improve our earnings, even if the capital markets remain difficult over a prolonged period. Finally, our private retirement plans and asset management business should cater to the needs of customers at every stage of their life and in any market environment.

The implementation of these measures already began in 2002. We have initiated turnaround programs and we are making sure that they are implemented rigorously and without delay. We cut costs, discontinued unprofitable lines of business and changed management wherever necessary. Rates were adjusted to reflect the new risk dimensions, and risk management was further improved. We have become leaner and faster but at the same time we are growing, especially in the areas of life insurance and asset management, and in the region of Asia and central and eastern Europe.

In other words, we would have a satisfactory answer if you as the shareholder were to ask, “What is going to happen to Allianz if the economy and the capital markets also fail to recover in 2003?”. We are prepared for all market situations and expect better results, even if markets continue to be weak and the economy remains flat. For you, the shareholders, that is important to know in these uncertain times.

That is our program, which we announced in the fall of 2002 as “Back to basics”. This principle also applies in another, broader sense. The end of the “everything is do-able” era has fostered a return to traditional values such as integrity, sense of responsibility and fairness. Basic notions of corporate ethics have now achieved the breakthrough that I would have expected much earlier. Concepts such as sustainability, corporate citizenship and corporate governance have turned from slogans into reality. They will – I hope – also withstand the next upswing in the economy and become permanent underpinnings of corporate behavior. That is why we have decided to distribute, together with this Annual Report, the corporate responsibility magazine of the Allianz Group. We thereby affirm our conviction that business responsibility cannot be separated from community and social considerations and ecological concerns.

This is my last letter to you, dear shareholders, in my capacity as Chairman of the Board of Management. By the time you read it, you will already know that after the end of our Annual General Meeting 2003 my colleague Michael Diekmann will lead your company as the ninth Chairman in the 112-year history of Allianz. Quite apart from my personal plans, I consider this to be the right moment for a change of generations at the helm of Allianz. By virtue of age, experience and capabilities, Mr. Diekmann is predestined to shape the fate of the company for many years to come. In meeting this challenge, he can count on the support of a Board with a solid track record of efficient team work in a climate of mutual trust.

How eventful these last eleven and half years have been! And how quickly they have passed. In my first letter to you, which I wrote in 1992, I said that we were about to return to sober reality. It almost seems as if every ten years a new force reshapes the destiny of your company. It is good to know that the new Chairman will tackle the challenges ahead of him with an open mind and new energy. If you wish, I will be pleased to serve on the Supervisory Board of your company. But my time as the helmsman of Allianz is over. Mr. Diekmann is free to set the course that he deems best.

I thank you, our shareholders, for your trust and your patience. The past year has put you through a tough test. As I have explained, it will remain an exceptional year in the history of your company. That is why we propose to distribute a dividend in the same amount as last year. My sincere thanks also go to the approximately 182,000 employees of this company, as well as our agents and cooperation partners. In a very difficult year, they have shown their full capabilities.

Your company, Allianz, has rarely experienced a year as challenging as 2002. Given the difficult environment, it may take some time to regain our former strength. But I am confident that we will succeed. Your company will emerge from the consolidation of the financial services sector with renewed vigor and strategically in an even stronger position. And once again it will create the lasting value that you, as an investor, have every right to expect.

Yours sincerely
Henning Schulte-Noelle

Dr. Henning Schulte-Noelle
Chairman of the Board of Management

Ladies and Gentlemen,

In the course of the year 2002, the members of the Supervisory Board dealt in depth with the situation of the company against the background of a difficult economic environment. We advised the Board of Management with respect to the management of the company, oversaw its conduct of business and were directly involved in decisions of fundamental importance.

The Supervisory Board held five meetings during the reporting period. Between meetings, the Board of Management informed us in writing on important matters. In addition, the Chairman of the Supervisory Board was kept up to date on major developments and decisions.

The Board of Management regularly provided us with timely, detailed information on matters involving strategy, corporate planning and business developments as well as on the economic situation of the Group, including its risk exposure and risk management. We discussed deviations from plans and targets.

Development and integration of Dresdner Bank The performance of Dresdner Bank and its integration into the Allianz Group was one of our key concerns. The Board of Management had included these issues in its agenda of urgent priorities for fiscal 2002.

We devoted special attention to the precarious earnings situation of Dresdner Bank and received special reports on developments in the recent past as well as on the “Corporates & Markets” division. In order to increase the earning power of Dresdner Bank, management has adopted a series of far-reaching cost reduction measures, which have already started to produce positive effects. We will monitor the progress of Dresdner Bank’s “Turnaround 2003” program very attentively to ensure rigorous implementation. This program is expected to contribute significantly to a return to profitability.

The members of the Supervisory Board regularly had occasion to form an impression as to the current status of integration measures. At various meetings, we were also able to ascertain that the process of integration is proceeding on schedule. Among other things, we received reports on the status of asset management activities regrouped under the roof of Allianz Dresdner Asset Management GmbH, and we were briefed on the progress of the merger of the building and loan associations of the two companies.

Other topics of discussion At our meetings, the Board of Management informed us on the development of Group revenues and earnings, the performance of the business segments and the overall financial situation. Positive performance in the insurance area, especially with respect to life and healthcare insurance, was overshadowed by substantial charges. In particular, the dramatic deterioration of prices on the equity markets and major sources of claims such as the severe flooding in central Europe had a negative impact on the business. We dealt in depth with cases of insolvency on the part of non-affiliated companies that affect the Group’s credit and investment portfolios or the credit and surety insurance activities.

The terrorist attack of September 11, 2001, which resulted in a net payout in the amount of approximately 1.5 billion euros for the Allianz Group alone, provided an occasion to address the feasibility of insuring such risks in the future. In this context, we discussed the creation of a special insurance company for terrorist risks located in Luxembourg, which is jointly owned by Allianz and other internationally active direct insurers and reinsurers. In Germany, Allianz also holds an interest in Extremus Versicherungs-AG, which was created with the support of the Federal Government.

The Supervisory Board received a general presentation on the subject of changes in company retirement plans, which, among other things, included the introduction of pension funds as a new insurance model in this area. This opens up very interesting business potential for Allianz.

We received an overview of the Mondial Assistance Group, which handles the travel insurance and assistance services activities of the Allianz Group. In addition, we approved the Board of Management’s decision to relaunch the stock purchase plan for employees of the Allianz Group in 2002. This plan was made available to employees in 24 countries.



Corporate Governance and Declaration of Compliance The German Corporate Governance Code sets standards for proper and responsible corporate management and supervision. The majority of the recommendations contained in the code were already part of everyday practice for Allianz before the code went into effect. The Supervisory Board has formed a work group to deal with the implementation of recommendations covering the activities of the Supervisory Board. The Standing Committee and the board itself regularly received reports on the work of this group. At the meeting of the Supervisory Board held on September 18, 2002, we recognized the principles embodied in the recommendations of the German Corporate Governance Code. We then revised our procedural rules to incorporate the recommendations. In this context, we formed an Audit Committee, the members of which are Dr. Klaus Liesen (Chairman), Dr. Diethart Breipohl, Dr. Gerhard Cromme, Prof. Dr. Rudolf Hickel and Horst Meyer. We discussed in depth the ramifications of the new U.S. corporate governance legislation

(Sarbanes-Oxley Act) for the Allianz Group. Finally, the reporting obligations of the Board of Management vis-à-vis the Supervisory Board were specified.

The Board of Management and the Supervisory Board signed the first Declaration of Compliance with the German Corporate Governance Code on December 17 and December 18, 2002 respectively. This statement confirms that Allianz Aktiengesellschaft complies with all recommendations contained in the code. More detailed information on corporate governance within the Allianz Group can be found on pages 8 to 11 of the present Annual Report as well as on the Internet at www.allianzgroup.com/corporate-governance.

Activities of the committees The members of the Supervisory Board formed a Standing Committee, a Personnel Committee and an Audit Committee as well as a Mediation Committee as called for by the German Codetermination Act. These committees do preliminary work on topics to be dealt with by the Supervisory Board as a whole to provide the board with decision-making information. In certain cases, the Supervisory Board has also given these committees decision-making authority. The names of the current members of the various committees can be found in the table to the left.

At its four meetings held in the course of the year, the Standing Committee addressed primarily corporate governance issues and the commissioning of the independent auditors to audit the financial statements. The Personnel Committee, which deals with matters involving the compensation and benefits of members of the Board of Management, met six times. There was no need for the Mediation Committee to convene.

The Audit Committee was created in September 2002. This committee provides the Supervisory Board with the information required to adopt the annual accounts, approve

the consolidated financial statements and appoint the independent auditors. In addition, this committee audits the quarterly interim reports and the independence of the auditors. And, finally, it will in the future commission the independent auditors and determine the priorities of the audit. The newly created Audit Committee met once in the course of 2002. At this meeting, the committee adopted its procedural rules and dealt primarily with the interim report for third-quarter 2002. Following the end of fiscal 2002, the committee worked on the documents for the annual financial statements of the parent company and the group, examined the risk monitoring system and discussed the auditors' report with the auditors.

Annual accounts and consolidated financial statements KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of Allianz AG and the Allianz Group as well as the respective

Committees of the Supervisory Board of Allianz AG

CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Klaus Liesen

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Frank Ley

Dr. Bernd W. Voss

AUDIT COMMITTEE

Dr. Klaus Liesen

Dr. Diethart Breipohl

Dr. Gerhard Cromme

Prof. Dr. Rudolf Hickel

Horst Meyer

PERSONNEL COMMITTEE

Dr. Klaus Liesen

Frank Ley

Dr. Bernd W. Voss

STANDING COMMITTEE

Dr. Klaus Liesen

Frank Ley

Dr. Bernd W. Voss

Dr. Manfred Schneider

Norbert Blix

MEDIATION COMMITTEE

Dr. Klaus Liesen

Frank Ley

Dr. Gerhard Cromme

Prof. Dr. Rudolf Hickel

management reports and issued their certification without any reservations. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The independent auditors have confirmed that the consolidated financial statements and the management report meet the conditions required to exempt the company from its obligation to prepare consolidated financial statements in accordance with German law.

The financial statements and the auditor's reports submitted by KPMG were made available to all members of the Supervisory Board in due time. These documents were discussed in depth by the Audit Committee on March 17, 2003, as well as by the Supervisory Board at a meeting held for this purpose on March 19, 2003. The independent auditors participated in these discussions. They presented the results of the audits and were available to provide supplementary information.

On the basis of our own review of the financial statements of Allianz AG and the Allianz Group and the corresponding reports of management, we concurred with the findings of the audit by KPMG and approved the financial statements of Allianz AG and the Allianz Group prepared by the Board of Management. The Supervisory Board hereby adopts the individual accounts. We consent to the appropriation of earnings as proposed by the Board of Management.

Members of the Supervisory Board and the Board of Management The Annual General Meeting of June 12, 2002, appointed Dr. Gerhard Cromme and Dr. Bernd W. Voss to the Supervisory Board as representatives of the shareholders. Dr. Cromme had already been appointed by the courts to succeed Dr. Karl-Hermann Baumann on the Supervisory Board. Dr. Voss succeeded Dr. Alfons Titzrath, who resigned from the Supervisory Board before the end of his term, as did Dr. Albrecht Schmidt. Dr. Uwe Haasen, who was appointed as replacement member, has become a full member of the Supervisory Board.

We have expressed our appreciation to the former members of the Supervisory Board members for their valuable contribution to our work.

The period of office of the present Supervisory Board will end as of the Annual General Meeting on April 29, 2003.

It was with regret that we learned of Dr. Henning Schulte-Noelle's decision to resign from the Board of Management and his chairmanship with effect as of the end of the Annual General Meeting on April 29, 2003. Dr. Schulte-Noelle headed our company for more than 11 years and during that time maintained a record of outstanding achievement. We have expressed our appreciation to Dr. Schulte-Noelle for his successful performance and his trust and cooperation. We propose the upcoming Annual General Meeting elect Dr. Schulte-Noelle to the Supervisory Board.

We appointed Michael Diekmann to succeed Dr. Schulte-Noelle as Chairman of the Board of Management with effect as of the end of the Annual General Meeting of April 29, 2003. Mr. Diekmann has been a member of the Board of Management since 1998 and was last in charge of "Americas/Group Human Resources". Mr. Diekmann has in the past distinguished himself through outstanding performance in all positions he has held. We are convinced that under the chairmanship of Mr. Diekmann the Board of Management will continue to function as a well-coordinated, effective team after the departure of Dr. Schulte-Noelle and will in every way be capable of mastering present and future challenges.

In connection with his intended departure from the Board of Management of Dresdner Bank, Professor Dr. Bernd Fahrholz has asked us to release him prematurely from his mandate on the Allianz Board of Management; the Supervisory Board has acceded to his request. Previously, we had already approved the request of Mr. Leonhard H. Fischer to end his mandate as member of the Board of Management before its expiration. We have expressed our gratitude to Professor Dr. Fahrholz and to Mr. Fischer for their dedicated work in a difficult market context.

The Supervisory Board has appointed Dr. Herbert Walter as member of the Board of Management with immediate effect. As successor of Professor Dr. Fahrholz he will head the "Allianz Dresdner Banking" division. Another new appointment to the Board of Management is Mr. Jan R. Carendi who will assume responsibility for the North and South America region effective as of May 1, 2003.

In our capacity as members of the Supervisory Board, we would like to take this opportunity to thank all employees of our Group companies for their contribution in the course of the year under review.

Munich, March 19, 2003

For the Supervisory Board



Dr. Klaus Liesen
Chairman

Supervisory Board

- DR. KLAUS LIESEN** Chairman of the Supervisory Board E.ON AG
Chairman
- FRANK LEY** Employee, Allianz Lebensversicherungs-AG
Deputy Chairman
- DR. BERND W. VOSS** Member of the Supervisory Board Dresdner Bank AG
Deputy Chairman, since June 13, 2002
- NORBERT BLIX** Employee, Allianz Versicherungs-AG
- DR. DIETHART BREIPOHL** Former member of the Board of Management Allianz AG
- BERTRAND COLLOMB** Président Directeur Général Lafarge
- DR. GERHARD CROMME** Chairman of the Supervisory Board ThyssenKrupp AG
- JÜRGEN DORMANN** Chairman of the Supervisory Board Aventis S. A.
- HINRICH FEDDERSEN** Member of the Federal Steering Committee ver.di – Vereinte Dienstleistungsgewerkschaft
- DR. UWE HAASEN** Former member of the Board of Management Allianz AG
since June 13, 2002
- PETER HAIMERL** Employee, Dresdner Bank AG
- PROFESSOR DR. RUDOLF HICKEL** Professor of finance
- HORST MEYER** Employee, Hermes Kreditversicherungs-AG
- UWE PLUCINSKI** Employee, Dresdner Bank AG
- REINHOLD POHL** Employee, Allianz Immobilien GmbH
- ROSWITHA SCHIEMANN** Branch Manager, Allianz Versicherungs-AG
- DR. ALBRECHT SCHMIDT** Chairman of the Supervisory Board Bayerische Hypo- und Vereinsbank AG
until June 12, 2002
- DR. MANFRED SCHNEIDER** Chairman of the Supervisory Board Bayer AG
- DR. HERMANN SCHOLL** Managing Director Robert Bosch GmbH
- JÜRGEN E. SCHREMPF** Chairman of the Board of Management DaimlerChrysler AG
- JÖRG THAU** Employee, Allianz Private Krankenversicherungs-AG
- DR. ALFONS TITZRATH** Former member of the Supervisory Board Dresdner Bank AG
until June 12, 2002

Board of Management

- DR. HENNING SCHULTE-NOELLE**
Chairman of the Board of Management
- DR. PAUL ACHLEITNER**
Group Finance
- DETLEV BREMKAMP**
Europe II
- JAN R. CARENDI**
Americas
since May 1, 2003
- MICHAEL DIEKMANN**
Americas, Group Human Resources
- DR. JOACHIM FABER**
Allianz Dresdner Asset Management
- DR. BERND FAHRHOLZ**
Allianz Dresdner Banking
until March 25, 2003
- LEONHARD H. FISCHER**
Dresdner Corporates & Markets
until October 31, 2002
- DR. REINER HAGEMANN**
Europe I
Director responsible for Labour Relations
- DR. HORST MÜLLER**
Group Financial Risk Management
- DR. HELMUT PERLET**
Group Controlling, Accounting,
Taxes, Compliance
- DR. GERHARD RUPPRECHT**
Group Information Technology,
Life Insurance Germany
- DR. HERBERT WALTER**
Allianz Dresdner Banking
since March 19, 2003
- DR. WERNER ZEDELIOUS**
Growth Markets

Transparent and efficient Corporate Governance structures are an essential foundation for trust and entrepreneurial success. Of primary importance is the relationship between our shareholders, the Board of Management and the Supervisory Board. We also place great emphasis on the timely publication of any information relevant to our company.

In 2002, there were several initiatives aimed at improving the rules of corporate governance. In Germany, the German Corporate Governance Code and the Transparency and Disclosure Law came into force. In addition, the Federal Government announced a ten-point program for further measures to improve corporate governance. In the United States, the Sarbanes-Oxley Act took effect. At the EU level, a commission of experts triggered another initiative with the Winter-Report.

Many of the new rules have been part of our corporate principles for some time. Since November 2000, our share is listed at the New York Stock Exchange. We therefore also fulfill the stringent requirement of the Securities and Exchange Commission (SEC) concerning the presentation of our Annual Financial Statements and other questions of disclosure.

German Corporate Governance Code and Declaration of Compliance

The Board of Management and the Supervisory Board of Allianz AG have welcomed the new Corporate Governance Code as an opportunity to critically examine our existing corporate practices and to adapt them to the new standards. We focused our efforts on the procedural rules of the Supervisory Board and its committees, the cooperation between the Supervisory Board and the Board of Management as well as questions relating to the audit of our Annual Financial Statements and the dissemination of information. In its meeting of September 18, 2002, the Supervisory Board adopted its revised procedural rules and the principles for reporting by the Board of Management to the Supervisory Board.

At the same time, the Supervisory Board declared that it recognized the rules of the German Corporate Governance Code as binding. A corresponding declaration had earlier been issued by the Board of Management. A single reservation was pronounced with respect to the recommendation of the German Corporate Governance Code concerning the number of supervisory board mandates.

The Declaration of Compliance with the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Law (AktG) was published on December 18, 2002 and reads as follows:

“Allianz Aktiengesellschaft complies with all the recommendations made by the government commission on the German Corporate Governance Code. However, the members of Allianz AG’s Board of Management reserve the right to exceed the maximum number of mandates held outside the Group (section 5.4.3 of the Code) as appropriate, as the acceptance of supervisory board mandates in companies in which substantial holdings are maintained forms an essential part of the duties of members of the Board of Management.”

This declaration is available on our website at www.allianzgroup.com/corporate-governance. In addition, we posted a detailed explanation as to how we applied those suggestions of the Code that are not subject to the declaration required by law.

The two publicly traded Group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG issued a Declaration of Compliance on December 11 and 17, respectively. Allianz states four points of deviation from the Code, and Oldenburgische Landesbank one. Our larger German companies, which are not listed at the stock exchange, also observe the key provisions of the Corporate Governance Code.

The Sarbanes-Oxley Act

As a German company listed on the New York Stock Exchange, Allianz AG is subject to U.S. corporate governance rules to the extent that these are applicable to foreign issuers.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, which is aimed at restoring the trust of investors in the capital markets. For this purpose, the law expands the disclosure obligations of corporations and formalizes the processes that precede corporate reporting. Companies are obliged to establish internal control systems that must be maintained and reexamined on a regular basis. By way of certification, certain corporate officers must personally attest to the exactitude and completeness of reporting. Management must also certify that certain requirements concerning the internal control systems have been met. In addition, the law raises the requirements for the independence of auditors and contains detailed rules concerning the Audit Committee. Part of the law became effective immediately. However, most of its provisions require promulgation by the SEC, a process that has advanced considerably but is not yet completed. The SEC has meanwhile indicated that it is willing to allow exceptions for those provisions of the Sarbanes-Oxley Act that are in conflict with the national laws of a non-American company.

The Sarbanes-Oxley Act also has considerable implications for Allianz AG. The new disclosure rules require some amendments of our reporting. The Audit Committee is given comprehensive rights and duties. The SEC plans to publish more detailed rulings on the implementation of the SOA by April, 2003. However, previous statements by the SEC appear to indicate that it will accept the provisions of German codetermination law, even though they are in conflict with the American interpretation of the independence of the members of the Audit Committee. In other words, the fact that the Audit Committee of German corporations also comprises employee representatives should pose no problem in the future.

The Supervisory Board and its committees

The majority of the recommendations of the German Corporate Governance Code concern the activities of the Supervisory Board and its committees. For this reason, the Supervisory Board has revised its rules of procedure as follows: first of all, a general description of the qualification and independence of the members of the Supervisory Board was established. As a rule, the age limit for members of the Supervisory Board is 70 years. Secondly, a number of rules concerning the avoidance or resolution of conflicts of interest were introduced, as well rules concerning the confidentiality and disclosure obligations of members of the Supervisory Board.

Following the recommendation of the Codex, Dr. Schulte-Noelle resigned from his seat on the Supervisory Board of Munich Re; in return, Dr. Schinzler, Chairman of the Board of Munich Re, resigned from his seat on the Supervisory Board of Allianz AG.

An essential part of the work of the Supervisory Board is performed by its committees. Up to the present, the Supervisory Board had already constituted among its members the Standing Committee, the Personnel Committee and the Mediation Committee according to § 27 (3) of the German Codetermination Act. In accordance with the recommendations of the German Corporate Government Codex, an Audit Committee was also set up.

- In its meeting of September 18, 2002, the Supervisory Board set up an **Audit Committee**. Three of its five members are elected upon suggestion by the shareholders, an additional two upon recommendation of the employee representatives. The Audit Committee meets at least four times a year. Its main task is the preliminary examination of the Group's Annual Financial Statements and Consolidated Financial Statements as well as the Management Report and the Recommendation for Appropriation of Profit. For this purpose, these documents are discussed with the Auditor. In addition, it examines the quarterly reports and the 20-F filing required in the U.S. The Audit Committee also prepares the appointment of the Auditor by the plenary Meeting of the Supervisory Board. In particular, it ascertains the required independence of the Auditor, assigns the mandate to the Auditor and sets priorities for the Audit. Its tasks also include the examination of the risk control system.

In its meeting of September 18, 2002, the Supervisory Board elected Messrs. Dr. Klaus Liesen, Dr. Diethart Breipohl, Dr. Gerhard Cromme, Prof. Dr. Rudolf Hickel and Horst Meyer as members of the Audit Committee. Dr. Klaus Liesen was elected as Chairman. In its constitutive meeting of November 12, 2002, the Audit Committee adopted its rules of procedure. Upon publication of the definitive SEC rules, these rules may have to be amended.

- The **Standing Committee** has a total of five members, two of which are currently employee representatives. Its essential function is the approval of matters for which approval by the Supervisory Board is required, to the extent that such matters do not fall under the competency of the Personnel Committee or must be decided by the plenary meeting of the Supervisory Board. In particular, this concerns the approval of corporate actions and of the acquisition or divestiture of companies or shareholdings in companies. A new task of the Standing Committee is the drafting of the annual Declaration of Compliance in accordance with § 161 of the German Stock Corporation Law concerning compliance with the German Corporate Governance Code. It has also been placed in charge of the regular examination of corporate governance and the efficiency of the work of the Supervisory Board. It is held to submit suggestions for improvements to the plenary meeting of the Supervisory Board.
- The **Personnel Committee** is composed of the Chairman as well as one representative each of the shareholders and employees on the Supervisory Board. It prepares the appointment of members of The Board of Management, tends to ongoing personnel matters of Board members and handles questions concerning their compensation. It is also involved in the long-term succession planning for the Board of Management and closely cooperates with the current Board in this matter.
- According to § 27 (3) and § 31 (3) of the German Codetermination Act, the statutory **Mediation Committee** meets only if the Supervisory Board, in a vote on the appointment or recall of a member of the Board of Management, fails to obtain the two-thirds majority required by law.

Compensation of the Board of Management and the Supervisory Board

In fiscal 2002, the compensation of the Board of Management and the Supervisory Board was composed of fixed and variable components.

The **compensation of the Board of Management** consists of a fixed and a variable salary component. Information on the overall compensation of the Board of Management, broken down into fixed and variable components, as well as the number of stock appreciation rights granted under the Long Term Incentive Plan is provided on page 143 and 144 of this Annual Report.

Like the majority of publicly traded German companies, we do not disclose the individual compensation paid to members of the Board of Management. In our opinion, the principle of the Board's shared responsibility is more accurately reflected by disclosure of the total compensation. In addition, we doubt that disclosure of individual compensation is apt to promote a performance-based differentiation.

The **compensation of the Supervisory Board** also contains a fixed and a variable component. The fixed annual compensation amounts to 4,000 euros. The variable component of the compensation is linked to the dividend paid. If the dividend exceeds 15 cents, each additional cent increases the compensation by 500 euros. For a dividend in the amount of 1.50 euros, the variable compensation comes to 67,500 euros. The Chairman of the Supervisory Board receives 200 percent of the combined total, and any other member of a committee of the Supervisory Board (with the exception of the Mediation Committee) is paid 150 percent of this amount.

In accordance with the recommendations of the German Corporate Governance Code, we also examined the compensation of the Supervisory Board. On the basis of our findings, we will propose an amendment of the Articles of Incorporation to the Annual General Meeting. As recommended by the Code, this amendment is intended to take into account the work in the committees of the Supervisory Board to a greater extent than is presently the case.

Under the terms of this amendment, the fixed and variable components of the compensation of the Supervisory Board will remain unchanged, with respect to both their amount and the basis on which they are calculated. But committee work is to be compensated separately. The amendment stipulates that the members of the Audit Committee, in order to protect their independence to the greatest possible extent, shall receive an annual fixed compensation in the amount of 30,000 euros, and that the chairman of the committee shall receive a fixed amount of 45,000 euros. For the members of the Standing Committee and of the Personnel Committee, a compensation in the amount of 25 percent of the basic compensation is proposed. The chairmen of these committees would receive 50 percent of the basic compensation. This separate compensation for committee members is limited by a ceiling which takes effect when the Chairman of the Supervisory Board has reached three times the basic compensation and the other members of the Supervisory Board have reached twice the basic compensation.

Retention in Directors & Officers Liability Insurance

Members of the management and supervisory bodies of Allianz Group have a Directors & Officers Liability Insurance, which covers the liability from their officerships and directorships. In accordance with the recommendations of the German Corporate Governance Code, we have decided that in case of damage awards, members of the Board of Management are subject to a retention equal to 25 percent of their fixed annual compensation. The retention for members of the Supervisory Board is 100 percent of their annual compensation.

Outlook

In various media analyses on the subject of corporate governance, Allianz received one of the top rankings among DAX 30 companies. We take this as an incentive to pursue our quest for efficient corporate governance at all levels, including collaboration in external bodies. From the outset, we participated in the government commission “German Corporate Governance Code”. But above all, we are committed to the continual reexamination and further development of the efficiency and transparency of the corporate governance of Allianz, in the interest of our shareholders and other stakeholders, i.e. our employees, our customers and our society.

Up-to-date information on corporate governance is also available on our website at www.allianzgroup.com/corporate-governance.

International Executive Committee In addition to members of Allianz AG's Board of Management, the International Executive Committee includes the heads of the major Allianz subsidiaries. Chaired by Dr. Henning Schulte-Noelle, this body discusses overall strategic issues at Group level.



HENNING SCHULTE-NOELLE Allianz AG, Munich
JEAN-PHILIPPE THIERRY AGF, Paris



PAUL ACHLEITNER Allianz AG, Munich
LEONHARD H. FISCHER Dresdner Bank, Frankfurt/Main,
until October 31, 2002
GERD-UWE BADEN Allianz Suisse, Zurich



GERHARD RUPPRECHT Allianz AG, Munich
BERND FAHRHOLZ Dresdner Bank, Frankfurt/Main



REINER HAGEMANN Allianz AG, Munich
WILLIAM RAYMOND TREEN Cornhill Insurance, London
WERNER ZEDELIOUS Allianz AG, Munich



VICENTE TARDÍO BARUTEL Allianz Compañía de Seguros y Reaseguros, Barcelona

JOACHIM FABER Allianz AG, Munich

WILLIAM S. THOMPSON PIMCO, Newport Beach



JEFFREY H. POST Fireman's Fund, Novato

MICHAEL DIEKMANN Allianz AG, Munich

MARK ZESBAUGH Allianz Life Insurance, Minneapolis



HELMUT PERLET Allianz AG, Munich

HORST MÜLLER Dresdner Bank, Frankfurt/Main



DETLEV BREMKAMP Allianz AG, Munich

MARIO GRECO RAS, Milan

WOLFRAM LITTICH Allianz Elementar, Vienna

International Presence

Allianz is one of the leading global service providers in insurance, banking and asset management. We serve our customers in more than 70 countries. The solidity, service and competence of our Group are backed by the commitment of our approximately 182,000 employees worldwide.

GERMANY

- ADAM International GmbH
- Allianz Capital Partners GmbH
- Allianz Dresdner Asset Management GmbH
- Allianz Dresdner Bauspar AG
- Allianz Dresdner Pension Consult GmbH
- Allianz Global Risks Rückversicherungs-AG
- Allianz Lebensversicherungs-AG
- Allianz Marine & Aviation Versicherungs-AG
- Allianz Private Krankenversicherungs-AG
- Allianz Versicherungs-AG
- Bayerische Versicherungsbank AG
- DEGI Deutsche Gesellschaft für Immobilienfonds mbH
- Deutsche Lebensversicherungs-AG
- dit DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH
- Dresdner Bank AG
- Dresdner Bank Lateinamerika AG
- Eurohypo AG
- Frankfurter Versicherungs-AG
- Hermes Kreditversicherungs-AG
- Oldenburgische Landesbank AG
- Reuschel & Co.

AMERICA

Argentina

- AGF Allianz Argentina Generales S. A.

Brazil

- AGF Brasil Seguros S. A.

Canada

- Allianz Insurance Company of Canada

Chile

- AGF AZ Chile Generales S. A.

Colombia

- Colseguros Generales S. A.

Mexico

- AFORE Allianz Dresdner S. A.
- Allianz México S. A. Compañía de Seguros
- Allianz Rentas Vitalicias

U.S.A.

- Allianz Dresdner Asset Management of America L. P.
- Allianz Hedge Fund Partners, LP
- Allianz Insurance Company
- Allianz Life Insurance Company of North America
- Cadence Capital Management
- Dresdner Kleinwort Wasserstein Securities LLC
- Dresdner RCM Global Investors LLC
- Fireman's Fund Insurance Company
- Nicholas-Applegate
- PIMCO (Pacific Investment Management Company) LLC

Venezuela

- Adriática de Seguros C. A.

AFRICA

Burkina Faso

- Foncias

Egypt

- Arab International Insurance Company
- Arab International Life Company

Ivory Coast

- SAFARRIV

Selected

- Group companies
- Associated enterprises
- Joint ventures
- Regional insurance centers
- Representative offices
- Representative agencies

EUROPE (EXCLUDING GERMANY)**Austria**

- Allianz Elementar Versicherungs-Aktiengesellschaft
- Allianz Elementar Lebensversicherungs-Aktiengesellschaft

Belgium

- AGF Belgium Insurance

Bulgaria

- Allianz Bulgaria Insurance and Reinsurance Company Ltd.
- Allianz Bulgaria Life Insurance Company Ltd.
- Commercial Bank „Bulgaria Invest“ Company Ltd.

Croatia

- Allianz Zagreb d.d.

Czech Republic

- Allianz pojišťovna, a.s.

France

- AGF Asset Management
- Assurances Générales de France
- Assurances Générales de France Iart
- Assurances Générales de France Vie
- Banque AGF
- EULER & HERMES S. A.

Great Britain

- Allianz Cornhill Insurance PLC
- Dresdner Kleinwort Wasserstein Ltd.
- Dresdner RCM Global Investors Holdings (UK) Ltd.

Greece

- Allianz General Insurance Company S. A.
- Allianz Life Insurance Company S. A.

Hungary

- Allianz Hungária Biztosító Rt.
- Dresdner Bank (Hungária) Rt.

Ireland

- Allianz Irish Life Holdings p.l.c.
- Allianz Re Dublin Ltd.
- Allianz Worldwide Care Ltd.
- Dresdner Bank (Ireland) plc

Italy

- Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A.
- Lloyd Adriatico S. p. A.
- RAS Asset Management SGR S. p. A.
- Riunione Adriatica di Sicurtà S. p. A.

Luxembourg

- dresdnerbank asset management S. A.
- Dresdner Bank Luxembourg S. A.
- International Reinsurance Company S. A.

Netherlands

- London Verzekeringen N. V.
- Royal Nederland Schade
- Royal Nederland Leven
- ZA Leven N. V.
- Zwolsche Algemeene Schadeverzekering N. V.

Poland

- T.U. Allianz Polska S. A.
- T.U. Allianz Polska Zycie S. A.

Portugal

- Companhia de Seguros Allianz Portugal S. A.

Romania

- Allianz Ţiriac Insurance S. A.

Russian Federation

- Dresdner Bank ZAO
- Ost-West Allianz Insurance Company
- Russian People's Insurance Society „Rosno“

Slovakia

- Allianz poisťovňa, a. s.
- Slovenská poisťovňa a. s.

Spain

- Allianz Compañía de Seguros y Reaseguros, S. A.
- Eurovida, S. A. Compañía de Seguros y Reaseguros
- Euler Credito y Caution

Switzerland

- Allianz Risk Transfer AG
- Allianz Suisse Lebensversicherungs-Gesellschaft
- Allianz Suisse Versicherungs-Gesellschaft
- Dresdner Bank (Schweiz) AG
- ELMONDA AG
- ELVIA Reiseversicherungs-Gesellschaft AG

Turkey

- Koç Allianz Hayat Sigorta A. S.
- Koç Allianz Sigorta T. A. S.

ASIA**Brunei**

- National Insurance Company Berhad

China

- Allianz Asset Management (Hong Kong) Ltd.
- Allianz Dazhong Life Insurance Co. Ltd.
- Allianz Dresdner Asset Management Hong Kong Ltd.
- Allianz Insurance Company – Guangzhou Branch
- Allianz Insurance (Hong Kong) Ltd.

Indonesia

- P. T. Asuransi Allianz Utama Indonesia
- P. T. Asuransi Allianz Life Indonesia

Japan

- Allianz Fire and Marine Insurance Japan Ltd.
- Dresdner Kleinwort Wasserstein (Japan) Ltd.
- MEIJI Dresdner Asset Management Co. Ltd.

Laos

- A. G. L.

Malaysia

- Allianz General Insurance Malaysia Berhad
- Allianz Life Insurance Malaysia Berhad

Pakistan

- Allianz EFU Health Insurance Ltd.

Singapore

- Allianz Dresdner Asset Management Ltd.
- Allianz Insurance Company of Singapore Pte. Ltd.
- Allianz Parkway Integrated Care Pte. Ltd.

South Korea

- Allianz General Insurance Korea Ltd.
- Allianz Life Insurance Company Ltd.

Taiwan

- Allianz President General Insurance
- Allianz President Life Insurance

Thailand

- Allianz CP General Insurance Company, Ltd.
- Allianz C. P. Life Assurance Co., Ltd.
- Ayudhya CMG Life Assurance Public Company Lim.

United Arab Emirates

- Allianz Versicherungs-AG (Dubai Branch)

AUSTRALIA

- ADAM Australia Ltd.
- Allianz Australia Ltd.

2002 was a bad year for Allianz. The continuing decline of the stock markets, natural catastrophes and the need to bolster our claims reserves in the U.S. overshadowed clear improvements in our operating performance. But we are determined to adhere to our long-term strategy and we will do everything to return to sustained, profitable growth.

In 2002, we focused our efforts on improving our operating results. Allianz must become less dependent on economic trends and the development of the capital markets. More efficient workflows and thus lower costs, an improved claims ratio in the insurance business and the sustained improvement of our performance in the banking business are the foremost priorities of our operating units.

A return to profitability is the prerequisite for the further pursuit of our strategy. This strategy is still aimed at shaping the profound changes in our markets and taking full advantage of the great business potential they offer. In that, we are guided by five principles:

1. We believe that we can best serve our shareholders by giving priority to our clients.
2. We realize that our continued success is based on our reputation, our acceptance by society and our ability to attract and retain the best people.
3. We foster the entrepreneurial spirit of our local group companies while providing the leverage of a global institution.
4. We recognize that a sustainable performance requires primary focus on operational excellence and organic growth, supported by profitable acquisitions.
5. We aim to rank among the top five competitors in the markets in which we choose to participate.

These fundamental business principles lead us to the five strategic priorities listed below. They determine our actions as a financial services group in insurance, banking and asset management.

Our five strategic priorities are:

- _ optimizing the Economic Value Added of our Group, based on risk-adequate capital requirements and sustainable growth targets.
- _ exploiting the opportunities offered by high-growth markets by leveraging our traditional risk management expertise.
- _ strengthening our leading position in life and health insurance and in asset management, especially in private and corporate retirement insurance plans.
- _ increasing our asset gathering capabilities by building customer-specific, multi-channel distribution platforms.
- _ expanding our investments and capital market expertise.

The prime objective of all Group companies and all business areas must be the creation of economic value added.

Consistently applied, these principles and priorities are a reliable guide that will help us stay the course in a difficult market environment. We see Allianz as one of the decisive forces in the consolidation process that is currently unfolding in the financial services market, and we will emerge from this process with renewed strength.

The Allianz Group is managed and controlled according to the principle of value-based management. The goal of our corporate policy is to consistently meet the expectations of our shareholders over the long term. We want shareholders, employees, customers and our social surroundings to profit from the value our company creates.

What do we mean when we talk about the creation of wealth? The capital that is employed by the company must yield a higher return than a comparable alternative investment. In order to determine whether this is the case, we apply the concept EVA (Economic Value Added) throughout the company. Adapted to the specific requirements of our industry and the needs of Allianz, Economic Value Added determines our company’s economic goals. It provides a measure of our performance and plays an important role in setting the remuneration of management.

Basic idea

The basic idea behind EVA involves comparing profit with the cost of capital. EVA – whether positive or negative – is the difference between the two. It tells us whether or not our profits exceed the opportunity cost of the capital invested by our shareholders. As a result, EVA is expressed by the following equation:

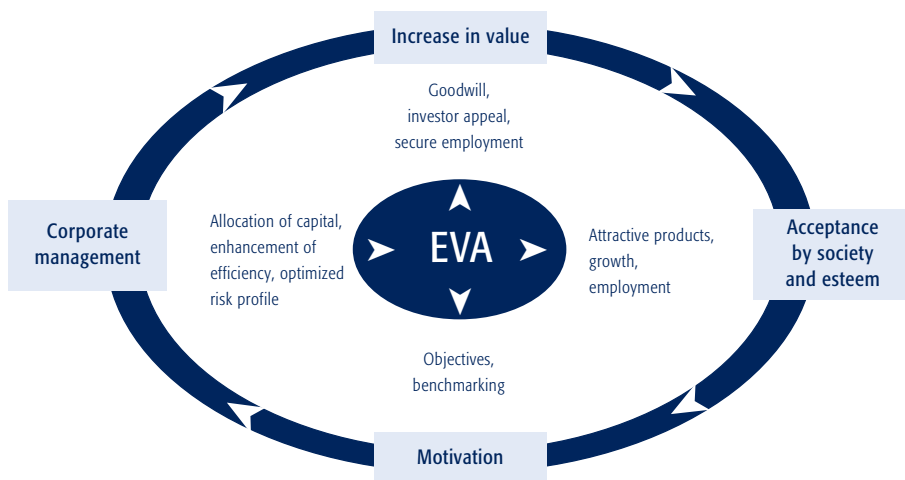
$$EVA = Profit - (Capital\ employed \times Cost\ of\ capital)$$

The cost of capital represents the return an investor can expect from an alternative investment with comparable risk. An EVA greater than zero indicates that an added value for the shareholder has been created. If, on the other hand, the EVA becomes negative, that means a shareholder would have received a greater return from another risk adequate investment than from Allianz shares. In this case, his investment has destroyed value instead of increasing it.

With EVA, we have a measuring instrument that

- takes into account our industry-specific risks, and
- establishes a relationship between corporate profit and the minimum return our investors expect from the capital they have invested.

Economic Value Added (EVA): An all-encompassing steering and coordination process



Central and decentral elements

These considerations are important because they support valued-based management of the Allianz Group and at the same time allow us to retain a decentralized structure. Why do we need decentralization? We are convinced that the management of our business entities worldwide is in the best position to determine what measures are appropriate for making their companies more profitable. They have to decide what risks they can take – for example, when they write insurance policies, extend loans, invest funds or make other managerial decisions – to generate a specific profit.

The Group, on the other hand – and this is where the central management instrument comes in – must look after the interests of shareholders and make sure that the sum total of the risks entered into remains acceptable for the company as a whole and that the actual profit realized justifies the investment of capital.

Risk capital

In order to do this, we start by determining the amount of capital each individual operational entity requires to cover the financial risks involved in ongoing business activities. On the one hand, the required capital depends upon the risks that are typical for the products of our Group companies, i.e., premium, reserve and credit risks plus risks in connection with capital investment and operational risks. On the other hand, the amount of capital needed is geared to the mandatory level of security that is centrally prescribed for the group as a whole. Uniform standards are also applied when determining risk capital. In this context, the Standard & Poor's model is used to value risks.

Value added

As holding company, we assign available capital to our operational entities on the basis of efficiency and risk. Group companies are then responsible for generating a return on this risk capital that covers at least the cost of capital. Added value results only when this threshold is exceeded. That means that the business units must know which activities will increase the value of their companies and concentrate on these activities. New value drivers must also be built up, for example, through new products, more cost-effective processes, innovative rates, etc. Local management must also prevent value from being destroyed along the value added chain. If this happens, countermeasures must be adopted immediately.

The Group Center supports the business units in this continuous optimization process. The jointly acquired experience then flows into mandatory operational targets. For example, this involves determining of the cost and claim quotas a unit will have to achieve in future periods to attain a sustainable increase in EVA and thereby meet, if not exceed, the expectations of our shareholders.

Management remuneration

Since EVA is the key indicator that shows us whether or not we are generating a profit, the remuneration of senior management is based to a significant extent upon this factor. That means we have opted for an incentive system that helps make the continuous increase in the value of the company a priority concern that cuts across our entire organization.

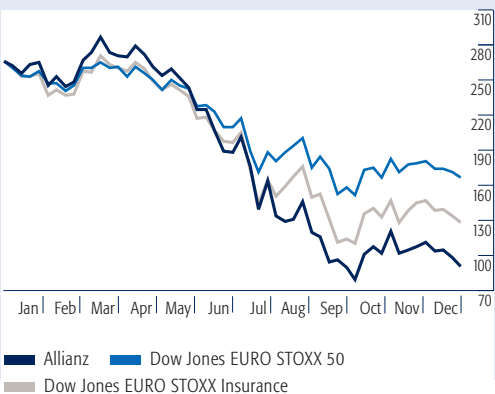
Our plan for achieving economic value added primarily benefits our shareholders. However, our customers, employees and the society in which we operate benefit just as much. After all, sustainable success can only be achieved by offering excellent products at attractive prices that satisfy our customers, generate sales to secure jobs and produce profits that allow us to continue and increase our involvement in society.

In 2002, the stock market disappointed investors worldwide. A weak economy, loss of investor confidence and uncertainties as to the outcome of the current political crises sent share prices plummeting around the globe. The Allianz share lost more than half of its value. Our free float now extends to over 500,000 shareholders. Even in difficult times, we want to offer you continuity in terms of dividends and propose to pay an unchanged dividend of 1.50 euros per share for the year 2002.

Capital markets weaken insurance stocks

In 2002, insurance stocks lagged behind general market indices, just as they did in the previous year. While the Dow Jones EURO STOXX 50 registered a decline of 37.3 percent, the Dow Jones EURO STOXX Insurance index lost 51.7 percent of its value. This manifest slide of an entire industry is caused by the deep-seated weakness in the capital markets, which has hit high-volume investors such as insurers particularly hard. Falling stock prices tangibly diminish the value of their portfolios. The downward trend of the stock markets not only depressed our investment income, it also had a very negative impact on our banking business. As a result, our share price dropped 65.9 percent and clearly underperformed the Dow Jones EURO STOXX Insurance index.

Development of the Allianz share price versus Dow Jones EURO STOXX 50 and Dow Jones EURO STOXX Insurance indexed on the Allianz share price (Xetra)



Allianz share performance in comparison

Average annual performance in %

| Performance | 1 year 2002 | 5 years 1998-2002 | 10 years 1993-2002 |
|---|-------------|-------------------|--------------------|
| Allianz (excl. dividends) | - 65.9 | - 17.2 | - 0.1 |
| Allianz (incl. dividends) | - 65.6 | - 16.8 | 0.4 |
| DAX | - 43.9 | - 7.3 | 6.5 |
| Dow Jones EURO STOXX 50 | - 37.3 | - 1.2 | 8.7 |
| Dow Jones EURO STOXX Insurance | - 51.7 | - 7.2 | 4.6 |
| Dow Jones EURO STOXX Financial Services | - 32.2 | - 2.7 | 5.9 |
| Dow Jones EURO STOXX Bank | - 26.8 | - 2.5 | 6.8 |

Source (chart and table): Thomson Financial Datastream

Weighting of the Allianz share in European indices on December 31, 2002

in %

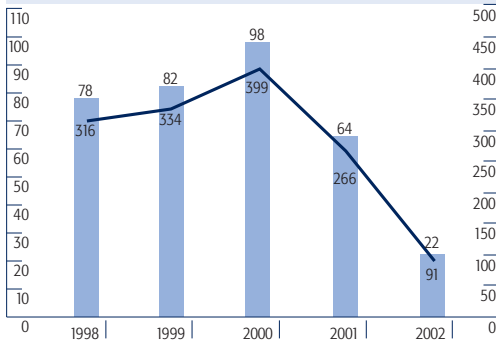
| | |
|---|------|
| DAX (seventh-largest single share) | 5.9 |
| CDAX Insurance (largest single share) | 53.1 |
| DJ EURO STOXX 50 (27th-largest single share) | 1.5 |
| DJ EURO STOXX Insurance (fourth-largest single share) | 13.1 |
| MSCI Europe Index (48th-largest single share) | 0.5 |
| MSCI Europe Insurance Index (fourth-largest single share) | 9.8 |

Sources: Bloomberg, Thomson Financial Datastream, Morgan Stanley Capital International

After the extraordinary deterioration of our share price during the last two years, performance in the ten-year comparison stands at - 0.1 percent. If we extend the observation period and look at the development of the Allianz share price over the last twenty years, an average increase of 9.7 percent per year is revealed.

With a market capitalization of 22 billion euros, Allianz remains one of the most highly valued financial services providers in Europe. Our share is listed in all the major indices: Germany's DAX, Dow Jones EURO STOXX 50 and MSCI Europe. It is also used in calculating the FTSE Eurotop 100 and the MSCI World Index.

Market capitalization and share price at year-end⁷⁾
 Market capitalization in € bn | Price on 12/31 in €



Market capitalization
 Year-end price
⁷⁾ Market capitalization calculated without treasury shares
 Source: Thomson Financial Datastream

The Allianz share is also included in the Dow Jones Sustainability Index. This index only lists the top 10 percent of companies in a given industry that have obtained the best rankings in a sustainability rating. The ranking is based on economic, ecological and social criteria. More information on this subject is provided in the enclosed Corporate Responsibility Magazine “Two”.

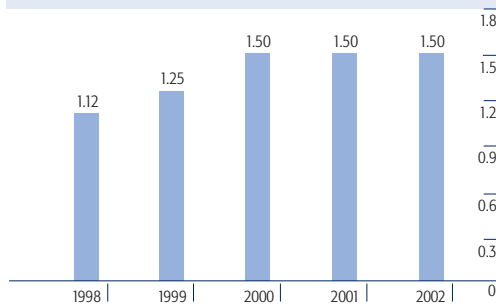
Exceptional charges determine earnings per share

Extremely weak capital markets, the severe flooding in central and eastern Europe, persistently high risk provisions at Dresdner Bank and the need to increase our reserves for asbestos-related claims in the U.S. depressed our earnings performance in 2002 to an unusual extent. The Group reported a loss of 1.2 billion euros. Based on an average of 242.8 million shares (not including treasury shares), earnings per share amount to – 4.81 euros.

Dividend at previous year’s level

Even in difficult times, we maintain the continuity of our dividend policy. We therefore propose to our shareholders to distribute a dividend of 1.50 euros per share for 2002, unchanged from last year. In the period from 1995 to 2000, we had successively increased our dividend six times.

Dividend per share in €

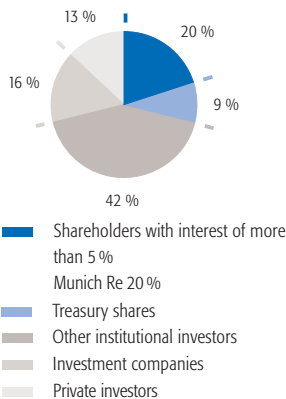


Dividend per share

Public offer to holders of profit participation certificates

In a voluntary public offer, we invited the holders of Allianz profit participation certificates to exchange their certificates for Allianz shares. This offer was designed to restructure our capital. The exchange was completed in January 2003 and ended with a satisfactory acceptance ratio of 86 percent. We issued a total of 6.1 million shares from treasury stock to holders of profit participation certificates. Additional information on the exchange of profit participation certificates is provided on page 116 of this Annual Report. Following this offer, the terms for the certificates still outstanding remain in force. We do not intend to issue a call for their redemption as of December 31, 2006.

Shareholder structure on December 31, 2002 (including treasury shares)
 Free float: 71 % Long-term investments: 29 %



Sources: Publications of shareholders (long-term investments), Allianz AG share register (free float)

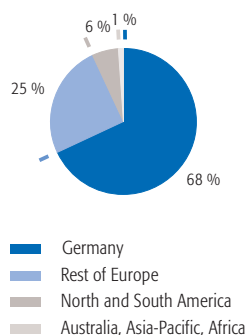
Free float now over 71 percent

The free float percentage of our share continued to rise in 2002, from 64 percent in 2001 to 71 percent at the end of the year. The increase is mainly attributable to HypoVereinsbank, which reduced its stake in Allianz to under 5 percent. This makes Allianz one of the largest public corporations in Europe. A higher free float percentage raises the liquidity of our share and upgrades its weighting in most major indices.

The higher free float also increases the number of shareholders, from 440,000 to over 510,000. Trading volumes went up as well. On an average day, approximately 1.7 million Allianz shares are bought and sold through the electronic trading system Xetra – an increase of 65 percent over the previous year.

Since the end of 2000, Allianz shares have also been traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR). Ten ADRs are the equivalent of one Allianz share.

Regional distribution of share ownership on December 31, 2002



Value-oriented management

Our foremost objective is profitable growth. That is why we use “Economic Value Added” (EVA) as the key indicator for controlling our business. In 2002, we did not reach our profitability targets. For more information on this subject, see page 18 of this Annual Report.

Performance-based remuneration

As an additional incentive for increasing Allianz market capitalization, our “Long-Term Incentive Plan” provides top-level management with a variable remuneration plan based on the allocation of stock appreciation rights. Through this plan, management participates in the development of the Allianz share price. The number of shares allocated to each recipient depends on the EVA achieved. In addition, we consider the extent to which individual targets have been reached.

The stock appreciation rights are issued over a seven-year term. They can be exercised for the first time after a period of two years, provided that two conditions are met. Our share price must:

- outperform the Dow Jones EUROPE STOXX Price Index (600) on each of at least five consecutive trading days and
- our share must have increased at least 20 percent over the base price of the stock appreciation rights.

In 2002, approximately 570 senior managers were participating in the long-term incentive plan. Due to the poor performance of our share price, management received no payments from the stock appreciation rights granted in previous years. Additional information is provided on page 142 to 143 of this Annual Report.

Allianz share key indicators at a glance

| | | 2002 | 2001 | 2000 |
|--|------|-------------|-------------|-------------|
| Subscribed capital on December 31 | € | 682,408,000 | 682,055,680 | 629,120,000 |
| Number of shares on December 31 | | 266,565,625 | 266,428,000 | 245,750,000 |
| Average number of shares in the fiscal year ¹⁾ | | 242,788,806 | 243,585,880 | 245,401,507 |
| Average number of shares traded per day on Xetra | | 1,664,555 | 1,008,085 | 610,611 |
| Share price on December 31 | € | 91 | 266 | 399 |
| High for the year | € | 287 | 399 | 441 |
| Low for the year | € | 77 | 205 | 316 |
| Market capitalization on December 31 ¹⁾ | € bn | 22.0 | 64.2 | 98.0 |
| Share price performance in the year (excluding dividend) | % | – 65.9 | – 33.3 | 19.3 |
| Dividend per share (excluding tax credit) | € | 1.5 | 1.5 | 1.5 |
| Earnings per share | € | – 4.81 | 6.66 | 14.10 |
| Earnings per share, adjusted ²⁾ | € | – 4.81 | 6.66 | 9.72 |
| Earnings per share, adjusted ²⁾ before depreciation of goodwill | € | – 0.02 | 9.98 | 11.74 |
| Return on equity | % | – 4.4 | 4.8 | 10.6 |
| Return on equity, adjusted ²⁾ before depreciation of goodwill | % | 0.0 | 7.2 | 8.8 |

¹⁾ Excluding treasury shares

²⁾ After elimination of extraordinary factors, in particular, a tax effect of € 1.1 bn in 2000

Basic Allianz share information

| | |
|-----------------|---|
| Share type | Registered share |
| Denomination | Share with no par value |
| Stock exchanges | All eight German stock exchanges London, Paris, Zurich, New York |
| Security codes | SIN 840 400 ISIN DE0008404005 COMMON 001182013 CUSIP 018805 10 1 |
| Reuters | ALVG.DE |
| Bloomberg | ALV GY |

Annual General Meeting online on the Internet

In 2002, Allianz shareholders were able for the first time to follow the entire Annual General Meeting of their corporation on the Internet. This service will be maintained. In 2003, shareholders with Internet access will once again be able to change their instructions online during the meeting, provided voting has not yet begun. Last year, this offer met with great interest.

Top priority for investor relations

For Allianz, investor relations remain of crucial importance. That is why we expanded the range of information we offer. In numerous meetings, we informed investors about the development of our business and the progress in integrating Dresdner Bank. Our roadshows brought us to the world's leading financial centers, including New York, Boston, San Francisco, London und

Frankfurt. We also talked to investors in Paris, Zurich and Edinburgh and organized separate information meetings for our bond investors whom we visited in Europe and Asia.

Under the heading "More service for investors", we redesigned the Investor Relations section of our corporate website.

There also is a Corporate Governance section with information about corporate management, controlling and more transparency. A recent addition are the Allianz ratings. At the same time, we made the information available to a broader public. Now, private investors can attend our telephone conferences live on the Internet, a service previously reserved for institutional investors. Our telephone Investor Line for private investors remains available 24 hours a day, seven days a week, to provide information about Allianz and the Allianz share.

In a survey of stock analysts conducted by the magazine "Institutional Investor" and the Reuters news agency, the Allianz investor relations service was ranked second among European providers of financial services.

Comprehensive service

Our goal is to keep you up to date and to provide you with a comprehensive information service. Simply call us or submit your questions by mail. Our Investor Line **+49 1802 2554269** is available around the clock, seven days a week. Our Investor Relations Team will be delighted to answer your questions.

Additional information concerning Allianz and the Allianz share is available on our website at www.allianzgroup.com/investor-relations. You can also download our Annual Report from that site.

We will be pleased to send you our interim reports as well as any other Allianz Group publications.

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+ 49 1802 ALLIANZ

Fax: + 49 89 3800 3899

Internet: www.allianzgroup.com/investor-relations

Financial Calendar for 2003/2004

| Important dates for shareholders and analysts | |
|---|---|
| April 29, 2003 | Annual General Meeting |
| May 16, 2003 | Financial report first quarter of 2003 |
| August 14, 2003 | Financial report first half-year 2003 |
| November 14, 2003 | Financial report first three quarters of 2003 |
| March 18, 2004 | Financial press conference for the 2003 fiscal year |
| March 19, 2004 | Analysts' conference on the 2003 fiscal year |
| May 5, 2004 | Annual General Meeting |
| May 17, 2004 | Financial report first quarter of 2004 |
| August 16, 2004 | Financial report first half-year 2004 |
| November 15, 2004 | Financial report first three quarters of 2004 |

Our fundamental assets as a provider of financial services are our capital strength and solvency. We are committed to these values and we adhere to them even in times of turbulence. In 2002, in a difficult market we launched the biggest financing project of a European insurer.

Demand for our high-volume bonds by far exceeded expectations. A clear demonstration of the high esteem in which investors hold the solidity and reliability of Allianz.

Shareholders' equity, reserves and solvency

On December 31, 2002, the shareholders' equity of the Allianz Group amounted to 21.8 billion euros, minus 23,588,411 treasury shares at a purchase price of 6.0 billion euros. Shareholders' equity was thus 9.9 billion euros lower than in the previous year, which is mainly due to the extraordinary weakness in the capital markets. Over 70 percent of this reduction in shareholders' equity can be attributed to substantially lower unrealized gains and losses from securities held for sale.

| | € bn |
|--|-------|
| Shareholders' equity 12/31/2001 | 31.7 |
| Currency translation differences | - 1.3 |
| Changes in the group of consolidated companies | 0.4 |
| Capital inflows | 0.0 |
| Change in unrealized gains/losses from investments | - 7.2 |
| Net income | - 1.2 |
| Dividend paid | - 0.4 |
| Other | - 0.1 |
| Shareholders' equity 12/31/2002 | 21.8 |

Shareholders' equity does not include valuation reserves for our real estate holdings nor participations consolidated at equity. After deduction of taxes, minority interests and interests of policyholders, these amounted to 5.1 billion euros at the end of 2002.

At December 31, 2002, Allianz Group calculated the capital elements eligible for the legally required solvency margin of insurance groups to have a total value of 21.7 billion euros. Included in this amount are the shareholders' equity, reserves for real estate holdings and participations consolidated at equity, as well as subordinated liabilities and reserves for premium refunds that are eligible for the solvency margin. However, this total must be reduced by certain elements carried as intangible assets, in particular goodwill from insurance companies, as well as claims equalization reserves recognized in local financial statements. At the end of 2002, the solvency margin required by law is expected to be at least 14.2 billion euros, which corresponds to a cover ratio of

152.8 percent. However, the solvency margin directive applies only to the insurance segment and contains no capital requirements for the banking business. Until the Financial Conglomerates Directive takes effect in fiscal 2005, multiple gearing of regulatory capital is still possible in part.

In addition, all entities of the Allianz Group had sufficient own funds and met local solvency requirements.

In the Interim Report on the first three quarters of 2002, we announced that we were extending an offer to the holders of profit participation certificates to exchange these certificates into Allianz shares at a rate of eight certificates for ten Allianz shares. The exchange period ran from November 19, 2002, to January 16, 2003. A total of 4,918,488 profit participation certificates – close to 86 percent of the certificates issued – were exchanged for 6.15 million shares. The share certificates issued were taken from treasury stock. This outflow increased our shareholders' equity by 386 million euros in January 2003.

Ratings

In the fall of 2002, the Allianz Group's ratings were slightly downgraded by several rating agencies. This was a reaction to the high charges with which the Group was burdened by the extreme weakness in the capital markets, exceptionally high claims in the insurance business and very high risk provisions at Dresdner Bank. Nonetheless, the ratings of Allianz continue to be among the best in the market.

Here an overview of the ratings by leading agencies.

| | Standard & Poor's | Moody's | A. M. Best |
|-------------------------------|-------------------|-----------|------------|
| Category | | | |
| Insurer Financial Strength | AA- | not rated | A++ |
| Outlook | | | Negative |
| Counterpart Credit | AA- | not rated | not rated |
| Outlook | Negative | | |
| Senior Unsecured Debt | AA | Aa2 | A++ |
| Outlook | | Negative | Negative |
| Subordinated Debt | A+ | A1 | not rated |
| Outlook | | Negative | |
| Commercial Paper (Short Term) | A-1+ | P-1 | not rated |

and were able to set the interest rate at the lower end of the book building range. The bond was hailed as “deal of the year” in the financial services provider category by the British financial magazine Euroweek. It is listed at the Luxembourg stock exchange.

In December 2002, after the successful completion of this transaction, we issued a perpetual subordinated bond specifically conceived for the Asian market. It has a volume of 500 million U.S. dollars. Considering the fact that this was our first venture in the Asian bond market, the demand of about 740 million U.S. dollars was exceptionally high. That enabled us to fix the coupon of this bond at 7.25 percent – the lower end of the price range originally envisioned.

In December 2002, we also emitted a subordinated bond with a 22-year maturity in Europe. This bond can be recalled for the first time after 12 years. The demand for this issue reached 1.8 billion euros, of which we utilized 1 billion with a 6.5 percent coupon. That concluded the so far biggest bond emission project by a European financial services provider.

The funds raised by these bond issues will be used, on the one hand, to redeem short-term financing arrangements and, on the other, to secure the financing of our future growth.

Borrowing

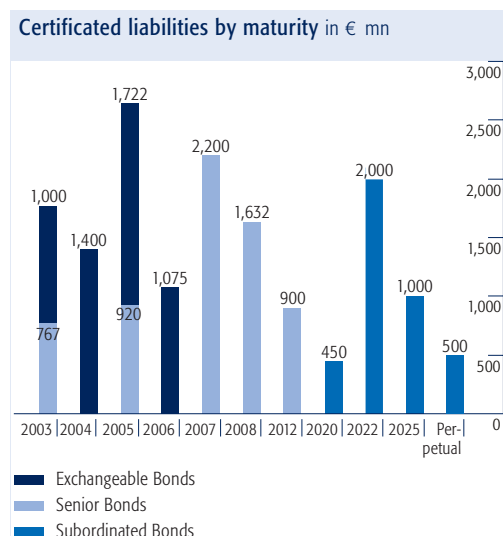
In May 2002, Allianz launched its first subordinated bond issue with a volume of 2 billion euros, a 6.125 percent coupon and a 20-year maturity. This bond can be recalled for the first time after ten years and thereafter at the end of each quarter. If no call for redemption is issued after ten years, a variable interest rate is applied.

In November 2002, we very successfully floated a euro-denominated bond in two tranches. This issue, which was rated AA by Standard & Poor's and Aa2 by Moody's, was oversubscribed eight times. The demand was so overwhelming that we increased the total volume from 1 to 2 billion euros

Outstanding bonds of the Allianz Group (excluding banking) – overview

| | € bn |
|-----------------------|-------------------|
| Senior Straight Bonds | 6.4 |
| Convertible bonds | 5.2 ^{*)} |
| Subordinated bonds | 4.0 |

^{*)}Taking into account hedging positions



AGF France issued a 6.625 percent subordinated bond with a volume of 450 million euros, which is also included in the long-term liabilities of the Allianz Group. This bond is not guaranteed by Allianz AG.

The Allianz Group still has recourse to short-term financing instruments, predominantly commercial papers. At the end of the year, these liabilities added up to approximately 3 billion euros.

The exchangeable bond backed by shares of Deutsche Bank reached maturity in February 2003. Since the share price of Deutsche Bank had fallen far below the striking price, the 1-billion euro bond was repaid in cash, in accordance with the terms of this issue. Another 767-million euro bond issue, which comes to maturity in May 2003, will also be redeemed in cash.

Allianz AG bond issues

1. Senior Bonds**6.0 % bond issued by Allianz Finance B. V., Amsterdam**

| | |
|---------------|------------------|
| Volume | € 767 million |
| Year of issue | 1996 |
| Maturity date | 5/14/2003 |
| SIN | 132 275 |
| ISIN | DE 000 132 275 8 |

5.75 % bond issued by Allianz Finance B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | € 1.1 billion |
| Year of issue | 1997/2000 |
| Maturity date | 7/30/2007 |
| SIN | 194 000 |
| ISIN | DE 000 194 000 5 |

5.0 % bond issued by Allianz Finance B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | € 1.6 billion |
| Year of issue | 1998 |
| Maturity date | 3/25/2008 |
| SIN | 230 600 |
| ISIN | DE 000 230 600 8 |

3.0 % bond issued by Allianz Finance B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | CHF 1.5 billion |
| Year of issue | 1999/2000 |
| Maturity date | 8/26/2005 |
| SIN | 830 806 |
| ISIN | CH 000 830 806 3 |

4.625 % bond issued by Allianz Finance II B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | € 1.1 billion |
| Year of issue | 2002 |
| Maturity date | 11/29/2007 |
| SIN | 250 035 |
| ISIN | XS 015 878 835 5 |

5.625 % bond issued by Allianz Finance II B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | € 0.9 billion |
| Year of issue | 2002 |
| Maturity date | 11/29/2012 |
| SIN | 250 036 |
| ISIN | XS 015 879 238 1 |

2. Subordinated Bonds**6.125 % bond issued by Allianz Finance II B. V., Amsterdam**

| | |
|---------------|------------------|
| Volume | € 2 billion |
| Year of issue | 2002 |
| Maturity date | 5/31/2022 |
| SIN | 858 420 |
| ISIN | XS 014 888 756 4 |

7.25 % bond issued by Allianz Finance II B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | \$ 0.5 billion |
| Year of issue | 2002 |
| Maturity date | Perpetual Bond |
| SIN | 369 290 |
| ISIN | XS 015 915 072 0 |

6.5 % bond issued by Allianz Finance II B. V., Amsterdam

| | |
|---------------|------------------|
| Volume | € 1 billion |
| Year of issue | 2002 |
| Maturity date | 1/13/2025 |
| SIN | 377 799 |
| ISIN | XS 015 952 750 5 |

3. Exchangeable Bonds**3.0 % exchangeable bond issued by Allianz Finance B. V., Amsterdam**

| | |
|------------------|-------------------------|
| Exchangeable for | Deutsche Bank AG shares |
| Volume | € 1.0 billion |
| Year of issue | 1998 |
| Maturity date | 2/4/2003 |
| SIN | 197 280 |
| ISIN | DE 000 197 280 0 |

2.0 % exchangeable bond issued by Allianz Finance B. V., Amsterdam

| | |
|------------------------|-------------------|
| Exchangeable for | Siemens AG shares |
| Volume | € 1.7 billion |
| Year of issue | 2000 |
| Maturity date | 3/23/2005 |
| Current exchange price | € 149.64 |
| SIN | 452 540 |
| ISIN | DE 000 452 540 7 |

Index-linked exchangeable bond (Miles) issued by Allianz Finance II B. V., Amsterdam

| | |
|--|---|
| At the issuer's discretion, exchangeable for/repayable by | E.ON AG, BASF AG, Münchener Rück AG or certain other shares |
| Volume | € 2.0 billion |
| Year of issue | 2001 |
| Maturity date | 2/20/2004 |
| Exchange ratio | Relevant DAX reference price divided by the relevant reference price of the shares selected |
| Outperformance bonus | 1.25 % p.a. of the relevant DAX reference price |
| SIN | 600 385 |
| ISIN | DE 000 600 385 8 |

1.25 % exchangeable bond issued by Allianz Finance II B. V., Amsterdam

| | |
|------------------------|------------------|
| Exchangeable for | RWE AG shares |
| Volume | € 1.1 billion |
| Year of issue | 2001 |
| Maturity date | 12/20/2006 |
| Current exchange price | € 50.16 |
| SIN | 825 371 |
| ISIN | XS 013 976 180 2 |

4. Participation certificate**Allianz AG participation certificate**

| | |
|--------------------------|--|
| Nominal amount | € 29.3 million (€ 4.1 million after the exchange) |
| Payout for 2002 | € 3.6 |
| Current redemption price | € 78.54 |
| SIN | 840 405 |
| ISIN | DE 000 840 405 4 |

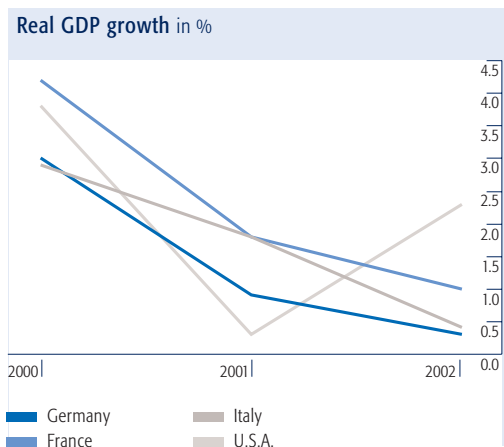
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The world economy failed to regain its footing in 2002, disappointing many who had hoped it would. The going remained rough since virtually all regions fell short of growth expectations. The optimistic mood at the beginning of the year, which actually could have laid the groundwork for general upward momentum, had already fizzled out by mid-2002. Anxiety about a war against Iraq, deep-seated uncertainty on the capital markets and the fear of terrorist attacks combined to smother the economy and prevented any noticeable rebound.

Paralyzing uncertainty

Impetus for sustainable growth failed to materialize from the industrial countries in 2002. The momentum witnessed at the beginning of the year, which was fueled by optimistic forecasts, had already dissipated by the end of the second quarter. In many major countries, consumer spending was more restrained than had been expected. Many European and U.S. companies also postponed capital expenditure and investment in expansion. The threat of war in Iraq and the enormous losses on the capital markets contributed to this reluctance. As a result, investment declined, which was fatal for the job market, and unemployment did in fact start to rise again in many countries. The gross domestic product of the euro region increased by a modest 0.8 percent. On the other hand, the U.S. economy expanded by 2.3 percent. At the same time, however, the Japanese economy, the second largest in the world, did not manage to break out of the cycle of weak growth that is now in its tenth year, and economic output contracted by 0.2 percent.



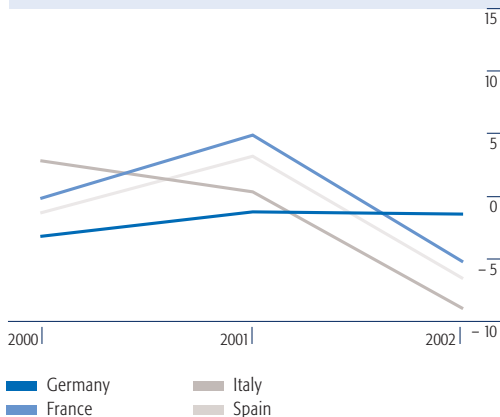
Economic performance in regions with emerging markets varied considerably. The Latin American economies were down from the previous year, primarily due to the deep-rooted crisis in Argentina and its impact on neighboring countries. On the other hand, the situation in Asia, with the exception of Japan, turned out to be surprisingly positive. This region for the most part lived up to expectations, and the gross domestic product of these countries rose by an average of approximately 5.5 percent. Economic expansion in eastern Europe slowed down, dropping roughly one percentage point to approximately 3 percent.

Rough going for financial services providers

Property & casualty insurance This area of business, and especially industrial insurance, continued to suffer from the effects of September 11, 2001, in the course of the reporting period. Terrorism risks have been reassessed and claims

estimates adjusted to take into account the new situation. Premium income from industrial clients continued to increase. In the U.S.A., the world's largest insurance market, this trend persisted throughout the entire year 2002. In preceding years, excess capacity had combined with intense competition to make it essentially impossible to generate risk-adequate premium income. The return to reality with respect to pricing resulted from the financial difficulties of various reinsurers following the terrorist attack in 2001. More than a few found themselves compelled to limit the underwriting capacity made available to primary insurers. This was reflected in a decrease in the availability of insurance for industrial clients. In addition, the disappointing development on the capital market forced property and casualty insurers to calculate more conservatively. Claims ratios showed improvement over the previous year, which was overshadowed by the largest insurance claim ever, the suicide attack on the World Trade Center.

New automobile registrations Change over previous year in %



Premium income from automobile insurance, the most important source of property and casualty business with private customers, was in some cases down from the previous year. The sluggish economy, especially in various major EU countries, resulted in a decrease in vehicle registrations that had a direct impact upon providers of automobile insurance (see chart).

Life and health insurance The unsolved problems confronting many governmental retirement systems continue to lend fresh impetus to the insurance business. Demographic aberrations in the U.S.A. and Europe and the resultant burden on pay-as-you-go retirement systems have enhanced the image of private retirement insurance. Germany's so-called "Riester" pension plan is a good example. It combines private insurance with governmental support. However, sales of Riester products fell considerably short of industry expectations in their first year on the market. Nevertheless, premium growth in the German life insurance sector did double to approximately 4.5 percent for the year although consumer spending slackened off. This shows that people are concerned about retirement security and are tending to opt for private life and retirement insurance.

Life insurance sales in other EU countries were also generally up, but there were exceptions. Although premium income in France rose 2 percent, income from the sale of insurance declined significantly in Spain. In the countries of central and eastern Europe as well as in Asia, newfound prosperity is also fueling the life insurance business, which is of course driven by the demand for private retirement security. The world's life insurance companies were faced with a special challenge in 2002 since they have to maintain the guaranteed returns of their products despite weak stock markets and persistently low interest rates.

From early 2000 to the end of last year, the yield on ten-year bonds in the euro region dropped by more than one percentage point and ended the reporting period at 4.2 percent. The corresponding decrease was even more pronounced in the U.S.A., where the rate dropped from 6.5 to 3.8 percent during that time. This pushed down yields on new issues. Declining interest rates did cause the prices of fixed-interest securities to rise, but the rise of the bond market did not by any means compensate for the losses incurred on the stock markets during the same period. In the course of this three-year period, the German DAX stock index lost 57 percent of its value, and the U.S. Standard & Poor's 500 Index recorded a loss of just under 40 percent. The Dow Jones dropped 27 percent, the Dow Jones EURO STOXX 50 a hefty 50 percent, and Japan's Nikkei Index no less than 55 percent. Capital market developments presented most life insurance companies with serious problems.

The problems experienced by the public health insurance system in Germany caused large numbers of people who participated in the system voluntarily to switch to private health insurance. As a result, the industry was once again able to generate premium income in excess of the 5 percent increase recorded a year earlier. The question as to how to handle the uncontrolled cost spiral, notably in the U.S.A., Switzerland and Germany, remains unresolved. Not only governmental health insurers but also private providers are confronted with problems. Allianz Private Health Insurance uses a system to manage its healthcare business and services that has already resulted in substantial savings by eliminating unnecessary outlays. As a result, Allianz has staked out a position of leadership in the German market.

Asset management This area of business, which parallels and complements life insurance, is also benefiting from the fact that retirement systems are being restructured. For example, the "Riester" pension plan has kindled new interest in company retirement plans in Germany, which has opened up additional growth potential in the area of asset management for corporate clients. The situation is similar in virtually all other EU countries. Asset management is also becoming increasingly important as a vehicle for asset accumulation and retirement benefits in central and eastern Europe as well as in Asia. In the Far East, a steadily growing middle class is stimulating demand for asset-building products, especially in South Korea, Malaysia and Singapore as well as in the major metropolitan centers of China.

The unfavorable capital market development in 2002 proved an obstacle to these essentially positive conditions underlying Asset Management. Very weak stock markets in the second half of the year intimidated investors and resulted in a change in investment priorities. The trend favored funds which for the most part invest in fixed-interest securities and money market products. On the other hand, stock funds in 2002 once again failed to repeat the very successful performance of the '90s. However, this change in

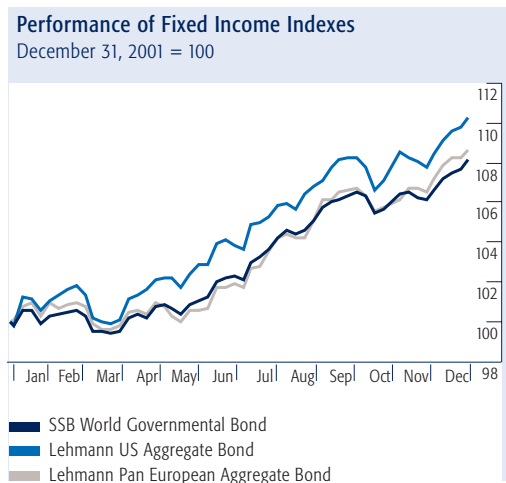
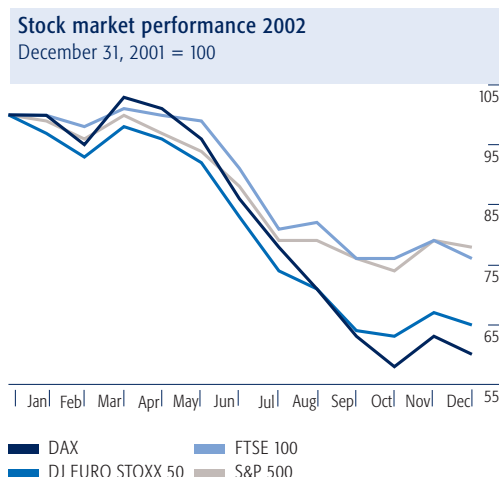
investor preferences is hardly likely to have an unfavorable effect on future growth prospects for asset management business over the long term and will prove temporary. The mere fact that asset managers were on balance still able to record an inflow of funds in a year like 2002 that was so weak in terms of stock performance speaks in favor of this.

Banks In 2002, this sector experienced considerable difficulties. Defaults on loans and, as a result, higher write-offs due to the lack-luster economy took their toll on lending institutions. The downturn had a serious impact on the earnings of the banking industry. The nose dive on the stock markets exacerbated the situation since commission surpluses and trading income dwindled. In particular, business in the area of new issues and merger and acquisition consulting for corporate clients disappeared virtually completely. All this reduced earnings and many financial institutions intensified their cost cutting efforts. Newspapers were full of reports of layoffs and branch office closures in many countries. Germany was especially hard hit by this situation.

Capital markets

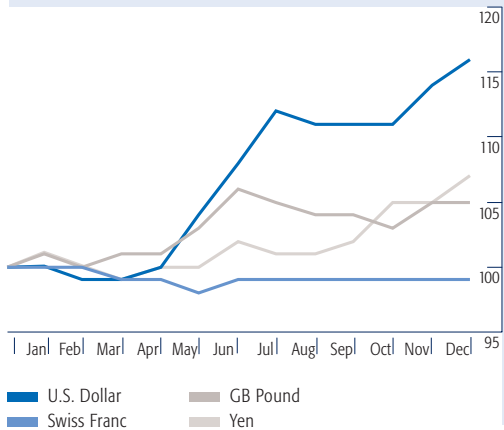
Developments on the capital markets had a strong impact on the activities of Allianz in the areas of insurance, asset management and banking. Since the financial markets failed to calm down in 2002, the effects on sales performance and earnings were significant. This was the third year in a row that fixed-interest securities yielded a higher return than stocks. Clients reacted accordingly and exhibited a preference for low-risk investments that cut across the entire market. This trend boosted the new business of our life insurers, particularly Allianz Leben in Germany and our U.S. subsidiary Allianz Life of North America. Our U.S. fund manager, PIMCO, which specializes in bonds and whose PIMCO Total Return product became the largest fund in the United States in 2002, also benefited from this development.

Stock markets In the early months of 2002, most stock market indices were still pointing upward. But when the accounting scandals assumed an unprecedented dimension in the spring, investor confidence was shattered. Germany also witnessed numerous cases of illegal manipulation of figures and falsified income statements. An economic environment that repeatedly gave rise to unsettling questions, the threat of war in Iraq and the possibility of a further despicable attack by terrorists smothered all hope of a positive year for the world's stock markets. In fact, the low for the year in October was well below the level following the terrorist attack of September 11, 2001. At year-end 2002, the German DAX index had dropped approximately 44 percent. The losses suffered by the broad-based U.S. Standard & Poor's 500 index in the U.S.A. pointed in the same direction: this barometer was down 20 percent for the year.



Bond markets The performance of fixed-interest securities was positive. Substantial funds from the stock market were reinvested in the bond market. This resulted in a significant increase in the prices of bonds. Between the spring and September of 2002, the yields on ten-year government bonds in the U.S.A. dropped from 5.3 percent to under 4 percent. The comparable decrease on European bond markets was somewhat less extreme. The yield on such securities fell from 5.2 to 4.4 percent during the same period and ended the year slightly above 4 percent. Both the U.S. Federal Reserve and the European Central Bank reacted to the threats to the economy in the fourth quarter with another half-point cut in the fund rate, which made investment in bonds less attractive within a short-term timeframe.

Development of foreign exchange markets in 2002
December 31, 2001 = 100



Currencies In the course of the reporting period, the euro rebounded against the U.S. dollar after having suffered considerable erosion since its introduction. The euro started its climb in April 2002, when it was at 0.88 U.S. dollars, and caught up with the dollar in the early summer. From July, the euro hovered between 0.96 and 1.02 and ended the year at 1.05 U.S. dollars. In the course of the year, the euro also firmed up against sterling but remained essentially unchanged against the Swiss franc.

Overall Business Development

Consolidated balance sheet (short version)

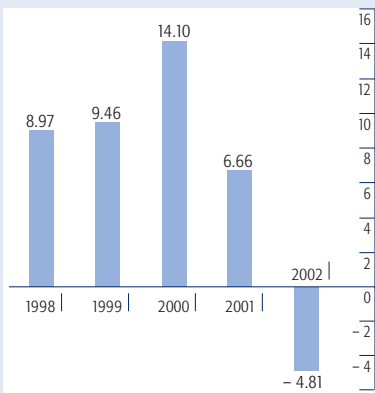
| ASSETS | 2002 € bn | 2001 € bn | EQUITY AND LIABILITIES | 2002 € bn | 2001 € bn |
|--|--------------|--------------|---|--------------|--------------|
| Intangible assets | 18.3 | 16.9 | Shareholders' equity | 21.8 | 31.7 |
| Investments in affiliated enterprises | 11.3 | 10.2 | Minority interests in shareholders' equity | 8.2 | 17.3 |
| Investments | 285.3 | 345.3 | Participation certificates and subordinated liabilities | 14.2 | 12.2 |
| Investments held on account and at risk of life insurance policy holders | 25.7 | 24.7 | Insurance reserves | 305.8 | 299.5 |
| Loans and advances to banks | 86.8 | 61.3 | Insurance reserves for life insurance where the investment risk is carried by policyholders | 25.7 | 24.7 |
| Loans and advances to customers | 188.1 | 239.7 | Liabilities to banks | 137.3 | 135.4 |
| Trading assets | 124.8 | 128.4 | Liabilities to customers | 147.3 | 177.3 |
| Amounts ceded to reinsurers from insurance reserves | 28.4 | 31.0 | Certificated liabilities | 78.8 | 134.7 |
| Other assets | 83.3 | 85.4 | Other liabilities | 113.1 | 110.1 |
| Total assets | 852.1 | 942.9 | Total equity and liabilities | 852.1 | 942.9 |

Consolidated income statement (short version)

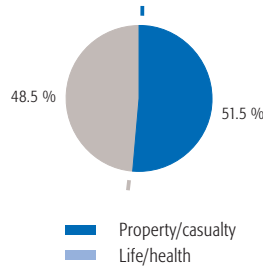
| | 2002 € bn | 2001 € bn |
|---|--------------|--------------|
| Premiums earned (net) | 55.1 | 52.7 |
| Net interest from banking | 4.0 | 2.4 |
| Income from investments and affiliated enterprises | 13.2 | 15.0 |
| Trading income | 1.5 | 1.6 |
| Fee and commission income, and income resulting from service activities | 6.1 | 4.8 |
| Insurance benefits | - 50.2 | - 50.2 |
| Loan loss allowance | - 2.2 | - 0.6 |
| Acquisition costs and administrative expenses | - 24.4 | - 19.3 |
| Other income/expenses | - 3.1 | - 3.9 |
| Amortization of goodwill | - 1.2 | - 0.8 |
| Income before taxes | - 1.2 | 1.8 |
| Taxes | 0.7 | 0.8 |
| Minority interests in earnings | - 0.7 | - 1.0 |
| Net income | - 1.2 | 1.6 |
| Earnings per share in € | - 4.81 | 6.66 |

- _ In fiscal 2002, total premium income increased 9.9 percent to 82.6 billion euros.
- _ The Group finished the year with a loss of 1.2 billion euros.
- _ This unsatisfactory result was essentially determined by the difficult economic climate and the weakness in the capital markets, the loss at Dresdner Bank and by a number of special influences, in particular claims from the flood disaster, which totaled 710 million euros. We also decided to increase the reserves for asbestos and environmental (A&E) exposure in the U.S. by 762 million euros.
- _ The deterioration of earnings overshadowed significant improvements in our operating performance. In addition to substantially higher revenues, the major achievements were a clearly improved combined ratio in property and casualty insurance, the trimming of Dresdner Bank's administrative expenses by 12.3 percent and the growth of net inflows in asset management by 43 billion euros.

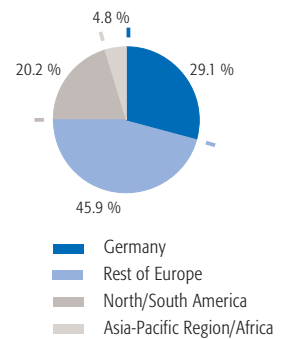
Earnings per share
in €



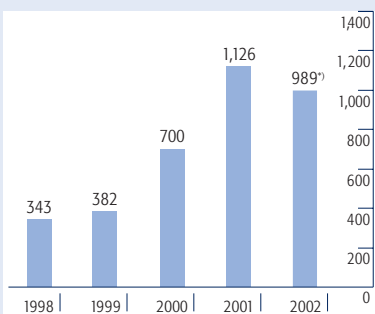
Total premium income by
business segments (€82.6 bn)



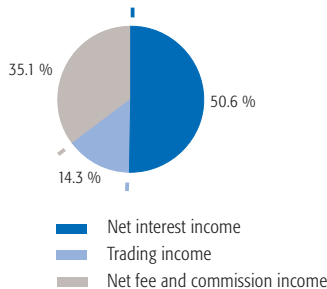
Total premium income
by regions (€82.6 bn)



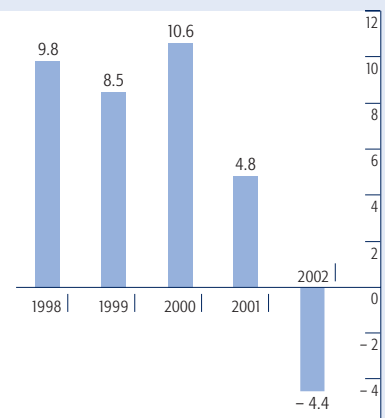
Assets under management
in € bn



Revenues from banking
by category (€7.6 bn)



Return on equity after taxes
in %



^{*)} For the first time, Group investments also include trading liabilities

- _ Allianz had to report a loss of just under 1.2 billion euros in 2002. A major contributing factor was the extraordinarily difficult situation in the economy and in the capital markets. Another problem was the shortfall of operating income at Dresdner Bank. To make matters worse, our performance was undermined by a number of special influences.
- _ The effects of these special influences were mainly felt in the third quarter, where they completely eroded the net earnings of 1.6 billion euros reported at mid-year. Despite clear improvements of our earnings, the fourth quarter ended with a loss of 0.2 billion euros, mainly due to persistently high write-downs on our equity portfolio. For the full fiscal year 2002, these amounted to 5.6 billion euros.
- _ The abrupt deterioration of our earnings in the third quarter, which was as devastating as it was unexpected, overshadows major improvements in our operating business. Premium income increased substantially in many areas. At the same time, we achieved a substantial reduction of the combined ratio in property and casualty insurance.
- _ We propose to pay our shareholders a dividend of 1.50 euros, the same amount as distributed in the previous year.

Our business performance in 2002 was marred by a combination of negative influences. The downturn in the capital markets forced us to make write-downs on our equity portfolio in the amount of 5.6 billion euros. At the same time, it depressed the trading and commission income of our banking segment. Relatively high fixed costs, particularly in the Corporates & Markets unit, also took their toll. At the same time, loan loss allowances had to be raised substantially because the weak economy increases the probability that borrowers will default. Severe natural catastrophes heavily impacted earnings; the severe flooding in central and eastern Europe alone caused claims of 710 million euros. And finally we had to increase risk provisions for asbestos and environmental (A&E) exposure in the U.S.A. by 762 million euros.

Unfortunate as they may be, these negative influences reflect only one side of the reality of our business. On the other side, there are significant improvements of our operating performance. Total premium income from the insurance business increased 9.9 percent to 82.6 billion euros. Adjusted for the special effects of the flood disaster and asbestos exposure, the combined ratio fell to 101.7 percent. Administrative expenses at Dresdner Bank were cut by 12.3 percent. And despite the adverse conditions in the capital markets, asset management was able to boost net inflows to 43 billion euros, based on the exchange rates at the end of 2001.

What is the bottom line of these conflicting trends? Operating improvements were insufficient to compensate the drop in earnings in the third quarter. While we did succeed in reducing the third-quarter loss of 2.5 billion euros to 0.2 billion euros in the fourth quarter, we finished the fiscal year with an overall loss of 1.2 billion euros.

Overview

| | | 12/31/2002 | 12/31/2001 |
|--|------|------------|------------|
| Gross premium income | € bn | 82.6 | 75.1 |
| Net revenues from banking | € bn | 7.6 | 3.9 |
| Net revenues from asset management | € bn | 2.3 | 2.0 |
| Total revenues | € bn | 92.5 | 81.0 |
| Earnings before taxes and amortization of goodwill | € bn | - 0.1 | 2.6 |
| Net income | € bn | - 1.2 | 1.6 |
| Earnings per share | € | - 4.81 | 6.66 |
| Return on equity after taxes | % | - 4.4 | 4.8 |

Earnings

Total earnings before taxes and amortization of goodwill amounted to a loss of 52 million euros, following a profit of 2.6 billion euros in the previous year. Amortization of goodwill increased to 1,162 (808) million euros, mainly for two reasons:

- _ The Dresdner Bank Group was for the first time consolidated for the full fiscal year.
- _ We increased our interests in the Group companies Allianz Lebensversicherungs-AG, Bayerische Versicherungsbank AG and Frankfurter Versicherungs-AG.

Fiscal 2002 produced tax income of 735 million euros. The taxes actually paid by our companies amounted to 844 million euros. But since we were able to capitalize deferred taxes in the amount of 1,653 million euros, which resulted from temporary differences between the figures stated in the balance sheet and their tax basis, we recognized the tax income mentioned above.

Minority interests in earnings decreased to 0.7 (1.0) billion euros, which brought the total loss for fiscal 2002 to 1.2 billion euros. Earnings per share came to - 4.81 euros.

Our free float now extends to more than 500,000 shareholders. Even in difficult times, we want to maintain the continuity of our dividend policy and will therefore propose to the Annual General Meeting to distribute a dividend of 1.50 euros per share for 2002, unchanged from last year.

Premium income from the insurance business

Total premium income from the insurance business increased 7.5 billion euros or 9.9 percent to 82.6 billion euros. In property and casualty insurance, revenues were up 2.7 percent while total premium income in life and health insurance increased 18.9 percent. Changes in the scope of consolidation contributed 223 million euros to sales growth.

Exchange rate fluctuations – in particular the rise of the euro against the U.S. dollar and the pound sterling – reduced premium income by 736 million euros. Disregarding consolidation and currency effects, total revenues from the insurance business grew by 10.6 percent.

In IFRS accounts, which only recognize the cost and risk components of investment-oriented life insurance as premium income, revenue increased 2.5 percent to 63.2 billion euros.

Asset management

Assets under management in the Allianz Group decreased to 1.0 (1.1) trillion euros. Investments for third-party investors, which account for 57 percent of the overall portfolio, decreased 9.5 percent to 561 (620) billion euros. Of this decline, 25 billion euros are attributable to falling prices on the international stock markets, another 77 billion euros to the depreciation of the U.S. dollar against the euro. Net revenues came to 2.3 billion euros.

Banking

Net revenues from banking amounted to 7.6 billion euros. This figure includes interest and commission income as well as trading income. The 100 percent increase over the previous year (3.9 billion euros) is due to a special effect: the figures of Dresdner Bank, which almost exclusively determines the development of our banking business, were for the first time included in our annual statements on a full-year basis. In the previous year, the bank was not consolidated until July, 23. On a comparable basis, operating income of Dresdner Bank dropped 18.6 percent, mainly as a result of the weaknesses in the economy and the capital markets. In addition, loan loss provisions in the amount of 2.2 billion euros undermined the earnings performance of the banking segment. To counteract this trend, the comprehensive Turnaround 2003 program was launched in the fall of 2002, which is designed to intensify the initiatives to upgrade efficiency already under way.

Shareholders' equity

At the end of 2002, the shareholders' equity of the Allianz Group came to 21.8 billion euros. This figure takes into account 23,588,411 treasury shares, which reduce shareholders' equity and were acquired at a cost of 6.0 billion euros. Overall, shareholders' equity was down 9.9 billion euros compared with the end of 2001. This is primarily due to the substantially lower balance of unrealized gains and losses, which dropped from 7.2 to 1.0 billion euros, mainly as a result of lower stock market prices.

Market capitalization

The continuing downturn in the capital markets also brought down the Allianz share. Insurance stocks clearly underperformed the market average in 2002 because the bear market forced insurers to make substantial write-downs on their investment portfolios. On the final trading day of 2002, the market capitalization of Allianz AG came to 22 billion euros after deduction of treasury shares. That was 42 billion euros or 65.7 percent lower than the comparable 2001 figure. These figures are based on the Xetra closing price on the last trading day of the year, which was 91 euros.

Human Resources

The total number of employees worldwide increased slightly by 1,705 to 181,651 at the end of 2002. This increase was mainly due to the build-up of our sales network in Germany and the first-time consolidation of recent acquisitions.

RECOMMENDATION FOR APPROPRIATION OF PROFIT

The Board of Management and the Supervisory Board propose that the available unappropriated earnings of Allianz AG in the amount of 1,164,997,000.00 euros be appropriated as follows:

- _ Distribution of a dividend of 1.50 euros per eligible share
- _ Allocation of 791,088,059.50 euros to other appropriated retained earnings.

The recommendation for appropriation of earnings takes into account own shares held directly or indirectly by the company, which in accordance with the German Stock Corporation Act (clause § 71 b AktG) are not entitled to receive a dividend. Further purchases or sales of own shares during the period prior to the Annual General Meeting may increase or decrease the number of shares eligible for dividends. In this case, an amended proposal for the appropriation of profit based upon an unchanged dividend in the amount of 1.50 euros per eligible share will be submitted to the Annual General Meeting for ratification.

Munich, February 27, 2003
Allianz Aktiengesellschaft

The Board of Management

| | |
|--------------------|---------------|
| Dr. Schulte-Noelle | Diekmann |
| Dr. Achleitner | Bremkamp |
| Dr. Faber | Dr. Fahrholz |
| Dr. Hagemann | Dr. Müller |
| Dr. Perlet | Dr. Rupprecht |
| Dr. Zedelius | |

Property and Casualty Insurance

| | | 2002 | 2001 | 2000 |
|--------------------|------|---------|---------|---------|
| Gross premiums | € mn | 43,294 | 42,137 | 38,382 |
| Claims ratio | % | 78.2 | 81.1 | 77.9 |
| Expense ratio | % | 27.5 | 27.7 | 27.0 |
| Investment income | € mn | 11,734 | 7,325 | 8,393 |
| Net income | € mn | 7,207 | 2,364 | 3,262 |
| Investments | € mn | 137,113 | 141,388 | 125,626 |
| Insurance reserves | € mn | 87,557 | 90,432 | 81,046 |

Gross premiums¹⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--|--------------|--------------|--------------|
| Germany | 12,314 | 12,644 | 11,948 |
| France | 4,941 | 5,392 | 4,745 |
| Italy | 4,938 | 4,585 | 4,264 |
| Great Britain | 2,699 | 2,492 | 2,104 |
| Switzerland | 1,235 | 1,244 | 1,160 |
| Spain | 1,490 | 1,278 | 1,073 |
| Netherlands | 1,023 | 873 | 557 |
| Ireland | 860 | 738 | 563 |
| Austria | 852 | 844 | 831 |
| Rest of Europe | 2,099 | 1,801 | 1,675 |
| NAFTA Region | 5,992 | 6,822 | 6,300 |
| Asia-Pacific Region | 1,599 | 1,344 | 781 |
| South America | 768 | 962 | 891 |
| Allianz Global Risks Re | 1,136 | | |
| Credit insurance | 1,579 | 1,589 | 1,611 |
| Travel insurance and assistance services | 808 | 732 | 656 |
| Allianz Marine & Aviation | 1,424 | | |

¹⁾ Before cross-border consolidation

In the following breakdown according to countries and regions, transactions between reporting units are not consolidated. In order to present a clear picture of our business operations, we have adjusted reported results by eliminating the amortization of goodwill and extraordinary items primarily relating to tax regulations for the year 2000.

- _ Premium income from property and casualty insurance was up 2.7 percent to 43.3 billion euros.
- _ The combined ratio decreased 3.1 percentage points to 105.7 percent. Restated to eliminate one-time charges in connection with the severe flooding in central and eastern Europe and the increase in reserves to cover asbestos-related and environmental risks, the combined ratio amounted to 101.7 percent.
- _ Net investment income improved 60 percent to 11.7 billion euros, primarily due to intercompany transactions. Net income came to 7.2 billion euros. After restatement to eliminate intercompany transactions, net income amounted to 3.4 billion euros.

Earnings after taxes²⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--|--------------|--------------|--------------|
| Germany | 9,235 | 3,772 | 2,303 |
| France | 383 | 31 | 439 |
| Italy | 842 | 395 | 235 |
| Great Britain | 237 | 69 | - 11 |
| Switzerland | 31 | 121 | 199 |
| Spain | 62 | 32 | 41 |
| Austria | - 33 | 16 | - 50 |
| Netherlands | 11 | 34 | 89 |
| Ireland | 170 | - 4 | 13 |
| Rest of Europe | - 29 | 66 | 8 |
| NAFTA Region | - 933 | - 1,030 | - 86 |
| Asia-Pacific Region | - 17 | 11 | 39 |
| South America | 47 | 29 | - 27 |
| Allianz Global Risks Re | - 257 | | |
| Credit insurance | 16 | 91 | 158 |
| Travel insurance and assistance services | 21 | 3 | 24 |
| Allianz Marine & Aviation | 17 | | |

²⁾ Earnings after taxes, before amortization of goodwill and minority interests, net of extraordinary tax items in 2000

Investments³⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--|--------------|--------------|--------------|
| Germany | 101,384 | 100,600 | 80,269 |
| France | 20,468 | 20,579 | 18,413 |
| Italy | 10,402 | 9,985 | 9,873 |
| Great Britain | 2,879 | 2,753 | 2,376 |
| Switzerland | 3,195 | 3,735 | 4,379 |
| Spain | 1,523 | 1,420 | 1,459 |
| Austria | 1,287 | 1,397 | 1,482 |
| Netherlands | 1,886 | 1,851 | 2,032 |
| Ireland | 1,341 | 1,131 | 1,082 |
| Rest of Europe | 5,801 | 3,886 | 3,670 |
| NAFTA Region | 19,522 | 20,398 | 18,000 |
| Asien-Pazifik | 2,199 | 1,737 | 1,196 |
| South America | 642 | 652 | 527 |
| Allianz Global Risks Re | 219 | | |
| Credit insurance | 2,420 | 2,562 | 2,825 |
| Travel insurance and assistance services | 476 | 445 | 416 |
| Allianz Marine & Aviation | 1,163 | | |

³⁾ Excluding real estate held for own use as of 2001

Premium income from property and casualty insurance was up 2.7 percent to 43.3 billion euros for the year 2002. This represented 51.5 percent of total revenues. The combined ratio decreased 3.1 percentage points to 105.7 percent. After restatement to eliminate the effect of one-time charges in connection with the flood in central Europe and the increase in reserves for asbestos-related and environmental risks in the USA, the combined ratio improved to 101.7 percent. Net income for this segment came to 7.2 billion euros. Restated to eliminate intercompany transactions, this segment contributed 3.4 billion euros to consolidated net income.

Restated to eliminate the effects of consolidation and currency transactions, **premium income** was up 3.2 percent, primarily due to rate increases. However, this gain does not completely reflect the improvement in our business as we also declined to renew many client portfolios that we did not feel would be profitable over the long term. These concerned primarily international corporate clients and clients in the U.S.A. It was possible to offset the resultant decrease in premium income through rate increases.

The **claims ratio** improved to 78.2 (81.1) percent. This figure would have been significantly better, namely 74.2 percent, if we had been spared the catastrophic floods in central and eastern Europe and did not have to increase reserves for asbestos-related and environment claims in the U.S.. Comparison of this figure with the 2001 claims ratio, which came to 76.7 percent without taking into account the extraordinary impact of the attack on the World Trade Center, also shows significant operational improvement. This improvement resulted from premium adjustments, especially in the area of automobile insurance, and the fact that the claims frequency (average number of claims per policy) remains favorable in many markets.

The **expense ratio** showed virtually no change from the previous year and came to 27.5 (27.7) percent. The cost involved in building up the insurance marketing activities of Dresdner Bank was offset by increased efficiency on the part of many Group companies.

Net investment income amounted to 11.7 billion euros. After elimination of intercompany transactions, net investment income comes to 7.8 billion euros. This figure reflects write-offs on securities in our portfolio in the amount of 2.3 billion euros. Interest for financing activities came to 1.2 billion euros.

Earnings before taxes and amortization of goodwill increased 5.1 billion euros to 7.9 billion euros. After amortization of goodwill, taxes and minority interests, net income increased to 7.2 (2.4) billion euros. After elimination of intercompany transactions, the result fell to 3.4 billion euros.

GERMANY

— We serve this market through the companies of Allianz Sachgruppe Deutschland (SGD). With revenues of 9.8 billion euros, SGD is the leading provider of property and casualty insurance in Germany.

— Allianz AG, which functions both as the Group's management holding company and as its reinsurer, generated premium income in the amount of 5.6 billion euros.

Gross premiums

| | 2002 ¹⁾ € mn | 2001 € mn | 2000 € mn |
|--|----------------------------|---------------|---------------|
| Allianz Sachgruppe Deutschland | 9,782 | 10,075 | 9,576 |
| Allianz AG | 5,600 | 5,687 | 5,587 |
| Consolidation property and casualty insurance in Germany | - 3,068 | - 3,118 | - 3,215 |
| Property and casualty insurance in Germany | 12,314 | 12,644 | 11,948 |

¹⁾ Excluding Allianz Marine & Aviation from 2002 on.

Excluding revenues of Allianz Marine & Aviation insurance AG and Allianz Global Risk Rückversicherungs-AG, which will be reported separately for the first time this year, we generated premium income in the amount of 12.3 billion euros.

Earnings after taxes and before amortization of goodwill

| | 2002 ¹⁾ € mn | 2001 € mn | 2000 € mn |
|---|----------------------------|--------------|--------------|
| Allianz Sachgruppe Deutschland | 1,883 | 1,660 | 835 |
| Allianz AG | 9,513 | 2,516 | 1,818 |
| Subtotal | 11,396 | 4,176 | 2,653 |
| Consolidations | | | |
| Profit transfer | 1,373 | 284 | 303 |
| Dividends, other | 788 | 120 | 47 |
| Property and casualty insurance in Germany | 9,235 | 3,772 | 2,303 |

¹⁾ Excluding Allianz Marine & Aviation from 2002 on.

Earnings after taxes jumped to 9.2 (3.8) billion euros, primarily due to realized capital gains on shares in connection with the acquisition of Dresdner Bank.

Sachgruppe Deutschland

| | | 2002 ¹⁾ | 2001 | 2000 |
|------------------------------------|------|--------------------|---------|--------|
| Gross premiums | € mn | 9,782 | 10,075 | 9,576 |
| Claims ratio | % | 73.5 | 70.9 | 72.2 |
| Expense ratio | % | 28.0 | 26.8 | 25.4 |
| Earnings after taxes ²⁾ | € mn | 1,883.5 | 1,659.9 | 835.2 |
| Investments | € mn | 21,298 | 22,007 | 23,476 |
| Employees | | 32,862 | 31,384 | 29,998 |

¹⁾ Excluding Allianz Marine & Aviation from 2002 on.

²⁾ Before profit transfer

As of the 2002 fiscal year, Allianz Marine & Aviation is no longer part of SGD. We include European Marine & Aviation activities in a business unit that we now report on separately. Excluding the results of Allianz Marine & Aviation, **SGD premium income** increased 1.1 percent to 9.8 billion euros. As a result, despite a difficult market situation we succeeded in achieving a slight increase in revenues, primarily through higher automobile insurance rates. This insurance segment grew 1.6 percent. Accident insurance increased 2.9 percent.

The **claims ratio** deteriorated to 73.5 (70.9) percent as a result of the high payouts following the severe flooding in 2002, which totaled 330 million euros (after reinsurance). If these claims are eliminated, the claims ratio comes to a low 68.4, an improvement of 2.5 percentage points compared with the previous year's figure.

One-time charges for company retirement benefits, investments in expansion of marketing activities and the expense of integrating Dresdner Bank had a negative impact on the **expense ratio**, which increased 1.2 percentage points to 28.0 percent.

SGD **investments** at the end of the year amounted to 21.3 billion euros. The corresponding income came to 2.4 billion euros, up from 0.5 billion euros a year earlier. This improvement was primarily due to capital gains on shares sold in the context of the acquisition of Dresdner Bank.

SGD's **earnings** after taxes rose to 1.9 (1.7) billion euros.

Premium income from the reinsurance activities of **Allianz AG** decreased to 5.6 (5.7) billion euros, primarily for two reasons:

- On the one hand, as of January 1, 2002, new risks from business with international corporate clients, i.e., from the portfolio of major international clients, was not reinsured by Allianz AG but rather by Allianz Global Risks Rückversicherungs-AG (AGR). This resulted in a decrease in premium volume (gross) by approximately 450 million euros. This measure primarily affected the reinsurance of industrial risks, i.e., fire, liability, transportation, technology and business interruption;
- On the other hand, other contracts were switched from proportional to non-proportional coverage. This decision did indeed lower premium income for 2002 but should have a noticeably positive effect on earnings in the years to come.

Allianz AG

| | | 2002 | 2001 | 2000 |
|----------------------|------|---------|---------|---------|
| Gross premiums | € mn | 5,600 | 5,687 | 5,587 |
| Claims ratio | % | 75.3 | 86.3 | 75.7 |
| Expense ratio | % | 28.8 | 26.9 | 21.9 |
| Earnings after taxes | € mn | 9,512.9 | 2,516.4 | 1,817.5 |
| Investments | € mn | 88,431 | 83,751 | 61,972 |

In absolute terms, revenues of Allianz AG decreased, but premium income from the remaining reinsurance business rose, in some cases significantly, as premiums and conditions were adjusted to take into account the difficult market situation immediately following the attack on the World Trade Center.

The **claims ratio** dropped to 75.3 (86.3) percent. This improvement would have been considerably

greater if it were not for a series of extremely severe natural catastrophes in the year 2002: storms and hail in Germany in the spring, the severe flooding in central Europe in the summer, Hurricane Isidore over Mexico in September and in October Windstorm Jeanett in western Europe. Insured losses caused by the severe flooding, Isidore and Jeanett alone totaled approximately 227 million euros. A reinsurance contract with Fireman's Fund Insurance Company calls for this company to cede reserves for asbestos-related and environmental risks in return for a portfolio entry in the amount of 1.2 billion euros. In exchange, Allianz AG extends reinsurance cover of up to a maximum 2.16 billion U.S. dollars. The reserves are determined on the basis of two external reports. Both confirmed a survival ratio of 13 years, which means that sufficient funds have been allocated to cover claims arising from these risks over this period. The survival ratio was based on payouts that have already been made, but extraordinary effects in the area of environmental liability have been eliminated.

The **expense ratio** increased 1.9 percentage points to 28.8 percent. This ratio essentially reflects reinsurance commissions. Expenses incurred in connection with the integration of Dresdner Bank also had an effect.

Transactions made at the beginning of the year in connection with the acquisition of Dresdner Bank as well as the sale of other shares resulted in high capital gains, which drove **net investment income** to 9.5 (3.1) billion euros.

Earnings after taxes improved to 9.5 (2.5) billion euros. After restatement to eliminate intercompany transactions, earnings come to 5.6 billion euros.

We assume that SGD revenues will in the course of the **current fiscal year** keep pace with the market and that the claims ratio will decrease further, especially since claims arising from natural disasters are likely to decline. We also hope to push the combined ratio below 100 percent again. The elimination of further unprofitable business from our portfolios and ongoing cost-reduction measures

make it reasonable to assume that this will be possible. We also want to expand the reinsurance activities of Allianz AG in 2003. Higher rates, more favorable conditions and improvement in earnings from insurance activities should generally boost this area of business although income from investment activities cannot be expected to reach the previous year's level.

FRANCE

_ Starting in the 2002 fiscal year, the financial results of Allianz Marine & Aviation France will be combined with those of Allianz Marine & Aviation Deutschland and included in a separate report.

_ AGF reported premium income of 4.9 (5.4) billion euros.

_ This Allianz company ranks third among French property and casualty insurers.

The 9.7 percent gain in **premium income** year-on-year was due primarily to rate adjustments. We were able to raise premiums in the commercial area, especially in the case of major clients, as well as in the area of consumer policies. In particular, increases in the prices of private automobile and household insurance contributed to the gain in revenues.

Cooperation with Crédit Lyonnais remains good. Premium income from our joint subsidiary, Assurances Fédérales, rose 16.4 percent to 81.7 million euros. The introduction of a new accident insurance product for private customers was a big success, and nearly 50,000 policies were sold in the course of the reporting period.

The **claims ratio**, which was negatively affected by business through agents, increased to 84.5 (83.0) percent. Reserves for claims from previous years were increased. It was not possible to compensate for the resultant increase in the claims ratio improvement in commercial business.

The **expense ratio** decreased 2.9 percentage points to 26.4 percent. This reflected the successful conclusion of the consolidation of IT systems.

Net investment income came to 701 million euros.

Earnings after taxes benefited from tax income and increased to 383 million euros, up from 31 million euros a year earlier.

France

| | | 2002 ²⁾ | 2001 | 2000 |
|----------------------|------|--------------------|--------|--------|
| Gross premiums | € mn | 4,941 | 5,392 | 4,745 |
| Claims ratio | % | 84.5 | 83.0 | 85.8 |
| Expense ratio | % | 26.4 | 29.3 | 28.3 |
| Earnings after taxes | € mn | 383.0 | 30.9 | 439.2 |
| Investments | € mn | 20,468 | 20,579 | 18,413 |
| Employees | | 13,797 | 14,313 | 14,260 |

²⁾ Excluding Allianz Marine & Aviation from 2002 on.

AGF's income performance is expected to at least keep pace with the market in the **current fiscal year**. Growth of 6 percent is projected for the French property and casualty insurance market. Leaner and more efficient workflows will continue to reduce our expense ratio. We have eliminated especially claims-prone portfolios in the commercial and private areas and further rate increases will take hold. As a result, we expect a more favorable claims ratio in the years to come.

ITALY

- _ We are represented on the Italian market by the property and casualty insurance companies of the RAS Group and Lloyd Adriatico.
- _ These companies generated total premium income of 4.9 billion euros.
- _ They now rank third in Italy.

Premium income of the RAS Group rose 7.9 percent to 3.7 billion euros. Lloyd Adriatico, which is primarily involved in automobile insurance, recorded premium growth of 7.2 percent to 1.3 (1.2) billion euros. This gain was driven by automobile insurance, which contributed 230 million euros of the total increase of 353 million euros. Although our companies have adopted a selective underwriting policy, they were nevertheless able to increase the number of vehicles insured.

The premium growth of our Italian direct insurer, Genialloyd (formerly Lloyd 1885), remains very encouraging. The company increased revenues by 60 percent to 111 million euros. Of this amount, 44 million euros was generated through the Internet; which makes Genialloyd Italy's undisputed leader in online insurance.

The overall **claims ratio** of our Italian companies continued to improve. As a result, the risk-based underwriting policy they have been applying for years is paying off. The application of stringent criteria to the sale of automotive policies and the use of quality controls to manage insurance portfolios have once again resulted in a reduction in the claims frequency. Whereas Lloyd Adriatico's claims ratio neared last year's good performance of 69.3 (68.5), the claims ratio of the RAS Group decreased to 76.8 (79.7) percent.

At 23.9 (23.7) percent, the **expense ratio** of the RAS Group showed virtually no change over the previous year although the company had invested in measures to revamp its brand image. Lloyd Adriatico was once again able to improve its expense ratio, which came to 18.9 (19.2) percent, primarily due to an increase in revenues.

Net investment income of the RAS Group rose to 1,033 (491) million euros following the disposal of a large share of the company's real estate holdings. Lloyd Adriatico recorded net investment income in the amount of 69 (91) million euros.

RAS Group

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 3,663 | 3,396 | 3,114 |
| Claims ratio | % | 76.8 | 79.7 | 78.1 |
| Expense ratio | % | 23.9 | 23.7 | 22.3 |
| Earnings after taxes | € mn | 741.8 | 284.9 | 172.9 |
| Investments | € mn | 7,975 | 7,735 | 7,669 |
| Employees | | 5,029 | 5,300 | 5,211 |

Earnings after taxes of our Italian operations increased to 842 (395) million euros, which reflects the significant effect of the sale of real estate. The RAS Group generated 742 (285) million euros in earnings and Lloyd Adriatico 101 (110) million euros.

We expect the **current fiscal year** to produce continued growth in our Italian property and casualty insurance business as well as further improvement in the combined ratio. Our companies' earnings are also expected to show further improvement. RAS has offered to buy back 7 percent of the company's outstanding share capital from shareholders. This offer applied for a limited period, namely, from December 9, 2002, to January 10, 2003. Unlike other RAS shareholders, we did not take advantage of this offer, and as a result of this transaction we now hold 55.4 percent interest in the company.

Lloyd Adriatico

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 1,275 | 1,189 | 1,150 |
| Claims ratio | % | 69.3 | 68.5 | 77.0 |
| Expense ratio | % | 18.9 | 19.2 | 19.4 |
| Earnings after taxes | € mn | 100.6 | 109.7 | 62.0 |
| Investments | € mn | 2,427 | 2,250 | 2,204 |
| Employees | | 1,316 | 1,321 | 1,325 |

GREAT BRITAIN

_ Our Cornhill subsidiary ranks sixth in the British property and casualty insurance market.

_ This subsidiary achieved a substantial 2.7 billion euros increase in premium income.

In local currency, we achieved **revenue growth** of 10.5 percent. Although almost all segments contributed to this success, the improvement in the commercial and industrial areas was especially striking. For the most part, rate adjustments provided the upward momentum, including higher rates for automobile insurance.

Our pricing policy and our decision to forego unprofitable business resulted in an improvement of 4.4 percentage points in the **claims ratio**, to 68.8 percent.

Despite high premium growth, we kept administrative expense under control, which improved the **expense ratio** 1.1 percentage points to 29.5 percent.

Net investment income came to 248 (184) million euros. This increase resulted from high capital gains.

As a result of the successful performance of our insurance and investment activities, **earnings** after taxes tripled to 237 (69) million euros.

Cornhill

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|--------|
| Gross premiums | € mn | 2,699 | 2,492 | 2,104 |
| Claims ratio | % | 68.8 | 73.2 | 83.5 |
| Expense ratio | % | 29.5 | 30.6 | 33.4 |
| Earnings after taxes | € mn | 236.9 | 69.0 | - 11.3 |
| Investments | € mn | 2,879 | 2,753 | 2,376 |
| Employees | | 4,121 | 3,992 | 3,717 |

For the **current fiscal year**, we expect moderate premium growth and further improvement in the combined ratio.

SWITZERLAND

_ Allianz Suisse Versicherungs-Gesellschaft is our property and casualty insurer in Switzerland.

_ With revenues of 1.2 billion euros, Allianz Suisse Versicherungs-Gesellschaft ranks third in the Swiss market.

At 1.2 billion euros, **premium income** approached last year's level despite the restructuring of both the group health insurance and the accident insurance activities.

A lower claims frequency and the restructuring of our group health insurance business, which had to absorb high payouts last year, reduced the **claims ratio** to 76.3 (79.8) percent.

The **expense ratio** improved to 24.3 (27.2) percent, primarily due to lower commissions.

Net investment income was down. Substantial write-offs on portfolio holdings, namely, equities, and realized capital losses completely offset income from investments.

As a result, **earnings** after taxes dropped to 31 (121) million euros.

Allianz Suisse

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 1,235 | 1,244 | 1,160 |
| Claims ratio | % | 76.3 | 79.8 | 74.2 |
| Expense ratio | % | 24.3 | 27.2 | 30.0 |
| Earnings after taxes | € mn | 31.0 | 120.5 | 198.5 |
| Investments | € mn | 3,195 | 3,735 | 4,379 |
| Employees | | 2,887 | 3,186 | 3,243 |

In the **current fiscal year**, product improvements are expected to stimulate premium growth. We plan to improve the efficiency of our sales organization in order to achieve an even lower expense ratio. On the whole, we are confident that the measures we have taken will produce the desired results and that our Swiss company will report significantly better earnings performance for the year 2003.

Allianz Risk Transfer

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 512 | 506 | 479 |
| Claims ratio | % | 55.5 | 77.5 | 65.9 |
| Expense ratio | % | 22.6 | 26.2 | 31.4 |
| Earnings after taxes | € mn | 32.8 | 34.3 | 47.0 |
| Investments | € mn | 1,153 | 1,139 | 1,043 |
| Employees | | 30 | 28 | 28 |

Revenues of our **Allianz Risk Transfer (ART)** company were up 1.2 percent to 512 million euros, with 365 million euros generated by conventional reinsurance and 147 million euros by alternate risk solutions. Revenues in this area of our business increased 44 percent. This area involves comprehensive risk management solutions for companies in the service, financial and industrial sectors. These products bundle financial and insurance expertise.

The **claims ratio** showed considerable improvement – due in part to positive performance in the area of claim adjustment and settlement – and dropped dramatically to 55.5 (77.5) percent.

The **expense ratio** was down 3.6 percentage points to 22.6 percent, primarily due to lower commissions.

Overall, **earnings** after taxes were down slightly to 33 (34) million euros, chiefly because of significantly lower investment income.

However, we expect alternative risk solutions to produce double-digit growth for the **current fiscal year**, while revenues from our traditional reinsurance activities essentially stagnate.

SPAIN

– Premium income of Allianz Compañía de Seguros y Reaseguros, our property and casualty insurer, and our direct insurer, Fenix Directo, increased 16.6 percent to 1.5 billion euros.

– Together, these two company rank second in the Spanish market.

The 16.6-percent increase in **premium income** was significantly higher than the 11 percent estimated for the average market and can be attributed to well-structured and efficient marketing activities. In 2002, the representative network was woven more tightly and rendered more efficient. The chief growth driver was automobile insurance, which contributed two-thirds to revenues.

A risk-based premium structure combined with a restrictive underwriting policy in the automobile insurance segment to reduce the claims frequency. As a result, the **claims ratio** improved 1.7 percentage points to 77.0 percent.

Tighter work processes lowered the **expense ratio** further to 20.6 (21.2) percent.

Net investment income dropped to 49 (59) million euros.

Earnings after taxes improved substantially to 62 (32) million euros.

Spain

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 1,490 | 1,278 | 1,073 |
| Claims ratio | % | 77.0 | 78.7 | 81.1 |
| Expense ratio | % | 20.6 | 21.2 | 23.8 |
| Earnings after taxes | € mn | 61.7 | 31.7 | 40.7 |
| Investments | € mn | 1,523 | 1,420 | 1,459 |
| Employees | | 2,248 | 2,030 | 2,159 |

In the **current fiscal year**, the turbulent growth in the area of automobile insurance can be expected to slacken somewhat. However, we expect brisk demand for other property insurance products and assistance services. Double-digit revenue growth is projected for these areas. Overall, Allianz Seguros plans to grow more strongly than the market again in 2003. We are counting on our brand image and further expansion of our marketing structure to achieve this. We also expect further improvement in the combined ratio.

REST OF EUROPE

_ We also market property and casualty insurance in Austria, the Netherlands, Ireland, Belgium, Portugal, Luxembourg and Greece. We are also represented in Hungary, Slovakia, the Czech Republic and Poland. In addition, we underwrite property and casualty insurance in Croatia, Bulgaria, Romania and Russia.

_ Our local companies rank among the five leading insurers in most of these markets.

Premium income in the rest of Europe rose 13.6 percent to 4.8 billion euros. With premium income of 1 billion euros, the Netherlands delivered the best performance, followed by Ireland with 860 million euros and Austria with 852 million euros. In the Netherlands, we achieved especially high premium growth through rate adjustments as well as through reinforcement of our position in the international market for fire insurance and brisk new business in the area of automobile insurance.

We increased premium income in central and eastern Europe by nearly 30 percent to 1.2 billion euros. This figure includes the premium income of Slovenská poisťovňa on a pro rata temporis basis, which came to 72 million euros. The accounts of this company were consolidated as of July 22, 2002. Slovenská reported revenues of 158 million euros for the entire 2002 fiscal year. This company is the leader in its market and was acquired from the Slovakian government.

Rest of Europe

Gross premiums by country

| | 2002 € mn | 2001 € mn | 2000 € mn |
|---|--------------|--------------|--------------|
| Netherlands | 1,023 | 873 | 557 |
| Ireland | 860 | 738 | 563 |
| Austria | 852 | 844 | 831 |
| Belgium | 362 | 391 | 393 |
| Portugal | 263 | 235 | 242 |
| Luxembourg | 194 | 176 | 133 |
| Greece | 66 | 62 | 75 |
| Denmark | – | – | 41 |
| Subtotal western and southern Europe | 3,620 | 3,319 | 2,835 |
| Hungary | 511 | 411 | 340 |
| Czech Republic | 213 | 173 | 181 |
| Slovakia | 158 | 45 | 47 |
| Poland | 128 | 137 | 116 |
| Rumania | 93 | 71 | 18 |
| Bulgaria | 56 | 45 | 39 |
| Croatia | 38 | 37 | 37 |
| Russia | 17 | 18 | 13 |
| Subtotal central and eastern Europe | 1,214 | 937 | 791 |
| Total | 4,834 | 4,256 | 3,626 |

Claim payouts were very negatively impacted by the severe flooding, which primarily affected our companies in Austria and the Czech Republic. However, **earnings** after taxes rose to 119 (112) million euros due to high capital gains on investments of our companies in Ireland.

We continue to expect our companies in the major markets of central and eastern Europe to achieve double-digit premium growth. Measures taken to improve cost efficiency can be expected to produce the desired results in the short term and contribute to earnings improvement for the **current fiscal year**.

NAFTA REGION

- _ Fireman's Fund Insurance Company (FFIC) is our most important source of revenues in the NAFTA region (North American Free Trade Agreement).
- _ The Allianz Insurance Company (AIC), which serves major international clients, ranks among the largest insurance companies in this region. It has been integrated into Allianz Global Risks.
- _ Allianz Insurance Company of Canada serves the Canadian market.
- _ Our Allianz Mexico Compañía de Seguros S. A. is active in the Mexican market.

Premium income in the NAFTA region dropped 12.2 percent to 6 billion euros. Expressed in local currency, the comparable figure is 6.2 percent.

The decrease in revenues can be primarily attributed to the fact that **FFIC** has severed business relationships that showed no prospect of profitability. The reorganization of FFIC's client portfolio, which was started back in 2001, has produced significant improvement in the operating results of FFIC's core activities. These activities include insurance for commercial clients and high-net-worth individuals, transportation and crop insurance and insurance of special risks.

Setting aside the influence of stop-loss reinsurance, the combined ratio in these areas of business improved significantly from 119 to 105 percent, primarily as a result of a selective underwriting policy and rate increases. On the basis of the expertise commissioned by us, we doubled our reserves for asbestos-related and environmental risks (A&E reserves) to 1.2 billion euros. In terms of

the ratio between reserves and the corresponding risks we are now one of the leading insurers in this market. As a result the **claims ratio** increased to 94.1 (84.7) percent.

Fireman's Fund Insurance Company

| | | 2002 | 2001 | 2000 |
|----------------------|------|---------|---------|--------|
| Gross premiums | € mn | 4,547 | 5,366 | 4,849 |
| Claims ratio | % | 94.1 | 84.7 | 88.6 |
| Expense ratio | % | 34.5 | 29.6 | 30.3 |
| Earnings after taxes | € mn | - 666.1 | - 356.7 | 39.5 |
| Investments | € mn | 10,198 | 12,053 | 10,928 |
| Employees | | 5,707 | 7,093 | 8,437 |

Rigorous cost management, which also involved the shedding of over 2,500 jobs since the year 2000, resulted in savings at the operational level in 2002. Nevertheless, the **expense ratio** deteriorated to 34.5 (29.6) percent due to severance settlements and the fact that a larger share our business involves higher closing costs.

FFIC reduced the percentage of equities in its investment portfolio from approximately 20 to 8 per-

cent in the spring of 2002 in order to limit trading losses. However, write-offs and realized capital losses totaled 496 million euros.

As a result, FFIC's **loss** after taxes came to 666 (357) million euros.

Premium income of **AIC**, which primarily serves major clients, increased 11.4 percent to 765 million euros. The company ended the year with a loss of 49 million euros. New management has given AIC a new sense of direction. The company introduced rate increases of 10 percent in the current fiscal year and continues to dispose of unprofitable business. These and other measures can be expected to bring AIC back into the profit zone.

Allianz Insurance Company of **Canada** generated premium income in the amount 549 (539) million euros. **Mexican** revenues came to 132 million euros.

NAFTA

| | | 2002 | 2001 | 2000 |
|----------------------|------|---------|-----------|--------|
| Gross premiums | € mn | 5,992 | 6,822 | 6,300 |
| Claims ratio | % | 94.6 | 99.9 | 87.9 |
| Expense ratio | % | 32.9 | 29.2 | 29.6 |
| Earnings after taxes | € mn | - 933.1 | - 1,029.9 | - 86.1 |
| Investments | € mn | 19,522 | 20,398 | 18,000 |
| Employees | | 7,140 | 8,585 | 9,976 |

Poor investment performance, high reserves for asbestos-related and environmental risks and the fact that our restructuring measures are only now starting to bite meant that our activities in the NAFTA region once again recorded a **loss** for the year. This loss came to 933 million euros. In the **current fiscal year**, we will continue to pursue a selective underwriting policy. Premium income will increase only slightly. We expect our core activities to generate a profit.

ASIA-PACIFIC REGION

_ We are represented by subsidiaries or joint ventures in almost all markets in this region, which offers considerable potential for growth.

_ Our total revenues in the Asia-Pacific region amounted to 1.6 billion euros.

Premium income showed a substantial increase in nearly all markets in which we are active. Allianz Australia is our largest company by far in this region. Despite a difficult market, this company was able to increase premium income by 11 percent to an impressive 1.2 billion euros. At the same time, the company's combined ratio improved by 3.6 percentage points to 104.2 percent.

However, investment income suffered from high realized capital losses due to the downscaling of the company's equity portfolio, the company ended the year with a loss of 27 million euros.

In January 2002, we acquired a 98 percent interest in Malaysia British Assurance Berhad in. This Malaysian company now operates under the name Allianz General Insurance Malaysia. With premium income in the amount of 133 million euros, it is the second largest company in its market and our second-largest property and casualty insurer in the region. The company's earnings after taxes came to 6 million euros. We also started to underwrite property and casualty insurance in South Korea in 2002.

Taken together, our companies in the Asia-Pacific region reported a **loss** after taxes of 17 million euros following a profit of 11 million euros a year earlier.

Asia-Pacific

Gross premiums by country

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--------------|--------------|--------------|--------------|
| Australia | 1,163 | 1,048 | 557 |
| Malaysia | 133 | 48 | - |
| Taiwan | 101 | 89 | 83 |
| Indonesia | 65 | 55 | 40 |
| Japan | 52 | 46 | 47 |
| China | 42 | 35 | 26 |
| Singapore | 33 | 17 | 23 |
| Laos | 7 | 6 | 5 |
| Korea | 3 | - | - |
| Total | 1,599 | 1,344 | 781 |

In the course of the **current fiscal year**, we will continue to expand our presence in the Asia-Pacific region. We have started to market property insurance in the province of Canton in southern China. On the whole, we anticipate very satisfactory revenue growth.

SOUTH AMERICA

_ In South America, we are present in Argentina, Brazil, Chile, Colombia and Venezuela.

_ Total premium income in these countries amounted to 768 million euros.

South America

Gross premiums by country

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--------------|--------------|--------------|--------------|
| Brazil | 336 | 355 | 390 |
| Colombia | 222 | 267 | 165 |
| Venezuela | 106 | 126 | 134 |
| Chile | 61 | 76 | 76 |
| Argentina | 43 | 138 | 126 |
| Total | 768 | 962 | 891 |

Brazil contributed 336 million euros in **premium income** to rank first among our South America companies. Colombia followed with revenues of 222 million euros. Due to the economic situation in Argentina, we decided to significantly downscale our business in that country.

The **combined ratio** for South America declined to 101.8 (103.4) percent. Although our company in Argentina incurred a loss in the amount of 5 million euros due to the economic crisis, our subsidiaries

in the other South American countries all produced positive operating results. Earnings after taxes were up significantly to 47 (29) million euros.

In Venezuela and Argentina, it is likely that major political decisions will determine how the economy develops.

ALLIANZ GLOBAL RISKS RÜCKVERSICHERUNGS-AG

_ Allianz Global Risks Rückversicherungs-AG has been in existence since January 1, 2002. This company handles all business with our major international clients.

_ Gross premium income amounted to 1.1 billion euros.

Why did we found this company? We want to use centralized controls and uniform, mandatory underwriting guidelines to achieve sustainable profitability in this difficult business segment.

The **claims ratio** came to 100.8 percent. Claims in connection with the severe flooding in central and eastern Europe and reserves for potential risks from the year 2002 depressed this ratio. In addition, high reinsurance expenses had a negative effect on the first year of operation. At 77.9 percent, on the other hand, the gross claims ratio was significantly better.

The **expense ratio**, which also reflects the effects of significant one-time expense incurred to build up business, came to 41.7 percent.

Net investment income in the first year of operation was low, as was to be expected. Allianz Global Risks Rückversicherungs-AG recorded an after-tax **loss** in the amount of 257 million euros.

Allianz Global Risks Rückversicherungs-AG

| | | 2002 |
|----------------------|------|---------|
| Gross premiums | € mn | 1,136 |
| Claims ratio (net) | % | 100.8 |
| Expense ratio (net) | % | 41.7 |
| Earnings after taxes | € mn | - 256.7 |

We plan to achieve dynamic growth in premium income for the **current fiscal year**, to some extent through higher rates, and expect to move into the profit zone.

CREDIT INSURANCE

_ We provide global credit insurance through EULER & HERMES S. A. in Paris.

_ With a 37 percent share of the world market, we are the world's leading credit insurer.

Within the consolidated credit insurance group, EULER concentrates on the core markets France, Great Britain, Italy, Belgium, Spain, the Netherlands, Luxembourg, the U.S., Canada and South America.

HERMES is the Group company that handles credit insurance in Germany, Switzerland, Austria, Scandinavia, central and eastern Europe, Portugal and the Asia-Pacific region.

In addition, EULER handles our factoring activities worldwide and HERMES our bond and surety business.

Premium income was down 0.6 percent to 1.6 billion euros. This was primarily due to the weak economy, which reduced the income of our clients worldwide. In addition, we took a more selective approach towards underwriting credit insurance risks than had previously been the case. We also severed business relationships with no prospects for profitability.

Despite the reorganization of our portfolio, the **claims ratio** increased 4.1 percentage points to 72.1 percent. Major claims and a large number of insolvencies due to the situation of the economy depressed this figure.

The abrupt drop of 9.8 percentage points in the **expense ratio** to 34.2 percent can be explained primarily through the introduction of consistent cost assignment in the context of the integration of EULER and HERMES. Our cost-reduction measures also contributed to this improvement.

Net investment income dropped 60 million euros to 56 million euros.

As a result, **earnings** after taxes deteriorated significantly to 16 (91) million euros.

Credit insurance

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 1,579 | 1,589 | 1,611 |
| Claims ratio | % | 72.1 | 68.0 | 46.6 |
| Expense ratio | % | 34.2 | 44.0 | 35.9 |
| Earnings after taxes | € mn | 16.1 | 90.5 | 157.5 |
| Investments | € mn | 2,420 | 2,562 | 2,825 |
| Employees | | 5,687 | 5,849 | 5,613 |

Bundling our activities gives us in-depth information and data that help us improve decision-making in the area of credit insurance. Provided the economy picks up, we expect this to provide the basis for a lower claims ratio in the **current fiscal year**. The expense ratio is also expected to continue to decline. The reason for this is that all synergistic effects from the merger of EULER and HERMES have not yet been taken advantage of, especially in the IT area. As a result, we expect an improvement in earnings for 2003 as a whole.

TRAVEL INSURANCE AND ASSISTANCE SERVICES

- _ With premium income totaling 1.0 billion euros, the Mondial Assistance Group was able to reinforce its position as one of the world's leading providers of assistance and travel insurance.
- _ Premium growth was generated primarily by an increase in travel insurance business in Great Britain and the Asia-Pacific region.

Premium growth totaled 10.6 percent. Premium income from travel insurance was up 10.4 percent to 808 million euros. Revenues from assistance services increased 11.2 to 198 million euros. As a result, this company bucked the economic trend and defied the especially difficult situation of the travel industry in the wake of the terrorist attacks of 2001 and 2002 (among others New York, Djerba, Karachi, Bali).

The **claims ratio** in the area of travel insurance decreased to 62.0 (64.4) percent. Due to more efficient workflows, the **expense ratio** also improved 0.9 percentage points to 32.5 percent.

Taken together, travel insurance and assistance generated **earnings** after taxes in the amount of 21 (3) million euros.

Travel insurance and assistance services

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Gross premiums | € mn | 808 | 732 | 656 |
| Claims ratio | % | 62.0 | 64.4 | 63.2 |
| Expense ratio | % | 32.5 | 33.4 | 36.5 |
| Earnings after taxes | € mn | 20.6 | 2.7 | 23.5 |
| Investments | € mn | 476 | 445 | 416 |
| Employees | | 7,083 | 6,498 | 5,456 |

Despite the current difficult economic and political situation throughout the world, we expect to be able to maintain our dynamic growth in the **current fiscal year**.

ALLIANZ MARINE & AVIATION

– Allianz Marine & Aviation is our European insurer that specializes in transportation, shipping and aviation risks.

– Premium income amounted to 1.4 (1.3) billion euros.

Allianz Marine & Aviation handles activities in Germany, France and Great Britain that were previously managed separately. This company now includes Allianz Marine & Aviation Versicherungs-AG (formerly Allianz Globus MAT Versicherungs-AG) and Allianz Marine & Aviation (France), which was previously called AGF MAT.

Premium income rose 7.7 year-on-year primarily due to rate increases.

The **claims ratio** improved by an exceptional 33 percentage points to 75.2 percent. We are therefore reaping the rewards of the thorough portfolio reorganization that eliminated claims-prone, unprofitable business. In addition, we were spared the major claims that exerted extreme downward pressure on our claims ratio in past years.

Higher premium income combined with constant administrative expense to relieve pressure on the **expense ratio**, which decreased to 21.1 (22.1) percent.

Earnings after taxes amounted to 17 million euros.

Allianz Marine & Aviation

| | | 2002 |
|----------------------|------|-------|
| Gross premiums | € mn | 1,424 |
| Claims ratio (net) | % | 75.2 |
| Expense ratio (net) | % | 21.1 |
| Earnings after taxes | € mn | 17 |
| Investments | € mn | 1,163 |

Allianz Marine & Aviation continued to pursue its previous corporate strategy in the **current fiscal year**: premiums and conditions were adjusted to cover risks, and the company was extremely selective about underwriting new business. We anticipate a more attractive claims ratio and expect these measure to produce a significant improvement in earnings.

Life and Health Insurance

| | | 2002 | 2001 | 2000 |
|--------------------|------|---------|---------|---------|
| Total revenues | € mn | 40,066 | 33,687 | 31,025 |
| Gross premiums | € mn | 20,663 | 20,145 | 20,239 |
| Expense ratio | % | 19.3 | 20.2 | 17.4 |
| Investment income | € mn | 7,445 | 8,565 | 14,044 |
| Net income | € mn | 19 | 229 | 625 |
| Investments | € mn | 221,313 | 212,757 | 211,798 |
| Insurance reserves | € mn | 224,673 | 215,217 | 208,829 |

Total revenues¹⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|---------------------|--------------|--------------|--------------|
| Germany | 12,565 | 11,672 | 11,681 |
| Italy | 7,717 | 5,944 | 4,490 |
| France | 4,238 | 4,864 | 5,558 |
| Switzerland | 1,197 | 1,174 | 1,053 |
| Spain | 551 | 940 | 767 |
| Rest of Europe | 1,635 | 1,871 | 1,612 |
| U.S.A. | 9,530 | 4,982 | 3,681 |
| Asia-Pacific Region | 2,298 | 1,817 | 1,733 |
| South America | 237 | 356 | 469 |

¹⁾ Before cross-border consolidation

- _ Total revenues increased 18.9 percent to 40.1 billion euros.
- _ Revenues from investment-oriented life insurance products included in the total rose 43.3 percent to 19.4 billion euros, which increased their share of total revenues to 48.5 percent.
- _ Net investment income fell 13.1 percent to 7.4 billion euros.
- _ Reported net income dropped to 19 (229) million euros despite considerable improvement in the operating activities.

Earnings after taxes²⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|---------------------|--------------|--------------|--------------|
| Germany | 137 | 127 | 514 |
| Italy | 289 | 261 | 281 |
| France | - 223 | 97 | 400 |
| Switzerland | - 80 | - 17 | 43 |
| Spain | 30 | 28 | 51 |
| Rest of Europe | - 77 | 12 | 97 |
| U.S.A. | - 18 | - 24 | 133 |
| Asia-Pacific Region | - 9 | - 5 | - 66 |
| South America | 5 | - 20 | - 30 |

²⁾ Earnings after taxes, before amortization of goodwill and minority interests, net of extraordinary tax items in 2000

Investments³⁾

| | 2002 € mn | 2001 € mn | 2000 € mn |
|---------------------|--------------|--------------|--------------|
| Germany | 119,786 | 117,199 | 121,260 |
| Italy | 17,413 | 15,122 | 14,977 |
| France | 40,256 | 43,313 | 43,625 |
| Switzerland | 8,819 | 8,066 | 8,213 |
| Spain | 3,956 | 3,564 | 2,776 |
| Rest of Europe | 10,080 | 9,335 | 9,278 |
| U.S.A. | 15,903 | 11,825 | 8,179 |
| Asia-Pacific Region | 4,675 | 3,945 | 3,241 |
| South America | 352 | 389 | 424 |

³⁾ Excluding real estate held for own use as of 2001

Total statutory life and health insurance premiums increased 18.9 percent to 40.1 billion euros. Almost half of these premiums derived from investment-oriented products, mainly unit-linked life insurance. Despite the state of the capital markets, we were able to increase revenues from these products by 43.3 percent to 19.4 billion euros. We also improved our expense ratio, but investment income declined sharply to 7.4 billion euros, which in turn reduced net income to 19 (229) million euros.

In many countries, in particular in the U.S.A., Italy and France, premiums from investment-oriented products exceed the sale of traditional life insurance products. This is surprising because it is generally assumed that in times of economic difficulty consumers become more skeptical with respect to investment products. And, indeed, they are more cautious, but instead of rejecting investment-oriented products, they are showing a growing interest in solutions with guaranteed capital components.

The following table shows the premiums we generated from investment-oriented products in the various countries.

Premiums from investment-oriented life insurance products

| | 2002 € mn | 2001 € mn | 2000 € mn |
|-----------------|---------------|---------------|---------------|
| U.S.A. | 8,119 | 3,504 | 2,216 |
| Italy | 6,419 | 4,608 | 3,036 |
| France | 2,790 | 3,308 | 3,261 |
| South Korea | 652 | 583 | 759 |
| Switzerland | 546 | 590 | 529 |
| Germany | 331 | 12 | 0 |
| Netherlands | 103 | 252 | 194 |
| Belgium | 100 | 105 | 115 |
| Spain | 49 | 61 | 235 |
| Other countries | 294 | 519 | 441 |
| Total | 19,403 | 13,542 | 10,786 |

In IFRS accounts, which only recognize the risk and cost elements in premiums from investment-oriented products, **premium income** rose 2.6 percent to 20.7 billion euros.

The **expense ratio**, in relation to total revenues, i.e., including investment-oriented products, improved from 12.1 to 10.0 percent. In IFRS accounts, it declined from 20.2 to 19.3 percent.

Investment income, which was depressed by the extremely weak capital markets, dropped by 1.1 to 7.4 billion euros. For that reason, profit sharing was considerably lower than last year. Payments made to our customers declined from 22.0 billion euros to 21.3 billion euros despite the fact that in many countries higher payments were due for ma-

turities, surrenders and pensions. Because of this development, lower investment income had less effect on net income.

Earnings before taxes and amortization of goodwill dropped from 558 million euros to 83 million euros. After amortization of goodwill, taxes and minority interests, net income amounted to 19 (229) million euros.

GERMANY

- _ In this market, we offer life insurance products through Allianz Lebensversicherungs-AG and Deutsche Lebensversicherungs-AG.
- _ In November 2002, Allianz Leben was merged with Allianz Lebensversicherungs-AG. The merger was retroactive as of January 1, 2002.
- _ Our health insurer is Allianz Private Krankenversicherungs-AG (formerly Vereinte Krankenversicherung AG).
- _ We are the market leader in life insurance and number three in health insurance.

Total premium income breaks down as follows: life insurance business accounted for 9.7 billion euros or 77.2 percent and the sale of health insurance products contributed 2.9 billion euros or 22.8 percent. Total segmental revenues increased 893 million euros or 7.7 percent to 12.6 billion euros.

Life insurance

Following diminishing **premium income** in the preceding year, our German life insurers returned to growth in 2002. Revenues were up 719 million euros or 8 percent, which brought premium income to 9.7 billion euros.

With 30 percent higher premiums from new contracts, Allianz Leben clearly outperformed the market. In the area of new business, we were able to increase our market share from 15.1 to 18.3 percent. On the one hand, this success is due to the “flight to quality” phenomenon, i.e., in uncertain times, customers prefer to obtain their private retirement insurance from life insurers that are financially particularly solid. On the other hand, this upturn in new business is supported by the efficiency of our distribution channels, which include exclusive distribution networks, brokers, special and direct sales as well as the branch network of Dresdner Bank. The bank’s contribution to new business increased substantially from 7.8 to 11.6 percent. The figure for the prior year also included business generated by HypoVereinsbank until cooperation with this institution was terminated.

Since January 1, 2002, certain retirement provision contracts have been subsidized by the government, partially through support payments and partially through tax deductions (“Riester contracts”). To a great extent, the growth expected of this market has not yet materialized. Nonetheless, our life insurers were able to capture their share of the market. As of year-end 2002, they had sold about 600,000 Riester contracts, which gave them a market share of 20 percent.

Our business in corporate retirement provision registered dynamic growth. In 2002, we were the first insurer to offer customers all available options for corporate retirement provision. The Allianz pension fund got off to a particularly successful start: more than 2,000 employers as customers and more than 150,000 individual contracts signal solid growth for the coming years. Some 10,000 employees signed a retirement provision general contract with us. One year after the reform of private and corporate retirement provision took effect, three-quarters of all DAX 30 companies were offering their employees an Allianz retirement provision scheme.

The cancellation rate remained at a very low level of 3.7 (3.6) percent.

The **expense ratio** improved from 13.7 to 9.7 percent. Administrative costs remained at last year’s level of 2.4 percent and thus continue to stay clearly below the market average.

Given the persistent weakness of the capital markets, we decided to lower the profit participation of our life insurance customers for the year 2002 by 1.5 percentage points to 5.3 percent. This step did not affect our competitive position since all other market participants also had to do the same.

Our **investments** amounted to 107,9 (106,4) billion euros. Investment income fell 11.0 percent or 0.5 billion euros to 4.0 billion euros.

Earnings after taxes increased to 80 (65) billion euros.

Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG^{*)}

| | | 2002 | 2001 | 2000 |
|----------------------|------|---------|---------|---------|
| Total sales | € mn | 9,700 | 8,981 | 9,094 |
| Gross premiums | € mn | 9,369 | 8,969 | 9,094 |
| Expense ratio | % | 9.7 | 13.7 | 11.1 |
| Earnings after taxes | € mn | 80.0 | 64.7 | 466.6 |
| Investments | € mn | 107,887 | 106,425 | 111,805 |
| Employees | | 5,736 | 6,440 | 6,159 |

^{*)} Merged with Allianz Lebensversicherungs-AG in 2002

As the deficits of the statutory retirement insurance become increasingly obvious, consumers are realizing that they need to make private or company-based arrangements for old-age provisions. We therefore expect a further increase in premium income for the **current fiscal year**. Due to our inherent strength and our position of market leadership, we should be able to outperform the market. The business potential of corporate retirement provision products is especially strong.

Health insurance

Premium income of Vereinte Krankenversicherung AG increased 6.5 percent to 2.9 billion euros. The growth in premium income from the core health insurance business resulted from new business, the legal premium supplement and premium adjustments reflecting higher health care costs.

In mandatory care insurance, for which the same conditions apply throughout the market, premium income remained at the previous year's level of 230 million euros.

The number of insured increased slightly by 0.2 percent to 2.27 million.

The **claims ratio** improved to 71.0 (73.1) percent, which is indicative of the fact that our claims and health management is beginning to take effect.

The **expense ratio** increased slightly by 0.7 percentage points to 10.6 percent since the offsetting effect of capitalized acquisition costs was lower than last year.

Investment income clearly recovered. After a substantial drop in the previous year, it increased to 421 (275) million euros. As a result, **earnings** after taxes also improved to 64 (48) million euros.

Allianz Private Krankenversicherungs-AG

| | | 2002 | 2001 | 2000 |
|----------------------|------|--------|--------|--------|
| Gross premiums | € mn | 2,865 | 2,691 | 2,587 |
| Claims ratio | % | 71.0 | 73.1 | 71.6 |
| Expense ratio | % | 10.6 | 9.9 | 9.4 |
| Earnings after taxes | € mn | 63.6 | 48.0 | 34.1 |
| Investments | € mn | 12,132 | 10,940 | 10,549 |
| Employees | | 3,947 | 3,926 | 3,836 |

Our business prospects for the **current fiscal year** will to a large extent depend on the government's decisions on health care policy. Disregarding these effects, we expect an increase in new business and corresponding growth in revenues. In this context, we are counting on the strength of our brand and our exclusive sales organizations. Our ongoing efforts in the area of claims and health management are likely to further reduce the claims ratio. A more efficient sales organization is expected to lower the expense ratio. All in all, we expect improved earnings performance in 2003.

ITALY

- _ With the RAS Group and Lloyd Adriatico, we have an excellent position in the Italian life insurance market.
- _ Together, they increased their revenues to 7.7 billion euros.
- _ That makes them number two in the Italian market.

The extraordinarily dynamic growth of total **premium income** by an impressive 1.8 billion euros or 29.8 percent was well above the market average. The RAS Group reported revenues of 6.5 billion euros and Lloyd Adriatico revenues of 1.2 billion euros. While the demand for traditional unit-linked life insurance products declined slightly, this was more than compensated for by sales of unit-linked products with guaranteed components. Premium income in IFRS accounts, which includes only a small fraction of the premiums from investment-oriented life insurance products, amounted to 1.3 billion euros. The success of our companies increased our share of the Italian health insurance market from 12.8 to 13.7 percent.

This growth was mainly attributable to bank-based sales of unit-linked life insurance products. A strong contributor to this success was our bancassurance partner, the Unicredito group, which sold contracts representing 4.4 billion euros across its counters. Antoniana Veneta Popolare Vita, a fully consolidated joint venture of Lloyd Adriatico, once again boosted its revenues by 49 percent to 808 million euros.

The **expense ratio** increased to 31.3 (22.5) percent. This was mainly due to the strong performance of our companies in acquiring new business. In IFRS accounts, acquisition costs are fully recognized while premiums are barely taken into account. At the same time, efforts made by RAS to reposition its brand are feeding through to the expense ratio.

Net investment income increased to 868 (842) million euros, mainly because RAS Group disposed of most of its real estate holdings.

Earnings after taxes increased to 289 (261) million euros.

Italy

| | | 2002 | 2001 | 2000 |
|----------------------|------|--------|--------|--------|
| Total revenues | € mn | 7,717 | 5,944 | 4,490 |
| Gross premiums | € mn | 1,298 | 1,336 | 1,454 |
| Expense ratio | % | 31.3 | 22.5 | 14.8 |
| Earnings after taxes | € mn | 288.6 | 260.7 | 281.4 |
| Investments | € mn | 17,413 | 15,122 | 14,977 |

We are confident that revenues from unit-linked life insurance will continue to increase in the **current fiscal year**, provided that there is a recovery in the capital markets. The success of sales cooperation with the Unicredito group and the dynamic development of Antoniana Veneta Popolare Vita will further strengthen our position in this growth market. On the downside, the new tax rules announced for life insurance are likely to depress

growth in this industry. Nonetheless, we have reason to believe that we will once again be able to improve our earnings performance in 2003.

FRANCE

- _ In the French life insurance market, the AGF Group retreated from sixth to eighth place.
- _ In health insurance, we are number two in France.
- _ Total life insurance revenues amounted to 4.3 billion euros.

Premium income of AGF decreased 11.9 percent for various reasons.

First of all, demand for unit-linked life insurance products in private customer business declined 36 percent due to the downturn of the capital markets. The sale of unit-linked products with guaranteed interest rates to some extent made up for this loss but did not fully compensate for it. Growth in this product category amounted to 2 percent. The cancellation ratio continued its fall to 3.25 percentage points, which is below market average.

In addition, premium income from group business fell 26 percent because a major group contract with an industrial company had generated a non-recurring premium of 416 million euros (after 800 million euros in 2000) in 2001. No such contract was acquired in 2002. Disregarding this special effect, revenues from group insurance contracts rose 8 percent.

The decline in income from the entire segment raised the **expense ratio** 0.5 percentage points to 52.5 percent. This relatively high expense ratio can be explained by the fact that it is not calculated on the basis of total revenues but rather on the basis of substantially lower premium income according to IFRS.

Due to high write-offs and realized capital losses, **investment income** declined to 0.7 (1.3) billion euros.

Together with strong competition, this resulted in an after-tax **loss**, which amounted to 223 million euros after net income of 97 million euros in the previous year.

France

| | | 2002 | 2001 | 2000 |
|----------------------|------|---------|--------|--------|
| Total revenues | € mn | 4,283 | 4,864 | 5,558 |
| Gross premiums | € mn | 1,493 | 1,556 | 2,297 |
| Expense ratio | % | 52.5 | 52.0 | 27.6 |
| Earnings after taxes | € mn | - 223.1 | 97.4 | 399.7 |
| Investments | € mn | 40,256 | 43,313 | 43,625 |

For the **current fiscal year**, we are anticipating a stagnating life insurance market. In health insurance, further rate adjustments and rising health care costs can be expected. This should lead to a slight increase in revenues across the entire segment. More efficient IT systems and lower administrative costs will bring down the expense ratio. Earnings are likely to improve.

SWITZERLAND

- _ Allianz Suisse Lebensversicherungsgesellschaft reported revenues of 1.2 billion euros.
- _ That puts this company at sixth place in the Swiss market.

Total premium income increased 2.0 percent to 1.2 billion euros. Premium income in IFRS accounts, which includes only a small fraction of the premiums from investment-oriented life insurance products, amounted to 651 million euros. This growth is mainly attributable to consumer life insurance business with a high percentage of non-recurring premiums. Gross premium income from this activity increased 12.2 percent to 412 million euros. Recurring premiums represented the main source of income in the area of group life insurance, which brought total premium income up 3.2 percent to 239 million euros.

The **expense ratio** increased slightly by 0.5 percentage points to 23.1 percent, essentially due to higher project costs.

Investment income dropped to 31 (220) million euros, primarily due to write-offs and realized capital losses, mainly on stocks.

Our Swiss life insurer reported an after-tax **loss** of 80 (17) million euros for 2002. This is the result of the 4 percent interest rate for group life insurance, which is legally guaranteed in Switzerland. This rate has been excessive for years and cannot be generated under the conditions currently prevailing in the capital markets. By way of comparison, in 2002 the interest rate on Swiss bonds was around 2.75 percent.

Allianz Suisse

| | | 2002 | 2001 | 2000 |
|----------------------|------|--------|--------|-------|
| Total revenues | € mn | 1,197 | 1,174 | 1,053 |
| Gross premiums | € mn | 651 | 584 | 524 |
| Expense ratio | % | 23.1 | 22.6 | 9.9 |
| Earnings after taxes | € mn | - 79.6 | - 17.1 | 42.6 |
| Investments | € mn | 8,819 | 8,066 | 8,213 |

The problem of excessive guaranteed interest continues to smolder despite the fact that the guaranteed interest rate in the group insurance business has been reduced to 3.25 percent. We intend to overcome these difficulties in the **current fiscal year** with a uniform and modernized product portfolio. All in all, we expect to improve our earnings performance in 2003, despite the difficult market situation.

SPAIN

- _ In Spain, our life insurance activities are handled by Allianz Seguros and Eurovida, a bancassurance joint venture.
- _ Together, they recorded premium income of 551 million euros.
- _ That made them number fourteen in the Spanish market.

Total **premium income** decreased sharply by 41.4 percent to 551 (940) million euros. This decline was due to the fact that in the previous year our corporate customers outsourced their employee pension funds and transferred them to us. In this process, we acquired exceptionally high single payments. In the remaining group and private customer business our companies resisted the downward trend of the market and increased their premium income. Growth amounted to 26 percent and 13 percent respectively.

The additional premium income is attributable to the restructuring of our sales organization, which clearly improved the productivity of our sales force. In Spain, there was also less demand for traditional unit-linked life insurance, Eurovida's core business. Instead, many customers opted for products with guaranteed components. As a result, we expanded our product offerings considerably. Despite these efforts, the high growth rate of Eurovida slowed down. The company reported total revenues in the amount of 127 million euros.

The **expense ratio** climbed to 7.3 (4.2) percent. In 2001, high non-recurring revenues resulted in an exceptionally low expense ratio.

Earnings after taxes improved slightly to 30 (28) million euros.

Spain

| | | 2002 | 2001 | 2000 |
|----------------------|------|-------|-------|-------|
| Total revenues | € mn | 551 | 940 | 767 |
| Gross premiums | € mn | 502 | 879 | 532 |
| Expense ratio | % | 7.3 | 4.2 | 8.9 |
| Earnings after taxes | € mn | 29.5 | 27.5 | 50.7 |
| Investments | € mn | 3,956 | 3,564 | 2,776 |

For the **current fiscal year**, no stimulus for market-wide growth is expected. Forthcoming legal changes, which will provide tax incentives not only for pension plans and fund investment but also for traditional life insurance, are a welcome sign of relief. Our attractive products in this area and the new legal situation should help to reinvigorate this activity and bring new growth to an area that has been neglected by the entire market. We therefore expect to be able to report improved earnings performance in 2003.

REST OF EUROPE

Rest of Europe

Total revenues by country

| | 2002 | 2001 | 2000 |
|---|--------------|--------------|--------------|
| | € mn | € mn | € mn |
| Belgium | 413 | 421 | 414 |
| Austria | 303 | 282 | 268 |
| Netherlands | 247 | 409 | 270 |
| Great Britain | 153 | 337 | 344 |
| Luxembourg | 125 | 129 | 100 |
| Greece | 80 | 71 | 74 |
| Portugal | 74 | 69 | 65 |
| Subtotal western and southern Europe | 1,395 | 1,718 | 1,535 |
| Slovakia | 73 | 16 | – |
| Hungary | 66 | 53 | 52 |
| Poland | 45 | 38 | 24 |
| Czech Republic | 36 | 35 | – |
| Croatia | 14 | 8 | – |
| Bulgaria | 6 | 3 | 1 |
| Subtotal central and eastern Europe | 240 | 153 | 77 |
| Total | 1,635 | 1,871 | 1,612 |

Total **revenues** from life and health insurance in the other European markets came to 1.6 (1.9) billion euros. Due to the downturn in the capital markets, many customers refrained from buying unit-linked products, particularly in the Netherlands. In Great Britain, we withdrew from the investment-oriented business and concentrated our efforts on risk life insurance. The demand for traditional life insurance increased in many countries. In IFRS accounts, premium income rose to 1.3 (1.1) billion euros.

In 2002, our companies in central and eastern Europe were involved in the process of building up their business. The corresponding expenses depressed earnings. In Belgium, the Netherlands and Great Britain, charges arising from the performance of the capital markets resulted in losses.

After taxes, we reported a **loss** of 77 million euros in other European markets, following earnings of 12 million euros in the preceding year.

For the **current fiscal year**, we expect higher premium income and improved earnings performance. The fact that private retirement savings are being increasingly subsidized by the governments of Central and Eastern Europe gives us reason for optimism. Larger portfolios should improve our expense ratio so that overall profitability in the other European markets is likely to rise again.

U.S.A.

– Allianz Life of North America is our life insurer in the United States of America.

– Strong expansion of our revenues network enabled us to boost total premium income 91.3 percent to 9.5 billion euros.

In local currency, the increase came to 103.9 percent. The main contributor was the retirement insurance business, a traditional domain of Allianz Life. In this dynamic market, our companies achieved above-average growth rates. On the one hand, this was due to the swift expansion of our sales network. On the other hand, the current situation on the financial markets considerably strengthened demand for retirement insurance, where most capital is invested in fixed-income securities.

The dynamic growth triggered high acquisition costs, which in IFRS accounts are capitalized and amortized over the estimated life of the contracts. As a result, the **expense ratio** improved to 47.0 (49.2) percent in the reporting year.

Investment income rose to 561 (468) million euros.

Financing of the substantial new business depressed income. After taxes, a **loss** of 18 (24) million euros was reported, which represents a slight improvement.

Allianz Life

| | | 2002 | 2001 | 2000 |
|----------------------|------|--------|--------|-------|
| Total revenues | € mn | 9,530 | 4,982 | 3,681 |
| Gross premiums | € mn | 1,411 | 1,478 | 1,465 |
| Expense ratio | % | 47.0 | 49.2 | 48.2 |
| Earnings after taxes | € mn | – 17.7 | – 23.7 | 132.6 |
| Investments | € mn | 15,903 | 11,825 | 8,179 |
| Employees | | 1,997 | 1,750 | 1,435 |

For the most part, the legal minimum interest rate for our life insurance products is 3.0 percent. We closely monitor the day-to-day situation on the capital markets and are able to rapidly and flexibly adjust the interest payments credited to our customers.

For the **current fiscal year**, we are aiming for premium volume at the level of the reporting year. Further cost reductions and stable investment income are expected to restore profitability.

ASIA-PACIFIC REGION

_ We also offer life and health insurance in Asia and are steadily expanding our business in the rapidly developing markets of this region.

_ Total premium income from this region amounted to 2.3 billion euros.

With a total premium volume of 1.9 billion euros, our biggest company in this region is in Allianz Life Insurance South Korea (formerly Allianz First Life). It ranks fourth in the South Korean life insurance market. The most common products in this country are guaranteed interest products, which in years with falling interest rates like 2002 puts life insurers under considerable pressure. After taxes, the company reported earnings of 3.2 (26) million euros.

Our Indonesian company, PT Asuransi Allianz Life Indonesia, offers life and health insurance. In 2002, the two lines generated vigorous growth of 87 percent to 47 million euros, which was due to the expansion of our distribution capacity. With 5,400 representatives, we operate the biggest life insurance distribution network in the Indonesian market. The after-tax loss in Indonesia came to 2.5 (8.5) million euros.

We also expanded our sales organization in other Asian countries, particularly in China and India. At present, 9,000 representatives of our local joint venture sell our products on the Indian subcontinent.

In Malaysia, we sell life insurance through our subsidiary Allianz Life Insurance Malaysia Berhad. We are also represented in the area of life insurance in Taiwan. In Singapore and Pakistan, we now underwrite health insurance. In Thailand, we are represented through our interest in Allianz CP Life.

Total revenues in the Asia-Pacific region grew 26.5 percent to 2.3 billion euros.

After taxes, the Asia-Pacific region reported a **loss** of 9 million euros, after 5 million a year earlier.

Asia-Pacific Region

Total revenues by country

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--------------|--------------|--------------|--------------|
| Korea | 1,894 | 1,642 | 1,614 |
| Taiwan | 277 | 127 | 103 |
| Malaysia | 54 | 13 | - |
| Indonesia | 47 | 25 | 16 |
| China | 16 | 8 | - |
| Phillippines | 8 | - | - |
| Pakistan | 2 | 2 | - |
| Total | 2,298 | 1,817 | 1,733 |

In the **current fiscal year**, we will further expand our life insurance business in China. We are planning to enter the bancassurance market in South Korea together with our cooperation partner Hana Bank.

Effective as of January 14 of this year, we sold our 50 percent interest in Pioneer Allianz Life Assurance Company (PALAC) to our joint venture partner, Pioneer, who will from now on operate the company as sole owner. As a result, we have completely withdrawn from the Philippine insurance market, a market in which we have been active since 1997 but which today offers insufficient potential.

Altogether, we expect further premium growth in the Asia-Pacific region and improved earnings performance.

SOUTH AMERICA

We also sell life insurance in Brazil, Colombia, Chile, Argentina and Venezuela. Total **revenues** in these countries amounted to 237 million euros.

South America

Total revenues by country

| | 2002 € mn | 2001 € mn | 2000 € mn |
|--------------|--------------|--------------|--------------|
| Brazil | 122 | 178 | 208 |
| Colombia | 73 | 107 | 195 |
| Chile | 39 | 1 | – |
| Argentina | 2 | 61 | 59 |
| Venezuela | 1 | 9 | 7 |
| Total | 237 | 356 | 469 |

The Group's banking business experienced an extremely difficult year.

The downturn in the capital markets and a weak, in some countries crisis-prone economy, put a severe strain on our operating business. Loan loss allowances had to be substantially increased, which tangibly depressed earnings. These influences were so acute that the progress achieved in cost management did not yet produce the expected results.

The banking business reported a loss of 1.4 billion euros.

The operating income from this segment, which is essentially determined by the business performance of Dresdner Bank, amounted to 7.6 billion euros and thus failed to meet our expectations. However, our efforts to reduce the administrative expenses of Dresdner Bank produced first results. At 7.1 billion euros, they were 12.3 percent or 985 million euros lower than in the previous year. We are well aware of the fact that this is insufficient to rid our banking business of its persistent ills.

Banking overview

| | | 2002 | 2001 ^{*)} |
|---|------|---------|--------------------|
| Net interest and current income | € mn | 3,827 | 2,363 |
| Net fee and commission income | € mn | 2,658 | 1,290 |
| Trading income | € mn | 1,081 | 244 |
| Other income/expenses | € mn | 675 | 248 |
| Administrative expenses | € mn | - 7,314 | - 3,261 |
| Loan loss provisions | € mn | - 2,222 | - 588 |
| Earnings before taxes | € mn | - 1,358 | - 220 |
| Operating cost income ratio | % | 97 | 84 |
| Loans and advances to customers and banks | € bn | 246 | 277 |
| Liabilities to customers and banks | € bn | 278 | 307 |

^{*)} When comparing the figures for fiscal 2002 with those for 2001, it should be noted that Dresdner Bank was initially consolidated as of July 23, 2001.

Our banking business posted the following results.

The interest-earning business was determined by intensive competition over conditions, persistently low interest levels and the de-consolidation of Deutsche Hyp. Total **net interest income** amounted to 3.8 (2.4) billion euros. In August 2002, Deutsche Hyp was merged with Euro Hyp AG, a company in which Commerzbank, Deutsche Bank and Dresdner Bank have merged their mortgage lending subsidiaries.

Loan loss provisions were increased to 2.2 billion euros. This step was necessitated by the growing number of insolvencies among business customers and the fact that we expect substantial loan losses in Latin America. Additional write-downs were required in the private customer lending business.

Commission income suffered from the reluctant attitude of customers in the securities and issuing areas. **Net commission income** amounted to 2.7 (1.3) billion euros.

Earnings in the **trading business** were determined by two opposing trends: in the bond, currency and precious metal business, we generated positive results. Stock trading, however, produced a loss. Total trading income amounted to 1.1 (0.2) billion euros.

Administrative expenses came to 7.3 billion euros.

The balance of **other income and expenses** increased to 675 (248) million euros. This amount includes a profit of 1.9 billion euros that was generated by the transfer of the activities of Dresdner Bank Asset Management to Allianz AG. This profit is consolidated at Group level. Other expenses essentially included write-downs on stock portfolios (986 million euros) and restructuring expenses (245 million euros).

As a result, the banking business reported a **loss** of 1.4 billion euros.

To restore the profitability of Dresdner Bank as quickly as possible and on a sustainable basis, the Turnaround 2003 program was launched in the fall of 2002. This program has three components:

1. The newly created Institutional Restructuring Unit (IRU) is intended to unwind Dresdner Bank's lending commitments that are of no strategic importance or involve impaired loans. Primarily, this concerns borrowers in North and South America as well as in Germany. Over the medium term, this will release risk capital in the order of up to 3 billion euros over the coming years.
2. The ongoing cost-cutting efforts are being stepped up once again. The objective is to reduce operating and personnel costs to 6.5 billion euros by the end of 2003.
3. In the process of divisionalization, previously centralized services were transferred to the divisions and made even leaner.

To ensure that the Turnaround 2003 program is successfully realized within the set timeframe, we established a steering committee made up of members of the Board of Management of Allianz AG and Dresdner Bank. The execution of this program is our foremost priority.

Private customers and business customers

In 2002, our business with private and business customers was once again overshadowed by the downward trend of the stock markets. Securities trading stagnated and the lending business suffered from low interest rates and a high default rate. We set aside 561 (233) million euros for the corresponding loan loss provision. This provision primarily concerns our loans to business customers. Our restructuring measures produced first results and limited administrative expenses to 3.0 billion euros. Our loss increased to 304 (160) million euros. However, it should be borne in mind that our earnings were impacted by restructuring expenses.

Corporates & Markets

The results of the Corporates & Markets division continued to deteriorate. The weakness of the capital markets and the stagnating world economy caused income to dwindle to 3.8 billion euros. While we were able to reduce administrative expenses more than originally planned, cost management alone was unable to stem the tide, particularly since earnings were hit by loan loss provisions that climbed to 1.6 billion euros. The write-downs essentially affect the portfolios which we are transferring to IRU. The after-tax loss doubled to 1.6 (0.8) billion euros.

In the **current fiscal year**, the banking business will continue on its precarious path. As long as the economy shows no clear signs of recovery and the decline of the capital markets cannot be reversed, we do not expect any fundamental improvements. Beyond the timely implementation of the Turnaround 2003 program, our performance will essentially depend on our ability to boost operating income in a difficult economic context.

Private customers and business customers

| | | 2002 | 2001 ¹⁾ |
|----------------------|------|---------|--------------------|
| Total income | € mn | 3,350 | 1,678 |
| Total expenses | € mn | - 3,093 | - 1,605 |
| Loan loss allowance | € mn | - 561 | - 233 |
| Earnings after taxes | € mn | - 304 | - 160 |
| Cost income ratio | % | 92 | 96 |

¹⁾ When comparing the figures for fiscal 2002 with those for 2001, it should be noted that Dresdner Bank was consolidated as of July 23, 2001. Changes in the divisional structure and improvements in income classification have been taken into account in the prior-year figures stated.

Corporates & Markets

| | | 2002 | 2001 ¹⁾ |
|----------------------|------|---------|--------------------|
| Total income | € mn | 3,758 | 1,725 |
| Total expenses | € mn | - 3,808 | - 2,161 |
| Loan loss provisions | € mn | - 1,592 | - 361 |
| Earnings after taxes | € mn | - 1,642 | - 797 |
| Cost income ratio | % | 101 | 125 |

¹⁾ When comparing the figures for fiscal 2002 with those for 2001, it should be noted that Dresdner Bank was consolidated as of July 23, 2001. Changes in the divisional structure and improvements in income classification have been taken into account in the prior-year figures stated.

Allianz is one of the five leading asset managers in the world. Net inflow to assets under management for third-party investors reached 43 billion euros. Nonetheless, assets managed for third parties decreased by 59 billion euros or 9.5 percent to 561 billion euros. This was due to falling stock prices and the depreciation of the U.S. dollar against the euro. The operating result amounted to 495 million euros. After deduction of acquisition-related expenses as well as taxes and minority interests, the segment reported a loss as expected of 405 million euros.

Assets under management comprise both assets managed for third party investors and investments used to cover insurance provisions, equity capital and borrowed funds.

Assets under management

| | Current values 12/31/2002 € bn | Current values 12/31/2001 € bn |
|--|--------------------------------------|--------------------------------------|
| Group investments ^{*)} | 403 | 481 |
| Investments for unit-linked life insurance | 25 | 25 |
| Investments for third-party investors | 561 | 620 |
| Total assets under management | 989 | 1,126 |

^{*)} For the first time, this statement of Group investments also includes trading liabilities. In 2001, assets under management did not include trading liabilities amounting to – 45 billion euros.

Asset management for third party investors

Following the acquisition of Dresdner Bank, we combined all operative asset management units in Allianz Dresdner Asset Management (ADAM). We now have production and distribution capacities in all essential markets, reaching 60 million private customers and institutional investors.

Approximately 57 percent or 561 billion euros of our assets are managed for third party investors. That includes 43 billion euros in net inflows. Despite these inflows, the value of this portfolio decreased by 59 billion euros. The causes for this decline

were lower stock market prices, which accounted for 25 billion euros, and an additional 77 billion euros due to the depreciation of the U.S. dollar against the euro.

Approximately 70 percent of our third-party investments come from the U.S.A. and approximately 19 percent from Germany. As a result, we have a very strong position in both markets. In terms of total volume, institutional customers account for 72 percent. We are thus operating in a market environment with very high demands on the quality of our products and services. This constellation also benefits our private customers.

In 2002, we achieved a number of successes:

- With a net inflow of 56 billion euros, our fixed-income fund business achieved extraordinarily strong growth. This increased the fixed-income share of our portfolio to 72 percent; equity funds account for 25 percent.
- Our PIMCO Total Return Fund alone increased its investment volume to 68 billion U.S. dollars by the end of the year and thus became the largest actively managed investment fund in the world.
- Its European equivalent, dit Euro Bond Total Return Fund “powered by PIMCO”, was able to attract 1.5 billion euros in net inflows between its launch in May 2002 and the end of the year. That makes it Germany’s best-selling fixed-interest fund. This performance was recognized by the “Financial News”, which honored PIMCO as the best European fixed-income fund manager.
- Measured in terms of net inflows from third-party sales, our public funds rank second in the U.S.A.
- The leading position of ADAM in the institutional customer business in Germany can also be attributed to the successful integration of Dresdner Bank Asset Management.

- _ In June 2000, we launched the Allianz Dresdner Pension Fund.
- _ In China, a market with excellent growth prospects for fund managers, our joint venture Guotai Junan Allianz Fund Management Co. was the first fund manager with foreign participation to be granted a business license. The cooperation brought together the distribution network of our partner, Guotai Junan Securities, with our expertise in risk and portfolio management, product design and controlling.

The **operating result** rose to 495 million euros, up 182 million euros from the previous year. The increase is due to the fact that the asset management activities of Dresdner Bank were for the first time included on a full-year basis. The bank was consolidated as of July 23, 2001. Our operating result remained essentially unchanged on the previous year, despite the difficult situation in the capital markets.

An improved cost structure, mainly due to the restructuring of our equity investment units, improved the **cost-income ratio** from 84.7 to 78.5 percent.

Acquisition-related expenses totaled 729 million euros. They include amortization of goodwill of 377 million euros as well 155 million euros for the amortization of loyalty bonuses for the management of the PIMCO group. These bonuses were agreed upon in 2000 as part of the price paid for the company and are amortized over five years. Another 197 million euros are “retention payments” for the management and employees of PIMCO and Nicholas-Applegate. These payments were also agreed upon as part of the acquisition package for the fund management companies and will continue for another two years.

Minority interests in earnings amounted to 230 million euros. PacLife, which still holds a 30 percent interest in PIMCO, accounts for 162 million euros of this amount.

After tax income in the amount of 59 million euros, the segment reported a **loss** of 405 million euros.

Our business model is based on spreading income and risks, both with respect to the different asset classes as well as the regional structure or our business. Nonetheless, business prospects for the **current fiscal year** will to a great extent depend on the development of the capital and currency markets. We expect inflows in the fixed-income business to continue at a satisfactory level while demand in the equity business is likely to recover. The comprehensive cost-cutting measures taken in the year under review should produce further results in 2003, and we expect a clear improvement of our overall operating result. However, due to high acquisition-related expenses, our after-tax result will once again be negative.

Group investment structure

| | 12/31/2002 | | 12/31/2001 |
|--|------------------------|-------------------|-------------------|
| | Current values € bn | Weighting in % | Weighting in % |
| Interests in affiliated enterprises, joint ventures and associated enterprises | 15.0 | 3.7 | 5.0 |
| Investments | 289.4 | 71.8 | 72.8 |
| Securities held to maturity | 6.5 | 1.6 | 1.6 |
| Securities for sale | 266.0 | 66.0 | 67.0 |
| Real estate used by third parties | 14.8 | 3.7 | 3.5 |
| Funds held by others under reinsurance contracts assumed | 2.1 | 0.5 | 0.7 |
| Trading portfolio | 71.3 | 17.7 | 17.4 |
| Trading assets | 124.8 | 31.0 | 26.7 |
| Trading liabilities | - 53.5 | - 13.3 | - 9.3 |
| Other investments | 27.3 | 6.8 | 4.7 |
| Total investments | 403.0 | 100.0 | 100.0 |

Investments

The current value of **Group investments** was 403.0 billion euros on December 31, 2001. This amount comprises the investments from the banking business, including Dresdner Bank, which amounted to 99.2 billion euros. Total Group investments decreased 16.2 percent from the previous year (480.9 billion euros). This decline is primarily due to lower stock market prices.

For the first time, this statement of Group investments also includes trading liabilities in the amount of 53.5 billion euros.

The current value of **investments in affiliated enterprises, joint ventures and associated enterprises** decreased by 9.2 billion euros to 15.0 billion euros. Most of these investments are in associated enterprises (i.e. companies in which we hold a share of between 20 and 50 percent), which are valued by the equity method. Our biggest holdings were Münchener Rückversicherungs-Gesellschaft AG (4.5 billion euros) and Beiersdorf AG (3.9 billion euros). For the first time, we also valued our interest in Eurohypo AG as an associated enterprise. In this company, Dresdner Bank AG, Deutsche Bank AG and Commerzbank AG have pooled together their real estate financing activities.

In addition, we held **securities** with a current value of 289.4 billion euros. Of these, 6.5 billion euros were in **securities held to maturity** and 266.0 billion euros in **securities available for sale**. The latter included 18 (25) percent stocks and 82 (75) percent fixed-income securities. The difference with respect to the previous year is due to the development of the capital markets and our decision to reduce the equity allocation in our portfolios. Unrealized gains and losses from dividend-bearing equity securities decreased to – 4.9 billion euros, those from fixed income securities increased to 11.0 billion euros. A list of companies in which we hold at least 5 percent of the capital or in which our investment exceeds 100 million euros can be found on pages 149 to 150 of the Notes to the Consolidated Financial Statements. Also shown in this list are the percentage of our interest in each company and the market capitalization of our holdings. At the end of 2002, the market value of these holdings amounted to 27.7 billion euros.

Real estate used by others was valued at 14.8 billion euros in fiscal 2002, and **funds held by others under reinsurance contracts assumed** amounted to 2.1 billion euros.

The balance of **trading assets and trading liabilities** amounted to 71.3 billion euros at December 31, 2002. Trading assets (124.8 billion euros) consist of fixed-income securities (74 percent), dividend-earning equity securities (7 percent) and derivatives (19 percent). Trading liabilities (53,5 billion euros) essentially include derivatives (40 percent) and obligations to deliver securities (56 percent). These items are primarily attributable to the banking business.

Other investment mainly includes **loans advanced by Group enterprises** (18.7 billion euros) as well as **bank deposits** (8.3 billion euros).

Investment structure by type of investment

| | 12/31/2002 | | 12/31/2001 |
|------------------------------------|------------------------|-------------------|-------------------|
| | Current values € bn | Weighting in % | Weighting in % |
| Real estate | 14.8 | 4.5 | 4.2 |
| Dividend-earning equity securities | 63.2 | 19.0 | 26.5 |
| Fixed-income securities | 242.7 | 73.2 | 66.6 |
| Other investments | 11.0 | 3.3 | 2.7 |
| Subtotal | 331.7 | 100.0 | 100.0 |
| Trading portfolio | 71.3 | | |
| Total investments | 403.0 | | |

Investment structure by segments as of December 31, 2002

Current values in € bn

| | Property/Casualty | Life/Health | Banking | Asset Management |
|--|-------------------|--------------|-------------|------------------|
| Interests in affiliated enterprises, joint ventures and associated enterprises | 8.2 | 2.0 | 4.8 | – |
| Investments | 73.1 | 190.7 | 24.1 | 1.0 |
| Securities held to maturity | 0.6 | 5.2 | 0.7 | – |
| Securities for sale | 64.7 | 177.3 | 23.0 | 1.0 |
| Real estate used by third parties | 5.9 | 8.2 | 0.7 | – |
| Funds held by others under reinsurance contracts assumed | 2.0 | 0.1 | – | – |
| Trading portfolio | 0.9 | 0.3 | 70.0 | 0.2 |
| Trading assets | 1.4 | 1.1 | 122.2 | 0.2 |
| Trading liabilities | – 0.5 | – 0.8 | – 52.2 | – |
| Other investments | 7.4 | 19.9 | – | – |
| Total investments | 89.6 | 213.0 | 99.2 | 1.2 |

After elimination of cross-segment group-internal transactions

Investment income came to 16.6 billion euros in 2002, down 1.0 billion euros from the previous year.

Current income increased from 17.1 billion euros to 17.8 billion euros. Realized profits and losses amounted to a total of 4.1 (2.3) billion euros, write-ups came to 0.8 (0.4) billion euros. Due to the weakness of the capital markets, write-downs on securities increased to 5.6 (1.5) billion euros. Additional write-downs, in particular on real estate used by third parties, came to 0.3 (0.7) billion euros. Income from trading activities including the income contribution of trading liabilities amounted to 1.5 (1.6) billion euros. Other expenses, in particular for investment management and interest on financial liabilities, came to 1.7 (1.6) billion euros.

Investment from the insurance business contributed 13.8 (14.8) billion euros (also see table 38 “Supplementary information on insurance business – Investment income” on page 132 of the Notes to the Consolidated Financial Statement). Differences with respect to this presentation are due to the inclusion of income components from real estate owned by Allianz and used for its own activities (0.2 billion euros) as well as the exclusion of income components from trading liabilities (0.2 billion euros). An additional 2.7 (2.8) billion euros of investment income came from the banking business, including 1.1 billion euros from trading activities.

Investments for unit-linked life insurance increased 4 percent from last year to 25.7 billion euros.

As providers of financial services, we consider risk management one of our core competencies. As a result, risk management is an integrated part of our controlling process, which involves identifying, measuring, aggregating and managing risks. This process is used to determine how capital is allocated to the Group's various divisions.

Responsibilities

In our business, successful management essentially means controlling risks in order to increase the value of the Allianz Group. This is done through risk-adequate allocation of capital resources and activities required to achieve sustainable growth. As a result, the Board of Management formulates the business objectives of the Allianz Group on the basis of return and risk criteria. These objectives are implemented by the Allianz Group Center and the local operational units. Our risk-control strategy involves assignment of responsibility for risk management to local entities, which operate within the legal frameworks applicable for their respective locations.

This decentralized approach is complemented by centralized responsibility. This is necessary because we need to deal with an accumulation of global risks which can considerably increase potential risk exposure. As a result, central controls are essential. The responsibility for central control lies with Group Risk Controlling, a unit that was expanded in 2002. Central control now also includes the banking business.

Group Controlling assesses the Allianz Group's risk exposure on the basis of local and global risks. The results of these analyses are then submitted to senior management. At the same time, Group Controlling ensures that the processes are transparent and comprehensive. Risk management activities are supervised by both internal and external auditors.

Risk Categories

Total risk exposure of the Allianz Group is subdivided into individual risk categories:

Actuarial risks These risks are based on the technicalities of the insurance business: we have to guarantee future payment commitments, and the volume of such payments must be calculated in advance. Different actuarial risks exist in the various insurance lines.

In **property and casualty insurance**, actuarial risks arise from an unexpected variance:

- _ the volume of losses exceeds premiums fixed in advance (**premium risk**), or
- _ the payout for claims made is higher than the corresponding provisions (**reserve risk**).

In **life insurance**, actuarial risks arise because we are committed to making guaranteed long-term payments in return for a fixed insurance premium calculated in advance even though the biometric data of the population may change over time (e.g., longer life expectancy as a result of medical progress).

Credit and counterparty risks These risks involve potential losses that may result from the default of a business partner. "Default" means the inability or refusal of a counterparty, an issuer or another contracting party to meet contractual obligations. Credit risk also includes the risk of a deterioration of a business partner's creditworthiness. It thus includes:

- _ **credit risks** from the lending business and credit insurance
- _ **counterparty risks** from trading activities
- _ **country risks** in connection with cross-border transactions and the local business of foreign units.

Counterparty risks from trading activities relate primarily to derivatives and especially OTC transactions. In the insurance business, these risks stem from the possibility that receivables may remain unpaid, in particular those due from reinsurers.

Market risks Market risks result from portfolio valuation fluctuations due to changes in share prices, interest rates or exchange rates. Also risk relevant are changes observed in the variation behavior (volatility) of an asset price, for example.

In the banking business, the volatility risk especially concerns trading activities, which are shown in the institution's trading portfolio. Unlike the latter, the non-trading portfolio, which contains customer business and strategic investments, is exposed to long-term factors. In this case, the market risk is essentially the **interest rate risk** resulting from granting long-term fixed-rate loans, which are funded in part by short-term deposits. In addition, loans and deposits in foreign currencies are exposed to **currency risks**.

Investment risks in the insurance business primarily include all counterparty and market risks. There is a direct link between investments and obligations to our customers. Certain insurance lines are exposed to an **interest guarantee risk**. Life insurance, for example, must generate the guaranteed interest payment agreed upon.

Liquidity risks These risks can materialize under various circumstances, for example:

- _ if present or future payment obligations cannot be met in full or as of the due date, or
- _ if refinancing capital can only be raised at higher rates (**refinancing risk**) in the case of a liquidity crisis or if assets can only be liquidated below current market prices (**market liquidity risk**).

Health insurance risks Health insurance risks are treated either as property and casualty insurance risks or as life and health insurance risks, depending on the segment to which the health insurance is assigned in the given market.

Management of the Allianz Group through risk capital

We control our activities through our respective local companies. Economic Value Added (EVA) and risk capital are the most important parameters used in the context of our risk-based controlling process.

Risk capital is required to cover unexpected losses. The amount of risk capital is calculated by using internal models. These models are based on generally accepted quantification methods, which are used for purposes of group-internal risk management as well.

In the insurance business, we calculate risk capital for premium, reserve, investment and credit risks. Within these risk categories, we distinguish between the following types of risks:

- _ **actuarial risks.** In property and casualty insurance these include the premium and reserve risks for the various insurance lines. Reinsurance is considered separately. In the case of life insurance, we calculate the insurance provisions required.
- _ **investment risks,** which include market and counterparty risks. The market risks are subdivided according to dividend-bearing instruments, interest-bearing instruments and real estate. The credit and counterparty risk as part of investment risks is assessed on the basis of the debtor's creditworthiness or rating class.
- _ **credit and counterparty risks** in connection with receivables in the insurance business. This risk is mainly assessed on the basis of the financial strength or the rating class of our reinsurance partners.

In 2002, we launched a comprehensive project which substantially improved internal risk analysis in the insurance business. Our new tools enable us to systematically evaluate internal data by means of models based on the theory of probability. This process takes into account the special characteristics of our local units as well as the specific nature of their risks. It also takes into account portfolio effects. In the current year, we intend to further stabilize the results of this large-scale project. By 2004, we expect to be able to convert our value-oriented controlling to risk capital that was calculated with the help of this model. At present, we are using risk capital models provided by the Standard & Poor's rating agency.

Risk controlling in the insurance business

To control risks in the insurance business, we focus on premium risks, reserve risks, credit and counterparty risks and investment risks.

Premium risks Premium risks are controlled primarily with the help of actuarial models used to calculate premiums and monitor claim patterns. In addition, we issue guidelines for concluding insurance contracts and assuming insurance risks. In the case of life insurance, we essentially concentrate on biometric risks – e.g., life expectancy, disability, illness and long-term care requirements. We also focus on risks that could arise from future policy cancellations.

Risk management also includes participation in scientific and technical loss prevention. We regularly carry out technical studies for the manufacturing and automobile industries, for example. The sole purpose of these studies is to reduce the probability of claims and keep losses to a minimum.

Natural disasters such as earthquakes, storms and floods represent a special challenge for risk management. Although they happen considerably less frequently than other incidents, the consequences are far more extensive when, for example, entire regions are devastated. We make use of special modeling techniques to control such risks. They involve the collection of data on earthquakes and weather patterns, which are used to simulate natural disaster scenarios and estimate the potential for damage.

Reserve risks We have to constitute provisions for insurance claims that have been submitted but not yet settled. The amount is estimated on the basis of past experience and on the use of statistical methods. We also limit risks by constantly monitoring the development of these provisions and use the information we obtain to make forecasts. In the area of life insurance, reserves are calculated by using actuarial methods. In addition to other criteria, these calculations take into account the biometric data of the populations insured by using, for example, national mortality tables.

Credit and counterparty risks To limit its liability from insurance business the Group cedes part of the risks it assumes to the international reinsurance market when necessary. When selecting our reinsurance partners, we consider only companies that offer excellent security. Our Group companies use comprehensive rating information for the active management of credit risks. This information is either in the public domain or gathered through internal investigations.

Investment risks Investments are an integral part of insurance coverage. They ensure our ability to meet the payment commitments we make in our insurance contracts. The tight link between insurance obligations and investment of the capital related to these obligations is investigated by using specific models. This also enables us to manage risks arising from interest guarantees provided to our customers.

We monitor market risks by means of sensitivity analyses and stress testing. Exchange rate fluctuations represent a risk that can essentially be disregarded because our insurance commitments are to a very large extent backed by funds in the same currency.

We limit credit risks by setting high requirements on the creditworthiness of our debtors and by spreading the risk. We consolidate our exposure according to debtors and across all investment categories, and we use limit lists to monitor exposure.

In individual cases, we use derivative financial instruments such as swaps, options and futures to hedge against changes in prices or interest rates. The end users of these derivatives are Allianz Group companies. Our internal investment and monitoring rules are considerably stricter than the regulations imposed by supervisory authorities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to particularly strict control procedures:

- _ credit risks are assessed by calculating replacement values.
- _ market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specifying stop-loss limits.

We limit liquidity risks by reconciling our investment portfolio with our insurance commitments. In addition, we plan our cash flow from ordinary activities.

Asset structure and diversification are other elements in our management of investment risk.

Organizational risk controlling In terms of organization, we limit our investment risks through a clear separation of management and controlling functions. Within the Allianz Group, risk management is implemented in cooperation with the local units in a top-down bottom-up process. The Allianz Finance Committee, which is made up of members of the Allianz Board of Management, delegates far-reaching decision-making authority to the regional Finance Committees, which monitor activities in their respective regions or countries. The duties and responsibilities at each decision-making level are defined by guidelines issued at the Group level. These guidelines are then applied by the regional Finance Committees, which formulate specific local investment guidelines. These are adapted according to national legislation and the nature of the local insurance and capital markets. Operational responsibility for investment portfolios lies with the local units.

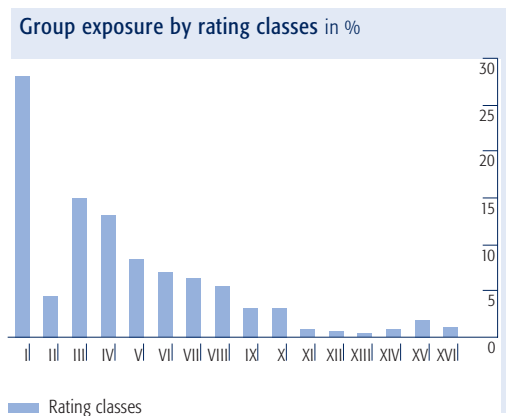
Risk capital At the end of fiscal 2002, risk capital before minority interests was composed as follows: In property and casualty insurance, 16.1 billion euros were allocated for actuarial risks, 0.8 billion euros for credit and counterparty risks and 3.9 billion euros for investment risks. Risk capital in life insurance came to a total of 11.1 billion euros as of December 31, 2002.

As a minimum, the capital we allocate to our local units meets the requirements for an A rating from Standard & Poor's.

Risk controlling in the banking business

In this business segment, the following types of risks are controlled: credit and counterparty risks including counterparty risks from trading activities, country risks, market risks in the trading and investment portfolios, and liquidity risks.

Credit and counterparty risks These risks are directly linked to granting credits in the banking business. The bank controls these risks through guidelines and credit risk committees. The ratings of our customers and their credit engagements represent the central element used in the approval, supervisory and control process in the area of credit and derivatives activities. This process involves analyzing and weighting the various creditworthiness characteristics of the customers and presenting the results in the form of rating scales. The forecasting quality, up-to-dateness and portfolio coverage of the rating methods used are controlled by periodic sampling and regular reports.

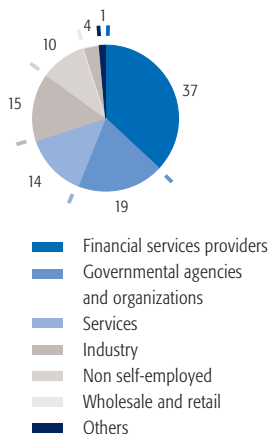


In the past year, Dresdner Bank increased the number of rating classes from 8 to 16. The first six classes correspond to “investment grade”, classes VII to XIV signify “non investment grade”. Rating classes XV and XVI are default classes according to the Basel II Definition. At the end of fiscal 2002, about 70 percent of all counterparty risks in the trading and banking portfolios of Dresdner Bank fell into rating classes I to VI.

The volume of the overall portfolio is to a great extent determined by the banks trading business, which involves primarily transaction with very low default probability, i.e. with state and local agencies and financial services providers. Approximately 85 percent of the transactions with public agencies or organizations are rated in the top risk class I. Approximately 60 percent of the transactions with financial services providers fall into risk classes III to V. These two segments represent 56 percent of the bank's total portfolio.

Counterparty risks are now centrally controlled by Dresdner Bank's Risk Management and Control Committee, which is headed by the Chief Risk Officer of Dresdner Bank. The newly created body issues the appropriate guidelines and standards for the risk strategy and risk control of the Dresdner Bank Group and ensures compliance. In addition, the committee decides on essential projects involving a credit risk. In this context, the Risk Management and Control Committee oversees the coordination between the risk management of the company's divisions and the Corporate Center Risk Control Unit. This is done in close cooperation with Allianz AG's Group Risk Controlling (Allianz Group Center). In addition, the committee is responsible for the monthly audit of the overall portfolio. This audit, which is performed in cooperation with the divisions, is controlled by Risk Controlling. Its purpose is to monitor credit risks on a continuing basis and to make sure that the management's credit risk strategy is adhered to.

Trading and loan portfolio by industry sectors in %



In the past year, Dresdner Bank set up the Institutional Restructuring Unit (IRU) at Dresdner Bank. The task of this unit is to unwind non-strategic obligations of Dresdner Bank that are exposed to a high risk, thus liberating risk capital. This process primarily concerns lines of credit in North and South America, in Germany and in the areas of private equity and commercial real estate.

We account for the development of risks in the lending business by making allowances for individual risks and country risks. In setting up risk provisions, we consider the credit-worthiness of the borrower, the general economic environment and risk-reducing measures, for example securities. In 2002, total risk provisions in the banking business amounted to 7.6 billion euros.

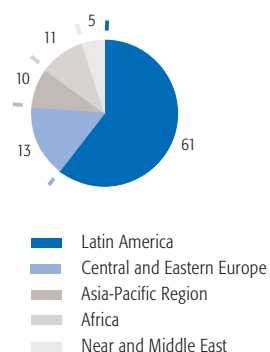
Counterparty risk from trading activities: in the credit-sensitive trading business with OTC derivatives, the selection of counterparties plays a decisive role. The selection process is aimed at counterparties with top-quality credit ratings. In the derivatives portfolios of Dresdner Bank, 95 percent of the positive replacement values, which are essential for assessing counterparty risk, involve counterparties in risk classes I to VI described above and are thus of "investment grade". To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are set up. In the case of a defaulting counterparty, netting makes it possible to offset any claims and liabilities not yet due.

| | 12/31/2002 € bn |
|--------------------------|--------------------|
| Specific loss allowances | 6.8 |
| General loss allowances | 0.8 |
| Total | 7.6 |

Country risks We control these risks by using internal country ratings. These ratings are based upon macroeconomic data and key qualitative indicators. The latter take into account the economic, social and political environment and focus on a country's ability to make payments in foreign currencies. At present, Dresdner Bank's country rating system includes eight risk groups.

At the end 2002, Dresdner Bank's country risk provisions totaled 367 million euros. The regional breakdown of this amount is shown in the chart.

Country risk provision by region in %



Market risks Dresdner Bank uses a proprietary value-at-risk model that takes into account all aspects of general and specific risks. Value-at-risk is defined as the potential loss which may occur during a specific period of time and with a given confidence level. In 1998, the German Federal Supervisory Authority for Financial Service Providers (BAFin) first approved Dresdner Bank's value-at-risk model for purposes of reporting in accordance with Principle I of the German Banking Act. It also approved the improvements made in 2001 and 2002. The value-at-risk data used to calculate capital adequacy requirements for regulatory purposes must take into account potential market movements within a confidence level of 99 percent, based on an assumed holding period of 10 trading days.

Market risks in the trading portfolio: the risks from Dresdner Bank's trading activities decreased in comparison to the previous year. This is mainly attributable to reduced holdings of interest-bearing instruments.

To validate the quality of the value-at-risk model, our bank performs regular backtests. For this purpose, the value-at-risk calculated on the basis of the current position is compared to the actual change in value on the following day. This shows whether the model used provides an adequate assessment of the risks.

For purposes of setting internal limits and risk determination, we calculate value-at-risk with a confidence level of 95 percent and a one-day holding period. Unlike the value-at-risk calculation required by the supervisory authority, which is based on market data from the past, we thus assign greater weight to the most recent market fluctuation. This ensures that value-at-risk data more accurately reflect current market developments.

Value-at-risk statistics

(99 % confidence level, 10-day holding period)

| | Year-end 2002 € mn | 2002 annual statistics | | | Year-end 2001 € mn |
|--------------------------------------|--------------------------|------------------------|-----------------|-----------------|--------------------------|
| | | Mean value € mn | Maximum € mn | Minimum € mn | |
| Aggregate risk | 81 | 120 | 167 | 35 | 147 |
| Interest rate risk | 65 | 101 | 147 | 65 | 124 |
| Equity risk | 45 | 53 | 83 | 26 | 64 |
| Currency/ commodity risk | 13 | 17 | 104 | 2 | 18 |
| Diversification effect ⁷⁾ | - 42 | - 51 | - | - | - 59 |

⁷⁾ No diversification effect can be taken into account since the maximum and minimum values were measured at different dates.

ten-day holding period). As in the case of trading, the bank controls this risk by setting value-at-risk limits.

The value-at-risk for interest rate risk in the banking portfolio of Dresdner Bank Group decreased 67 percent to 31.9 million euros at the end of the year. This indicator also takes into account portfolio effects. The reduction is mainly due to the deconsolidation of Deutsche Hyp.

Currency risks at Dresdner Bank are limited by applying the following principle: all loans and deposits in foreign currencies are refinanced or reinvested in the same currency with matching maturities.

Liquidity risks As part of a Group liquidity policy, Treasury and Risk Control establishes principles for liquidity management. This policy meets both regulatory requirements and internal standards. The liquidity risk limits include a reporting process for limit breaches and provisions for emergency planning.

Liquidity risk measurement is based on the liquidity management system. This system models the maturities of all cash flows and draws up a scenario-based liquidity balance sheet, taking into account available prime-rated securities.

Organizational risk controlling At the organizational level, risk management and risk controlling are strictly separated on the basis of the principle of dual control. Dresdner Bank's risk management sets the limits for the company's different activities that are exposed to risks. This is done in accordance with a general framework approved by the Board of Management.

Risk control in asset management

Risk control in asset management is an integral part of the processes of the local units or the investment platform. The Corporate Center ensures that Group-wide standards for asset management are applied at the local level. The individual asset management companies continually monitor the portfolio risks of the customer assets they manage by using analytical tools specifically adapted to the risk profile of the product concerned. At the same time, the performance of the various product lines is periodically monitored and analyzed at the Group level.

Operational risks

Operational risks are risks caused by inadequacies or faults in business processes or controls. These may be related to technical problems or employees, operational structures or external influences. We intend to minimize such risks by installing a comprehensive system of internal controls and security systems in each operating unit. Operational risks are limited by a wide range of technical and organizational measures such as redundant hardware configurations, communications equipment and systems, back-up computing facilities, and data backups to maintain IT capability in emergencies. In addition, procedures are in place for safeguarding the confidentiality and integrity of stored data and information. For this purpose, high-performance firewall systems were introduced to protect the IT network against external interference along with complex access authorization procedures, supervision and control processes. The principle of dual control is adhered to in the case of operating procedures. The purpose of these measures is to ensure and document an adequate standard for Group-internal processes.

Value-at-risk is only one of the instruments used to characterize the risk profile of the Dresdner Bank Group. In addition, the bank also uses operational risk indicators and limits, which are specifically adapted to the risk situation of the trading units. Trading is controlled by setting value-at-risk and operational market risk limits. Current limit utilization is determined and monitored by Risk Controlling on a daily basis. Limit breaches are immediately indicated to the management concerned so that corrective action can be taken.

Market risks in the non-trading portfolio: this risk mainly comprises the risk of interest changes and is analyzed on the basis of sensitivity and value-at-risk indicators (99 percent confidence level,

Legal risks result from contractual agreements or legal frameworks. They include risks from the adoption of new statutory regulations, disadvantageous amendments to existing legislation or regulations or prejudicial changes in their interpretation. Legal risks also take into account the possibility that contractual agreements may not be enforceable through legal action or court proceedings. The limitation of legal risks is an important task of the Group's Legal Department. This is done, for example, by using internationally recognized standard documentation and, if necessary, by obtaining legal opinions. Contracts for established products are continuously reviewed to include any amendments required by changes in legislation or jurisdiction. In addition, the Group's Legal Department assists Group companies in matters pertaining to business transactions and contractual negotiations to ensure compliance with minimum standards. It also supports the management and supervisory bodies of Allianz in meeting their statutory obligations.

Outlook

At the beginning of 2003, we set up a Risk Committee for the Allianz Group. It is composed of members of the Board of Management of Allianz AG and chaired by our Chief Risk Officer. The purpose of this committee is to make early warning indicators from our risk analyses available to the entire Group even more quickly than has been the case in the past. This will establish closer ties between local responsibilities and central risk controlling.

In addition, we intend to strengthen our operating risk management in 2003. Data on internal losses attributable to operating risks will be compiled and analyzed. If the insights gained from this process are sufficiently stable, the data will also be integrated into our risk capital computation model so that the corresponding risks can be backed with capital.

Additional improvements will result from the closer implication of local risk management in the group-wide transfer of know-how, another project for the current fiscal year. In this context, we will concentrate our efforts on Asset-Liabilities Management and Natural Catastrophes.

Dresdner Bank is continually refining its system for the assessment of creditworthiness in the lending and trading business, as well as its authorization, supervision and control processes. These measures are based on the future Basel Capital Accord (Basel II), which is currently being revised. The new accord provides for a fundamental reform of regulatory capital requirements for credit risks and, for the first time, includes operating risks. The objective is to bring statutory minimum equity capital requirements in line with actual risks. Basel II also provides for different calculation options for credit risks and operational risks, whereby different levels of security are permitted within a given risk class. In either case, Dresdner Bank intends to implement the approach with the most stringent requirements. For credit risks, this is the Internal Rating Based Advanced Approach and for operational risks the Advanced Measurement Approach.

Risk monitoring by third parties

Supervisory authorities and rating agencies are additional risk monitoring bodies. Supervisory authorities specify the minimum precautions that must be taken in individual countries and at the international level. Rating agencies determine the relationship between the required risk capital of a company and the available safeguards (more on this subject on page 25 of this Annual Report). In their evaluation of capital resources, the rating agencies include equity shown in the balance sheet, minority interests and other items representing additional securities in times of crisis. At the end of the year, this total was slightly below the level that corresponds to our current ratings. But the evaluation of creditworthiness and the corresponding assignment of rating classes is not determined by this assessment alone. In addition to capital resources, the rating process also takes into account elements such as, mainly, the strategic position of the company in individual business areas and markets as well as its medium-term business prospects.

Our employees' sense of commitment, professionalism and customer focus have helped the Allianz Group obtain the rank it holds today.

The human resources policy of the Allianz Group is based on two principles: delegation of operating responsibility to the individual company units, and close global coordination in core areas. In human resources, this coordination primarily covers succession planning, management training and the transfer of know-how.

At December 31, 2002, we had 181,651 (179,946) employees in over 70 countries. The radical restructuring of Dresdner Bank necessitated massive job cuts. Nonetheless, the overall number of employees increased, mainly due to the new consolidation of the Slovakian insurer Slovenská poisťovňa at July 22, 2002. At the same time, we also substantially increased the number of field representatives in our German insurance network, which all but compensated the staff reductions at the bank. Approximately half of our employees work outside Germany. A detailed overview is provided by the table and the chart on the right.

International personnel marketing

To further strengthen our position as a leading financial service provider we are constantly searching for highly qualified young professionals with management potential who, together with us, will take on this challenging task. In this process, we are looking at recent university graduates as well as junior managers with first professional experience.

We therefore cultivate contacts with international management prospects at renowned universities and business schools in the U.S.A., France, Switzerland and Italy. We also recruit our future managers from leading schools in Australia and South Korea. In addition, we offer a total of about 800 internships in all parts of the world – a coveted opportunity to become more familiar with the Allianz Group.

Our employers rankings are testimony to the fact that we really do have something to offer young people. In the “Great Place to Work” audit by the German business magazine “Capital”, we were one of the companies who were honored as “Germany’s best employer”. And our U.S. company Allianz Life in Minneapolis won the “Great Place to Work” award of the local Business Journal for the second time in a row.

International education programs and development perspectives

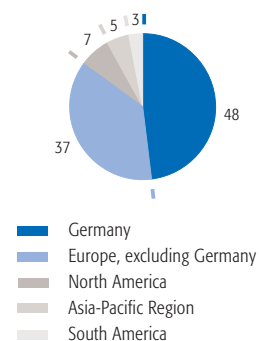
As an international financial services group, we demand and promote an international orientation and intercultural competency on the part of our employees. We are committed to filling newly available positions in our worldwide organization primarily through internal promotions that encourage upward mobility on an international scale. With the acquisition of Dresdner Bank, the available career choices have become even more interesting. Many employees already switched from Dresdner Bank to Allianz and vice-versa.

What do we do to help our employees enlarge their professional horizon? We provide international training programs, expatriation programs as well as study groups and workshops on the transfer of know-how in which multi-nationality is a basic principle. Our corporate university, the Allianz Management Institute, operates exclusively on an international scale.

Employees by country

| | 2002 | 2001 |
|---------------|----------------|----------------|
| Germany | 87,398 | 87,589 |
| France | 21,167 | 21,069 |
| U.S.A. | 11,270 | 13,617 |
| Great Britain | 9,003 | 9,261 |
| Italy | 7,474 | 7,915 |
| Slovakia | 3,890 | 367 |
| Switzerland | 3,739 | 3,674 |
| Netherlands | 3,604 | 2,173 |
| Austria | 3,130 | 3,079 |
| Australia | 3,099 | 3,082 |
| Hungary | 3,000 | 2,166 |
| Spain | 2,680 | 2,534 |
| South Korea | 2,438 | 2,457 |
| Brazil | 2,203 | 3,412 |
| Colombia | 1,403 | 1,600 |
| Other | 16,153 | 16,318 |
| Total | 181,651 | 179,946 |

Employees by region in %



Cross-border training programs

While the Group coordinates and provides support, the individual Allianz companies know best which needs their qualifying programs must meet. In other words, no two programs are alike. The resulting diversity limits us to citing some particularly successful examples: one of them is the Allianz Development Program, which primarily addresses employees from central and eastern Europe. In China, Allianz Dazhong Life Insurance in cooperation with the Hanns-Seidel-Stiftung and the Shanghai Electronic Industrial School offers a two-year training program which equals the high standards of a German apprenticeship in the insurance industry. In France, the “pépinière” program of our subsidiary AGF is open to university graduates. And our U.S. company Fireman’s Fund operates a program for employees holding an MBA, which we support from Munich with international deployment opportunities.

Expatriation

We offer our employees every opportunity for professional advancement outside their familiar context. We propose project-related foreign assignments, which tend to be short-term by nature, but also expatriate positions for several years. Standards for expatriations of any kind and for the return to their home country ensure the peace of mind of our employees and their superiors and thus increase their motivation to expand their professional horizons far from home.

Transfer of know-how

Internationally staffed study groups and workshops promote the transfer of knowledge within the Group and strengthen the market position of our subsidiaries. The added-value potential of this initiative is enormous, and the participants’ possibilities for professional and intercultural advancement are equally as large.

AMI management programs

The Allianz Management Institute is our corporate university for international top management. It disseminates knowledge, but it also develops Group strategy. An example are the meetings of top-level managers from the most diverse countries with members of the Group’s Board of Management. In the framework of the AMI Campus Program, these meetings address common strategic questions. The topics of these strategic workshops included “Building an Entrepreneurial Organization” and “The Integration Process after a Merger”.

Our training center in Kempfenhausen on Lake Starnberg was completed in April 2002 and can now accommodate conferences with up to 150 participants. It is the venue for our international Allianz Management Programs, with the exception of those held at business schools. In addition, we invite renowned professors from business schools and experts from within the company to shape career and management programs for Allianz junior managers at Kempfenhausen.

Performance orientation and compensation

Performance and result-based remuneration is the mainstay of our compensation strategy. With management, we agree on annual objectives in which our added-value concept is of crucial importance. But even employees without management functions are increasingly managed by objective and the corresponding target agreements.

Total wages and salaries paid by the Group to its employees worldwide amounted to 8.8 (6.8) billion euros in 2002. Social security contributions, pensions and other employee benefits amounted to 2.4 (1.6) billion euros.

Our employee stock purchase plan was further expanded. In 2002, we offered Allianz shares at preferential conditions to over 150,000 employees in 24 (22) countries.

For management, we launched another tranche of our long-term incentive plan. The key determinants of this variable compensation plan are the development of the Allianz share price as well as the Economic Value Added of the Group and its respective companies. For details, see page 20 as well as 18 of this Annual Report.

Thank you!

We would like to thank the employees and representatives of our Group companies for their dedication and loyalty in 2002, a year that demanded all their strength. Our thanks also go to the members of the employees’ representative bodies.

The possibility of a war in the Gulf region weighs heavily over the prospects for economic improvement in the year 2003. Even if the world economy should regain momentum in the second half of the year, only modest growth can be expected for the year as a whole. Since the risks remain considerable, the overall situation for financial services providers is not likely to improve.

Many question marks

The world economy will get back on track only if consumers, companies and investors become more optimistic about the future. For that, the current uncertainties about the conflict with Iraq must be abated, and that will not happen before the second half of the year. Another prerequisite for the return of optimism and solid economic growth is confidence in capital markets, accounting practices and regulatory authorities – a healing process that takes time.

But there has also been a series of positive influences on the economic climate. The low fund rate and low interest rates on the capital markets as well as an expansive fiscal policy in the U.S.A. can be expected to support the forces of growth. In Europe, however, structural problems and household deficits hamper recovery. We expect the European economy to grow by close to 1.5 percent in 2003. Due to the weak domestic economy, the expansion in Germany will once again lag behind the European average, while growth in the U.S.A. is likely to reach 2 percent. The Japanese economy, which is supported by the economic upswing in Asia, will also expand slightly. Leading economic research institutes forecast similarly low growth rates. The job market situation remains difficult on both sides of the Atlantic, which severely limits the prospects for economic impetus from private consumption.

Uneven business environment for financial services providers

A subdued economic outlook does not, however, mean that sales and revenue of the Allianz Group will deliver an equally subdued performance. In fact, our business activities are additionally buoyed by many current trends. Since September 11, 2001, risks are again being viewed more critically, which can be expected to contribute to premium growth in the area of property and casualty insurance, even though this segment of our business is subject to strong competition. The known weakness of governmental retirement insurance plans is helping to maintain interest in private insurance in the form of life insurance and asset management products, which means that conditions for these areas of business in 2003 will be favorable. The situation in private health insurance is more tenuous, especially since recent changes in legislation in Germany are a burden for the insurance industry. Conditions in the banking sector will not improve significantly until there is an economic recovery and, most importantly, a return of confidence in the financial markets.

In the growth markets of central and eastern Europe, economic growth is expected to come to a total of 3.3 percent, up slightly from the comparable figure a year earlier. The impending entry of these countries into the European Union is having a stimulating effect. The overall situation for the insurance industry is favorable in this region since higher incomes, growing prosperity and gradual deregulation of the financial services sector are having a positive impact on our business.

In Asia, financial services providers like Allianz are benefiting from a dynamic economy and liberalization of the Chinese and Indian financial services markets with their impressive potential for new business. On the other hand, prospects for growth in Latin America are rather dim. The economic situation in that part of the world can be expected to improve, but the effects of the preceding crisis will continue to be felt for some time in many countries and especially in problem-ridden Argentina. Against this backdrop, it will hardly be possible to achieve a significant increase in sales of asset management products and life insurance.

Business outlook of the Allianz Group

Despite the risks referred to, we expect clear improvements of Allianz Group's operating results in the current year. We are planning further reductions of the combined ratio in the insurance business and of the cost-income ratio in asset management. The Turn-around 2003 program will substantially lower personnel costs and operating expenses in the banking business. However, if the uncertainties in the financial markets persist and economic activity remains depressed, high charges for security write-offs and loan loss provisions can be expected in the current year as well.

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

Cautionary Note Regarding Forward-Looking Statements:

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz AG's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking information contained herein.

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Consolidated Balance Sheet for the Year ended December 31

To read the notes, simply click [»»](#) on the number

| ASSETS | »» Note | 2002 € mn | 2001 € mn |
|--|---------|----------------|----------------|
| A. Intangible assets | 5 | 18,273 | 16,911 |
| B. Investments in affiliated enterprises, joint ventures, and associated enterprises | 6 | 11,345 | 10,247 |
| C. Investments | 7 | 285,340 | 345,302 |
| D. Investments held on account and at risk of life insurance policyholders | | 25,657 | 24,692 |
| E. Loans and advances to banks | 8 | 86,822 | 61,274 |
| F. Loans and advances to customers | 8 | 188,084 | 239,693 |
| G. Trading assets | 9 | 124,842 | 128,422 |
| H. Cash and cash equivalents | 10 | 21,008 | 21,240 |
| I. Amounts ceded to reinsurers from insurance reserves | 11 | 28,420 | 30,999 |
| J. Deferred tax assets | 37 | 13,258 | 8,415 |
| K. Other assets | 12 | 49,007 | 55,730 |
| Total assets | | 852,056 | 942,925 |

| EQUITY AND LIABILITIES | »» Note | 2002 € mn | 2001 € mn |
|--|---------|----------------|----------------|
| A. Shareholders' equity | 13 | 21,772 | 31,664 |
| B. Minority interests in shareholders' equity | 14 | 8,165 | 17,349 |
| C. Participation certificates and subordinated liabilities | 15 | 14,174 | 12,207 |
| D. Insurance reserves | 16 | 305,763 | 299,512 |
| E. Insurance reserves for life insurance where the investment risk is carried by policyholders | | 25,687 | 24,726 |
| F. Liabilities to banks | 17 | 137,332 | 135,402 |
| G. Liabilities to customers | 18 | 147,266 | 177,323 |
| H. Certificated liabilities | 19 | 78,750 | 134,670 |
| I. Trading liabilities | 20 | 53,520 | 44,538 |
| J. Other accrued liabilities | 21 | 13,069 | 14,117 |
| K. Other liabilities | 22 | 31,360 | 37,236 |
| L. Deferred tax liabilities | 37 | 12,188 | 8,898 |
| M. Deferred income | 23 | 3,010 | 5,283 |
| Total equity and liabilities | | 852,056 | 942,925 |

Consolidated Income Statement for the Year Ended December 31

| | >>> Note | 2002 € mn | 2001 € mn |
|---|----------|------------------|-----------------|
| 1. Premiums earned (net) | 24 | 55,133 | 52,745 |
| 2. Interest and similar income | 25 | 28,210 | 24,224 |
| 3. Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises | 26 | 4,398 | 1,588 |
| 4. Other income from investments | 27 | 9,355 | 8,502 |
| 5. Trading income | 28 | 1,507 | 1,592 |
| 6. Fee and commission income, and income from service activities | 29 | 6,102 | 4,827 |
| 7. Other income | 30 | 3,108 | 2,479 |
| Total income (1. to 7.) | | 107,813 | 95,957 |
| 8. Insurance benefits (net) | 31 | - 50,229 | - 50,154 |
| 9. Interest and similar expenses | 32 | - 10,651 | - 7,947 |
| 10. Other expenses for investments | 33 | - 14,102 | - 8,923 |
| 11. Loan loss provisions | 34 | - 2,241 | - 596 |
| 12. Acquisition costs and administrative expenses | 35 | - 24,431 | - 19,324 |
| 13. Amortization of goodwill | 5 | - 1,162 | - 808 |
| 14. Other expenses | 36 | - 6,211 | - 6,378 |
| Total expenses (8. to 14.) | | - 109,027 | - 94,130 |
| 15. Earnings from ordinary activities before taxes | | - 1,214 | 1,827 |
| 16. Taxes | 37 | 735 | 840 |
| 17. Minority interests in earnings | 14 | - 688 | - 1,044 |
| 18. Net income | | - 1,167 | 1,623 |
| | | € | € |
| Earnings per share | 44 | - 4.81 | 6.66 |
| Diluted earnings per share | 44 | - 4.81 | 6.66 |

Statement of Changes in Shareholders' Equity

| | Paid-in capital € mn | Revenue reserves € mn | Unrealized gains and losses € mn | Consolidated unappropriated profit € mn | Shareholders' equity € mn |
|--|----------------------------|-----------------------------|---|--|---------------------------------|
| 12/31/2000 | 7,994 | 13,728 | 13,448 | 433 | 35,603 |
| Currency translation adjustments | | - 127 | 38 | | - 89 |
| Changes in the group of consolidated companies | | - 554 | | | - 554 |
| Capital paid in | 6,775 | | | | 6,775 |
| Treasury stock | | - 5,801 | | | - 5,801 |
| Unrealized investment gains and losses | | | - 5,210 | | - 5,210 |
| Net income for the year | | 1,213 | | 410 | 1,623 |
| Shareholders' dividend | | | | - 367 | - 367 |
| Miscellaneous | | - 250 | | - 66 | - 316 |
| 12/31/2001 | 14,769 | 8,209 | 8,276 | 410 | 31,664 |
| Currency translation adjustments | | - 1,232 | - 29 | | - 1,261 |
| Changes in the group of consolidated companies | | 364 | | | 364 |
| Capital paid in | 16 | | | | 16 |
| Treasury stock | | - 157 | | | - 157 |
| Unrealized investment gains and losses | | | - 7,198 | | - 7,198 |
| Net income for the year | | - 2,332 | | 1,165 | - 1,167 |
| Shareholders' dividend | | | | - 364 | - 364 |
| Miscellaneous | | - 79 | | - 46 | - 125 |
| 12/31/2002 | 14,785 | 4,773 | 1,049 | 1,165 | 21,772 |

Cash Flow Statement

| | 2002 € mn | 2001 € mn |
|---|-----------------|---------------|
| Net income for the year | - 1,167 | 1,623 |
| Change in unearned premiums | 542 | 949 |
| Change in aggregate policy reserves ¹⁾ | 6,039 | 6,859 |
| Change in reserves for loss and loss adjustment expenses | 2,530 | 3,375 |
| Change in other insurance reserves ²⁾ | - 4,241 | - 4,007 |
| Change in deferred acquisition costs | - 1,211 | - 662 |
| Change in funds held by others under reinsurance business assumed | 1,349 | - 171 |
| Change in funds held under reinsurance business ceded | - 192 | - 278 |
| Change in accounts receivable/payable on reinsurance business | 232 | - 4 |
| Change in trading securities ³⁾ | 14,064 | - 12,544 |
| Change in loans and advances to banks and customers | - 5,846 | 3,442 |
| Change in liabilities to banks and customers | - 8,215 | - 5,456 |
| Change in certificated liabilities | - 1,727 | 3,130 |
| Change in other receivables and liabilities | - 1,399 | 3,843 |
| Change in deferred tax assets/liabilities ⁴⁾ | - 1,295 | - 2,181 |
| Non-cash investment income/expenses | 175 | 112 |
| Amortization of goodwill | 1,162 | 808 |
| Other | - 1,470 | 387 |
| Net cash flow provided by (used in) operating activities | - 670 | - 775 |
| Change in securities available for sale | - 7,073 | - 3,465 |
| Change in securities held to maturity | 1,092 | 383 |
| Change in real estate | 2,226 | 112 |
| Change in other investments | 1,681 | 2,692 |
| Change in investments held on account and at risk of life insurance policyholders | - 2,154 | - 1,465 |
| Change in cash and cash equivalents from the acquisition of consolidated affiliated companies | - 10,787 | 12,114 |
| Other | - 919 | - 441 |
| Net cash flow provided by (used in) investing activities | - 15,934 | 9,930 |
| Change in participation certificates and post-ranking liabilities | 2,784 | - 770 |
| Change in aggregate policy reserves for life insurance products according to SFAS 97 | 10,808 | 8,089 |
| Cash inflow from capital increases | 16 | 275 |
| Dividend payouts | - 682 | - 673 |
| Other from shareholders' equity and minority interests ⁵⁾ | 3,555 | 937 |
| Net cash flow provided by financing activities | 16,481 | 7,858 |
| Effect of exchange rate changes on cash and cash equivalents | - 109 | 18 |
| Change in cash and cash equivalents | - 232 | 17,031 |
| Cash and cash equivalents at beginning of period | 21,240 | 4,209 |
| Cash and cash equivalents at end of period | 21,008 | 21,240 |

¹⁾Without aggregate policy reserves for life insurance products in accordance with SFAS 97

²⁾Without change in the reserves for latent premium refunds from unrealized investment gains and losses

³⁾Including trading liabilities

⁴⁾Without change in deferred tax assets/liabilities from unrealized investment gains and losses

⁵⁾Without change in revenue reserves from unrealized investment gains and losses

The data for the cash flow statement were prepared in accordance with International Financial Reporting Standards. It excludes the effects of major changes in the scope of consolidation, which in 2002 included in particular the purchase of additional shares of Allianz Lebensversicherungs-AG, Stuttgart, Bayerische Versicherungsbank AG, Munich, Frankfurter Versicherungs-AG, Frankfurt/Main, Dresdner Bank Group, Frankfurt/Main, and Slovenská poisťovňa a.s., Bratislava, as well as the deconsolidation of Deutsche Hypo Deutsche Hypothekbank Frankfurt-Hamburg AG, Frankfurt/Main. The deconsolidation led to a decrease in the value of investments held (excluding funds held by others) by € 43,558 mn, compared to a € 77,978 mn increase in the prior-year period. Acquisitions increased goodwill by € 2,924 mn (5,146 mn), and the net total of other assets and liabilities by € 51,416 mn (88,568 mn decrease). Cash outflow related to these transactions amounted to € 10,764 mn (12,450 mn). Cash funds were further reduced by changes in the scope of consolidation amounting to € 23 mn (24,564 mn increase). Outflow for taxes on income amounted to € 1,196 mn, compared to an inflow of € 306 mn in the prior-year period.

Consolidated Balance Sheet by Business Segments for the Year Ended December 31

| ASSETS | Property/Casualty | | Life/Health | |
|---|-------------------|----------------|----------------|----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| A. Intangible assets | 2,960 | 2,943 | 4,817 | 4,005 |
| B. Investments in affiliated enterprises, joint ventures, and associated enterprises | 51,448 | 40,387 | 6,183 | 6,043 |
| C. Investments | 76,855 | 91,712 | 189,172 | 180,076 |
| D. Investments held on account and at risk of life insurance policyholders | – | – | 25,657 | 24,692 |
| E. Loans and advances to banks | 5,219 | 5,079 | 3,490 | 1,010 |
| F. Loans and advances to customers | 2,882 | 2,837 | 24,747 | 24,843 |
| G. Trading assets | 1,404 | 1,373 | 1,177 | 775 |
| H. Cash and cash equivalents | 2,880 | 2,617 | 2,267 | 2,351 |
| I. Amounts ceded to reinsurers from insurance reserves | 17,188 | 19,209 | 17,623 | 17,927 |
| J. Deferred tax assets | 7,410 | 5,060 | 2,601 | 1,911 |
| K. Other assets | 21,482 | 22,840 | 17,320 | 17,634 |
| Total segment assets | 189,728 | 194,057 | 295,054 | 281,267 |

| EQUITY AND LIABILITIES | Property/Casualty | | Life/Health | |
|---|-------------------|----------------|----------------|----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| A. Participation certificates and subordinated liabilities | 4,342 | 573 | – | – |
| B. Insurance reserves | 87,557 | 90,432 | 224,673 | 215,217 |
| C. Insurance reserves for life insurance where the investment risk is carried by policyholders | – | – | 25,687 | 24,726 |
| D. Liabilities to banks | 5,166 | 6,303 | 1,708 | 2,143 |
| E. Liabilities to customers | – | – | – | – |
| F. Certificated liabilities | 19,031 | 14,727 | 263 | 229 |
| G. Trading liabilities | 544 | 448 | 825 | 50 |
| H. Other accrued liabilities | 5,626 | 5,387 | 850 | 967 |
| I. Other liabilities | 18,312 | 21,624 | 20,555 | 19,963 |
| J. Deferred tax liabilities | 7,356 | 5,920 | 2,551 | 1,958 |
| K. Deferred income | 104 | 84 | 354 | 406 |
| Total segment liabilities | 148,038 | 145,498 | 277,466 | 265,659 |

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|--------------|--------------|------------------|--------------|---------------------------|--------------|--------------|--------------|
| 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| 3,509 | 3,183 | 6,987 | 6,780 | - | - | 18,273 | 16,911 |
| 4,349 | 2,079 | 20 | 116 | - 50,655 | - 38,378 | 11,345 | 10,247 |
| 28,965 | 85,133 | 993 | 1,362 | - 10,645 | - 12,981 | 285,340 | 345,302 |
| - | - | - | - | - | - | 25,657 | 24,692 |
| 76,748 | 54,271 | 1,863 | 1,646 | - 498 | - 732 | 86,822 | 61,274 |
| 168,919 | 222,916 | 228 | 561 | - 8,692 | - 11,464 | 188,084 | 239,693 |
| 122,139 | 125,741 | 156 | 539 | - 34 | - 6 | 124,842 | 128,422 |
| 16,322 | 16,244 | 940 | 550 | - 1,401 | - 522 | 21,008 | 21,240 |
| - | - | - | - | - 6,391 | - 6,137 | 28,420 | 30,999 |
| 3,161 | 1,350 | 86 | 94 | - | - | 13,258 | 8,415 |
| 15,416 | 14,977 | 3,672 | 2,589 | - 8,883 | - 2,310 | 49,007 | 55,730 |
| 439,528 | 525,894 | 14,945 | 14,237 | - 87,199 | - 72,530 | 852,056 | 942,925 |

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|-------------------------------------|--------------|------------------|--------------|---------------------------|--------------|--------------|--------------|
| 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| 9,846 | 11,757 | - | 22 | - 14 | - 145 | 14,174 | 12,207 |
| - | - | - | - | - 6,467 | - 6,137 | 305,763 | 299,512 |
| - | - | - | - | - | - | 25,687 | 24,726 |
| 130,568 | 131,454 | 177 | 1,554 | - 287 | - 6,052 | 137,332 | 135,402 |
| 146,945 | 175,228 | 2,754 | 2,981 | - 2,433 | - 886 | 147,266 | 177,323 |
| 64,569 | 122,713 | 435 | 435 | - 5,548 | - 3,434 | 78,750 | 134,670 |
| 52,152 | 44,052 | - | 2 | - 1 | - 14 | 53,520 | 44,538 |
| 5,984 | 7,130 | 609 | 633 | - | - | 13,069 | 14,117 |
| 5,468 | 4,134 | 1,239 | 1,413 | - 14,214 | - 9,898 | 31,360 | 37,236 |
| 2,220 | 980 | 61 | 40 | - | - | 12,188 | 8,898 |
| 2,545 | 4,793 | 7 | - | - | - | 3,010 | 5,283 |
| 420,297 | 502,241 | 5,282 | 7,080 | - 28,964 | - 26,566 | 822,119 | 893,912 |
| Equity^{*)} | | | | | | 29,937 | 49,013 |
| Total equity and liabilities | | | | | | 852,056 | 942,925 |

^{*)} Shareholders' equity and minority interests

Consolidated Income Statement by Business Segments for the Year Ended December 31

| | Property/Casualty | | Life/Health | |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| 1. Premiums earned (net) | 36,458 | 34,428 | 18,675 | 18,317 |
| 2. Interest and similar income | 4,473 | 5,068 | 11,215 | 10,765 |
| 3. Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises | 8,494 | 889 | 445 | 525 |
| 4. Other income from investments | 3,652 | 4,307 | 4,932 | 3,562 |
| 5. Trading income | 207 | 1,451 | 244 | - 117 |
| 6. Fee and commission income, and income from service activities | 521 | 1,425 | 200 | 268 |
| 7. Other income | 1,850 | 1,329 | 863 | 866 |
| Total income (1. to 7.) | 55,655 | 48,897 | 36,574 | 34,186 |
| 8. Insurance benefits (net) | - 28,974 | - 28,200 | - 21,284 | - 21,979 |
| 9. Interest and similar expenses | - 1,564 | - 1,323 | - 434 | - 492 |
| 10. Other expenses for investments | - 3,567 | - 2,888 | - 8,656 | - 5,537 |
| 11. Loan loss provisions | - 7 | - 4 | - 10 | - 4 |
| 12. Acquisition costs and administrative expenses | - 10,545 | - 10,042 | - 4,263 | - 4,259 |
| 13. Amortization of goodwill | - 370 | - 349 | - 174 | - 146 |
| 14. Other expenses | - 3,074 | - 3,682 | - 1,844 | - 1,357 |
| Total expenses (8. to 14.) | - 48,101 | - 46,488 | - 36,665 | - 33,774 |
| 15. Earnings from ordinary activities before taxes | 7,554 | 2,409 | - 91 | 412 |
| 16. Taxes | 469 | 701 | - 67 | - 99 |
| 17. Minority interests in earnings | - 816 | - 746 | 177 | - 84 |
| 18. Net income | 7,207 | 2,364 | 19 | 229 |

| Banking | | Asset Management | | Consolidation Adjustments | | Group | |
|--------------|--------------|------------------|--------------|---------------------------|--------------|--------------|--------------|
| 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| - | - | - | - | - | - | 55,133 | 52,745 |
| 13,336 | 9,085 | 119 | 129 | - 933 | - 823 | 28,210 | 24,224 |
| 2,071 | 1,016 | - 12 | - 3 | - 6,600 | - 839 | 4,398 | 1,588 |
| 1,430 | 628 | 35 | 44 | - 694 | - 39 | 9,355 | 8,502 |
| 1,081 | 244 | - 1 | 10 | - 24 | 4 | 1,507 | 1,592 |
| 2,925 | 1,474 | 2,918 | 2,479 | - 462 | - 819 | 6,102 | 4,827 |
| 432 | 394 | 126 | 79 | - 163 | - 189 | 3,108 | 2,479 |
| 21,275 | 12,841 | 3,185 | 2,738 | - 8,876 | - 2,705 | 107,813 | 95,957 |
| - | - | - | - | 29 | 25 | - 50,229 | - 50,154 |
| - 9,509 | - 6,852 | - 89 | - 82 | 945 | 802 | - 10,651 | - 7,947 |
| - 2,225 | - 465 | - 22 | - 57 | 368 | 24 | - 14,102 | - 8,923 |
| - 2,222 | - 588 | - 2 | - | - | - | - 2,241 | - 596 |
| - 7,581 | - 3,446 | - 2,378 | - 1,895 | 336 | 318 | - 24,431 | - 19,324 |
| - 241 | - 70 | - 377 | - 243 | - | - | - 1,162 | - 808 |
| - 1,034 | - 1,193 | - 551 | - 795 | 292 | 649 | - 6,211 | - 6,378 |
| - 22,812 | - 12,614 | - 3,419 | - 3,072 | 1,970 | 1,818 | - 109,027 | - 94,130 |
| - 1,537 | 227 | - 234 | - 334 | - 6,906 | - 887 | - 1,214 | 1,827 |
| 154 | 6 | 59 | 168 | 120 | 64 | 735 | 840 |
| 25 | - 453 | - 230 | - 182 | 156 | 421 | - 688 | - 1,044 |
| - 1,358 | - 220 | - 405 | - 348 | - 6,630 | - 402 | - 1,167 | 1,623 |

| PROPERTY/CASUALTY ^{*)} | Premiums earned (net) | | Net claims ratio | | Net expense ratio | | Net income | | Investments | |
|---------------------------------|-----------------------|--------------|------------------|-----------|-------------------|-----------|--------------|--------------|--------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 % | 2001 % | 2002 % | 2001 % | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| 1. Europe | | | | | | | | | | |
| Germany | 10,265 | 10,035 | 74.2 | 75.2 | 28.3 | 26.9 | 8,917 | 3,243 | 38,298 | 45,426 |
| France | 4,066 | 3,746 | 84.5 | 84.5 | 26.4 | 30.0 | 129 | - 62 | 8,808 | 8,551 |
| Great Britain | 1,875 | 1,765 | 68.1 | 73.2 | 30.0 | 31.0 | 233 | 68 | 2,617 | 2,865 |
| Italy | 4,490 | 4,181 | 74.8 | 76.7 | 22.7 | 22.5 | 524 | 318 | 8,780 | 8,417 |
| Switzerland | 1,611 | 1,599 | 70.3 | 79.1 | 23.8 | 26.9 | 26 | 81 | 3,438 | 4,098 |
| Spain | 1,171 | 1,027 | 77.0 | 78.7 | 20.6 | 21.2 | 36 | 18 | 1,398 | 1,387 |
| 2. America | | | | | | | | | | |
| NAFTA Region | 4,689 | 5,177 | 94.6 | 99.9 | 32.9 | 29.2 | - 964 | - 1,064 | 9,878 | 12,595 |
| South America | 494 | 610 | 67.0 | 63.7 | 34.8 | 39.7 | 24 | 12 | 337 | 479 |
| 3. Asia-Pacific Region | 1,134 | 768 | 78.5 | 79.9 | 24.8 | 27.3 | - 62 | - 25 | 1,829 | 1,520 |

^{*)}Excluding Specialty lines

| Specialty lines | Premiums earned (net) | | Net claims ratio | | Net expense ratio | | Net income | | Investments | |
|--|-----------------------|--------------|------------------|-----------|-------------------|-----------|--------------|--------------|--------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 % | 2001 % | 2002 % | 2001 % | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Allianz Global Risks Rückversicherungs-AG | 559 | - | 100.8 | - | 41.7 | - | - 257 | - | 1 | - |
| Credit insurance | 857 | 901 | 72.1 | 68.0 | 34.2 | 44.0 | 33 | 70 | 2,000 | 2,118 |
| Travel insurance and assistance | 740 | 669 | 62.0 | 64.4 | 32.5 | 33.4 | 4 | - 8 | 269 | 237 |
| Allianz Marine & Aviation | 578 | 450 | 75.2 | 108.2 | 21.1 | 22.1 | 17 | - 54 | 1,011 | 920 |

| LIFE/HEALTH | Premiums earned (net) | | Net expense ratio | | Net income | | Investments | |
|-------------------------------|-----------------------|--------------|-------------------|-----------|--------------|--------------|--------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 % | 2001 % | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| 1. Europe | | | | | | | | |
| Germany | 11,044 | 10,545 | 10.0 | 12.8 | 96 | 63 | 97,030 | 93,316 |
| France | 1,449 | 1,515 | 52.5 | 52.0 | - 10 | 132 | 38,241 | 39,319 |
| Italy | 1,219 | 1,247 | 31.3 | 22.5 | 152 | 133 | 16,630 | 14,171 |
| Switzerland | 624 | 557 | 23.1 | 22.5 | - 59 | - 20 | 6,851 | 7,042 |
| Spain | 493 | 873 | 7.3 | 4.2 | 13 | 12 | 3,342 | 3,176 |
| 2. U.S.A. | 924 | 1,068 | 47.0 | 49.2 | - 40 | - 46 | 13,693 | 10,415 |
| 3. Asia-Pacific Region | 1,605 | 1,202 | 19.0 | 17.6 | - 40 | - 32 | 4,046 | 3,296 |

| BANKING | Total revenues | | Loan loss provisions | | Total expenses | | Earnings after taxes | |
|------------------------------|----------------|--------------|----------------------|--------------|----------------|--------------|----------------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Private and business clients | 3,350 | 1,678 | 561 | 233 | 3,093 | 1,605 | - 304 | - 160 |
| Corporates & Markets | 3,758 | 1,725 | 1,592 | 361 | 3,808 | 2,161 | - 1,642 | - 797 |

1 Accounting regulations

In accordance with § 292 a of the German Commercial Code (HGB), the consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). All standards currently in force for the years under review have been adopted in the presentation of the consolidated financial statements.

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).

IFRS do not provide specific guidance concerning the reporting of insurance transactions in annual financial statements. In such cases 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.

For reasons of comparability with the reporting year, some prior-year figures were adjusted in the balance sheet and the income statement through reclassifications that do not affect net income or shareholders' equity.

The financial statements were prepared in euros (€).

2 Declaration of Compliance with the German Corporate Governance Code according to § 161 AktG

On December 18, 2002, the Board of Management and the Supervisory Board of Allianz AG issued the Declaration of Compliance according to § 161 AktG and made it available on a permanent basis to the shareholders on the company's website. The text of the Declaration of Compliance is also reproduced in the section German Corporate Governance Code beginning on page 8 of this Annual Report.

The Declaration of Compliance of the two publicly traded group companies Allianz Lebensversicherungs-AG und Oldenburgische Landesbank AG were issued on December 11 and December 17, 2002, respectively, and were made available to the shareholders.

3 Scope of Consolidation

In addition to Allianz AG, 213 (previous year: 163) German and 1,045 (1,021) foreign enterprises have been consolidated in full. In addition, 74 (73) German and 79 (85) foreign investment funds were consolidated.

Of the entities that have been consolidated in full, 12 (19) subsidiaries have been consolidated where Allianz AG owns less than a majority of the voting power of the subsidiary, including CreditRas Vita S. p. A. and Antoniana Popolare Veneta Vita S. p. A., in all periods presented. Allianz AG exercises control over these entities by its ability to govern the financial and operating policies of the enterprise through management agreements. A majority interest in Bayerische Versicherungsbank AG and Frankfurter Versicherungs-AG, which were already fully consolidated, was acquired in 2002.

12 (13) joint ventures have been accounted for using the equity method; each of these enterprises is managed by Allianz AG together with a third party not included in the consolidated financial statements.

198 (146) associated enterprises have been accounted for using the equity method.

Certain enterprises have not been included in the consolidation or accounted for using the equity method in cases where their value is not material to the presentation of the financial statements as a whole.

All affiliated companies, joint ventures, and associated companies that are included in or excluded from the consolidated financial statements are individually listed in the disclosure of equity investments filed with the Commercial Register in Munich. All private companies are also listed and identified separately in this disclosure of equity investments, for which the consolidated financial statements and the Group management report have an exempting effect in accordance with the application of the § 264 b of the German Commercial Code (HGB). Selected affiliated and associated enterprises are shown on pages 145 to 148.

New acquisitions and first-time consolidations in the year under review included in particular the following:

The Slovak insurance company Slovenská poisťovňa a. s., Bratislava, operates in both the property/casualty and the life/health insurance business segments. On July 22, 2002, Allianz Group acquired 66.8 % of the shares of Slovenská poisťovňa for a purchase price of € 66.3 mn. An additional 25.8 % of the shares were acquired on August 22, 2002, and a further 6.5 % on December 20, 2002. The total acquisition cost for our 99.1 % shareholding amounted to € 216.2 mn.

The effects of including Slovenská poisťovňa in the Consolidated Financial Statements are shown in the following table:

| Effects on the consolidated financial statements for 2002 ¹⁾ | | | | |
|---|----------------------------------|--------------------|--------------------------------|----------------------------------|
| | Date of first-time consolidation | Net income € mn | Goodwill ²⁾ € mn | Amortization of goodwill € mn |
| Slovenská poisťovňa a. s., Bratislava | 7/22/2002 | - 8 | 138 | - 7 |

¹⁾ Consolidated in the business segments

²⁾ On the date of first-time consolidation

In the course of the year, we also acquired the following additional ownership interests in already consolidated subsidiaries:

- On January 15, 2002, we increased our interest in Allianz Lebensversicherungs-AG, Stuttgart, by 40.5 % to 91.0 % (acquisition cost for additional shares: € 2,586.6 mn). This transaction produced additional goodwill amounting to € 633 mn.
- On June 28, 2002, we increased our interest in Frankfurter Versicherungs-AG, Frankfurt/Main, by 50.0 % to 100.0 % (acquisition cost for additional shares: € 929.5 mn). This transaction produced additional goodwill amounting to € 57 mn.
- On June 28, 2002, we increased our interest in Bayerische Versicherungsbank AG, Munich, from 45.0 % to 90.0 % (acquisition cost for additional shares: € 857.9 mn). This transaction produced additional goodwill amounting to € 94 mn.
- On January 15, 2002, June 28, 2002, July 2, 2002 and August 23, 2002, we successively increased our interest in Dresdner Bank AG, Frankfurt/Main, by a total of 21.5 % to 100.0 % (acquisition cost for additional shares: € 6,338.2 mn). This transaction produced additional goodwill amounting to € 2,002 mn.

The proceeds from the sale of Deutsche Hyp Deutsche Hypothekenbank AG amounted to € 1,411 mn.

The following were the principal companies consolidated for the first time in 2001

| Effects on the consolidated financial statements for 2001 ¹⁾ | | | | |
|---|----------------------------------|--------------------|--------------------------------|----------------------------------|
| | Date of first-time consolidation | Net income € mn | Goodwill ²⁾ € mn | Amortization of goodwill € mn |
| Principal acquisitions 2001 | | | | |
| Dresdner Bank AG, Frankfurt/Main | 7/23/2001 | - 300 | 3,977 | - 108 |
| Nicholas Applegate, San Diego | 1/31/2001 | - 29 | 1,042 | - 47 |

¹⁾ Consolidated in the business segments

²⁾ On the date of first-time consolidation

4 Accounting and valuation policies

Principles of consolidation

The consolidated financial statements include the annual financial statements of Allianz AG and all principal subsidiaries. All the financial statements included are uniformly prepared in conformity with IFRS accounting and valuation standards as of December 31, 2002. We have used interim financial statements for those entities whose fiscal year ends are other than December 31, 2002.

Equity consolidation is carried out on the basis of the benchmark method in conformity with IAS 22. The acquisition costs are offset against the Group's proportion of the shareholders' equity in the subsidiaries at the date of acquisition. Any net assets and liabilities attributable to the Allianz Group are carried at their fair value at the date of acquisition of subsidiary enterprises; for the proportion attributable to minority interests, the pre-acquisition carrying amounts are used. When foreign subsidiaries are consolidated for the first time, their net assets are translated at the exchange rates in force on the date of their acquisition.

Positive differences arising on first-time consolidation are capitalized as goodwill and amortized over their estimated useful life. In the case of acquisitions prior to January 1, 1995, such differences have been recorded directly in revenue reserves within shareholders' equity in accordance with the transitional provisions in force under IAS 22.

The earnings generated by subsidiaries after their first-time consolidation or, where appropriate their acquisition adjusted for consolidation effects, are allocated to revenue reserves of the Group based on the Group's ownership percentage in the subsidiaries.

The proportion of net income or losses attributable to minority interests has been calculated on the basis of the consolidated net income or losses of the relevant enterprises for the year.

Intra-Group receivables and payables, income and expenses, and profits have been eliminated.

Foreign currency translation

Allianz AG's reporting currency is the euro (€). Foreign currency is translated in accordance with IAS 21 by the method of functional currency. The functional currencies for Group companies are usually the local currencies of the relevant companies, e.g. the prevailing currency in the environment where the enterprise carries out its ordinary activities. In accordance with the functional currency method, assets and liabilities are translated at the closing rate on the balance sheet date, and expenses and income are translated at the annual average rate for financial statements of subsidiaries not reporting in €. Any translation differences, including those arising in the process of equity consolidation, are recorded directly in shareholders' equity without affecting earnings.

Assets and liabilities of the Group which are subject to exchange rate fluctuations are normally safeguarded against such fluctuations by the fact that individual foreign subsidiaries have most of their assets and liabilities in the same currency.

Currency gains/losses arising from foreign currency transactions (transactions in a currency other than the functional currency of the entity) are reported in other income or other expenses.

The principal exchange rates are summarized in the following table:

| Currency | € closing rates | | € average rates | |
|-------------------------------------|-----------------|---------|-----------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| Australian Dollar (AUD) | 1.851 | 1.739 | 1.735 | 1.732 |
| Japanese Yen (JPY) | 124.389 | 115.330 | 118.094 | 108.749 |
| Pound Sterling (GBP) | 0.651 | 0.609 | 0.629 | 0.622 |
| Swiss Franc (CHF) | 1.454 | 1.483 | 1.473 | 1.510 |
| South Korean Won in thousands (KRW) | 1.249 | 1.162 | 1.178 | 1.155 |
| U.S. Dollar (USD) | 1.042 | 0.885 | 0.945 | 0.896 |

Recognition principles

Financial assets or financial liabilities are recognized in the balance sheet from the time at which the recognizing Group enterprise becomes a contractual partner to the contract governing the financial instrument. A financial asset is derecognized when the enterprise loses control of the contractual rights that characterize the financial asset. Financial liabilities are derecognized when the liability is amortized, settled, discharged, cancelled or expired.

Use of estimates and assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions that affect items reported in the consolidated balance sheet and income statement, and under contingent liabilities. The actual values may differ from those reported. The most important of such items are the reserve for loss and loss adjustment expenses, the aggregate policy reserves and the loan loss allowance. In addition, management makes certain assumptions in connection with the impairment reviews of investments, goodwill and deferred tax assets.

Supplementary Information on assets

Intangible assets

Intangible assets comprise goodwill and other intangible assets.

Goodwill represents the difference between the purchase price of subsidiaries and the Group's proportionate share of their net assets valued at the current value of all assets and liabilities at the time of acquisition. Minority interests are generally valued at amortized historical cost. Goodwill is amortized over its useful life, which is normally 10 years for property and casualty insurance enterprises, 20 years for life and health insurance enterprises, 10 years for banks, and 20 years for asset management companies.

Other intangible assets include software purchased from third parties or developed internally and real property rights, which are amortized over their useful service lives or contractual terms. Software is amortized on a straight-line basis over a maximum of 5 years. This caption also includes the capitalized value of life/health insurance portfolios where enterprises have been acquired. The capitalized value is the present value of cash flows anticipated in the future from insurance policies written at the point in time of first-time consolidation.

The capitalized value of life/ health insurance policies is amortized over the lives of the policies concerned based on either the realization of surpluses or receipt of premium income. The valuation is based on actuarial principles taking into account assumptions for future premium income, mortality, disease and lapses in addition to underwriting expenses and returns on invested assets. The discount rate corresponds to the opportunity costs for the risk capital used. Other intangible assets also include capitalized loyalty bonuses for senior management of the PIMCO Group, Delaware, that are amortized on a straight-line basis over five years, as well as the value of the brand names of Dresdner Bank Group that are amortized on a straight-line basis over 20 years. The fair value for the names "Dresdner Bank" and "dit" (Deutscher Investment-Trust), registered as trade names, was determined using a royalty savings approach.

Goodwill and other intangible assets are subject to an impairment review at least once a year. If there are indications that goodwill and other intangible assets are impaired, their recoverable amounts are determined. If the recoverable amounts of goodwill and other intangible assets are less than their carrying amount, an impairment charge is recognized.

Investments in affiliated enterprises, joint ventures, and associated enterprises

Investments in unconsolidated affiliated enterprises, joint ventures, and associated enterprises are generally valued in accordance with the equity method and the Group's valuation principles, at the Group's proportionate share of their net assets based on information at the last available balance sheet date. In the case of investments in enterprises that prepare their own consolidated financial statements, the valuation is based on their consolidated equity. Accordingly, our share of net income or loss of such investments is included in consolidated net income. The effects of profits and losses from intercompany transactions have been eliminated.

Investments in unconsolidated affiliated enterprises, joint ventures, and associated enterprises that are not valued using the equity method because they are not material, are accounted for at cost. Associated enterprises are all those enterprises in which the Group has an interest of between 20 % and 50 %, for all of which significant influence is presumed.

Investments

Investments include securities held to maturity, securities available for sale, real estate used by third parties, and funds held by others under reinsurance contracts assumed. Derivatives used for hedge transactions are included with the classification of the item hedged.

Securities held to maturity, include fixed-income securities that the Group has the ability and intent to hold until maturity. They are valued at amortized cost. Premiums or discounts are amortized over the life of the instrument using the effective yield method. The amortization of premiums or discounts is booked as interest income. If securities of this category are exceptionally sold before reaching maturity, the realized gains and losses are principally determined by applying the average cost method.

Securities available for sale are accounted for at fair value. Positive and negative differences between market value and amortized cost or acquisition cost, as applicable, are included in a separate component of shareholders' equity net of deferred tax, and as appropriate latent reserves, for premium refunds. Realized gains and losses are principally determined by applying the average cost method.

Securities held to maturity, securities available for sale, and equity method investments are subject to regular impairment reviews. Securities and equity method investments whose decline in fair value is other than temporary are written down to their fair value.

As of the closing date for each quarter and year end, the Group identifies on a group-basis all shares whose market values are other than temporarily below the group's acquisition cost. Stock portfolios to be written down are determined on the basis of these data. This determination also takes into account developments after the closing date as well as the volatility and the intended holding period of the equity instrument.

Debt instruments are written down if financial difficulties on the part of the issuer, a default or delay in interest service or repayment of principal or an impending or actual insolvency indicate that repayment of the principal can no longer be expected.

In the event that the justification for write-downs in previous periods is no longer applicable, impairments are reversed through the income statement. The maximum amount up to which such write-ups may occur is the acquisition cost or amortized cost, as applicable.

Real estate used by third parties (i.e. real property and equivalent rights and buildings, including buildings on leased land) is carried at cost less accumulated scheduled and unscheduled depreciation. Real estate used by third parties is depreciated on a straight-line basis over its estimated life. The fair value of real estate used by third parties is determined by the discounted cash flow method.

Funds held by others under reinsurance contracts assumed are accounted for at face value.

Investments held on account and at risk of life insurance policyholders

These investments are comprised of investments funding unit-linked life insurance policies and investments covering obligations under policies where the benefits are index-linked. They are valued at market value on the balance sheet date. Group enterprises maintain and invest these investments separately from the Group's own investments. Unrealized gains and losses arising from market valuations lead to a corresponding increase or decrease in the related insurance reserves.

Derivatives

The Group's insurance companies use derivative financial instruments in the course of their investment activities. In particular, they are used for the efficient management of price, interest rate and currency risks. In the Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency and other price risks of investments, loans, deposit liabilities and other interest sensitive assets and liabilities.

Derivatives are initially recognized at cost and subsequently valued at fair value.

Pursuant to IAS 39, derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as trading assets or trading liabilities. Gains or losses on these instruments arising from valuation at fair value are included in trading income. This treatment is also applicable to derivatives that are used independently not in connection with hedge transactions and for separated embedded derivatives of a hybrid financial instrument. In contrast, derivatives used in hedge transactions are recognized and classified as follows:

Fair value hedges The risk of changes in the fair value of reported assets or liabilities is hedged by a fair value hedge. Changes in the fair value of a hedging instrument are recognized in current income, and classified together with the corresponding changes in fair value of the hedged instruments in the income statement.

Cash flow hedges Cash flow hedges reduce the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or attributable to future cash flows from a firm commitment or a forecasted transaction. Any value changes in derivative instruments that constitute an effective hedge are recorded under shareholders' equity, and recognized in income when the offsetting gain or loss associated with the hedged item is recognized. The ineffective part of the hedge is recognized directly in the income statement.

Hedges of a net investment in a foreign entity Hedge accounting may be applied to a hedge of a net investment in a foreign entity. Financial instruments are used to hedge currency risk. The proportion of gains or losses arising from the valuation of the hedging instrument that qualifies as an effective hedge is recognized in shareholders' equity, while the ineffective part is recognized in the income statement.

Loans and advances to banks and customers

Loans and advances to banks and customers originated by the Group are generally carried at their outstanding unpaid principal balance net of the allowance for loan losses, deferred fees and costs on origination, and unamortized premiums or discounts. Interest revenues are accrued on the unpaid principal balance. Net deferred fees and premiums or discounts are recognized as interest income/interest expense over the lives of the related loans.

Impaired loans represent loans, for which, based upon current information and events, it is probable that the Group will not be able to collect all interest and principal amounts due in accordance with the contractual terms of the loan agreements. Impaired loans are generally placed on non-accrual status.

Loans are placed on non-accrual status when management determines that the payment of principal or interest is doubtful. Management's judgement is applied based on its credit assessment of the borrower. Non-accrual loans consist of loans on which interest income is no longer recognized on an accrued basis, and loans for which a specific provision is recorded for the entire amount of accrued interest receivable. When a loan is placed on non-accrual status, any accrued but unpaid interest previously recorded is reversed against current period interest revenues. Loans can only be restored to accrual status when interest and principal payments are made current in accordance

with the contractual terms, and future payments in accordance with those terms are reasonably assured based on management's judgement. When there is a doubt, regarding the ultimate collectability of the principal of a loan placed on non-accrual status, all cash receipts are applied as reductions of principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income.

Included in loans and advances to banks and customers are outstanding reverse repurchase transactions. A reverse repurchase transaction involves the purchase of securities with the simultaneous obligation to sell those securities at a future date. Interest earned on reverse repurchase agreements is reported as interest income in the consolidated income statement.

Allowance for loan losses

The allowance for loan losses represents management's estimate of probable losses that have occurred in the loan portfolio and other lending-related commitments as of the date of the consolidated financial statements. The allowance for loan losses is reported as a reduction of assets and the provisions for contingent liabilities, such as guarantees, loan commitments and other obligations are carried as liabilities.

To allow management to determine the appropriate level of the allowance for loan losses, all significant counterparty relationships are periodically reviewed. Specific allowances are established for impaired loans. The amount of specific allowances is determined as the excess of the recorded investments in the loan, including accrued interest, over either the present value of the expected future cash flows, the fair value of the underlying collateral or the observable market price of the loan. The country risk allowance is for loan exposures in countries where there are serious doubts about the debtor's abilities to comply with the repayment terms due to the economic or political situations prevailing in their respective countries of domicile, that is, for transfer and currency conversion risks. General loss allowances are established to provide for incurred but unidentified losses that are inherent to the loan portfolio. The amount of these allowances is determined based upon historical loss experience and management's evaluation of the loan portfolio under current events and economic conditions.

Management believes that the specific and country risk allowances as well as allowances for incurred but unidentified losses are adequate to cover the credit risks identifiable at the balance sheet date.

Amounts determined to be uncollectible are charged to the allowance or written off directly against the loan balance. Subsequent recoveries, if any, are credited to the allowance. The provision for loan loss, which is charged to income, is the amount necessary to adjust the allowance to a level determined through the process described above.

Lease transactions

Loans and advances to banks and customers include the Group's gross investment in leases, less unearned finance income relating to lease financing transactions for which the Group is the lessor. The gross investment in leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the Group. Lease financing transactions include direct financing leases and leveraged leases. The unearned finance income is amortized over the period of the lease so as to produce a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Property and equipment holdings are used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, and are not recorded on our balance sheet. Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Trading assets

These consist of debt and equity securities, derivatives with positive market values, promissory note loans and precious metal holdings that have been acquired solely for sale in the near term. They are classified as "Held for trading" on account of their purpose and are reported at fair value. Changes in fair value are recognized directly in the income statement. Exchange-traded financial instruments are valued at the exchange prices prevailing on the last exchange trading day of the year. To determine the market values of unlisted financial instruments, quotations of similar instruments or acknowledged valuation models (in particular present value models or option pricing models) are used. Creditworthiness, settlement costs and market liquidity are also taken into account as integral components of the valuation process.

Cash and cash equivalents

This item includes balances with banks payable on demand, balances with central banks, checks and cash on hand, treasury bills (to the extent that they are not included in trading assets), and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of six months from the date of acquisition. Cash funds are stated at their face value, with holdings of foreign notes and coins valued at year-end closing prices.

Deferred tax assets

The calculation of deferred taxes is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax bases, and on differences arising from the application of uniform valuation policies for consolidation purposes as well as consolidation in the income statement. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted as of the balance sheet date are taken into account.

Other assets

Other assets include real estate owned by Allianz and used for its own activities, equipment, inventories, accounts receivable on direct insurance business, accounts receivable on reinsurance business, and other receivables. This caption also includes deferred acquisition costs and prepaid expenses.

Real estate owned by Allianz and used for its own activities (e.g., real property, and buildings, including buildings on leased land) is carried at cost less accumulated scheduled and unscheduled depreciation. Buildings owned by the Allianz Group are depreciated on a straight-line basis over their estimated useful lives.

Equipment is carried at cost, less accumulated scheduled and unscheduled amortization. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment is 2 to 10 years and for purchased information technology equipment is 2 to 8 years. Costs for repairs and maintenance are charged to expenses while improvements are capitalized.

Receivables are recorded at face value less any payments made, net of appropriate valuation allowances.

Deferred acquisition costs include commissions paid in the life/health and property/casualty business and other costs which vary with and are incurred in connection with the acquisition or renewal of insurance policies. Deferred acquisition costs are amortized to the extent that the underlying gross profits are realized or the corresponding premiums are earned.

All deferred acquisition costs are reviewed regularly to determine if they are recoverable from future income, including anticipated investment income. Deferred acquisition costs which are not deemed to be recoverable, are charged to income.

Supplementary information on equity and liabilities

Shareholders' equity

Treasury stock held by the Group are treated like unissued shares and are deducted from shareholders' equity at average cost. Gains and losses arising from trading in treasury stock held by the company are added to revenue reserves after income tax has been deducted.

Insurance reserves

These include unearned premiums, the aggregate policy reserves, reserves for loss and loss adjustment expenses, and other insurance reserves. Premiums written attributable to income of future years are accrued in **unearned premiums**. These premiums are distributed to the current fiscal year and subsequent years in relation to the exact risk coverage period. However, if there is no temporal proportionality between risk and premium, account must be taken of the varying development of risk over time.

Unearned premiums for reinsurance business assumed are generally based on the calculations of the cedant.

Aggregate policy reserves, including the reserve for advancing age in health insurance, is calculated on actuarial principles using the present value of future benefits less the present value of premiums still to be received.

The calculation of aggregate policy reserves depends on the extent to which policyholders benefit from any surpluses earned on insurance policies. A distinction is drawn between the following situations:

- _ policyholders participate in surpluses in the same proportion as their policies have contributed to these surpluses. Policyholders do not participate in losses. This is referred to as the contribution principle.
- _ policyholders participate in a surplus on the basis of a mechanical or non-contributory system.
- _ policyholders are guaranteed fixed benefits and do not participate in any profits. All other benefits and risks are carried by the insurer.
- _ policyholders carry not only the investment risk and corresponding opportunities for benefit, but also any losses (e.g. unit-linked insurance policies). The aggregate reserve for these policies is shown under a separate liability heading "Insurance reserves for life insurance where the investment risk is carried by policyholders".
- _ policyholders are entitled, within certain limits, to vary the level of premium payments, and the life insurance enterprise does not generally give any contractual guarantees about minimum rate of return or the level of management fees (e.g. universal life policies).

The calculation of aggregate policy reserves is done in compliance with various U.S. Financial Accounting Standards (FAS); in the first case above FAS 120, in the second and third cases FAS 60, and in the fourth and fifth cases FAS 97. The assumptions on which the calculation is based vary, particularly with regard to mortality, morbidity, interest rates and the treatment of acquisition costs.

The assumptions used in the first case are conservative and contractually agreed, so there is a strong probability that surpluses will arise, most of which have to be distributed to policyholders. Acquisition costs are deferred over the term of the policies in the same proportion as the surpluses in individual years contribute to the surplus on the portfolio concerned.

In the second and third cases, assumptions including provisions for adverse deviations are used which are based on values at the time when the policy is taken out. In health insurance the insurer has the option of adjusting premiums when the assumptions change. Acquisition costs are also recognized over the terms of these policies, but in the same proportion as premiums written for the year concerned compared to the total premium income.

The interest rates used for the assumptions were as follows:

| | Policies using the contribution principle (FAS 120) % | Other policies (FAS 60) % |
|----------------------------|--|------------------------------|
| Aggregate policy reserves | 3–4 | 2.5–7 |
| Deferred acquisition costs | 5–6 | 5–7 |

In the fourth and fifth cases the aggregate reserve is not calculated actuarially; in the fourth case it moves in line with the value of the related investments, and in the fifth case in line with the policyholders’ account balances.

Acquisition costs are deferred over the term of the policies in the same proportion as the surpluses in individual years contribute to the surplus on the portfolio concerned.

The **reserve for loss and loss adjustment expenses** is for future payment obligations under insurance claims, where normally the amount of benefits to be paid and/or the date when payments must be made are not yet fixed. The reserve for loss and loss adjustment expenses is calculated at the estimated amount considered necessary to settle future claims in full. It is calculated using recognized actuarial methods. Unusual cases are calculated on an individual basis. Past experience is taken into account as well as current and future anticipated social and economic factors. With the exception of annuity reserves, claims reserves are not discounted. The necessary estimates may mean that the payment obligations calculated may differ from the ultimate cost.

The reserve for loss and loss adjustment expenses includes:

- _ claims reported at the balance sheet date
- _ claims incurred but not yet reported at the balance sheet date
- _ claims settlement expenses.

There is, as of yet, no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Appropriate provision has been made for such cases following an analysis of the portfolio in which such risks occur.

Other insurance reserves include the reserve for premium refunds. This item includes experience-rated and other premium refunds in favor of policyholders.

The reserve for premium refunds includes the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from differences between these IFRS-based financial statements and the local financial statements (latent reserve for premium refunds), which will be reversed in the future and which affect future calculations of profit participation.

Unrealized gains and losses in connection with the valuation of investments are recognized in the latent reserve for premium refunds to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized.

The profit participation credited to policyholders or paid out to them reduces the reserve. Any profit participation credited or paid out over and above the reserve is charged to operating expenses.

The methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries:

| Country | Method | Percentage |
|----------------|---------|------------|
| Germany | | |
| Life | Minimum | 90 % |
| Health | Minimum | 80 % |
| France | | |
| Life | Minimum | 85 % |
| Italy | | |
| Life | Minimum | 85 % |

The **premium deficiency reserve** is calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. The reserve includes in particular the unearned premium sums to cover risks arising from natural catastrophes such as earthquakes and storms.

Reinsurance

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Assets and liabilities related to reinsurance ceded are reported on a gross basis. Prepaid reinsurance represents the ceded portion of unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured risks. Accordingly, revenues and expenses related to reinsurance agreements are recognized consistently with the underlying risk of the business reinsured.

Liabilities to banks and customers, and certificated liabilities

Interest-bearing liabilities are accounted for at their nominal value, i.e. at the amount to be repaid. Where liabilities are entered into subject to a discount, such discounts are reported as prepaid expenses and amortized over the life of the respective liabilities, using the effective yield method. Non-interest-bearing liabilities such as zero-coupon bonds are valued at their present value on initial recognition and written up in accordance with the effective yield method at the contracted interest rate. Costs relating to the issuance of debt securities, such as fees relating to placement, underwriting commitments, subscription, management or syndication are recognized in the year that they are incurred, and are reported in "Other expenses".

Liabilities to banks and customers also include repurchase ("repo") transactions.

Trading liabilities

This item primarily includes derivatives with negative market values and obligations to deliver assets arising from short sales of securities, which are carried out in order to benefit from short-term price fluctuations. The securities required to close out short sales are obtained through securities borrowing or repurchase agreements. The valuation of trading liabilities is analogous to that of trading assets.

Other accrued liabilities

Pension and similar reserves are calculated taking local circumstances into account as well as current mortality, morbidity and employee turnover projections. Expected future trends in salaries and wages, retirement rates and pension increases are also taken into account. The notional interest rate used is based on the rate for long-term high-grade corporate or government bonds.

Accrued taxes are calculated in accordance with the relevant local tax regulations.

Miscellaneous accrued liabilities are recorded as projected. Miscellaneous accrued liabilities primarily include restructuring provisions, provisions for anticipated losses arising from non-insurance business, provisions for contingent liabilities, for litigation, and for employees (e.g. early retirement, phased retirement, employee awards for long service, and vacation) and agents (e.g. unpaid commissions).

Other liabilities

These include funds held under reinsurance business ceded, accounts payable on direct insurance business, accounts payable on reinsurance business, and miscellaneous liabilities. These are reported at the redemption value.

Deferred tax liabilities

The calculation of deferred taxes is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax basis, and on differences arising from the application of uniform valuation policies for consolidation purposes as well as consolidation in the income statement. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted as of the balance sheet date are taken into account.

Information on profit

Premiums and unearned premiums

Premiums for property and casualty insurance are reported proportionately as income over the term of the insurance contract in relation to the exact risk coverage period. Unearned premiums are calculated separately for each policy, in order to determine the portion of premium income that has not yet been earned.

Premiums from short-term personal accident and health insurance policies are recorded proportionately over the term of the insurance policy. Premiums from long-term personal accident and health insurance policies are reported as earned when due. Reserves are set up for benefits and expenses from this income, in order to record the profits over the estimated term of the insurance policies.

In the case of premiums for life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only those parts of the premiums used to cover the risks insured and related costs are treated as premium income.

Risk premiums, cost of insurance and cancellation premiums represent the premium income from investment-oriented insurance policies (universal life type) and pension plans with variable payout amounts. These are deducted from the accountholder's account balance and recorded in the income statement. Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Life-insurance premiums from traditional life insurance policies are reported as earned when due. Reserves are established for benefits and expense.

Interest and similar income/expenses

Interest income and interest expenses are recognized on an accrual basis. Interest income from lending business is recognized using the effective yield method. This item also includes dividends from available for sale equity securities and interest recognized on finance leases. Dividends are recognized in income when declared. Interest on finance leases is recognized in interest income over the term of the respective lease so that a constant yield based on the net investment is attained.

Trading income

Trading income comprises all realized and unrealized gains and losses from trading assets and trading liabilities. In addition, commissions and all interest and all dividend income attributable to trading operations and related refinancing costs are included in trading income.

Net interest margin/Net fee and commission income

These indicators are calculated for the banking business in the Group.

Interest income and interest expenses are recognized on an accrual basis. Reporting of current income includes interest, dividends from equity securities, the share of net income from enterprises accounted for using the equity method, dividend income from investments in affiliated enterprises and participations, and interest recognized on finance leases. Dividends are recognized in income when received. Interest on finance leases is recognized in interest income over the term of the respective lease so that a constant yield based on the net investment is attained.

In addition to traditional commission income received on security transactions, fee and commission income in the securities business also includes commissions received in relation to private placements, syndicated loans and financial advisory services. Other fees reflect commissions received for trust and custody services, for the brokerage of insurance policies, credit cards, home loan and savings contracts and real estate. Fee and commission income is recognized in banking business when the corresponding service is provided.

Trustee business

Assets and liabilities held by the Group in its own name, but for the account of third parties, are not reported in the balance sheet. Fees received from such business are shown as "Fee and commission income" in the income statement.

Supplementary information

Consolidated cash flow statement

The consolidated statement of cash flows shows the structure of and changes in cash and cash equivalents of Allianz Group during the financial year from the cash flows arising from operating activities, investing activities and financing activities. The cash flows from investing activities primarily comprise changes in investment securities (such as securities available for sale or held to maturity). Financing activities include all cash flows from transactions involving the issuing of own shares, participation certificates and subordinated liabilities. Cash flows from operating activities contain all other activities, which belong to the principal revenue-generating activities.

Segment reporting

Information on segments is reported separately in the Annual Report. Segment reporting has been prepared on the basis of the accounting regulations used to prepare the consolidated financial statements as a whole. The business segments of the Group are organized as a matrix based on products, divisions, and geographical regions. The business segments are structured as Property/Casualty, Life/Health, Banking and Asset Management.

Repurchase and reverse repurchase agreements

A repurchase ("repo") transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If control of the securities remains in the Group over the entire lifetime of the transactions, the securities concerned are retained in the Group's balance sheet and are valued in accordance with the accounting principles for trading assets or investments. The proceeds of the sale are reported under "Liabilities to banks" or "Liabilities to customers", as appropriate.

A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date. If control over the securities remains with the pledgor, these transactions are reported in "Loans and advances to banks", or "Loans and advances to customers".

Interest income from reverse repos and interest expenses from repos are accrued on a straight-line basis over the lifetime of the transactions and reported under interest income/interest expenses and similar income/expenses. For repos or reverse repos in the trading portfolio of banks, the corresponding interest income or expense is recognized as trading income.

Securities borrowing and lending

The Group enters into securities borrowing and lending transactions on behalf of its customers and to fulfill its own obligations to deliver or take delivery of securities and to maximize returns on the investment-portfolios of the insurance companies. Such transactions involve the transfer of securities from one market participant (lender) to a counterparty (borrower), for a certain period of time. If the lender retains control, the lender continues to report the security involved on its balance sheet, whereas borrowed securities are not reported. Securities borrowed and securities loaned are recorded at the amount of cash advanced and received, respectively, and are collateralized primarily by equity and fixed income securities. Securities borrowed transactions generally require the Group to deposit cash collateral with the securities lender. In a securities loaned transaction, the Group generally receives cash collateral in an amount equal to or in excess of the market value of the securities loaned. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is obtained if necessary. Income and expenses from securities borrowing and lending transactions are recognized on an accrual basis and reported under "Interest and similar income" or "Interest and similar expenses".

Asset securitizations

The Group transfers financial assets to certain special purpose entities in revolving securitizations of commercial mortgage or other loan portfolios. The Group consolidates these special purpose entities as the Group continues to control the financial assets transferred and retains the servicing of such loans.

Equity remuneration plans (Long Term Incentive Plans)

The Group has elected to account for its share awards (stock appreciation rights) under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) as permitted by SFAS 123, "Accounting for Stock-Based Compensation." According to the intrinsic value-based method, the compensation expense results from the amount by which the share price at balance sheet date exceeds a reference amount set in advance in the plan awarded to the employee. Compensation expense is recorded over a period in which employees perform services to which the awards relate. An increase or decrease in market price of the underlying shares results in a corresponding change in compensation expense. Compensation expense is reversed in the period an award is forfeited.

Explanation of the accounting and valuation policies differing from German law

The most important differences are summarized below.

Assets

The definition of an asset is broader under IFRS rules than under the German Commercial Code (HGB). By its reference to the creation of future commercial benefit for the company without the prerequisite of an acquisition against payment, items such as brand names and software developed in-house also must be reported in the accounts under IFRS as assets.

Special funds

Under IAS-SIC 12 all investment funds in which the Group has shareholdings in excess of 50.0% are included within the scope of consolidation. Under the German Commercial Code (HGB) the units of special funds held are recognized in the balance sheet.

Shareholders' equity

Shareholders' equity increases overall because:

- _ trading assets and large proportions of the investments are shown in the balance sheet at market value, and
- _ insurance reserves in property and casualty insurance are lower under IFRS because they are not calculated in accordance with the prudence concept but are based on best-estimate future claims experience.

Calculation of profit

There are substantial differences between accounting treatment under IFRS rules and the German Commercial Law in the case of investments, trading activities and reserves. The following summary explains the most important aspects of IFRS which differ from HGB.

Claims equalization reserves Claims equalization reserves and major risk reserves are not allowed under IFRS because they do not represent a present obligation toward third parties. The net result for the year is not affected by transfers to or from such reserves.

Claims reserves Claims reserves tend to be somewhat lower under IFRS because they are not calculated in accordance with the prudence concept but at the best estimate of the ultimate cost.

Acquisition costs Under IFRS acquisition costs are capitalized and amortized over the term of the policy.

Valuation at equity All participations of between 20 % and 50 % are valued using the equity method, i.e. at the corresponding proportion of the shareholders' equity. It is therefore irrelevant whether a significant influence is actually exercised or not. This means that the valuation includes a proportion of the net profit of the enterprises concerned.

Fund for general banking risks According to German Commercial Law, provisions may be made for general banking risks pursuant to clause § 340f of the German Commercial Code (HGB), setting aside a special item pursuant to clause § 340g of the German Commercial Code. This is, however, not permitted for consolidated financial statements under IFRS rules.

Treasury shares Under IFRS rules, treasury shares held within the Group are deducted from shareholders' equity. Gains or losses from trading in own shares are added to, or subtracted from, equity with no impact on the income statement. According to the German Commercial Code, own shares must be reported as assets, with reserves for treasury shares set aside at the same time. Also, in financial statements prepared according to the German Commercial Code, gains or losses from trading in own shares would be transferred to the income statement and reported under trading income.

Goodwill Goodwill is amortized against income over its useful life under IFRS as follows:

- _ over 10 years for property and casualty insurance companies
- _ over 20 years for life and health insurance companies
- _ over 10 years for banking companies
- _ over 20 years for asset management companies

In accordance with the German Commercial Code, goodwill was charged against revenue reserves without affecting earnings.

SUPPLEMENTARY INFORMATION ON GROUP ASSETS

5 Intangible assets

Intangible assets comprise the following:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|-------------------------|--------------------|--------------------|
| Goodwill | 13,786 | 12,649 |
| Other intangible assets | 4,487 | 4,262 |
| Total | 18,273 | 16,911 |

Changes in goodwill for the fiscal year were as follows:

| | € mn |
|--|---------------|
| Gross amount capitalized 12/31/2001 | 14,963 |
| Accumulated amortization 12/31/2001 | - 2,314 |
| Value stated as of 12/31/2001 | 12,649 |
| Translation differences | - 532 |
| Value stated as of 1/1/2002 | 12,117 |
| Reclassification | - 228 |
| Additions | 3,059 |
| Amortization | - 1,162 |
| Value stated as of 12/31/2002 | 13,786 |
| Accumulated amortization as of 12/31/2002 | - 3,476 |
| Gross amount capitalized as of 12/31/2002 | 17,262 |

The reclassification represents the goodwill in associated companies, which is recognized as part of the interest in associated companies. Reclassifications include:

- € 181 mn Münchener Rückversicherungs-AG,
- € 47 mn AV Packaging GmbH and Schmalbach-Lubeca AG.

Major additions include:

- € 138 mn from the acquisition of a 99.1 % interest in Slovenská poisťovňa a. s.,
- € 2,002 mn from the increase of the interest in Dresdner Bank AG by 21.5 % to 100 %,
- € 633 mn from the increase of the interest in Allianz Lebensversicherungs-AG by 40.5 % to 91.0 %,
- € 94 mn from the increase of the interest in Bayerische Versicherungsbank AG by 45.0 % to 90.0 %,
- € 57 mn from the increase of the interest in Frankfurter Versicherungs-AG by 50.0 % to 100.0 %.

Amortization of goodwill is shown in the income statement under item 13 as a separate heading.

During the year under review other intangible asset values changed as follows:

Software

| | € mn |
|--|--------------|
| Gross amount capitalized 12/31/2001 | 2,439 |
| Accumulated amortization 12/31/2001 | - 1,003 |
| Value stated as of 12/31/2001 | 1,436 |
| Translation differences | - 19 |
| Value stated as of 1/1/2002 | 1,417 |
| Additions | 497 |
| Changes in the group of consolidated companies | - 68 |
| Disposals | - 157 |
| Amortization | - 408 |
| Value stated as of 12/31/2002 | 1,281 |
| Accumulated amortization 12/31/2002 | - 1,411 |
| Gross amount capitalized 12/31/2002 | 2,692 |

The balance sheet value amounting to € 1,281 (1,436) mn includes € 630 (619) mn for internally developed software and € 651 (817) mn for software purchased from third parties.

Capitalized value of life/health insurance portfolios

| | € mn |
|--|--------------|
| Gross amount capitalized 12/31/2001 | 1,999 |
| Accumulated amortization 12/31/2001 | - 625 |
| Value stated as of 12/31/2001 | 1,374 |
| Translation differences | - 25 |
| Value stated as of 1/1/2002 | 1,349 |
| Additions | 645 |
| Amortization | - 226 |
| Value stated as of 12/31/2002 | 1,768 |
| Accumulated amortization 12/31/2002 | - 851 |
| Gross amount capitalized 12/31/2002 | 2,619 |

The capitalized value of life/health insurance portfolios was determined using discount rates ranging from 12.0 % to 15.0 %. Interest rates between 3.5 % and 8.5 % were applied for interest not yet due.

The additions under capitalized value of life insurance portfolios include the amount of € 525 mn for Allianz Lebensversicherungs-AG, Stuttgart, due to an increase of ownership interest from 40.5 % to 91.0 %.

The capitalized value of life/health insurance portfolios is amortized over the lives of the policies concerned as surpluses are realized or as premiums are earned. Scheduled amortization of the capitalized value is included under acquisition costs and administrative expenses.

Other intangible assets also include capitalized loyalty bonuses for senior management of the PIMCO Group, Delaware, amounting to € 329 (574) mn that were recognized as assets in the annual statement 2000 in the amount of € 713 mn and are amortized on a straight-line basis over five years. During 2001, assets of € 659 mn were recognized for the value of the brand names "Dresdner Bank" and "dit" (Deutscher Investment-Trust) and these are amortized on a straight-line basis over 20 years. The purchase of additional shares of Dresdner Bank AG in 2002 increased the carrying amount of the brand names. After write-offs of € 39 (15) mn in the fiscal year, the brand names are recognized at balance sheet date for an amount of € 829 (644) mn.

6 Investments in affiliated enterprises, joint ventures, and associated enterprises

| Investments | 12/31/2002 € mn | 12/31/2001 € mn |
|---------------------------|--------------------|--------------------|
| In affiliated enterprises | 939 | 870 |
| In joint ventures | 22 | 105 |
| In associated enterprises | 10,384 | 9,272 |
| Total stated value | 11,345 | 10,247 |
| Total market value | 15,013 | 24,134 |

The market value is primarily based on stock exchange quotations.

The value of interests in banks amounts to € 4,349 (2,079) mn.

7 Investments

Investments comprise the following:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Securities held to maturity | 6,533 | 7,688 |
| Securities available for sale | 265,997 | 322,192 |
| Real estate used by third parties | 10,747 | 12,004 |
| Funds held by others under reinsurance contracts assumed | 2,063 | 3,418 |
| Total | 285,340 | 345,302 |

Securities held to maturity

| | Amortized cost | |
|------------------|--------------------|--------------------|
| | 12/31/2002 € mn | 12/31/2001 € mn |
| Government bonds | 2,284 | 2,824 |
| Corporate bonds | 2,301 | 2,319 |
| Other | 1,948 | 2,545 |
| Total | 6,533 | 7,688 |

The fair value of individual securities can fall temporarily below their carrying value, but, provided there is no risk resulting from changes in financial standing, such securities are not written down in value.

Write-downs (impairments) on securities held to maturity totaled € 31 (35) mn.

| | Amortized cost | | Market values | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn |
| Contractual term to maturity | | | | |
| Due in 1 year or less | 1,505 | 692 | 1,558 | 675 |
| Due after 1 year and in less than 5 years | 1,341 | 3,797 | 1,409 | 3,901 |
| Due after 5 years and in less than 10 years | 2,626 | 2,125 | 2,662 | 2,174 |
| Due after 10 years | 1,061 | 1,074 | 1,132 | 1,057 |
| Total | 6,533 | 7,688 | 6,761 | 7,807 |

Securities available for sale

| | Amortized cost | | Unrealized gains | | Unrealized losses | | Market values | |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn |
| Equity securities | 53,066 | 69,896 | 6,938 | 19,267 | 11,833 | 7,700 | 48,171 | 81,463 |
| Government bonds | 120,755 | 142,470 | 6,450 | 4,288 | 426 | 1,195 | 126,779 | 145,563 |
| Corporate bonds | 79,775 | 84,788 | 5,451 | 2,591 | 472 | 710 | 84,754 | 86,669 |
| Other | 6,061 | 8,491 | 253 | 57 | 21 | 51 | 6,293 | 8,497 |
| Total | 259,657 | 305,645 | 19,092 | 26,203 | 12,752 | 9,656 | 265,997 | 322,192 |

| | Proceeds of sales | | Realized gains | | Realized losses | |
|-------------------|-------------------|----------------|----------------|--------------|-----------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Equity securities | 39,371 | 38,578 | 6,124 | 6,632 | 7,210 | 6,153 |
| Government bonds | 50,063 | 36,037 | 1,040 | 768 | 354 | 295 |
| Corporate bonds | 22,451 | 20,945 | 768 | 238 | 487 | 363 |
| Other | 3,289 | 19,844 | 40 | 100 | 12 | 77 |
| Total | 115,174 | 115,404 | 7,972 | 7,738 | 8,063 | 6,888 |

Realized gains and losses have been calculated on the basis of average values.

| | Amortized cost | | Market values | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn |
| Contractual term to maturity | | | | |
| Due in 1 year or less | 18,459 | 28,814 | 21,091 | 25,689 |
| Due after 1 year and in less than 5 years | 86,646 | 98,301 | 79,500 | 105,619 |
| Due after 5 years and in less than 10 years | 70,109 | 85,572 | 90,113 | 88,209 |
| Due after 10 years | 31,377 | 23,062 | 27,122 | 21,212 |
| Total⁹⁾ | 206,591 | 235,749 | 217,826 | 240,729 |

⁹⁾ Excluding equity securities

The actual maturities may deviate from the contractually defined maturities, because certain security holders/borrowers have the right to serve notice on or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties.

Real estate used by third parties

The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated over a maximum of 50 years in accordance with the useful life. The gross capitalized values totaled € 14,545 mn at the beginning of the year and € 13,621 mn at the end of the year. Accumulated depreciation amounted to € 2,541 mn at the beginning of the year and € 2,874 mn at the end of the year. Assets pledged as security and other restrictions on title amount to € 61 mn.

Changes in the total carrying value of real estate used by third parties during the year

| | € mn |
|--|---------------|
| Value stated as of 12/31/2001 | 12,004 |
| Translation differences | - 80 |
| Value stated as of 1/1/2002 | 11,924 |
| Additions | 1,117 |
| Changes in the group of consolidated companies | - 712 |
| Disposals | - 1,249 |
| Depreciation | - 333 |
| Value stated as of 12/31/2002 | 10,747 |

Depreciation includes unscheduled write-downs of € 104 (86) mn.

Expenditures to restore the future economic benefits of the assets are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense. Commitments outstanding at the balance sheet date to purchase real estate amounted to € 161 mn.

The fair value of real estate used by third parties was € 14,818 (16,731) mn at the balance sheet date.

8 Loans and advances to banks and customers

Loans and advances to banks

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Loans | 5,213 | 5,812 |
| Other advances | 82,017 | 55,716 |
| Loans and advances to banks | 87,230 | 61,528 |
| Less loan loss allowance | 408 | 254 |
| Loans and advances to banks after loan loss allowance | 86,822 | 61,274 |

Receivables due within one year total € 84,074 (51,052) mn, those due after more than one year total € 3,156 (10,476) mn.

Loans and advances to customers

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Corporate customers | 123,082 | 149,244 |
| Public authorities | 2,989 | 33,908 |
| Private customers | 68,572 | 64,351 |
| Loans and advances to customers | 194,643 | 247,503 |
| Less loan loss allowance | 6,559 | 7,810 |
| Loans and advances to customers after loan loss allowance | 188,084 | 239,693 |

Loans and advances to customers by type of loan are as follows:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|----------------|--------------------|--------------------|
| Loans | 148,253 | 199,190 |
| Reverse repos | 39,002 | 42,393 |
| Other advances | 7,388 | 5,920 |
| Total | 194,643 | 247,503 |

Loans and advances due within one year total € 106,603 (109,693) mn, those due after more than one year total € 88,040 (137,810) mn.

Loans and advances to customers include amounts receivable under finance leases at their net investment value totaling € 1,104 (2,250) mn. The corresponding gross investment value of these leases amounts to € 1,224 (2,393) mn, the associated unrealized finance income is € 120 (241) mn. The residual values of the entire leasing portfolio were fully insured, both in the reporting year and in the preceding year. Lease payments received have been recognized

as income in the amount of € 141 mn. The allowance for uncollectable lease payments amounted to € 4 (10) mn at the balance sheet date. The total amounts receivable under leasing arrangements include € 122 (967) mn due within one year, € 714 (881) mn due within one to five years, and € 388 (545) mn due after more than five years.

Lending volume

In contrast to the reporting of loans and advances, lending volume does not include reverse repos or other advances. However, this item does comprise loans extended on bills of exchange which, in turn, are not reported under loans and advances to customers or loans and advances to banks.

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Loans to banks | 5,213 | 5,812 |
| Loans to customers ^{*)} | 148,530 | 199,572 |
| Total lending volume | 153,743 | 205,384 |
| Less loan loss allowance | 6,967 | 8,064 |
| Lending volume after loan loss allowance | 146,776 | 197,320 |

^{*)}Including bills of exchange amounting to €277 mn.

Allowance for loan losses

The overall volume of risk provisions includes allowances for loan losses deducted from loans and advances to banks and customers in the amount of €6,967 (8,064) mn and provisions for contingent liabilities included in other accrued liabilities in the amount of €633 (497) mn.

| | Counterparty risks | | Country risks | | General risks | | Total | |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|----------------|----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| As of January 1 | 7,200 | 304 | 428 | – | 933 | 23 | 8,561 | 327 |
| Additions | | | | | | | | |
| Additions charged to the income statement | 2,927 | 1,087 | 111 | – | 90 | 110 | 3,128 | 1,197 |
| Changes in the group of consolidated companies | – 928 | 6,596 | – | 544 | – 63 | 855 | – 991 | 7,995 |
| Total | 1,999 | 7,683 | 111 | 544 | 27 | 965 | 2,137 | 9,192 |
| Reductions | | | | | | | | |
| Charge-offs | – 1,893 | – 445 | – | – | – | – | – 1,893 | – 445 |
| Amounts released | – 575 | – 424 | – 208 | – 92 | – 34 | – 77 | – 817 | – 593 |
| Total | – 2,468 | – 869 | – 208 | – 92 | – 34 | – 77 | – 2,710 | – 1,038 |
| Other additions/reductions | – 97 | 38 | 54 | – 29 | – 102 | 18 | – 145 | 27 |
| Changes due to currency translation | – 219 | 44 | – 18 | 5 | – 6 | 4 | – 243 | 53 |
| As of December 31 | 6,415 | 7,200 | 367 | 428 | 818 | 933 | 7,600 | 8,561 |

The effects of the deconsolidation of Deutsche Hyp Deutsche Hypothekbank AG are shown in the line „Changes in the group of consolidated companies“.

The loan portfolio contains non-accrual loans of €10,452 (11,155) mn. The total amount of loans with provisions against the principal include €2,556 (2,935) mn of loans on which the Group continues accruing interest with a specific allowance against the total interest accrued. The interest income not recognized from loans on non-accrual status amounted to €470 (448) mn.

The amount of interest collected and recorded on non-accrual loans was approximately €66 (45) mn.

At December 31, 2002 the Group had €12,221 (13,986) mn of impaired loans. Impaired loans of which €10,742 (6,842) mn as of December 31, 2002 had a related valuation allowance. For the year ended December 31, 2002 the average balance in impaired loans was €12,773 (12,990) mn and the interest income recognized on impaired loans was €131 (67) mn.

9 Trading assets

| | 12/31/2002 € mn | 12/31/2001 € mn |
|-------------------------|--------------------|--------------------|
| Equities | 9,166 | 15,123 |
| Fixed-income securities | 91,718 | 91,493 |
| Derivatives | 22,529 | 19,827 |
| Other trading assets | 1,429 | 1,979 |
| Total | 124,842 | 128,422 |

The majority of equities and fixed-income securities held in trading assets are marketable and listed securities. The fixed-income securities include € 50,038 (42,432) mn from public-sector issuers, and € 41,680 (49,061) mn from other issuers.

The positive market values of derivative financial arguments are shown on a net basis, i.e. taking into account existing netting agreements.

10 Cash and cash equivalents

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Balances with banks payable on demand | 14,979 | 11,797 |
| Balances with central banks | 3,139 | 7,222 |
| Checks and cash on hand | 1,763 | 1,584 |
| Treasury bills, discounted treasury notes and similar treasury securities | 850 | 255 |
| Bills of exchange | 277 | 382 |
| Total | 21,008 | 21,240 |

Balances with central banks include balances held with the Deutsche Bundesbank of € 1,205 (4,922) mn, which also have the function of meeting minimum reserve requirements.

11 Amounts ceded to reinsurers from the insurance reserves

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Unearned premiums | 1,507 | 1,663 |
| Aggregate policy reserves | 11,350 | 12,207 |
| Reserve for loss and loss adjustment expenses | 15,334 | 16,784 |
| Other insurance reserves | 179 | 298 |
| Subtotal | 28,370 | 30,952 |
| Insurance reserves for life insurance where the investment risk is carried by policyholders | 50 | 47 |
| Total | 28,420 | 30,999 |

The amounts ceded to reinsurers from the insurance reserves stated under assets include rights of recourse against reinsurers. The credit risk is partly covered by funds held for others under reinsurance contracts, securities portfolios and bank guarantees.

12 Other assets

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Real estate used by Allianz for its own activities | 5,432 | 5,097 |
| Equipment and inventories | 1,952 | 2,303 |
| Accounts receivable on direct insurance business | 8,846 | 9,523 |
| Accounts receivable on reinsurance business | 3,116 | 3,164 |
| Other receivables | 11,092 | 14,613 |
| Other | 3,423 | 3,454 |
| Deferred acquisition costs | 10,528 | 11,192 |
| Prepaid expenses | 4,618 | 6,384 |
| Total | 49,007 | 55,730 |

The accounts receivable on direct insurance business stated under other assets and accounts receivable on reinsurance business are due within one year. Other receivables stated under other assets due within one year amount to €4,881 (6,474) mn, those due after more than one year total €6,211 (8,139) mn.

Real estate used by Allianz for its own activities

The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated over a maximum of 50 years in accordance with their useful lives. The gross capitalized values totaled €6,175 mn at the beginning of the year and €6,854 mn at the end of the year. Accumulated depreciation amounted to €1,078 mn at the beginning of the year and €1,422 mn at the end of the year. Assets pledged as security and other restrictions on title amount to €30 mn.

As in the previous year, no unscheduled depreciation was recorded in 2002.

Expenditures to restore the future economic benefits of the assets are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense. At the balance sheet date, commitments outstanding to purchase real estate amounted to €28 mn.

The market value of real estate used by Allianz for its own activities amounted to €6,245 (6,205) mn.

Changes in the total carrying value of real estate owned by Allianz Group and used for its own activities during the year:

| | € mn |
|--|--------------|
| Value stated as of 12/31/2001 | 5,097 |
| Translation differences | - 56 |
| Value stated as of 1/1/2002 | 5,041 |
| Additions | 883 |
| Changes in the group of consolidated companies | - 17 |
| Disposals | - 131 |
| Depreciation | - 344 |
| Value stated as of 12/31/2002 | 5,432 |

Equipment and inventories

Equipment and inventories are depreciated over 2 to 10 years according to their useful lives. The gross capitalized values totaled €6,453 mn at the beginning of the year and €6,658 mn at the end of the year. Accumulated depreciation amounted to €4,150 mn at the beginning of the year and €4,706 mn at the end of the year. Expenditures to restore the future economic benefits of the assets are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense.

At the balance sheet date, commitments outstanding to purchase items of equipment and inventories amounted to €22 mn.

Depreciation is apportioned between the relevant cost headings in the income statement for insurance companies. Write-ups are credited to "Other income".

Accounts receivable on direct insurance business

These amount to €5,114 (5,884) mn for policyholders and €3,732 (3,639) mn for agents.

Other receivables

These include tax refunds amounting to €2,484 (3,310) mn, interest and rental receivables amounting to €3,496 (3,765) mn, and accounts receivable on banking and asset management business amounting to €327 (2,518) mn.

Other assets

These include non-trading derivatives used for hedging totaling €815 (598) mn.

Deferred acquisition costs

In the case of property and casualty insurance enterprises, the amortization period is calculated for each insurance portfolio, based on the average term of the relevant policies, and varies between one and five years.

In life insurance business, deferred acquisition costs are expensed according to the categorization of the underlying life insurance products (see note 16). The change in deferred acquisition cost is presented in note 35.

SUPPLEMENTARY INFORMATION ON GROUP LIABILITIES AND EQUITY

13 Shareholders' equity

The shareholders' equity comprises the following:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|------------------------------------|--------------------|--------------------|
| Issued capital | 683 | 682 |
| Capital reserve | 14,102 | 14,087 |
| Revenue reserves | 10,731 | 14,010 |
| Less treasury stock | 5,958 | 5,801 |
| Other reserves | 1,049 | 8,276 |
| Consolidated unappropriated profit | 1,165 | 410 |
| Total | 21,772 | 31,664 |

Issued capital

In November 2002, 137,625 shares held by the company were issued at a price of € 114.00 each, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 136,222 shares at prices between € 79.80 and € 96.90. The remaining 1,403 shares were sold on the stock exchange at an average price of € 90.60.

The shares issued in 2002 are qualifying shares from the beginning of the year of issue.

The issued capital at December 31, 2002 amounted to € 682,408,000, divided into 266,565,625 registered shares. The shares have no par value but a mathematical value of € 2.56 each as a proportion of the issued capital.

At the end of the year under review, there was **authorized unissued capital** with a notional principal amount of € 300,000,000 (117,187,500 shares), which can be issued at any time up to July 10, 2006 (authorized unissued capital 2001/I). If shares are issued against a non-cash consideration, the Board of Management is authorized to exclude the pre-emptive rights of shareholders. In the case of capital increases against a cash consideration, pre-emptive rights can be partially excluded, if the issue price is not significantly less than the stock-market price. At the end of the year under review, there was a further € 7,841,188 (3,062,964 shares) of Authorized Unissued Capital 2001/II which can be issued up to July 10, 2006. The pre-emptive rights of shareholders can be excluded in order to offer the new shares to employees of Allianz AG or its Group companies. Authorized Unissued Capital 1998 can be used at any time up to July 7, 2003 to issue shares with a notional principal amount of € 2,556,459 (998,617 shares). In the event of future capital increases for cash, these shares can be used to protect the holders of conversion or subscription rights from dilution by granting them a pre-emptive right to subscribe for new shares. Otherwise, pre-emptive rights of shareholders are excluded.

The company had **conditionally authorized capital** 2001 amounting to € 50,000,000 (19,531,250 shares) on which subscription or conversion rights, with pre-emptive rights for shares, can be issued up to July 10, 2006.

The **capital reserve** includes the premium received on the issuance of shares.

Treasury stock

In order to enable Dresdner Bank AG to trade in shares of Allianz AG following the takeover of the bank, the Annual General Meeting on July 11, 2001 authorized the banks in which Allianz AG has a majority holding to acquire treasury stock for purposes of securities trading pursuant to § 71 (1) no. 7 of the Corporation Law (Aktiengesetz). In accordance with this authorization, the banks in the Group purchased 93,726,589 of the company's own shares or acquired them by way of securities borrowing in the course of 2002. An average price of € 179.86 per share is calculated, including the initial inventory. 92,448,634 shares were disposed of or ceded from borrowed holdings in the course of 2002 at an average price of € 181.11 per share.

The losses from these transactions in the amount of € – 23 mn were allocated to revenue reserves.

The Annual General Meetings on July 11, 2001 authorized Allianz AG to acquire own shares for miscellaneous purposes pursuant to clause § 71 (1) no. 8 of the Corporation Law (Aktiengesetz). On the basis of this authorization, Allianz AG purchased 5,500,000 shares from Dresdner Bank at a price of € 256,15 per share in February 2002.

At year-end, treasury stock is comprised as follows:

| | 12/31/2002 | | | 12/31/2001 | | |
|--|---------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| | Acquisition costs € mn | Number of shares | % of issued capital | Acquisition costs € mn | Number of shares | % of issued capital |
| Shares held by | | | | | | |
| Allianz AG | 1,510 | 6,286,100 | 2.36 | 247 | 786,100 | 0.30 |
| affiliated enterprises | 4,448 | 17,302,311 | 6.49 | 5,554 | 24,452,365 | 9.18 |
| (of which Dresdner Bank Group) ²⁾ | (4,448) | (17,302,311) | (6.49) | (5,554) | (24,452,365) | (9.18) |
| Total | 5,958 | 23,588,411 | 8.85 | 5,801 | 25,238,465 | 9.48 |

²⁾ In addition, Dresdner Bank holds 1,168,702 own shares (0.4 % of the issued capital) from borrowing transactions at balance sheet date.

Changes to the number of issued shares outstanding

| | Number of shares |
|--|--------------------|
| As of 1/1/2002 | 241,189,535 |
| Additions | |
| Capital increase for employee shares | 137,625 |
| Transfer to the exchange company | 1,797,357 |
| Reductions | |
| Acquisition for purposes of securities trading | 147,303 |
| Borrowing for purposes of securities trading | 1,168,702 |
| As of 12/31/2002 | 241,808,512 |

In addition to the reserves in the financial statements of Allianz AG required by law, **revenue reserves** include the retained earnings of consolidated subsidiaries and amounts resulting from consolidated net income for the year. Revenue reserves also include foreign currency translation adjustments in the equity section. In the case of acquisitions prior to January 1, 1995, differences arising on first-time consolidation have been taken to revenue reserves.

Other reserves comprise the component of shareholders' equity representing unrealized gains and losses on investments available for sale and derivatives used in hedge accounting to hedge a net investment in a foreign entity.

The **consolidated unappropriated profit** is derived from consolidated net income as follows:

| | 2002 € mn | 2001 € mn |
|---|--------------|--------------|
| Consolidated net income for the year | - 1,167 | 1,623 |
| Changes in revenue reserves (appropriated retained earnings) | 2,332 | - 1,213 |
| Consolidated unappropriated profit | 1,165 | 410 |

The Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 1.50 (1.50) per qualifying share for fiscal year 2002. Details on the recommendation for appropriation of profit are given in the Group management report.

14 Minority interests in shareholders' equity/earnings

The primary subsidiaries included are the AGF Group, Paris, the RAS Group, Milan and the PIMCO Group, Delaware.

The interests of minority shareholders are made up as follows:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|-----------------------------|--------------------|--------------------|
| Other reserves | | |
| Unrealized gains and losses | - 76 | 3,114 |
| Share of earnings | 688 | 1,044 |
| Other equity components | 7,553 | 13,191 |
| Total | 8,165 | 17,349 |

15 Participation certificates and subordinated liabilities

| | 12/31/2002 € mn | 12/31/2001 € mn |
|----------------------------|--------------------|--------------------|
| Participation certificates | 1,955 | 2,508 |
| Subordinated liabilities | 12,219 | 9,699 |
| Total | 14,174 | 12,207 |

Participation certificates include € 450 (450) mn in respect of those issued by Allianz AG. The balance of "Participation certificates" represents the guaranteed total redemption price that Allianz AG has to pay upon redemption, by the holders of the 5,723,154 "profit participation certificates" issued by the company, which are still outstanding. The distributions payable on the profit participation certificates for the last fiscal year are included in "Other liabilities".

Between October 1986 and 1995, Allianz AG issued a total of 5,559,983 profit participation certificates. The company issued an additional 163,529 profit participation certificates in March 1998. There were no further issuances of profit participation certificates in 1999 to 2002.

In November 2002, Allianz AG made a voluntary public offer to holders of participation certificates to exchange their certificates for Allianz shares. The voluntary exchange offer does not constitute a call for redemption by the company in accordance with the terms governing the participation certificates. Participation certificates for which the exchange offer was not accepted remain in existence. The exchange ratio was 10 shares for 8 participation certificates; the exchange period ended after one extension on January 16, 2003. A total of 4,918,488 participation certificates were exchanged for 6,148,110 shares (86 %). The shares for the exchange offer come from Allianz treasury stock. After the exchange, 804,666 participation certificates are currently still outstanding. For these participation certificates the terms set upon their issuance continue to apply.

The terms of the profit participation certificates provide for an annual cash distribution of 240.0 % of the dividend paid by the company per one Allianz ordinary share. If certain conditions are met, the holders of profit participation certificates may also subscribe to new profit participation certificates; to this extent, the preemptive subscription rights of Allianz AG shareholders are excluded. Holders of profit participation certificates do not have voting rights, or any rights to convert the said certificates into Allianz AG shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors.

Profit participation certificates can be redeemed by holders upon twelve months' prior notice, beginning December 31, 2001, and every fifth year thereafter. To date, redemption rights have been exercised with respect to 358 profit participation certificates. Upon redemption by holders, the terms of the profit participation certificates provide for a redemption price equal to the weighted average of the issue prices of all profit participation certificates. Since the last issue of March 1998, the price has been uniformly € 78.54.

The company may call the profit participation certificates for redemption, upon six months' prior notice, beginning December 31, 2006, and each year thereafter. Upon redemption by the company, the cash redemption price per certificate would be equal to 122.9 % of the then current price of one Allianz ordinary share. In lieu of redemption for cash, the company may offer 10 Allianz ordinary shares per eight profit participation certificates. Allianz AG has consistently stated at its Annual General Meeting that the company is not legally required to call the profit participation certificates for redemption on December 31, 2006 or at another date.

Participation certificates also include € 1,505 (2,035) mn issued by the Dresdner Bank Group which entitle holders to annual interest payments, which take priority over Dresdner shareholders' dividend entitlements. They are subordinated to obligations for all other creditors of the issuer, except those similarly subordinated, and share in losses of the respective issuers in accordance with the conditions attached to the certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

Details of the two largest participation certificate issues are provided below:

| Year of issue | Nominal amount ⁷⁾ | Issuer | Interest rate | Maturity |
|---------------|------------------------------|------------------|---------------|----------|
| 1996 | € 511 mn | Dresdner Bank AG | 8.0 % | 2007 |
| 1997 | € 767 mn | Dresdner Bank AG | 7.0 % | 2008 |

⁷⁾ Nominal amount minus amounts held by Dresdner Bank Group.

Breakdown of subordinated liabilities

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Hybrid equity (non-voting interests) Dresdner Bank Group | 1,732 | 1,923 |
| Total | 1,732 | 1,923 |
| Other subordinated liabilities | | |
| AGF Group | 864 | 438 |
| Allianz Finance II B.V. | 3,445 | – |
| Dresdner Bank Group | 6,178 | 7,320 |
| Others | – | 18 |
| Total | 10,487 | 7,776 |
| Subordinated liabilities | 12,219 | 9,699 |

Subordinated liabilities include € 3,445 mn from subordinated liabilities, which Allianz Finance II B.V. issued in 2002 and which have been guaranteed by Allianz AG on a subordinated basis. The amount of € 3,445 mn (taking into account the € 33 mn discount) is composed of subordinated debt issued in May 2002 in the amount of € 2,000 mn (due in 2022) as well as subordinated debt in the amounts of USD 500 mn (unlimited maturity) and € 1,000 mn (due in 2025) issued in December 2002. The guarantee provided by Allianz for the redemption of these three subordinated debt

issues is also subordinated, which means that in case of the insolvency or liquidation of Allianz AG, subordinated creditors will be paid back only after all claims by holders of non-subordinated debt have been settled. In the case of the USD 500 mn debt issue, there is an additional subordination of guarantee claims with respect to all other limited-maturity subordinated liabilities of Allianz AG.

In the event of bankruptcy proceedings or liquidation, the subordinated liabilities of Dresdner Bank Group may not be redeemed until all non-subordinated creditors have been satisfied. There is no obligation to redeem such liabilities prior to maturity.

The non-voting interests were issued for the first time in May 1999, in the amount of approximately € 1.5 bn by Dresdner Bank. These non-voting interests include two issues of Dresdner Bank AG in 1999 in the nominal amount of € 500 mn and USD 1,000 mn with interest rates of 5.79 % and 8.15 % respectively, which are due in 2011 and in 2031 respectively. Additionally Dresdner Bank AG issued two non-voting interests in the nominal amount of € 159 mn and JPY 15,000 mn in 2001, with interest rates of 7.00 % and 3.50 % respectively, which are due in 2013 and in 2033 respectively. Interest paid on non-voting interests amounted to € 118 (128) mn for the year.

Fixed-rate subordinated liabilities of Dresdner Bank Group have coupons between 4.0 % and 8.4 %; in addition, there are variable-rate issues linked to a reference interest rate and zero-coupon bonds. The average interest rate comes to 5.9 %. Interest paid on these subordinated liabilities amounted to € 463 (473) mn in the reporting year.

16 Insurance reserves

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Unearned premiums | 12,248 | 12,391 |
| Aggregate policy reserves | 210,109 | 197,689 |
| Reserves for loss and loss adjustment expenses | 65,961 | 66,648 |
| Reserves for premium refunds | 16,190 | 21,589 |
| Premium deficiency reserves | 385 | 517 |
| Other insurance reserves | 870 | 678 |
| Total | 305,763 | 299,512 |

Aggregate policy reserves

Aggregate policy reserves at the balance sheet date – split by the various profit participation systems – were as follows:

| | Contribution principle (FAS 120) | | Variable annuities and unit-linked life insurance (FAS 97) | | Other (FAS 60) | |
|-------------------|-------------------------------------|--------------------|--|--------------------|--------------------|--------------------|
| | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn | 12/31/2002 € mn | 12/31/2001 € mn |
| Property/Casualty | 7,403 | 5,695 | – | – | – | 105 |
| Life/Health | 104,976 | 101,858 | 89,051 | 77,890 | 34,366 | 36,867 |
| Total | 112,379 | 107,553 | 89,051 | 77,890 | 34,366 | 36,972 |

Reserves for loss and loss adjustment expenses

The gross reserves for loss and loss adjustment expenses of the Group's insurance business are as follows:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|-------------------|--------------------|--------------------|
| Property/Casualty | 59,654 | 61,476 |
| Life/Health | 6,307 | 5,172 |
| Total | 65,961 | 66,648 |

The reserves for loss and loss adjustment expenses (loss reserves) have changed in Property/Casualty insurance during the year under review as follows:

| | 2002 € mn | 2001 € mn |
|---|---------------|---------------|
| 1. Loss reserve as of January 1 | | |
| a. Gross | 61,476 | 54,047 |
| b. Amount ceded to reinsurers | – 16,156 | – 12,571 |
| c. Net | 45,320 | 41,476 |
| 2. Plus claims (net) | | |
| a. Claims in the year under review | 27,130 | 27,295 |
| b. Previous years' claims | 646 | 76 |
| c. Total | 27,776 | 27,371 |
| 3. Less claims paid (net) | | |
| a. Claims in the year under review | – 12,642 | – 11,895 |
| b. Previous years' claims | – 12,143 | – 12,462 |
| c. Total | – 24,785 | – 24,357 |
| 4. Currency translation adjustments | – 3,367 | 407 |
| 5. Change in the group of consolidated companies | 122 | 423 |
| 6. Loss reserve as of December 31 | | |
| a. Net | 45,066 | 45,320 |
| b. Amount ceded to reinsurers | 14,588 | 16,156 |
| c. Gross | 59,654 | 61,476 |

No retrospective back-payments of premiums have been demanded. No exceptional events have occurred since the balance sheet date which would have material effects on the net worth, financial position or results of the Group. The balance sheet amount includes € 2,664 (2,743) mn in annuity reserves for existing annuity agreements. The discount rate for such cases varies between 3.5 % and 6.5 %.

Through its American subsidiaries, mainly Fireman's Fund, the Allianz Group is affected by the further increase of claims observable industry-wide in the U.S. relating to insurance benefits in connection with injury to health arising from the use of asbestos, and arising from environmental damage.

Our U.S. property and casualty subsidiary commissioned a new report in the light of the sharp increase in notifications of asbestos claims experienced in the U.S.A. in recent years. The results of the report presented to us in the third quarter of 2002 prompted us to more than double our asbestos and environmental (A&E) reserves by €767 mn to €1,225 mn. On September 30, 2002, our subsidiary FFIC ceded all net A&E Reserves to Allianz AG.

Reserve for premium refunds

The reserve for premium refunds includes the amounts to which policyholders are entitled under the relevant local statutory or contractual regulations in the form of experience-rated or other participation in profits. In addition, the reserve for premium refunds includes amounts arising from the valuation of certain assets and liabilities of the Group's life and health insurance enterprises at market value (the "latent" reserve for premium refunds).

| | 2002 € mn | 2001 € mn |
|--|--------------|--------------|
| a) Amounts already allocated under local regulations | | |
| As of January 1 | 10,088 | 10,583 |
| Translation differences | - 14 | 8 |
| Changes in the group of consolidated companies | 81 | - |
| Change | - 3,024 | - 503 |
| As of December 31 | 7,131 | 10,088 |
| b) Latent reserves | | |
| As of January 1 | 11,501 | 17,555 |
| Translation differences | 4 | 2 |
| Change due to fluctuations in market value | - 928 | - 3,120 |
| Changes in the group of consolidated companies | 233 | - 66 |
| Changes due to valuation differences charged or credited to income | - 1,751 | - 2,870 |
| As of December 31 | 9,059 | 11,501 |
| c) Total | 16,190 | 21,589 |

The reserve for premium refunds has changed as follows:

In addition to the amounts allocated under a), amounts totaling € 6,386 mn were directly credited to policyholders from the surplus.

17 Liabilities to banks

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Payable on demand | 12,401 | 21,352 |
| Other term liabilities | 124,931 | 114,050 |
| Including: registered mortgage bonds issued | (2,608) | (6,843) |
| Liabilities to banks | 137,332 | 135,402 |

Liabilities due within one year totaled € 126,757 (121,320) mn, those due after more than one year totaled € 10,575 (14,082) mn.

18 Liabilities to customers

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|---------------------|
| Savings deposits | 3,386 | 10,995 |
| Home-loan savings deposits | 3,035 | 2,903 |
| Savings and Home-loan savings deposits | 6,421 | 13,898 |
| Payable on demand | 53,421 | 50,908 |
| Other term liabilities (including: registered mortgage bonds issued) | 87,424 (5,639) | 112,517 (12,660) |
| Other liabilities | 140,845 | 163,425 |
| Liabilities to customers | 147,266 | 177,323 |

Liabilities due within one year total € 133,793 (134,766) mn, those due after more than one year total € 13,473 (42,557) mn.

Liabilities to customers are classified according to the following customer groups:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---------------------------------|--------------------|--------------------|
| Corporate customers | 95,772 | 125,368 |
| Public authorities | 8,349 | 7,980 |
| Private customers | 43,145 | 43,975 |
| Liabilities to customers | 147,266 | 177,323 |

19 Certificated liabilities

The Group issues fixed and floating rate debt denominated in various currencies, although predominantly in euros.

Fixed and floating rate debt outstanding as of December 31, 2002 matures at various dates through 2054 and carries contractual interest rates ranging from 1.25 % to 9.80 %. Certificated liabilities include Allianz Finance B.V. for an amount of € 7,130 mn and Allianz Finance II B.V. for an amount of € 4,915 mn. The interest rates for the floating rate debt issues are generally based on LIBOR, although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The following table provides an overview of the Group's certificated liabilities according to maturity:

| | Due 2003 € mn | Due 2004 € mn | Due 2005 € mn | Due 2006 € mn | Due 2007 € mn | Due after 2007 € mn | 12/31/2002 Total € mn | 12/31/2001 Total € mn |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|-----------------------------|-----------------------------|
| Mortgage bonds | - | - | - | - | - | - | - | 13,037 |
| Public-sector bonds | - | - | - | - | - | - | - | 41,540 |
| Debentures | 10,622 | 9,045 | 7,508 | 3,687 | 6,080 | 11,278 | 48,220 | 48,222 |
| Total bonds issued | 10,622 | 9,045 | 7,508 | 3,687 | 6,080 | 11,278 | 48,220 | 102,799 |
| Money market securities | 28,178 | 8 | 3 | - | 28 | - | 28,217 | 29,749 |
| Other | 2,277 | 9 | - | 27 | - | - | 2,313 | 2,122 |
| Certificated liabilities | 41,077 | 9,062 | 7,511 | 3,714 | 6,108 | 11,278 | 78,750 | 134,670 |

20 Trading liabilities

| | 12/31/2002 € mn | 12/31/2001 € mn |
|-----------------------------------|--------------------|--------------------|
| Derivatives | 21,401 | 15,973 |
| Obligations to deliver securities | 29,742 | 26,031 |
| Other trading liabilities | 2,377 | 2,534 |
| Total | 53,520 | 44,538 |

The negative market values of derivative financial instruments are shown on a net basis, i.e. taking into account existing netting agreements.

21 Other accrued liabilities

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Reserves for pensions and similar obligations | 5,715 | 5,629 |
| Accrued taxes | 1,775 | 2,478 |
| Miscellaneous accrued liabilities | 5,579 | 6,010 |
| Total | 13,069 | 14,117 |

Pension and similar reserves

| | 12/31/2002 € mn | 12/31/2001 € mn |
|----------------------------------|--------------------|--------------------|
| Reserves for pensions | 5,312 | 5,268 |
| Reserves for similar obligations | 403 | 361 |
| Total | 5,715 | 5,629 |

plans are primarily based on fixed benefits (defined benefit pension plans), while in other countries there are both defined-benefit and defined-contribution pension plans.

Under **defined benefit pension plans**, the beneficiary is promised a particular level of retirement benefit by the enterprise or by a pension fund, while the premiums payable by the enterprise are not fixed in advance.

Funded status of the main defined benefit pension plans

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Actuarially calculated present value of pension rights accrued | | |
| Direct commitments of Group enterprises | 5,749 | 5,842 |
| Commitments through pension funds | 4,930 | 5,103 |
| Total | 10,679 | 10,945 |
| Pension fund assets | 4,830 | 4,987 |
| Pension obligations less pension fund assets | 5,849 | 5,958 |
| Unrecognized gains/losses | - 530 | - 607 |
| Unrecognized (past) service cost | - 7 | - 83 |

The Allianz Group maintains various defined benefit and defined contribution pension plans covering its employees worldwide. Allianz Group companies normally have pension plans covering their employees, and in Germany, their agents. In Germany, these

plans are primarily based on fixed benefits (defined benefit pension plans), while in other countries there are both defined-benefit and defined-contribution pension plans.

The main pension fund is Allianz Versorgungskasse VVaG, Munich, which insures most of the employees of Group enterprises in Germany. It is not included in the consolidated financial statements.

The pension fund assets are invested mainly in equity securities, investment fund units, fixed income securities and registered bonds. The need to recognize actuarial gains or losses is reviewed using the corridor approach for each individual pension plan.

The reserve for defined benefit pension plans changed in the year under review as follows:

| | € mn |
|--|--------------|
| Value stated as of 12/31/2001 | 5,268 |
| Translation differences | - 9 |
| Value stated as of 1/1/2002 | 5,259 |
| Changes in the group of consolidated companies | 33 |
| Expenses | 666 |
| Payments | - 646 |
| Value stated as of 12/31/2002 | 5,312 |

The net periodic benefit cost (expenses minus income) include the following components:

| | 2002 € mn | 2001 € mn |
|---|--------------|--------------|
| Current service cost | 274 | 231 |
| Interest cost | 591 | 552 |
| Expected return on pension fund assets | - 329 | - 358 |
| Gains/losses recognized | 5 | - 19 |
| Past service cost recognized | 123 | - |
| Income/expenses of plan curtailments or settlements | 2 | 43 |
| Total | 666 | 449 |

Most of the amounts expensed are charged to the income statement as acquisition and administrative expenses, and loss and loss adjustment expenses (claims settlement expenses). The actual losses from the pension funds amounted to € 256 (198) mn.

The assumptions for actuarial computation of the obligations depend on the circumstances in the particular country where a plan has been established.

The actuarial assumptions for the main pension plans are as follows:

| | 2002 % | 2001 % |
|--|-----------|-----------|
| Discount rate | 5-7 | 5-8 |
| Expected rate of return on pension fund assets | 6-9 | 7-9 |
| Retirement rates | 2-5 | 2-5 |
| Benefit levels | 2-3 | 2-3 |

The calculations are based on current actuarially determined mortality estimates. Projected fluctuations depending on age and length of service have also been used, as well as internal Group retirement projections.

Defined contribution pension plans are funded through independent pension funds or similar organizations. Contributions fixed in advance, based e.g. on salary, are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions (premiums). The main pension fund is the Versicherungsverein des Bankgewerbes a. G., Berlin, which insures most of the banking employees in Germany.

Amounts totaling € 123 (108) mn were expensed in the year under review.

Miscellaneous accrued liabilities

Miscellaneous accrued liabilities primarily include reserves of € 404 (478) mn for restructuring in connection with company mergers, reserves for the lending business in the amount € 633 (497) mn and reserves for employee expenses amounting to € 2,259 (3,039) mn.

22 Other liabilities

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Funds held under reinsurance business ceded | 8,562 | 8,929 |
| Accounts payable on direct insurance business | 7,972 | 7,610 |
| Accounts payable on reinsurance business | 2,257 | 2,103 |
| Other liabilities | 12,569 | 18,594 |
| Total | 31,360 | 37,236 |

Other liabilities include liabilities arising from tax charges on income totaling € 1,099 (1,055) mn, interest and rental liabilities amounting to € 178 (204) mn, social security liabilities of € 229 (274) mn, derivative liabilities of € 827 (868) mn, and unprocessed sales totaling € 616 (876) mn.

Accounts payable on direct insurance business and accounts payable on

reinsurance are due within one year. Of the remaining liabilities stated under other liabilities, € 8,044 (11,882) mn are due within one year, and € 4,525 (6,712) mn are due after more than one year.

23 Deferred income

This item includes miscellaneous deferred income positions amounting to € 3,010 (5,283) mn.

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT¹⁾

24 Premiums earned (net)

| | Property/Casualty ²⁾ | | Life/Health ²⁾ | | Total | |
|-----------------------------------|---------------------------------|---------------|---------------------------|---------------|---------------|---------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Gross premiums written | 42,542 | 41,459 | 20,611 | 20,129 | 63,153 | 61,588 |
| Premiums ceded in reinsurance | - 6,150 | - 6,669 | - 1,207 | - 1,169 | - 7,357 | - 7,838 |
| Change in unearned premiums (net) | - 669 | - 1,024 | 6 | 19 | - 663 | - 1,005 |
| Premiums earned (net) | 35,723 | 33,766 | 19,410 | 18,979 | 55,133 | 52,745 |

²⁾ After eliminating intra-Group transactions between segments

Gross premiums written in the year under review totaled € 60,408 (58,331) mn for direct insurance business and € 2,745 (3,257) mn for reinsurance business assumed.

In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only those parts of the premiums used to cover the risks insured and costs involved are treated as premium income.

25 Interest and similar income

| | 2002 € mn | 2001 € mn |
|--|---------------|---------------|
| Income from | | |
| Securities held to maturity | 384 | 467 |
| Securities available for sale | 13,747 | 13,055 |
| Real estate used by third parties | 1,141 | 1,108 |
| Lending, money market transactions and loans | 11,058 | 8,566 |
| Leasing agreements | 141 | 68 |
| Other interest-bearing instruments | 1,739 | 960 |
| Total | 28,210 | 24,224 |

Interest and similar income includes dividend income of € 1,806 (2,147) mn.

Net interest margin from banking business²⁾

| | 2002 € mn | 2001 € mn |
|--|--------------|--------------|
| Interest and current income | 13,299 | 9,073 |
| Interest expenses | - 9,292 | - 6,668 |
| Net interest margin | 4,007 | 2,405 |
| Less loan loss allowance | - 2,222 | 588 |
| Net interest margin after loan loss allowance | 1,785 | 1,817 |

²⁾ After eliminating intra-Group transactions between segments

¹⁾ The figures for 2001 include the Dresdner Bank Group only from the time of its initial consolidation (July 23, 2001 to December 31, 2001).

26 Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises

| | 2002 € mn | 2001 € mn |
|--|--------------|--------------|
| Income | | |
| Current income | 736 | 657 |
| Write-ups | 3 | 27 |
| Realized gains from investments in affiliated enterprises, joint ventures, and associated companies | 4,381 | 1,319 |
| Total | 5,120 | 2,003 |
| Expenses | | |
| Depreciation | – | – 243 |
| Realized losses on investments in affiliated enterprises, joint ventures, and associated enterprises | – 708 | – 119 |
| Miscellaneous expenses | – 14 | – 53 |
| Total | – 722 | – 415 |
| Income (net) | 4,398 | 1,588 |

Associated enterprises account for €3,432 (1,388) mn of the income (net) from investments in affiliated enterprises, joint ventures, and associated companies.

27 Other income from investments

| | 2002 € mn | 2001 € mn |
|------------------------------------|--------------|--------------|
| Realized gains on | | |
| Securities held to maturity | 2 | 2 |
| Securities available for sale | 7,972 | 7,738 |
| Real estate used by third parties | 670 | 303 |
| Other investments | 10 | 72 |
| Subtotal | 8,654 | 8,115 |
| Income from revaluations of | | |
| Securities held to maturity | 2 | 7 |
| Securities available for sale | 679 | 184 |
| Real estate used by third parties | 14 | 87 |
| Other investments | 6 | 109 |
| Subtotal | 701 | 387 |
| Total | 9,355 | 8,502 |

28 Trading income

Trading income includes contributions to earnings amounting to €412 (1,385) mn from derivative financial instruments used by insurance companies for which hedge accounting is not applied. These include gains on derivative financial instruments embedded in exchangeable bonds issued amounting to €387 (880) mn. Also included are gains totaling €25 (– 461) mn arising from the use of other derivative financial instruments by insurance companies.

Trading income amounting to € 1,507 (1,592) mn includes income from trading activities of banking business^{*)} totaling € 1,081 (244) mn. This is comprised as follows:

| | 2002 € mn | 2001 € mn |
|--|--------------|--------------|
| Trading in interest products | 738 | 131 |
| Trading in equity products | - 49 | - 72 |
| Foreign exchange/precious metals trading | 301 | 49 |
| Other trading activities | 91 | 136 |
| Total | 1,081 | 244 |

^{*)} After eliminating intra-Group transactions between segments

29 Fee and commission income, and income from service activities

Out of the total fee and commission income, and income from service activities, € 2,784 (1,383) mn are attributable to banking business^{*)} and € 2,816 (2,429) mn are attributable to asset management.^{*)}

Net fee and commission income from banking business^{*)}

| | 2002 € mn | 2001 € mn |
|-----------------------------|--------------|--------------|
| Fee and commission income | 2,784 | 1,383 |
| Fee and commission expenses | - 245 | - 162 |
| Total | 2,539 | 1,221 |

^{*)} After eliminating intra-Group transactions between segments

Net fee and commission income from banking business comprises income from:

| | 2002 € mn | 2001 € mn |
|--------------------------------------|--------------|--------------|
| Securities business | 812 | 713 |
| Lending business | 14 | 72 |
| Underwriting business (new issues) | 103 | 75 |
| Other | 1,610 | 361 |
| Net fee and commission income | 2,539 | 1,221 |

30 Other income

Other income is comprised of the following items:

| | 2002 € mn | 2001 € mn |
|---|--------------|--------------|
| Foreign currency gains | 664 | 114 |
| Fees | 647 | 473 |
| Income from releasing or reducing miscellaneous accrued liabilities | 551 | 694 |
| Income from reinsurance business | 190 | 485 |
| Gains from the disposal of real estate used for own activities and of property, plant and equipment | 115 | 12 |
| Income from other assets | 86 | 101 |
| Other | 855 | 600 |
| Total | 3,108 | 2,479 |

31 Insurance benefits

Insurance benefits in Property/Casualty^{*)} comprise the following:

| | Gross | | Ceded in reinsurance | | Net | |
|--|-----------------|-----------------|----------------------|--------------|-----------------|-----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Claims | | | | | | |
| Claims paid | - 30,055 | - 29,966 | 5,270 | 5,609 | - 24,785 | - 24,357 |
| Change in reserves for loss and loss adjustment expenses | - 2,659 | - 5,871 | - 332 | 2,857 | - 2,991 | - 3,014 |
| Subtotal | - 32,714 | - 35,837 | 4,938 | 8,466 | - 27,776 | - 27,371 |
| Change in other reserves | | | | | | |
| Aggregate policy reserves | - 274 | - 428 | 1 | 227 | - 273 | - 201 |
| Other | 84 | 227 | - 9 | 15 | 75 | 242 |
| Subtotal | - 190 | - 201 | - 8 | 242 | - 198 | 41 |
| Expenses for premium refunds | - 236 | - 167 | 27 | 22 | - 209 | - 145 |
| Total | - 33,140 | - 36,205 | 4,957 | 8,730 | - 28,183 | - 27,475 |

^{*)} After eliminating intra-Group transactions between segments

Insurance benefits in Life/Health^{*)} comprise the following:

| | Gross | | Ceded in reinsurance | | Net | |
|------------------------------|-----------------|-----------------|----------------------|--------------|-----------------|-----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Benefits paid | - 16,689 | - 15,576 | 1,148 | 1,135 | - 15,541 | - 14,441 |
| Change in reserves | | | | | | |
| Aggregate policy reserves | - 5,805 | - 6,526 | - 145 | 231 | - 5,950 | - 6,295 |
| Other | - 453 | - 196 | 205 | 122 | - 248 | - 74 |
| Subtotal | - 22,947 | - 22,298 | 1,208 | 1,488 | - 21,739 | - 20,810 |
| Expenses for premium refunds | - 325 | - 1,873 | 18 | 4 | - 307 | - 1,869 |
| Total | - 23,272 | - 24,171 | 1,226 | 1,492 | - 22,046 | - 22,679 |

^{*)} After eliminating intra-Group transactions between segments

32 Interest and similar expenses

| | 2002 € mn | 2001 € mn |
|--------------------------|--------------|--------------|
| Interest expenses for | | |
| Deposits | - 3,533 | - 2,310 |
| Certificated liabilities | - 4,480 | - 2,907 |
| Subtotal | - 8,013 | - 5,217 |
| Other interest expenses | - 2,638 | - 2,730 |
| Total | - 10,651 | - 7,947 |

The figures for fiscal year 2002 include interest expenses for certificated liabilities of Allianz Finance B.V. (€ 363 mn) and Allianz Finance II B.V. (€ 80 mn).

33 Other expenses for investments

| | 2002 € mn | 2001 € mn |
|-----------------------------------|--------------|--------------|
| Realized losses on | | |
| Securities held to maturity | - 4 | - 12 |
| Securities available for sale | - 8,063 | - 6,888 |
| Real estate used by third parties | - 131 | - 19 |
| Other investments | - 6 | - 79 |
| Subtotal | - 8,204 | - 6,998 |
| Depreciation and write-downs on | | |
| Securities held to maturity | - 31 | - 35 |
| Securities available for sale | - 5,523 | - 1,507 |
| Real estate used by third parties | - 333 | - 378 |
| Other investments | - 11 | - 5 |
| Subtotal | - 5,898 | - 1,925 |
| Total | - 14,102 | - 8,923 |

34 Loan loss provisions

| | 2002 € mn | 2001 € mn |
|---|--------------|--------------|
| Additions to allowances including direct write-offs | - 3,128 | - 1,204 |
| Less amounts released | 817 | 593 |
| Less recoveries on loans previously written off | 70 | 15 |
| Loan loss provisions | - 2,241 | - 596 |

35 Acquisition costs and administrative expenses

| | Property/Casualty ^{*)} | | Life/Health ^{*)} | |
|--|---------------------------------|-----------------|---------------------------|----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Acquisition costs | | | | |
| Payments | - 6,978 | - 6,642 | - 3,975 | - 3,341 |
| Change in deferred acquisition costs | 194 | 270 | 1,438 | 620 |
| Subtotal | - 6,784 | - 6,372 | - 2,537 | - 2,721 |
| Administrative expenses | - 4,125 | - 4,482 | - 1,358 | - 1,269 |
| Underwriting costs (gross) | - 10,909 | - 10,854 | - 3,895 | - 3,990 |
| Less commissions and profit-sharing received on reinsurance business ceded | 1,001 | 1,389 | 179 | 198 |
| Underwriting costs (net) | - 9,908 | - 9,465 | - 3,716 | - 3,792 |
| Expenses for management of investments | - 510 | - 484 | - 553 | - 457 |
| Total acquisition costs and administrative expenses | - 10,418 | - 9,949 | - 4,269 | - 4,249 |

| | Banking Business ^{*)} | | Asset Management ^{*)} | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Personnel expenses | - 4,335 | - 2,045 | - 1,242 | - 1,102 |
| Operating expenses | - 2,982 | - 1,198 | - 475 | - 141 |
| Fee and commission expenses | - 245 | - 162 | - 465 | - 478 |
| Total acquisition costs and administrative expenses | - 7,562 | - 3,405 | - 2,182 | - 1,721 |

^{*)} After eliminating intra-Group transactions between segments

Acquisition costs and administrative expenses in the insurance business include the personnel and operating expenses of the insurance business allocated to the functional areas "Acquisition of insurance policies", "Administration of insurance policies" and "Asset management". Other personnel and operating expenses are reported under insurance benefits (claims settlement expenses) and other expenses.

All personnel and operating expenses in the banking business are reported under "Acquisition costs and administrative expenses".

36 Other expenses

Other expenses are comprised of the following:

| | 2002 € mn | 2001 € mn |
|--|----------------|----------------|
| Expenses for the enterprise as a whole | - 1,279 | - 1,214 |
| Expenses for increasing miscellaneous or accrued liabilities | - 761 | - 389 |
| Foreign currency losses | - 624 | - 137 |
| Expenses resulting from reinsurance business | - 541 | - 562 |
| Expenses for service activities | - 525 | - 971 |
| Depreciation and write-downs of other intangible assets | - 308 | - 413 |
| Fees | - 286 | - 281 |
| Integration/Restructuring expenses | - 261 | - 548 |
| Direct credit from policy reserves | - 256 | - 257 |
| Amortization of capitalized loyalty bonuses to senior management of the PIMCO Group | - 155 | - 173 |
| Expenses for assistance to victims under joint and several liability and road casualties | - 117 | - 127 |
| Interest on accumulated policyholder dividends | - 110 | - 108 |
| Other | - 988 | - 1,198 |
| Total | - 6,211 | - 6,378 |

37 Taxes

Group taxes are comprised of the following:

| | 2002 € mn | 2001 € mn |
|-----------------|--------------|--------------|
| Current taxes | - 844 | - 617 |
| Deferred taxes | 1,653 | 1,531 |
| Subtotal | 809 | 914 |
| Other taxes | - 74 | - 74 |
| Total | 735 | 840 |

The actual tax charge for the fiscal year includes a gain of € 175 mn related to prior periods. The transfer of losses incurred during the fiscal year to earlier years produced a gain of € 57 mn included in this amount.

Deferred taxes are based on the temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax base, and on differences arising from uniform valuation and consolidation.

The tax rates used in the calculation of deferred taxes are the applicable national rates, which in 2002 ranged from 12.5 % to 45.5 %. Changes to tax rates already adopted on the balance sheet date are taken into account. For reasons of commensurability and because of our current tax loss situation in Germany, we refrained from applying the increased corporate tax rate of 26.5 %, which was adopted as part of the Flood Victim Solidarity law and concerns the year 2003 only.

Tax deferrals are recognized if a future reversal of the difference is expected. Deferred taxes on losses carried forward are recognized as an asset if sufficient future taxable profits are available for realization. Safety margins are used where appropriate.

Due to a devaluation of deferred tax claims, a deferred tax charge of € 347 arose in the fiscal year.

Due to the use of tax losses carried forward for which no deferred tax was recognized as an asset, the actual tax charge on earnings diminished by € 31 mn. The recognition of deferred tax claims on losses carried over from earlier periods, for which no deferred taxes had yet been recognized, resulted in deferred tax income of € 55 mn.

Unused tax losses carried forward at the balance sheet date of € 18,322 mn have been recognized as deferred tax assets where there is sufficient certainty that the unused tax losses will be utilized. € 10,376 mn of the tax losses carried forward can be utilized indefinitely.

Losses carried forward can be utilized subject to restrictions and are scheduled in subsequent years as follows:

| Year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | > 10 years | unrestricted | Total |
|------|------|------|------|------|-------|------|------|------|------|------|------------|--------------|--------|
| € mn | 215 | 549 | 299 | 736 | 1,111 | 325 | 335 | 18 | 22 | 4 | 4,332 | 10,376 | 18,322 |

It remains to be seen if, when and how the tax reform plans of the Federal Government with respect to loss equalization and consolidated tax groups will be carried out. At present, it cannot be ruled out that this may necessitate considerable unscheduled write-downs on deferred tax assets.

The recognized tax charge for 2002 is €391 mn less than the anticipated tax charge. The following table shows the reconciliation of the anticipated tax charge on income with the effectively recognized tax charge. The Group reconciliation statement is a summary of the individual company-related reconciliation statements which are based on the respective country-specific tax rate after consolidation effects are taken into account.

| | 2002 € mn | 2001 € mn |
|---|--------------|--------------|
| Anticipated tax charge on income | - 418 | 336 |
| - municipal trade tax and similar taxes | - 138 | - 276 |
| - tax-free income | - 1,416 | - 1,314 |
| + Amortization of goodwill | 285 | 211 |
| + effects of tax losses | 801 | 63 |
| + other tax settlements | 77 | 66 |
| = Current tax charge | - 809 | - 914 |

In addition to the above mentioned effects of devaluations or the delayed use or recognition of losses carried forward from earlier periods, the item "effects of tax losses" also includes effects that arise from not recognizing deferred taxes on tax losses for the current fiscal year, which increase charges by €794 mn.

Under the current German tax laws, the dividend distribution proposed for fiscal 2002 is expected to reduce corporate taxes for fiscal 2003 by €62 mn.

Deferred tax assets and liabilities comprise the following balance sheet headings:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---------------------------------|--------------------|--------------------|
| Deferred tax assets | | |
| Intangible assets | 114 | 169 |
| Investments | 2,628 | 1,809 |
| Trading assets | 562 | 765 |
| Deferred acquisition costs | 53 | 61 |
| Tax loss carried forward | 4,910 | 3,019 |
| Other assets | 843 | 934 |
| Insurance reserves | 2,226 | 1,508 |
| Pensions and similar reserves | 364 | 400 |
| Deferred income | 1,558 | - 250 |
| Total | 13,258 | 8,415 |
| Deferred tax liabilities | | |
| Intangible assets | 268 | 238 |
| Investments | 3,879 | 4,064 |
| Trading assets | 1,826 | 388 |
| Deferred acquisition costs | 1,798 | 1,493 |
| Other assets | 738 | - 101 |
| Insurance reserves | 1,610 | 1,593 |
| Pensions and similar reserves | 12 | 5 |
| Deferred income | 2,057 | 1,218 |
| Total | 12,188 | 8,898 |

Deferred tax income recognized as equity in fiscal 2002 amounts to €589 mn.

38 Supplementary information on insurance business

Investments⁹⁾

| | Property/Casualty | | Life/Health | | Total | |
|---|-------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| I. Real estate (including real estate owned by Allianz and used for its own activities) | 5,647 (1,953) | 6,930 (1,872) | 7,496 (1,102) | 7,450 (1,058) | 13,143 (3,055) | 14,380 (2,930) |
| II. Investments in affiliated enterprises, joint ventures, and associated enterprises | 5,087 | 6,988 | 1,888 | 1,073 | 6,975 | 8,061 |
| III. Loans | 2,289 | 1,901 | 16,373 | 14,785 | 18,662 | 16,686 |
| IV. Other securities | | | | | | |
| 1. Held to maturity | 596 | 1,179 | 5,199 | 5,482 | 5,795 | 6,661 |
| 2. Available for sale | 64,711 | 76,703 | 177,269 | 168,030 | 241,980 | 244,733 |
| 3. Trading (Trading assets) | 1,404 | 1,371 | 1,144 | 771 | 2,548 | 2,142 |
| Total IV. | 66,711 | 79,253 | 183,612 | 174,283 | 250,323 | 253,536 |
| V. Other investments | 7,111 | 8,070 | 3,576 | 1,563 | 10,687 | 9,633 |
| Total | 86,845 | 103,142 | 212,945 | 199,154 | 299,790 | 302,296 |

⁹⁾Investments in conformity with EU insurance accounting guideline and after eliminating intra-Group transactions between segments

Investment income⁹⁾

| | Property/Casualty | | Life/Health | | Total | |
|---|-------------------|--------------|--------------|--------------|--------------|--------------|
| | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn | 2002 € mn | 2001 € mn |
| Income from investments | | | | | | |
| Current income | 4,755 | 5,278 | 10,862 | 10,516 | 15,617 | 15,794 |
| Income from revaluations | 1,137 | 1,329 | 618 | 614 | 1,755 | 1,943 |
| Realized investment gains | 6,602 | 4,458 | 5,487 | 3,605 | 12,089 | 8,063 |
| Subtotal | 12,494 | 11,065 | 16,967 | 14,735 | 29,461 | 25,800 |
| Investment expenses | | | | | | |
| Depreciation and write-downs on investments | - 2,273 | - 1,104 | - 2,853 | - 1,319 | - 5,126 | - 2,423 |
| Realized investment losses | - 1,887 | - 2,193 | - 6,595 | - 4,909 | - 8,482 | - 7,102 |
| Investment management, interest charges and other investment expenses | - 1,131 | - 1,061 | - 550 | - 526 | - 1,681 | - 1,587 |
| Subtotal | - 5,291 | - 4,358 | - 9,998 | - 6,754 | - 15,289 | - 11,112 |
| Total | 7,203 | 6,707 | 6,969 | 7,981 | 14,172 | 14,688 |

⁹⁾Investments in conformity with EU insurance accounting guideline and after eliminating intra-Group transactions between segments

39 Supplementary information on banking business⁹⁾

Volume of foreign currency exposure from banking business

The amounts reported constitute aggregate euro equivalents of a wide variety of currencies outside the EMU. Any differences between the amounts of assets and liabilities result from differing valuation principles. Loans and advances and liabilities are reported at amortized cost, while all derivative transactions are accounted for at fair value.

| | USD in € mn | GBP in € mn | Other in € mn | 12/31/2002 € mn | 12/31/2001 € mn |
|----------------------------|----------------|----------------|------------------|--------------------|--------------------|
| Balance sheet items | | | | | |
| Assets | 90,518 | 42,725 | 30,618 | 163,861 | 185,528 |
| Liabilities | 99,190 | 50,972 | 27,757 | 177,919 | 208,184 |

⁹⁾ After eliminating intra-Group transactions between segments

Collateral pledged for own liabilities of banking business

For the following liabilities and contingencies, assets having the indicated value were pledged as collateral:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Liabilities to banks | 84,081 | 32,226 |
| Liabilities to customers | 40,411 | 4,018 |
| Certificated liabilities | – | – |
| Contingent liabilities | 70 | 2 |
| Other commitments | 8,863 | 8,521 |
| Total collateralized liabilities | 133,425 | 44,767 |

The total amount of collateral pledged consists of the following assets:

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Loans and advances to banks | 24,648 | 5,132 |
| Loans and advances to customers | 23,843 | 9,542 |
| Trading assets | 65,430 | 26,700 |
| Investments | 19,483 | 3,376 |
| Property and equipment | 21 | 17 |
| Total value of collateral pledged | 133,425 | 44,767 |

Structure of residual terms for banking business

The following presents loans and advances and liabilities in the banking business according to their final maturity or call date.

| | 12/31/2002 | | | | |
|---|----------------|------------------------|---------------------------------|--------------------------------|------------------------------|
| | Total € mn | Up to 3 months € mn | > 3 months to 1 year € mn | > 1 year to 5 years € mn | More than 5 years € mn |
| ASSETS | | | | | |
| Term loans and advances to banks | 77,157 | 56,247 | 17,331 | 2,670 | 909 |
| Loans and advances to customers ¹⁾ | 175,243 | 77,079 | 18,899 | 35,517 | 43,748 |
| Term loans and advances | 252,400 | 133,326 | 36,230 | 38,187 | 44,657 |
| LIABILITIES | | | | | |
| Participation certificates and subordinated liabilities | 9,832 | 6 | 1,097 | 3,110 | 5,619 |
| Term liabilities to banks ²⁾ | 118,169 | 91,749 | 16,283 | 3,999 | 6,138 |
| Liabilities to customers ²⁾ | | | | | |
| Savings deposits and home-loan savings deposits | 6,128 | 2,420 | 864 | 1,591 | 1,253 |
| Other term liabilities to customers | 81,375 | 65,241 | 5,988 | 4,461 | 5,685 |
| Certificated liabilities | 64,439 | 25,512 | 15,058 | 19,043 | 4,826 |
| Term liabilities | 279,943 | 184,928 | 39,290 | 32,204 | 23,521 |

¹⁾ Loans and advances to customers with residual terms of up to 3 months include €8,510 mn of undated claims. These claims include credit lines available until further notice, overdraft facilities, loans called or overdue, unauthorized overdrafts, call money and internal account balances.

²⁾ Excluding balances payable on demand.

The Dresdner Bank Group securitizes certain loan portfolios and sells them in the capital market. The transferred assets are securitized by special-purpose entities in the form of debt securities and sold to third parties. The Dresdner Bank Group carries out these transactions through the fully-consolidated special-purpose entities Silver Lux Inc., Grand Cayman and Silver Tower 125 Inc., Grand Cayman. The maximum transaction volume for each entity is €5 bn. At December 31, 2002, total utilization of both programs came to €5.16 bn.

Trustee business in banking business

The table below presents a breakdown of trustee business in banking business not reported in the balance sheet.

| | 12/31/2002 € mn | 12/31/2001 € mn |
|--|--------------------|--------------------|
| Loans and advances to banks | 5,217 | 3,415 |
| Loans and advances to customers | 4,247 | 4,497 |
| Investments | 7 | 7 |
| Other | - | 9 |
| Assets held in trust^{*)} | 9,471 | 7,928 |
| Liabilities to banks | 955 | 300 |
| Liabilities to customers | 8,516 | 7,628 |
| Liabilities incurred as a trustee | 9,471 | 7,928 |

^{*)} Including € 8,847 (5,078) mn of trustee loans.

Other banking information

- _ Loans and advances (after loan loss allowance) to banks and customers include reverse repos totaling € 98,063 (82,945) mn. Liabilities to banks and customers include repo transactions amounting to € 63,573 (59,946) mn.
- _ Subordinated assets amounted to € 473 (466) mn.
- _ At the balance-sheet date there were commitments to repurchase assets sold under repurchase agreements with a net book value of € 61,068 (63,505) mn.
- _ An amount of € 287 (381) mn eligible for refinancing with the central bank is held in cash funds.

40 Use, treatment and reporting of derivative financial instruments

The use of derivatives by individual enterprises in the Allianz Group is in compliance with the relevant supervisory regulations and the Group's own internal guidelines. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Group. Further information on the risks hedged and the Group's risk management systems is included in the Management Report under "Risk Management".

Insurance companies in the Allianz Group use derivatives to manage their investments efficiently on the basis of general investment targets. The most important aspect of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. In our banking business, derivatives are used particularly for trading purposes and to hedge interest-rate, currency and other price risks of the banking book.

The settlement risk is virtually excluded in the case of exchange-traded products, which are standardized products. By contrast, over-the-counter products, which are individually traded contracts, carry a theoretical credit risk amounting to the positive market values. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives.

The following table shows the distribution of derivative positions on the balance sheet date.

Positive and negative market values are shown on a gross basis, i.e. not taking into account netting effects.

Notional principal amounts and market values of open derivative positions as of December 31

Insurance Segments Property/Casualty and Life/Health

| | Maturity as of 12/31/2002 | | | 2002 | | | 2001 | |
|-----------------------------------|---------------------------|----------------|-----------------|----------------------------------|------------------------------|------------------------------|----------------------------------|-------------------------|
| | up to 1 year | 1 – 5 years | over 5 years | Notional principal amounts | Positive market values | Negative market values | Notional principal amounts | Net market values |
| | € mn | € mn | € mn | € mn | € mn | € mn | € mn | € mn |
| Interest rate contracts | 1,973 | 7,132 | 3,906 | 13,011 | 133 | - 172 | 12,404 | - 30 |
| OTC | | | | | | | | |
| Forwards | 1,258 | - | - | 1,258 | 2 | - 6 | - | - |
| Swaps | 274 | 750 | 2,269 | 3,293 | 104 | - 93 | 3,089 | - 6 |
| Swaptions | - | 136 | - | 136 | 11 | - | 136 | 6 |
| Caps | - | 6,246 | 1,335 | 7,581 | - | - 62 | 7,573 | - 26 |
| Options | 101 | - | 282 | 383 | 1 | - 10 | 99 | - 3 |
| Exchange traded | | | | | | | | |
| Futures | 340 | - | - | 340 | 3 | - | 217 | - 1 |
| Options | - | - | 20 | 20 | 12 | - 1 | 1,290 | - |
| Equity/Index contracts | 12,434 | 12,255 | 338 | 25,027 | 1,565 | - 1,217 | 21,702 | 2,576 |
| OTC | | | | | | | | |
| Forwards | 602 | 1,979 | - | 2,581 | 1,105 | - 24 | 8,704 | 2,801 |
| Swaps | - | 1,273 | 79 | 1,352 | 2 | - 388 | 1,484 | 180 |
| Options | 8,186 | 8,007 | 221 | 16,414 | 323 | - 776 | 9,763 | - 408 |
| Exchange traded | | | | | | | | |
| Futures | 2,084 | - | - | 2,084 | 80 | - 1 | 800 | 1 |
| Options | 1,562 | 996 | 38 | 2,596 | 55 | - 28 | 951 | 2 |
| Foreign exchange contracts | 3,339 | 1,557 | 331 | 5,227 | 282 | - 62 | 3,947 | 58 |
| OTC | | | | | | | | |
| Forwards | 3,219 | 103 | - | 3,322 | 135 | - 59 | 2,422 | 68 |
| Swaps | 2 | 1,454 | 331 | 1,787 | 146 | - 3 | 1,378 | - 10 |
| Options | 94 | - | - | 94 | - | - | 146 | - |
| Exchange traded | | | | | | | | |
| Futures | 24 | - | - | 24 | 1 | - | 1 | - |
| Credit contracts | - | - | 79 | 79 | 3 | - 13 | - | - |
| OTC | | | | | | | | |
| Swaps | - | - | 79 | 79 | 3 | - 13 | - | - |
| Total | 17,746 | 20,944 | 4,654 | 43,344 | 1,983 | - 1,464 | 38,053 | 2,604 |

The major exposures in equity trading are in the form of options used for hedging the portfolio against market fluctuations. In managing interest rate risk long-term interest income is primarily controlled by the use of interest rate caps. In addition, exchange rate fluctuations are hedged by synthetically transforming financial assets and liabilities in foreign currencies into €-denominated financial instruments through foreign exchange deals and currency swaps.

Notional principal amounts and market values of open derivative positions as of December 31

Banking and Asset Management Segments

| | Maturity as of 12/31/2002 | | | 2002 | | | 2001 | |
|--------------------------------|---------------------------|----------------|-----------------|----------------------------------|------------------------------|------------------------------|----------------------------------|-------------------------|
| | up to 1 year | 1 – 5 years | over 5 years | Notional principal amounts | Positive market values | Negative market values | Notional principal amounts | Net market values |
| | € mn | € mn | € mn | € mn | € mn | € mn | € mn | € mn |
| Interest rate contracts | 1,200,206 | 721,778 | 587,629 | 2,509,613 | 46,500 | - 44,794 | 3,216,201 | 259 |
| OTC | | | | | | | | |
| Forwards | 98,372 | 9,115 | - | 107,487 | 90 | - 101 | 275,788 | 20 |
| Swaps | 985,619 | 608,056 | 511,649 | 2,105,324 | 44,994 | - 42,585 | 2,477,685 | 903 |
| Swaptions | 528 | 12,028 | 47,431 | 59,987 | 562 | - 1,571 | 61,842 | - 810 |
| Caps | 10,168 | 28,963 | 16,942 | 56,073 | 296 | - 105 | 62,172 | 39 |
| Floors | 9,482 | 15,852 | 11,093 | 36,427 | 518 | - 413 | 40,491 | 118 |
| Options | - | 10 | 239 | 249 | 17 | - | 796 | 4 |
| Other | - | - | - | - | - | - | 146 | - |
| Exchange traded | | | | | | | | |
| Futures | 90,064 | 43,445 | - | 133,509 | 14 | - 12 | 255,075 | - 15 |
| Options | 5,973 | 4,309 | 275 | 10,557 | 9 | - 7 | 42,206 | - |
| Equity/Index contracts | 71,980 | 52,761 | 3,857 | 128,598 | 7,113 | - 6,770 | 147,176 | 852 |
| OTC | | | | | | | | |
| Swaps | 853 | 2,354 | 773 | 3,980 | 520 | - 426 | 3,951 | 271 |
| Options | 28,622 | 42,501 | 3,046 | 74,169 | 4,586 | - 4,399 | 85,333 | 272 |
| Other | 27 | 5 | - | 32 | - | - 8 | 497 | 361 |
| Exchange traded | | | | | | | | |
| Futures | 7,333 | 1 | 29 | 7,363 | 3 | - 9 | 10,356 | 15 |
| Options | 35,145 | 7,900 | 9 | 43,054 | 2,004 | - 1,928 | 47,039 | - 67 |
| Foreign exchange | 434,250 | 60,657 | 22,192 | 517,099 | 11,911 | - 13,439 | 519,525 | 1,884 |
| OTC | | | | | | | | |
| Forwards | 340,821 | 10,182 | 201 | 351,204 | 7,570 | - 9,031 | 370,678 | 874 |
| Swaps | 14,741 | 45,588 | 18,381 | 78,710 | 3,306 | - 3,091 | 84,278 | 1,011 |
| Options | 75,915 | 4,598 | 3,610 | 84,123 | 979 | - 1,284 | 62,530 | 1 |
| Other | - | - | - | - | - | - | 122 | 1 |
| Exchange traded | | | | | | | | |
| Futures | 2,773 | 289 | - | 3,062 | 56 | - 33 | 1,798 | - |
| Options | - | - | - | - | - | - | 119 | - 3 |
| Credit contracts | 5,704 | 56,655 | 3,564 | 65,923 | 1,320 | - 1,354 | 25,820 | - 190 |
| OTC | | | | | | | | |
| Credit default swaps | 5,656 | 48,236 | 2,868 | 56,760 | 807 | - 657 | 16,561 | 57 |
| Total return swaps | 48 | 8,419 | 696 | 9,163 | 513 | - 697 | 9,259 | - 247 |
| Other contracts | 5,233 | 2,569 | 324 | 8,126 | 417 | - 264 | 10,350 | - 31 |
| OTC | | | | | | | | |
| Precious metals | 4,960 | 2,557 | 324 | 7,841 | 416 | - 263 | 9,723 | - 18 |
| Other | 229 | 12 | - | 241 | 1 | - 1 | 332 | - 13 |
| Exchange traded | | | | | | | | |
| Futures | - | - | - | - | - | - | 217 | - |
| Options | 44 | - | - | 44 | - | - | 78 | - |
| Total | 1,717,373 | 894,420 | 617,566 | 3,229,359 | 67,261 | - 66,621 | 3,919,072 | 2,774 |

The main derivative financial instruments used are interest rate derivatives, in particular interest rate swaps that are primarily entered into in the course of trading activities.

Pursuant to IAS 39, derivative financial instruments are reported under financial assets or liabilities held-for-trading. Gains or losses arising from valuation at fair value are included under trading income.

This applies to free standing derivatives and for separated embedded derivatives of hybrid financial instruments that are not used for hedge transactions recognized in the balance sheet. In contrast, derivatives used in hedge transactions are in principle recognized in accordance with the classification of the hedged item.

Derivative financial instruments used for hedge transactions are classified as follows.

The risk of changes in the fair value of reported assets or liabilities is hedged by a fair value hedge. Changes in the fair value of a hedging instrument are recognized in the current period income, while for the hedged item only the pro rata share of the profit or loss attributable to the hedged risk is recognized in the income statement.

The Allianz Group principally uses fair value hedging. Important hedging instruments are interest rate swaps. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge). The derivative financial instruments used for fair value hedges had a fair value of € 33 (1,925) mn. Ineffectiveness in hedge transactions led to a loss of € 10 mn (gain of € 66 mn).

Hedge accounting may also be applied to hedge a net investment in a foreign entity. Financial instruments are used here to hedge the currency risk. The proportion of gains or losses arising from valuation of the hedging instrument, which is classified as an effective hedge, is recognized as shareholders' equity, while the ineffective part flows directly into the income statement.

Foreign exchange hedging transactions with a fair value of € 107 (46) mn were entered into to hedge currency risks related to a net investment in a foreign entity. Application of hedge accounting increased other reserves by € 164 (– 61) mn.

41 Fair value

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. If market prices are not available, the fair value is based on estimates using the present value of future cash flows method or another appropriate valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cash flows. Specific financial instruments are discussed below.

The Group uses the following methods and assumptions to determine fair values:

Cash and cash equivalents

Owing to the short-term nature of these instruments, the carrying amount corresponds to the fair value.

Investments (including trading assets and liabilities)

The fair value of fixed-term securities is based on market prices, provided these are available. If fixed-term securities are not actively traded, their fair value is determined on the basis of valuations by independent data suppliers. The fair value of equities is based on their stock-market prices. The carrying amount and the fair value for fixed-term securities and equities do not include the fair value of derivative contracts used to hedge the related fixed-term securities and equities.

The fair value of derivatives is derived from the value of the underlying assets and other market parameters. Exchange-traded derivative financial instruments are valued based on publicly quoted market prices. Valuation models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle in full all the future rights and obligations arising from the financial contract.

Loans and advances to banks and customers

The fair value of loans is calculated using the discounted cash flow method. This method uses the effective yield of similar debt instruments. Where there is doubt regarding the repayment of the loan, the anticipated cash flows are discounted using a reasonable discount rate and includes a charge for an element of uncertainty in cash flows.

Separate accounts assets and liabilities

The fair values of separate accounts assets were determined using the market value of the underlying investments. Fair values of separate accounts liabilities were determined using cash surrender values of the policyholders' and contractholders' account.

Investment contracts with policyholders

Fair values for life insurance investment contracts were determined using the cash surrender values of the policyholders' and contract holders' accounts.

Certificated liabilities

The fair value of long-term traded bonds and loans payable is estimated using discounted cash flow analyses, using interest rates currently being offered for similar loans and other borrowings.

The following table presents the carrying amount and estimated fair value of the Group's financial instruments as of December 31:

| | 2002 | | 2001 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount € mn | Fair Value € mn | Carrying Amount € mn | Fair Value € mn |
| Financial assets | | | | |
| Cash and cash equivalents | 21,008 | 21,008 | 21,240 | 21,240 |
| Investments | 272,530 | 272,758 | 329,880 | 329,999 |
| Loans and advances to banks and customers | 274,906 | 276,263 | 300,967 | 302,201 |
| Trading assets | 124,842 | 124,842 | 128,422 | 128,422 |
| Separate account assets | 25,657 | 25,657 | 24,692 | 24,692 |
| Financial liabilities | | | | |
| Investment contracts with policyholders | 52,527 | 49,762 | 58,685 | 57,128 |
| Separate account liabilities | 25,687 | 24,943 | 24,726 | 24,322 |
| Liabilities to banks and customers | 284,598 | 284,659 | 312,725 | 313,144 |
| Certificated liabilities | 78,750 | 79,980 | 134,670 | 133,162 |
| Trading liabilities | 53,520 | 53,520 | 44,538 | 44,538 |

The tax treatment of the related unrealized gains and losses can have a significant effect on the fair value estimates and has not been considered in the estimates.

Certain assets and liabilities are specifically excluded from the disclosure requirements of financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the Group's total value.

42 Related party disclosures

The following report relates to transactions with associated enterprises and enterprises in which the Allianz Group holds or held an ownership interest of between 10 % and 20 %, or to enterprises which held such an ownership interest in Allianz AG.

These business relationships are stated as of December 31, 2002 unless otherwise indicated.

Dresdner Bank

After a successful takeover offer for the acquisition of Dresdner Bank shares in March 2001 and the conclusion of forward purchases on January 15 and 16, 2002 as well as some additional purchases, the Allianz Group in February, 2002, held 95.6 % of the shares of Dresdner Bank and announced its intention to purchase all shares of Dresdner Bank still in the possession of minority shareholders. The cash compensation for the transfer of these shares was established on the basis of an expert opinion by Ernst & Young and its adequacy was confirmed by a court-appointed auditor. On May 24, 2002, the Annual General Meeting of Dresdner Bank approved the squeeze-out of minority shareholders. On July 11, 2002, this decision was entered into the Register of Commerce. By squeezing out minority shareholders, Allianz AG acquired 15,982,988 shares of Dresdner Bank for which, based on a valuation of € 51,50 per share, it paid a compensation of € 823,123,882 to the departing minority shareholders. In accordance with German Company Law, some of the squeezed-out minority shareholders asked for a review of the adequacy of the cash compensation by the Regional Court (in a so-called Spruchstellenverfahren). The outcome of these proceedings remains uncertain at this time. Should the findings of these proceedings be to the detriment of Allianz AG, the ordered increase of the cash compensation will be applicable to the cash compensation of all former minority shareholders squeezed out by the decision of the General Meeting of May 24, 2002. On December 31, 2002, the Allianz Group held an ownership interest of 100 % in Dresdner Bank.

As a result, Dresdner Bank is no longer a related company of Allianz AG but a Group company.

The Allianz Group and Dresdner Bank had a wide range of business relationships already prior to the acquisition of Dresdner Bank, for example in banking, distribution of insurance products and asset management. These transactions were concluded on ordinary market terms and conditions.

Material business relationships also exist with the following related parties:

Münchener Rückversicherungs-Gesellschaft AG in Munich (Munich Re)

Munich Re is an associated company of the Allianz Group. The relationship between Allianz AG and Munich Re is set forth in the so called Principles of Cooperation of May 2000, which mainly govern the reinsurance relationships between the two companies. Among other things, the Principles of Cooperation determine that Munich Re shall provide reinsurance for 14 % of the gross self-retention of the insurance business of the companies of Allianz's German Property-Casualty Group via Allianz AG. Under the terms of the Principles of Cooperation, Munich Re is the principal reinsurer of Allianz AG and Allianz AG cedes the majority of its externally ceded reinsurance to Munich Re. Notwithstanding its right to freely choose its reinsurer, Allianz AG will give Munich Re the first opportunity to submit bids. The Principles of Cooperation were amended in December 2001 by a supplementary agreement, under the terms of which the mutually ceded reinsurance volume is to be adjusted on a step-by-step basis by 2008. The supplementary agreement is effective through December 31, 2010. Due to the merger of Vereinte Versicherung AG with Allianz Versicherungs-AG, the share of the reinsurance business of Allianz Sachgruppe Deutschland to be assumed by Munich Re was reduced from 14 % to 10.5 % in an agreement of August 2, 2002, effective retroactively as of January 1, 2002.

The Principles of Cooperation of May 2000 can be terminated as of December 31, 2005. On December 19, 2002, this termination agreement was amended by a supplementary agreement which stipulates the terms of termination of the Principles of Cooperation to be ineffective until December 31, 2003 and shortens the termination notice set forth therein from three to two years. This means that the Principles of Cooperation will be automatically renewed for another ten years only if they are not terminated prior to December 31, 2003.

Other reinsurance and retrocession agreements with the individual companies of the Allianz Group govern which reinsurance business will be assumed by the Munich Re Group from, or ceded by the Munich Re Group to the Allianz Group.

The Allianz Group premiums that were ceded to or assumed from companies of the Munich Re Group are shown in the following table:

| | 2002 € mn | 2001 € mn |
|------------------|--------------|--------------|
| Ceded premiums | 2,300 | 2,400 |
| Assumed premiums | 600 | 850 |

The reinsurance agreements between the two Groups are governed by terms and conditions that could also be obtained by third parties.

In May 2000, Allianz AG and Munich Re signed a letter of intent which, among other things, provides that Allianz AG and Munich Re will reduce their shareholdings in each other to a level of approximately 20 %. This reduction is to be achieved, or initiated, by December 31, 2003. As of December 31, 2002, the Allianz

Group held 22.4 % of the ordinary shares of Munich Re. This interest increased to 23.2 % by February 28, 2003. Munich Re informed us that on December 31, 2002, the Munich Re Group held 21.2 % of the ordinary shares outstanding of Allianz AG (as of December 31, 2002). Taking into account treasury shares held by Allianz Group companies on February 28, 2003, whose number was reduced after fulfilling the exchange offer for participation certificates, the registered ownership interest of the Munich Re Group in Allianz AG amounted to 20.7 % as of February 28, 2003.

In connection with the acquisition of Dresdner Bank, Allianz AG pledged to the Commission of the European Communities to limit its voting rights from ordinary shares of Munich Re to 20.5 % of the total ordinary share capital of Munich Re. In addition, Allianz AG agreed to reduce its long-term shareholding in Munich Re to 20.5 %. This commitment includes the ordinary shares of Munich Re held by Dresdner Bank. The commitment of Allianz AG to the European Commission does not affect ordinary shares of Munich Re that are acquired and held by the companies of the Allianz Group as part of their trading portfolio in the ordinary course of business and which do not have voting rights attached. The commitment also does not affect the exercise of voting rights on behalf of clients or voting rights attached to ordinary shares held in the ordinary course of business for the account of third parties.

The Principles of Cooperation between Munich Re and Allianz AG further provide that upon termination of the Principles of Cooperation, a mutual obligation of the parties will continue to exist for a period of two years, in accordance with which both Allianz AG and Munich Re, if they wish to sell their ownership interest they hold in the other, will grant the other a right to designate the buyer of the ownership interest being sold.

On January 15, 2002, the 40.5 % ownership interest in Allianz Lebensversicherungs-AG (Allianz Leben) previously held by Munich Re was sold to Allianz AG. The reinsurance relationships between Allianz Leben and Munich Re will continue on the basis of existing contracts until 2010.

Effective as of June 30, 2002, Munich Re transferred its ownership interest of 50.0 % in Franfurter Versicherungs-AG and its ownership interest of 45.0 % in Bayerische Versicherungsbank AG to Allianz Versicherungs-AG. Allianz transferred its ownership interest of 36.1 % in Karlsruher Lebensversicherung AG, a subsidiary of Munich Re, to Munich Re. These transfers were made in fulfillment of the agreement in the letter of intent signed between Allianz AG and Munich Re on May 4, 2000.

HypoVereinsbank AG

On January 15, 2002, Allianz Group transferred a 16 % shareholding in HypoVereinsbank to Munich Re for a purchase price of € 5,133 mn. On December 31, 2002, Allianz Group held 0.3 % of the ordinary shares of HypoVereinsbank. At the same date, HypoVereinsbank held 4.6 % of the ordinary shares of Allianz AG. Taking into account ordinary shares of Allianz AG held by Allianz Group companies, the ownership interest of HypoVereinsbank in Allianz AG on February 28, 2003, was 4.9 %.

Allianz AG and its subsidiaries terminated the existing cooperation agreement with HypoVereinsbank concerning the distribution of insurance products in the course of the year 2001.

Exercise of mandates in related enterprises

On December 31, 2002, no member of the Board of Management or the Supervisory Board of Allianz AG still held any seat on the Board of Management or the Supervisory Board of Munich Re or HypoVereinsbank.

Transactions with related enterprises

Transactions with the above-mentioned related enterprises are concluded at ordinary market terms.

Other related companies

The Allianz Group has a number of additional associated companies in which the Allianz Group hold interests of between 10 % and 20 %. Companies of the Allianz Group have various types of business relations with the companies (particularly in the area of insurance, banking and asset management). These relations are subject to ordinary market conditions. In particular, the business relations with associated companies in the insurance business take on various forms and may also include special service, reinsurance, cost-sharing and asset management agreements whose terms Allianz Group deems to be appropriate.

Terror risk insurance companies

In the aftermath of the terrorist attacks of September 11, 2001, terror risk insurance companies were founded in Germany and Luxembourg to address the existing shortage of direct insurance and reinsurance coverage for major risks in the international markets. The shareholders of these companies are a number of direct insurers and reinsurers, including companies of the Allianz Group. Allianz Versicherungs-AG holds a 16 % interest in Deutsche EXTREMUS Versicherungs-AG (EXTREMUS), which was registered on October 22, 2002, and has an equity capital of € 50 mn. Munich Re also holds a 16 % interest in EXTREMUS. On the basis of the € 10 bn state guarantee granted by the Federal Republic of Germany, EXTREMUS is able to provide excess coverage of up to € 13 bn for terror risks encountered in Germany. Allianz AG holds an 18.2 % interest in Special Risk Insurance and Reinsurance Luxembourg S. A. (SRIR), which was registered on April 4, 2002, and has an equity capital of € 300 mn.

Loans to shareholders

As part of the normal course of business, the Group also grants loans to non-employee shareholders. These are granted at market conditions. Employees may obtain the preferential conditions usually granted in the industry.

Loans to Members of the Board of Management and the Supervisory Board

In the normal course of business, members of the Board of Management and the Supervisory Board may be granted loans by Dresdner Bank. Such loans are subject to the usual conditions in the industry. No additional loans were granted in the past year. On December 31, 2002, loans to board members granted in previous years and amounting to € 0.5 (1) mn were still outstanding, including € 0.5 (1) mn to board members of subsidiaries.

43 Contingent liabilities and other commitments

Contingent liabilities and other commitments resulting primarily from our banking business include the Group's potential future liabilities under loan commitments to customers not yet drawn upon, with the term of such commitments being limited. The Group engages in providing open credit facilities to allow customers quick access to funds required to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party, stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost, documentary letters of credit which are payments related to foreign trade finance made on behalf of a customer and

reimbursed to the Group later, note issuance facilities and revolving underwriting facilities which allow customers to issue money-market paper or medium-term notes when required without engaging in the normal underwriting process on each occasion. Revenue for guarantees is recognized under "Fee and commission income" and is determined by application of agreed rates on the nominal amount of the guarantees.

| | 12/31/2002 € mn | 12/31/2001 € mn |
|---|--------------------|--------------------|
| Contingent liabilities on endorsed bills of exchange settled with customers | 1 | 1 |
| Including: rediscounted at central banks | - | - |
| Contingencies on guarantees and warranties | | |
| Credit guarantees | 1,878 | 2,131 |
| Other guarantees and warranties | 16,234 | 17,301 |
| Letters of credit | 2,092 | 2,297 |
| of which: | | |
| letters of credit opened | 1,107 | 1,189 |
| letters of credit confirmed | 985 | 1,108 |
| Subtotal | 20,205 | 21,730 |
| Liability on collateral pledged for third-party liabilities | - | 567 |
| Other contingent liabilities | 385 | 3,194 |
| Total contingent liabilities | 20,590 | 25,491 |
| Underwriting commitments | 7 | - |
| Irrevocable loan commitments | | |
| Advances | 31,321 | 27,947 |
| Stand-by facilities | 11,567 | 12,346 |
| Guarantee credits | 2,942 | 1,785 |
| Discount credits | 75 | 15 |
| Mortgage loans/public-sector loans | 307 | 844 |
| Total other commitments | 46,219 | 42,937 |

The figures disclosed in the accompanying tables represent the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. The majority of these commitments may expire without being drawn upon and are not representative of actual future credit exposure or liquidity requirements for such commitments.

As of December 31, 2002 there were no underwriting commitments drawn.

On the balance sheet date commitments to pay up shares, bonds and other capital interests totaled € 85 mn; secondary liability under clause § 24 of the German Limited Liability Companies Act (GmbH-Gesetz) were € 16 mn, and obligations arising from hire, rental and leasing agreements existed in an aggregate amount of € 2,920 mn.

Liquiditäts-Konsortialbank GmbH (LIKO) is a bank founded in 1974 in order to provide funding for German banks which experience liquidity problems. The shares in LIKO are owned 30 % by Deutsche Bundesbank, with the rest of the shares being held by other German banks and banking associations. The shareholders have provided capital of € 200 mn to fund LIKO; Dresdner Bank's participation is € 12.1 mn. The Dresdner Bank Group is contingently liable to pay in further assessments to LIKO up to € 60.5 mn. In addition, under clause § 5 (4) of the Articles of Association of LIKO, Dresdner Bank is committed to a secondary liability which arises if other shareholders do not fulfill their commitments to pay their further assessment. In all cases of secondary liability, the financial status of the other shareholders involved is sound.

The liability arising from Dresdner Bank's interest in Bankhaus Reuschel & Co. is unlimited due to the legal form in which this enterprise is organized. The financial status of the other partners involved is sound.

In addition, Dresdner Bank is a member of the German banks' Joint Fund for Securing Customer Deposits, which covers liabilities to each creditor up to specified amounts. As a member of the Joint Fund, which is itself a shareholder in LIKO, Dresdner Bank is severally liable with the other members of the Fund for additional capital contributions, with the maximum being the amount of Dresdner Bank's annual contribution. In the year 2002, the Joint Fund did not levy a contribution (2001: no contribution). Under section 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits we have undertaken to indemnify the Federal Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses it may incur by reason of measures taken on behalf of any banks in which we own a majority interest.

For Allianz of America Inc., Wilmington, Allianz AG posted a surety declaration for obligations in connection with the acquisition of PIMCO Advisers L.P. The Allianz Group acquired a 69.5 % interest in PIMCO, whereby minority partners have the option of offering their 30.5 % share to the majority partner. On December 31, 2002, these commitments amounted to a total of USD 2.054 bn.

In the course of the purchase of Nicholas Applegate, San Diego, an agreement was reached that part of the purchase price would fall due in 2005 and that the amount would depend on the income growth of Nicholas Applegate:

- if average income growth during this period is at least 25 %, this purchase price component will be USD 1.09 bn, with bonus payments of USD 150 mn.
- if average income growth is between 10 % and 25 % payments will be scaled down.
- if average income growth is below 10 %, no payments will be made.

44 Other information

General information about the parent company

The parent company of the Group is Allianz AG, Munich. The company is an "Aktiengesellschaft" (public stock corporation) incorporated in Germany. It is recorded in the German Commercial Register under its registered address at Koeniginstrasse 28, 80802 Munich. Besides serving as holding company for the Group, Allianz AG also acts as reinsurance carrier for the Group.

Number of employees

At the end of 2001, the Group employed a total of 181,651 (179,946) people. 86,768 (87,589) were employed in Germany and 94,883 (92,357) abroad. The number of employees undergoing training decreased by 657 to 7,588.

Personnel expenses

| | 2002 € mn | 2001 € mn |
|--|---------------|--------------|
| Salaries and wages | 8,753 | 6,760 |
| Social security contributions and employee assistance | 1,458 | 1,208 |
| Expenses for pensions and other post-retirement benefits | 992 | 405 |
| Total | 11,203 | 8,373 |

Stock-related remuneration

Share purchase plans for employees

Shares in Allianz AG are offered to qualified employees in Germany and abroad within predefined timeframes at favorable conditions. In order to be qualified, employees must have been employed in continuous service or had a position as an apprentice for a period of six months prior to the share offer and notice must not have been served. Share purchase plans also include restrictions relating to the amount that the employee can invest in purchasing shares. All participating enterprises in Germany and abroad impose restrictions on the disposal of shares, though the length of time varies from a minimum of one year to a maximum of five years, depending on the country involved. The shares are freely disposable after the expiration of the minimum holding period. The number of shares issued under these plans was 136,222 (361,235). The difference between the exercise price and market price of € 4.6 (26.7) mn was reported as part of personnel expenses.

Long-term Incentive Plan

Long-term Incentive Plans (LIP) were set up in 1999 for senior management, in order to reward the contribution made by this level of management toward increasing corporate value and to promote the long-term success of the company.

Under these plans, Stock Appreciation Rights (SARs) are allocated to each senior manager as of April 1. Restrictions are applicable for a period of two years and the rights expire at the end of seven years.

After the periods of restriction have come to an end, SARs may only be exercised if

- during their contractual term, the price of Allianz AG shares has outperformed the Dow Jones Europe STOXX Price Index (600) at least once for a period of five consecutive stock exchange days and
- the Allianz share price outperforms the reference price by at least 20.0 % at the time when the rights are exercised. The reference price for the LIP 2002 (€ 265.00) is the average price of Allianz shares for the first ten trading days after April 18, 2002, the date of the Financial Statements press conference for fiscal 2001.

Under the conditions of the LIP, Group companies are obligated to pay the difference between the stock-market price of Allianz shares on the day the rights are exercised and the reference price in cash.

No rights were exercised for any LIP as of December 31, 2002. The two-year restricted period had not yet expired on December 31, 2002. None of the plans met the second condition defined above (20 % increase of the share price).

Because the intrinsic value of all SARs issued by December 31, 2002, was zero, no reserve was set up for any of these plans. The intrinsic value at balance sheet date is the difference between the share price on the balance sheet date and the reference price of the plan concerned. Call options have been entered into to hedge future obligations.

Share option and shareholding plans of subsidiaries

Managers at the AGF Group, Paris were offered share options on AGF shares. These options have an exercise price of at least 95.0 % of the market price on the day of grant. The maximum term for these options is eight years. On December 31, 2002, 4,786,786 (5,034,600) exercisable options remained outstanding under the AGF options plans. These options are independent of the remuneration plans of the Allianz Group.

Managers at the RAS Group, Milan have been offered share options on RAS shares during 2002. These options have an exercise price of € 12.93 per share. The options can be exercised between August 1, 2003 and July 31, 2008. 793,000 options issued under this scheme were outstanding as of December 31, 2002.

RAS S. p. A., Milan, also offers shareholding plans for employees based on the RAS share, independently of the share purchase plan offered by Allianz. The shares issued under this scheme are subject to restrictions for 3 years in each case from the date of issue. The number of RAS shares issued under these plans that were still subject to restrictions stood at 1,162,346 shares as of December 31, 2002.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income by the weighted average number of common shares outstanding.

The weighted average number of shares does not include 23,658,308 (11,073,783) shares held by the company.

| | | 2002 | 2001 |
|---|------|-------------|-------------|
| Net income | € mn | - 1,167 | 1,623 |
| Weighted average number of shares | | 242,788,806 | 243,585,880 |
| Number of shares (not including shares held by the company) | | 242,977,214 | 241,189,535 |
| Earnings per share | € | - 4.81 | 6.66 |
| Diluted earnings per share | € | - 4.81 | 6.66 |

Events after the balance sheet date

In 2003, Allianz Group plans to integrate the activities of Advance Bank and Finanzplaner into the joint distribution model of Allianz and Dresdner Bank. This will allow the Group to reach its objectives in the growth markets of retirement provision and the constitution of personal assets more rapidly. Already, Allianz and Dresdner Bank are the market leaders in private and corporate retirement provision.

Compensation for the Board of Management and the Supervisory Board

The compensation paid by Allianz AG and its affiliated enterprises to the Board of Management for the year under review is € 17 (16) mn. As of November 1, 2002, the number of members of the Board of Management decreased from 12 to 11. For the first time, the amounts shown include the compensation of members of the Board of Management who also hold seats on the Board of Management of Dresdner Bank for a full-year period (in the previous years as of July 23, 2001).

Total remuneration for members of the Board of Management includes a fixed-component (the basic salary) and a variable component. Up to the year 2002, the latter comprises a component depending on the dividend. From 2002 on, the variable component consists of the annual bonus which includes an individual element and an element based on company performance, and a 3-year bonus, from which payments to members of the Board of Management can be made for the first time in 2004. In case the objective-linked bonus is attained, the variable compensation amounts to 65 % of the total compensation of board members.

The compensation paid to the Board of Management is comprised as follows:

| | 2002 € | 2001 € |
|-----------------------|-------------------|-------------------|
| Fixed remuneration | 7,956,192 | 6,691,056 |
| Variable remuneration | 9,490,617 | 9,231,921 |
| Total | 17,446,809 | 15,922,977 |

In addition to the amounts reported above, Allianz AG and its affiliated enterprises paid an amount of € 9 (1) mn to increase pension reserves and reserves for similar obligations in favor of active members of the Board of Management.

Under the LIP 2002, a total of 47,200 Stock Appreciation Rights (SARs) were issued to members of the Board of Management during the year under review. Based on standard option valuation methods (Black-Scholes or Binomial Method), the value of these rights at the point of their issue was € 5.2 mn. The value of these rights at the end of the fiscal year is € 0.3 mn. At an intrinsic value of € 0, the full amount specified is a time value.

On December 31, 2002 the members of the Board of Management held a total of 119,739 SARs issued from 1999 to 2002. Based on standard option valuation methods (Black-Scholes or Binomial Method) these rights had a value of € 0.5 mn on the balance sheet date. None of the SARs has an intrinsic value at December 31, 2002, so that the full amount specified is a time value.

The following table includes key information on current LIPs in favor of active members of the Board of Management:

| | LIP 2002 | LIP 2001 | LIP 2000 | LIP 1999 |
|--|-----------------|-----------------|-----------------|-----------------|
| Exercise period | 4/2004 – 3/2009 | 4/2003 – 3/2008 | 4/2002 – 3/2007 | 4/2001 – 3/2006 |
| Number of SARs issued | 47,200 | 33,847 | 17,868 | 20,824 |
| Value of SARs on assignment | € 5,236,840 | € 3,811,849 | € 3,126,900 | € 2,311,464 |
| Fair value of SARs as of 12/31/2002 | € 342,200 | € 76,494 | € 18,940 | € 22,490 |
| Intrinsic value of SARs as of 12/31/2002 | € 0 | € 0 | € 0 | € 0 |
| Waiting time expired? | no | no | yes | yes |
| 20 % hurdle cleared? | no | no | no | no |
| Performance hurdle cleared? | yes | yes | yes | yes |

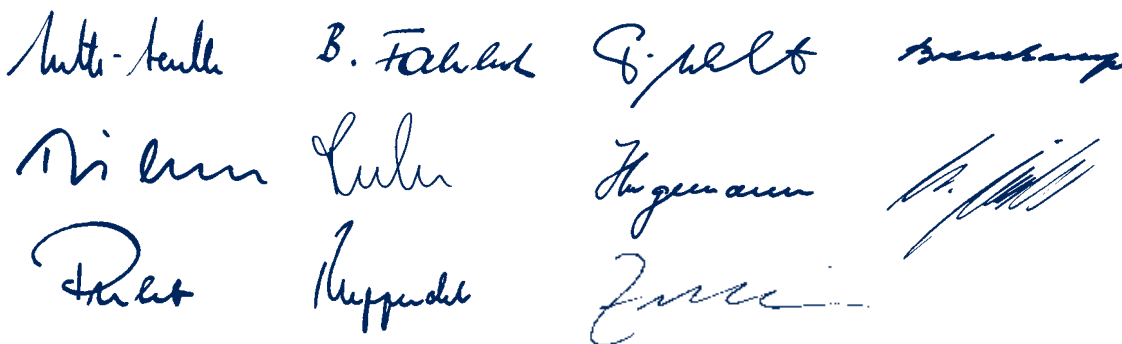
In the year 2002, pensions and other benefits for former members of the Board of Management as well as payments to compensate the claims of former members of the Board of Management amount to € 13 (3) mn. In 2002 , € 7 mn were set aside for compensating the claims of former members of the Board of Management.

€ 29 (27) mn was set aside for current and future pension benefits of former members of the Board of Management and their beneficiaries.

The remuneration of members of the Supervisory Board, including fees becoming payable after the 2003 Annual Meeting of shareholders, will be € 2 (2) mn.

Munich, February 27, 2003

Allianz Aktiengesellschaft
The Board of Management



Selected participations and equity investments

| Operating subsidiaries | Equity in € mn | % owned ¹⁾ |
|---|----------------|-----------------------|
| ADAM International GmbH, Munich | 6 | 100.0 |
| ADVANCE Bank AG, Munich | 77 | 100.0 |
| AGIS Allianz Gesellschaft für Informatik Service mbH, Munich | 182 | 100.0 |
| Allianz Capital Managers GmbH, Munich | 5 | 100.0 |
| Allianz Capital Partners GmbH, Munich | 714 | 100.0 |
| Allianz Dresdner Asset Management GmbH, Munich | 2,138 | 100.0 |
| Allianz Dresdner Bauspar AG, Bad Vilbel | 85 | 100.0 |
| Allianz Global Risks Rückversicherungs-AG, Munich | 602 | 100.0 |
| Allianz Immobilien GmbH, Stuttgart | 5 | 100.0 |
| Allianz Lebensversicherungs-AG, Stuttgart | 1,197 | 91.0 |
| Allianz Marine & Aviation Versicherungs-AG, Munich | 122 | 100.0 |
| Allianz Private Krankenversicherungs-AG, Munich (until 12/31/2002: Vereinte Krankenversicherung AG) | 290 | 100.0 |
| Allianz Prozeßfinanzierungs GmbH, Munich | 0.4 | 100.0 |
| Allianz Versicherungs-AG, Munich | 1,927 | 100.0 |
| Allianz Zentrum für Technik GmbH, Munich | 175 | 100.0 |
| Bayerische Versicherungsbank AG, Munich | 482 | 90.0 |
| DEGI Deutsche Gesellschaft für Immobilienfonds mbH, Frankfurt/Main | 23 | 94.0 |
| Deutsche Lebensversicherungs-AG, Berlin | 32 | 100.0 |
| dit Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH, Frankfurt/Main | 137 | 100.0 |
| DREGIS Dresdner Global IT Services Gesellschaft mbH, Frankfurt/Main | 106 | 100.0 |
| Dresdner Bank AG, Frankfurt/Main | 11,976 | 100.0 |
| Dresdner Bank Lateinamerika AG, Hamburg | 438 | 100.0 |
| Frankfurter Versicherungs-AG, Frankfurt/Main | 498 | 100.0 |
| Hermes Kreditversicherungs-AG, Hamburg | 108 | 100.0 |
| Kraft Versicherungs-AG, Berlin/Munich | 31 | 100.0 |
| Lombardkasse AG, Berlin | 15 | 100.0 |
| Münchner und Magdeburger Agrarversicherung AG, Munich | 6 | 52.4 |
| Oldenburgische Landesbank AG, Oldenburg | 401 | 89.3 |
| Reuschel & Co., Munich | 131 | 97.5 |
| Vereinte Spezial Krankenversicherung AG, Munich | 8 | 100.0 |
| Vereinte Spezial Versicherung AG, Munich | 13 | 100.0 |

¹⁾ Including shares held by dependent subsidiaries

| Operating subsidiaries | Equity in € mn | % owned ¹⁾ |
|---|----------------|-----------------------|
| AGF Belgium Insurance, Brussels | 276 | 100.0 |
| AGF La Lilloise, Paris | 64 | 100.0 |
| Alba Allgemeine Versicherungs-Gesellschaft, Basel | 17 | 100.0 |
| Allianz Asset Management Ltd., Hong Kong | 3 | 100.0 |
| Allianz Australia Ltd., Sydney | 459 | 100.0 |
| Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia | 14 | 76.8 |
| Allianz Bulgaria Life Insurance Company Ltd., Sofia | 5 | 99.0 |
| Allianz Compañía de Seguros y Reaseguros S. A., Madrid | 269 | 99.7 |
| Allianz Cornhill Insurance PLC, London (until January 12, 2003: Cornhill Insurance PLC) | 874 | 98.0 ²⁾ |
| Allianz Dresdner Asset Management Ltd., Singapore | 3 | 100.0 |
| Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna | 106 | 100.0 |
| Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna | 351 | 98.9 |
| Allianz Europe Ltd., Amsterdam | 1,659 | 100.0 |
| Allianz Fire and Marine Insurance Japan Ltd., Tokyo | 6 | 100.0 |
| Allianz General Insurance Company S. A., Athens | 7 | 100.0 |
| Allianz General Insurance Malaysia Berhad, Kuala Lumpur | 65 | 98.6 |
| Allianz Hungária Biztosító Rt., Budapest | 7 | 100.0 |
| Allianz Insurance (Hong Kong) Ltd., Hong Kong | 8 | 100.0 |
| Allianz Insurance Company of Singapore Pte. Ltd., Singapore | 35 | 100.0 |
| Allianz Insurance Company, Burbank | 3,667 | 100.0 |
| Allianz Ireland p.l.c., Dublin | 74 | 100.0 |
| Allianz Life Insurance Co. Ltd., Seoul | 453 | 100.0 |
| Allianz Life Insurance Company of North America, Minneapolis | 2,608 | 100.0 |
| Allianz Life Insurance Company S. A., Athens | 5 | 100.0 |
| Allianz Life Insurance Malaysia Berhad, Kuala Lumpur | 19 | 100.0 |
| Allianz Marine & Aviation France, Paris | 21 | 100.0 |
| Allianz México S. A. Compañía de Seguros, Mexico-City | 52 | 100.0 |
| Allianz of America Inc., Wilmington | 6,419 | 100.0 |
| Allianz of Canada Inc., Toronto | 166 | 100.0 |
| Allianz of South Africa (Proprietary) Ltd., Johannesburg | 14 | 100.0 |
| Allianz poisťovňa a. s., Bratislava | 26 | 100.0 |
| Allianz poisťovňa a. s., Prague | 24 | 100.0 |
| Allianz President General Insurance, Taipeh | 33 | 50.0 ³⁾ |
| Allianz President Life Insurance, Taipeh | 13 | 50.0 ³⁾ |
| Allianz-RAS Tutela Giudiziaria S. p. A., Milan | 6 | 100.0 |
| Allianz Re Dublin Ltd., Dublin | 11 | 100.0 |
| Allianz Risk Transfer AG, Zurich | 387 | 100.0 |
| Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A., Turin | 186 | 97.9 |
| Allianz Suisse Lebensversicherungs-Gesellschaft, Zurich | 100 | 99.9 |
| Allianz Suisse Versicherungs-Gesellschaft, Zurich | 363 | 100.0 |
| Allianz Tiriac Insurance S. A., Bucharest | 8 | 51.6 |
| Allianz Underwriters Insurance Company, Los Angeles | 64 | 100.0 |
| Allianz Worldwide Care Ltd., Dublin | 12 | 100.0 |
| Allianz Zagreb d.d., Zagreb | 10 | 52.0 |
| Allianz (UK) Ltd., London | 806 | 100.0 |

¹⁾ Including shares held by dependent subsidiaries

²⁾ 99.99 % of the voting share capital

³⁾ Controlled by Allianz

| Operating subsidiaries | Equity in € mn | % owned ¹⁾ |
|--|----------------|-----------------------|
| Arab International Insurance Company, Cairo | 6 | 80.0 |
| Arab International Life Company, Cairo | 4 | 100.0 |
| Assurances Générales de France Iart, Paris | 1,874 | 99.9 |
| Assurances Générales de France Vie, Paris | 2,594 | 100.0 |
| Assurances Générales de France, Paris | 5,784 | 64.2 |
| Banque AGF, Paris | 429 | 100.0 |
| Commercial Bank „Bulgaria Invest“ Company Ltd., Sofia | 10 | 99.4 |
| Compagnie d'Assurance de Protection Juridique S. A., Zug | 6 | 100.0 |
| Companhia de Seguros Allianz Portugal S. A., Lissabon | 108 | 64.8 |
| dresdnerbank asset management S. A., Luxembourg | 35 | 100.0 |
| Dresdner Bank (Ireland) plc., Dublin | 257 | 100.0 |
| Dresdner Bank Luxembourg S. A., Luxembourg | 1,166 | 100.0 |
| Dresdner Bank (Schweiz) AG, Zurich | 84 | 99.8 |
| Dresdner International Management Services Ltd., Dublin | 4 | 100.0 |
| Dresdner Kleinwort Wasserstein (Japan) Ltd., Hongkong, Tokyo | 219 | 100.0 |
| Dresdner Kleinwort Wasserstein Securities SIM S. p. A., Milan | 23 | 100.0 |
| Dresdner Kleinwort Wasserstein (South East Asia) Ltd., Singapore | 196 | 100.0 |
| Dresdner RCM Global Investors Holdings (UK) Ltd., London | 1 | 100.0 |
| ELMONDA AG, Zurich | 287 | 100.0 |
| ELVIA Reiseversicherungs-Gesellschaft AG, Zurich | 15 | 100.0 |
| ENTENIAL, Guyancourt | 492 | 72.2 |
| Euler Credito y Caution, Madrid | 10 | 100.0 |
| EULER & HERMES S. A., Paris | 900 | 70.5 |
| Fireman's Fund Insurance Company, Novato | 3,537 | 100.0 |
| France Life, Seocho-Ku, Seoul | 2 | 100.0 |
| GENIALLOYD S. p. A., Milan | 23 | 99.9 |
| International Reinsurance Company S. A., Luxembourg | 32 | 100.0 |
| Jefferson Insurance Company of N. Y., New York | 99 | 100.0 |
| Lloyd Adriatico S. p. A., Triest | 481 | 99.7 |
| Merchant Investors Assurance Co. Ltd., Bristol | 12 | 100.0 |
| Nicholas Applegate, San Diego | 1,117 | 100.0 |
| Oppenheimer Capital LLC, Delaware | 22 | 100.0 |
| Orbis Group Ltd., St. Peter Port/Guernsey | 10 | 100.0 |
| Ost-West Allianz Insurance Company, Moscow | 2 | 100.0 |
| Pacific Investment Management Company LLC, Delaware | 89 | 91.0 |
| Pet Plan Health Care Ltd., London | 10 | 100.0 |
| PIMCO Advisors Distributors LLC, Delaware | 80 | 100.0 |
| Privatinvest Bank AG, Salzburg | 139 | 74.0 |
| P. T. Asuransi Allianz Life Indonesia, Jakarta | 10 | 99.6 |
| P. T. Asuransi Allianz Utama Indonesia, Jakarta | 11 | 75.4 |
| RB Vita S. p. A., Milan | 126 | 100.0 |
| Riunione Adriatica di Sicurtà S. p. A., Milan | 5,200 | 51.1 ²⁾ |

¹⁾ Including shares held by dependent subsidiaries

²⁾ Interest in the voting capital: 51.73 %

| Operating subsidiaries | Equity in € mn | % owned ¹⁾ |
|--|----------------|-----------------------|
| Slovenská poisťovňa a. s., Bratislava | 95 | 99.1 |
| T. U. Allianz Polska S. A., Warsaw | 37 | 100.0 |
| T. U. Allianz Polska Zycie S. A., Warsaw | 7 | 100.0 |
| Veer Palthe Voûte N. V., Gouda | 9 | 100.0 |
| Wm. H McGee & Co. Inc., New York | 52 | 100.0 |
| ZA Leven N. V., Nieuwegein | 201 | 100.0 |
| Zwolsche Algemeene Schadeverzekering N. V., Nieuwegein | 70 | 100.0 |

¹⁾ Including shares held by dependent subsidiaries

| Associated enterprises ²⁾ | Equity in € mn | % owned ¹⁾ |
|--|----------------|-----------------------|
| Autobahn Tank & Rast Holding GmbH, Bonn | 14 | 31.0 |
| Beiersdorf AG, Hamburg | 1,677 | 43.6 |
| Bilfinger Berger Bauaktiengesellschaft, Mannheim | 1,088 | 25.0 |
| Eurohypo AG, Frankfurt/Main | 4,387 | 28.7 |
| HeidelbergCement Aktiengesellschaft, Heidelberg | 3,911 | 17.7 |
| Kommanditgesellschaft Allgemeine Leasing GmbH & Co., Grünwald | 98 | 40.5 |
| Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich | 16,645 | 22.4 |
| Allianz CP General Insurance Company Ltd., Bangkok | 9 | 25.0 |
| EUROPENSIONES S. A., Entidad Gestora de Fondos de Pensiones, Madrid | 35 | 49.0 |
| Koç Allianz Hayat Sigorta A. S., Istanbul | 9 | 38.0 |
| Koç Allianz Sigorta T.A.S., Istanbul | 23 | 37.1 |
| National Insurance Company Berhad, Brunei | 4 | 25.0 |
| Russian People's Insurance Society „Rosno“, Moscow | 24 | 45.3 |
| Sophia, Paris | 989 | 27.7 |

¹⁾ Including shares held by dependent subsidiaries

²⁾ Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20 % and 50 % regardless of whether a significant influence is exercised or not.

| Other selected holdings in listed companies ¹⁾ | Market value € mn | % ²⁾ owned | Group equity € mn | Net profit € mn | Balance sheet date |
|--|----------------------|--------------------------|----------------------|---------------------|-----------------------|
| AMB Generali Holding AG, Munich | 266 | 9.5 | 3,827 | 345 | 12/31/2001 |
| Banco Popular Espanol S. A., Madrid | 842 | 9.9 | 3,143 ³⁾ | 574 ³⁾ | 12/31/2001 |
| Banco Português de Investimento (BPI - SGPS) S. A., Porto | 148 | 8.9 | 1,422 ³⁾ | 133 ³⁾ | 12/31/2001 |
| BASF AG, Ludwigshafen | 1,269 | 6.1 | 17,522 | 5,826 | 12/31/2001 |
| Bayer AG, Leverkusen | 872 | 5.8 | 17,020 | 961 | 12/31/2001 |
| Bayerische Motorenwerke AG, Munich | 995 | 5.2 | 10,770 | 1,866 | 12/31/2001 |
| Bollore Investissement S. A., Puteaux | 166 | 16.1 | 1,404 ³⁾ | 155 ³⁾ | 12/31/2001 |
| Continental AG, Hanover | 149 | 7.7 | 1,648 | - 309 | 12/31/2001 |
| Crédit Lyonnais S. A., Paris | 1,915 | 10.3 | 8,950 ³⁾ | 813 ³⁾ | 12/31/2001 |
| Deutsche Bank AG, Frankfurt/Main | 824 | 3.1 | 40,193 | 167 | 12/31/2001 |
| Deutsche Börse AG, Frankfurt/Main | 220 | 5.2 | 1,560 | 203 | 12/31/2001 |
| E.ON AG, Düsseldorf | 1,695 | 6.4 | 30,824 | 2,575 | 12/31/2001 |
| Hana Bank, Seoul | 210 | 8.2 | 521 ³⁾ | 87 ³⁾ | 12/31/2001 |
| Heidelberger Druckmaschinen AG, Heidelberg | 227 | 12.0 | 2,450 | 201 | 3/31/2002 |
| KarstadtQuelle AG, Essen | 267 | 13.7 | 1,863 | 239 | 12/31/2001 |
| Linde AG, Wiesbaden | 526 | 12.6 | 4,276 | 289 | 12/31/2001 |
| mg technologies ag, Frankfurt/Main | 146 | 12.8 | 1,984 | 137 | 9/30/2001 |
| Nestlé S. A., Vevey | 546 | 0.7 | 23,154 ³⁾ | 4,519 ³⁾ | 12/31/2001 |
| Pechiney S. A., Paris | 187 | 6.6 | 3,564 ³⁾ | 233 ³⁾ | 12/31/2001 |
| Royal Dutch Petroleum, The Hague | 519 | 0.5 | 40,191 ³⁾ | 7,270 ³⁾ | 12/31/2001 |
| RWE AG, Essen | 931 | 6.9 | 11,129 | 804 | 12/31/2001 |
| Schering AG, Berlin | 978 | 12.0 | 2,571 | 428 | 12/31/2001 |
| Siemens AG, Munich | 1,053 | 2.9 | 24,062 | 2,626 | 9/30/2001 |
| Total Fina Elf S. A., Paris | 767 | 1.3 | 35,397 ³⁾ | 7,658 ³⁾ | 12/31/2001 |
| Unicredito Italiano S. p. A., Milan | 1,181 | 4.9 | 12,378 ³⁾ | 1,454 ³⁾ | 12/31/2001 |
| Worms et Cie, Paris | 250 | 13.4 | 2,429 ³⁾ | 233 ³⁾ | 12/31/2001 |

¹⁾ Market value \geq € 100 mn and percentage of shares owned \geq 5 %, or market value \geq € 500 mn, without trading portfolio of banking business

²⁾ Including shares held by dependent subsidiaries (incl. consolidated investment funds)

³⁾ Source: IDS GmbH

Other interests

Associated or other non-consolidated asset management companies hold the following shareholdings in the listed companies shown below.

| | Equity investments held by asset management companies | | | Interest of the Allianz Group in the asset management companies | | |
|--------------------------------|--|------------|----------------------|---|-----------------------|------------|
| | Market value € mn | % owned | Group equity € mn | Net profit € mn | Balance sheet date | % owned |
| Deutsche Lufthansa AG, Cologne | 337 | 10.0 | 3,528 | - 605 | 12/31/2001 | 50 |
| MAN AG, Munich | 463 | 24.2 | 2,862 | 151 | 12/31/2001 | 50 |

Disclosure of equity investments

Information is filed separately with the Commercial Register in Munich (HRB 7158) and published on our website together with the documentation for the Annual General Meeting.

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Allianz Aktiengesellschaft, Munich, for the business year from January 1 to December 31, 2002. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors), and in supplementary compliance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards (IFRS).

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion, on the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2002, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, March 5, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---------------------------|-----------------------|
| Gottfried Wohlmannstetter | Dr. Frank Ellenbürger |
| Independent Auditor | Independent Auditor |

Joint Advisory Council of the Allianz Companies

- DR. KLAUS LIESEN** Chairman of the Supervisory Board E.ON AG
Chairman
- GERHARD FULL** Chairman of the Board of Management Linde AG
- DR. JÜRGEN HAMBRECHT** Member of the Board of Management BASF AG
(since January 1, 2003)
- PROFESSOR DR. H.C. HANS-OLAF HENKEL** President Wissenschafts-
gemeinschaft Gottfried Wilhelm Leibniz
- DR. JÜRGEN HERAEUS** Chairman of the Supervisory Board Heraeus Holding GmbH
- DR. DIETER HUNDT** Managing Partner Allgaier Werke GmbH
- DR. JÜRGEN F. KAMMER** Chairman of the Board of Management Süd-Chemie AG
- PROFESSOR DR. HUBERT S. MARKL** University of Konstanz, department of biology
- HARTMUT MEHDORN** Chairman of the Board of Management Deutsche Bahn AG
- DR. GEORG OBERMEIER** Former Chairman of the Board of Management RHI AG
- DR. H.C. BERND PISCHETSRIEDER** Chairman of the Board of Management Volkswagen AG
- PROFESSOR DR. KLAUS POHLE** Deputy Chairman of the Board of Management Schering AG
- DR. H.C. RUDOLF RUPPRECHT** Chairman of the Board of Management MAN AG
- DR. DIETER SCHADT** Former Chairman of the Board of Management Franz Haniel & Cie. GmbH
- DR. H.C. WALTER SCHEEL** Former President of the Federal Republic of Germany
- PROFESSOR DR. EKKEHARD D. SCHULZ** Chairman of the Board of Management
ThyssenKrupp AG
- PROFESSOR DR. DR. H.C. HORST SIEBERT** President, Institute for World Economics,
Kiel University
- DR. RON SOMMER** Former Chairman of the Board of Management Deutsche Telekom AG
- HANS PETER STIHL** Former President, Association of German Chambers of Industry and Commerce
- DR. H.C. HEINRICH WEISS** Chairman of the Board of Management SMS AG
- DR. MARK WÖSSNER** Chairman Citigroup Deutschland
(until December 31, 2002)
- BERND WREDE** Former Chairman of the Board of Management Hapag-Lloyd AG

International Advisory Board

- DR. DR. HEINRICH VON PIERER**
President and CEO Siemens AG, Chairman
- DR. UMBERTO AGNELLI**
Vice Chairman and CEO IFI S. p. A.
- DONALD R. ARGUS AO**
Chairman BHP Billiton Group
- BELMIRO DE AZEVEDO**
Presidente Sonae S.G.P.S., S. A.
- ANTONY BURGMANS**
Chairman Unilever N. V.
- ALFONSO CORTINA DE ALCOCER**
Chairman and CEO Repsol S. A.
- DR. FRANZ B. HUMER**
Chairman and CEO F. Hoffmann-La Roche AG
- RAHMI KOÇ**
Chairman Koç Holding A. S.
- AARNOUT LOUDON**
Chairman Supervisory Board Akzo Nobel N. V.
- MINORU MAKIHARA**
Chairman Mitsubishi Corporation
- JACQUES A. NASSER**
Senior Partner One Equity Partners LLC
- DR. MARCO TRONCHETTI PROVERA**
Chairman and CEO Pirelli S. p. A.
- ANTHONY SALIM**
President and CEO Salim Group
- LOUIS SCHWEITZER**
Président Directeur Général de Renault
- PETER SUTHERLAND**
Chairman BP Plc.
- SIR IAIN VALLANCE**
Vice Chairman The Royal Bank of Scotland Group plc
- JAVIER VALLS TABERNER**
Presidente del Consejo Banco Popular Español

List of addresses (detachable section)

Membership of Supervisory Board members in other corporate management bodies

DR. KLAUS LIESEN

Membership in other statutory supervisory boards in Germany

E.ON AG (Chairman), Ruhrgas AG (Chairman, until February 17, 2003), TUI AG, Volkswagen AG

FRANK LEY

DR. BERND W. VOSS since June 13, 2002

Membership in other statutory supervisory boards in Germany

Continental AG, Dresdner Bank AG, E.ON AG, KarstadtQuelle AG, Quelle AG, TUI AG, Wacker Chemie GmbH

Membership in comparable^{*)} management bodies

ABB Ltd., Bankhaus Reuschel & Co. (Chairman)

NORBERT BLIX

Membership in other statutory supervisory boards in Germany

Allianz Versorgungskasse WaG (Deputy Chairman)

DR. DIETHART BREIPOHL

Membership in other statutory supervisory boards in Germany

Beiersdorf AG, Continental AG, KarstadtQuelle AG, KM Europa Metal AG (Chairman), mg technologies ag

Membership in comparable^{*)} management bodies

Assurances Générales de France, Banco Popular Español, BPI Banco Português de Investimento, Crédit Lyonnais, EULER & HERMES

BERTRAND COLLOMB

Membership in comparable^{*)} management bodies

ATCO, Total-Fina-Elf

Membership in Group bodies Lafarge (Chairman)

DR. GERHARD CROMME

Membership in other statutory supervisory boards in Germany

Axel Springer Verlag AG, Deutsche Lufthansa AG, E.ON AG, Ruhrgas AG, Siemens AG (since January 23, 2003), ThyssenKrupp AG (Chairman), Volkswagen AG

Membership in comparable^{*)} management bodies

Suez S. A.

JÜRGEN DORMANN

Membership in other statutory supervisory boards in Germany

LION bioscience AG (Chairman)

Membership in comparable^{*)} management bodies

ABB Ltd. (Chairman), Aventis S. A. (Chairman), IBM Corporation

HINRICH FEDDERSEN

Membership in other statutory supervisory boards in Germany

Basler Versicherung Beteiligungsgesellschaft mbH, Deutscher Ring Lebensversicherungs-AG

DR. UWE HAASEN since June 13, 2002

PETER HAIMERL

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG

PROFESSOR DR. RUDOLF HICKEL

Membership in other statutory supervisory boards in Germany

GEWOBA AG Wohnen und Bauen in Bremen, Howaldtswerke Deutsche Werft AG, Salzgitter AG Stahl und Technologie

HORST MEYER

Membership in other statutory supervisory boards in Germany

Allianz Versorgungskasse WaG, Hermes Kreditversicherungs-AG (Deputy Chairman)

UWE PLUCINSKI

Membership in other statutory supervisory boards in Germany

BVV-Versicherungsverein des Bankgewerbes a. G., Dresdner Bank AG (Deputy Chairman, until April 8, 2003)

(As of December 31, 2002)

^{*)} We regard foreign memberships as "comparable", if the foreign company is listed on a stock exchange or has more than 500 employees.

REINHOLD POHL**ROSWITHA SCHIEMANN****DR. ALBRECHT SCHMIDT** until June 12, 2002**Membership in other statutory supervisory boards in Germany**

Bayerische Börse AG (Chairman), Bayerische Hypo- und Vereinsbank AG (Chairman, since January 1, 2003), HVB Real Estate Bank AG (Chairman), Münchener Rückversicherungs-Gesellschaft AG, Siemens AG

Membership in comparable¹⁾ management bodies

Bank Austria Creditanstalt AG (Chairman)

DR. MANFRED SCHNEIDER**Membership in other statutory supervisory boards in Germany**

Bayer AG (Chairman), DaimlerChrysler AG, Linde AG, METRO AG, RWE AG, TUI AG

DR. HERMANN SCHOLL**Membership in other statutory supervisory boards in Germany**

BASF AG

Membership in comparable¹⁾ management bodies

Membership in Group bodies Robert Bosch Corporation, Robert Bosch Internationale Beteiligungen AG

JÜRGEN E. SCHREMPF**Membership in other statutory supervisory boards in Germany**

Membership in Group bodies DaimlerChrysler Services AG (Chairman)

Membership in comparable¹⁾ management bodies

New York Stock Exchange (NYSE), South African Coal, Oil and Gas Corporation (Sasol) Ltd., Vodafone Group Plc.

Membership in Group bodies DaimlerChrysler of South Africa (Pty) Ltd. S. A. (Chairman), DaimlerChrysler Corporation (Chairman)

JÖRG THAU**DR. ALFONS TITZRATH** until June 12, 2002**Membership in other statutory supervisory boards in Germany**

Celanese AG, Deutsche Lufthansa AG, RWE AG

¹⁾ We regard foreign memberships as "comparable", if the foreign company is listed on a stock exchange or has more than 500 employees.

Membership of Board of Management members in other corporate management bodies

DR. HENNING SCHULTE-NOELLE

Membership in other statutory supervisory boards in Germany

BASF AG, E.ON AG, Linde AG (Deputy Chairman), Siemens AG, ThyssenKrupp AG

Membership in Group bodies Allianz Lebensversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman), Dresdner Bank AG (Chairman)

Membership in comparable^{*)} management bodies

Membership in Group bodies Assurances Générales de France (Vice president), Riunione Adriatica di Sicurtà S. p. A. (Vice President)

DR. PAUL ACHLEITNER

Membership in other statutory supervisory boards in Germany

Bayer AG, MAN AG, RWE AG

Membership in Group bodies Allianz Immobilien GmbH (Chairman)

Membership in comparable^{*)} management bodies

ÖIAG

DETLEV BREMKAMP

Membership in other statutory supervisory boards in Germany

ABB AG (Deutschland), Hochtief AG

Membership in Group bodies Allianz Global Risks Rückversicherungs-AG (Chairman)

Membership in comparable^{*)} management bodies

Membership in Group bodies Allianz Compañía de Seguros y Reaseguros S. A. (Chairman), Allianz Nederland Groep N. V., Allianz Portugal S. A. Companhia de Seguros, Assurances Générales de France, Elmonda Assistance (Chairman), Lloyd Adriatico S. p. A., Riunione Adriatica di Sicurtà S. p. A., Zwolsche Algemeene N. V. (until March 3, 2003)

MICHAEL DIEKMANN

Membership in comparable^{*)} management bodies

Membership in Group bodies Allianz Insurance Company of Canada, Allianz Life Insurance Company of North America, Fireman's Fund Insurance Company

DR. JOACHIM FABER

Membership in other statutory supervisory boards in Germany

Bayerische Börse AG, Infineon Technologies AG

Membership in Group bodies DBI Dresdner Bank Investment Management Kapitalanlagegesellschaft mbH (Chairman, since March 14, 2003), DEGI Deutsche Gesellschaft für Immobilienfonds mbH (Chairman, since January 1, 2003), Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (Chairman, since March 14, 2003)

Membership in comparable^{*)} management bodies

Società Metallurgica Italiana S. p. A.

Membership in Group bodies RASbank S. p. A.

DR. BERND FAHRHOLZ until March 25, 2003

Membership in other statutory supervisory boards in Germany

Bayerische Motorenwerke AG, Fresenius Medical Care AG, HeidelbergCement AG

Membership in Group bodies ADVANCE Holding AG (Chairman)

Membership in comparable^{*)} management bodies

BNP Paribas S. A.

Membership in Group bodies Dresdner Bank Luxembourg S. A. (Chairman), Dresdner Kleinwort Benson North America Inc.

LEONHARD H. FISCHER until October 31, 2002

Membership in other statutory supervisory boards in Germany

Axel Springer Verlag AG, Deutsche Börse AG (Deputy Chairman), Eurex Clearing AG, Eurex Frankfurt AG, K + S Aktiengesellschaft

Membership in comparable^{*)} management bodies

Eurex Zürich AG

Membership in Group bodies Dresdner Kleinwort Benson North America Inc. (Chairman), Dresdner Kleinwort Wasserstein Group Inc.

(As of December 31, 2002)

^{*)} We regard foreign memberships as "comparable", if the foreign company is listed on a stock exchange or has more than 500 employees.

DR. REINER HAGEMANN**Membership in other statutory supervisory boards in Germany**

E.ON Energie AG, Schering AG, Steag AG,
ThyssenKrupp Steel AG (until February 28, 2003)

Membership in Group bodies ADVANCE Holding AG, Allianz Global Risks Rückversicherungs-AG, Allianz Private Krankenversicherungs-AG (Chairman), Bayerische Versicherungsbank AG (Chairman), Frankfurter Versicherungs-AG (Chairman), Hermes Kreditversicherungs-AG (Chairman)

Membership in comparable⁹⁾ management bodies

Membership in Group bodies Allianz Cornhill Insurance Plc, Allianz Elementar Lebensversicherungs-AG (Deputy Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG, Allianz Irish Life, Allianz Suisse Lebensversicherungs-AG, Allianz Suisse Versicherungs-AG, EULER & HERMES

DR. HORST MÜLLER**Membership in other statutory supervisory boards in Germany**

BATIG Gesellschaft für Beteiligungen mbH, British-American Tobacco (Germany) GmbH, British-American Tobacco (Industrie) GmbH, Buderus AG, Europa Carton GmbH (Chairman), Smurfit-Stone-Verwaltungsgesellschaft mbH (Chairman)

Membership in Group bodies Allianz Immobilien GmbH, DEGI Deutsche Gesellschaft für Immobilienfonds mbH (Chairman, until December 31, 2002)

Membership in comparable⁹⁾ management bodies

BVV-Versicherungsverein des Bankgewerbes a. G. (Chairman)

DR. HELMUT PERLET**Membership in other statutory supervisory boards in Germany**

Membership in Group bodies Allianz Global Risks Rückversicherungs-AG, Dresdner Bank AG

Membership in comparable⁹⁾ management bodies

Membership in Group bodies Fireman's Fund Insurance Co., Lloyd Adriatico S. p. A., Riunione Adriatica di Sicurtà S. p. A.

DR. GERHARD RUPPRECHT**Membership in other statutory supervisory boards in Germany**

Heidelberger Druckmaschinen AG, Quelle AG, ThyssenKrupp Automotive AG

Membership in Group bodies ADVANCE Holding AG

Membership in comparable⁹⁾ management bodies

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman), Allianz Elementar Versicherungs-AG, Allianz Life Insurance Co. Ltd. Korea, Allianz Life Insurance Company of North America

DR. WERNER ZEDELIUS**Membership in other statutory supervisory boards in Germany**

SMS AG

Membership in comparable⁹⁾ management bodies

Rosno

Membership in Group bodies Allianz Australia Ltd., Allianz C. P. Life Insurance Co. Ltd., Allianz Hungária Biztosító Rt. (Chairman), Allianz Life Insurance Co. Ltd. Korea (Chairman), Allianz pojistovna a.s. (Chairman), Allianz Slovenska poistovna a.s. (Chairman), T. U. Allianz Polska S. A. (Chairman), T. U. Allianz Zycie Polska S. A. (Chairman)

⁹⁾ We regard foreign memberships as "comparable", if the foreign company is listed on a stock exchange or has more than 500 employees.

Acquisition cost

The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises

The parent company of the Group and all consolidated subsidiaries.

Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent Group holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves

Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses

The overall volume of provisions includes allowance for credit loss – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration.

General allowances for loan losses have been established, on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of a certain country to serve its external debt. These country risk allowances are based on an internal country rating system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management

The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held for variable annuity policyholders, bank loans and advances, and investments held under management for third parties.

Associated enterprises

All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

At amortized cost

Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Benefits (net) payable to policyholders

The expense of policyholder benefits (less amounts ceded in reinsurance) comprises loss and loss adjustment expenses, premium refunds, and the net change in insurance reserves.

Capital relating to participating certificates

Amount payable on redemption of participating certificates issued. The participating certificates of Allianz AG carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Cash flow statement

Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- normal operating activities
- investing activities
- financing activities

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments of the insurance or banking business has not been included.

Certificated liabilities

Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Consolidated interest (%)

The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities

Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach

Under this approach to pension plans, actuarial gains and losses are not recognized immediately. Only when the cumulative gains or losses fall outside the corridor is a specified portion recognized in the income statement from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the independent pension fund assets at market value, if greater.

Credit risk

The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current service cost

Net expense in connection with a defined benefit pension obligation, less any contributions made by the beneficiary to the independent pension fund.

Current value

The current value of an investment is normally the same as the market value. If the market value cannot be calculated directly, fair market value is used.

Deferred acquisition costs

Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit pension plans

Under these retirement plans the enterprise promises the beneficiary a particular level of benefit. The contribution payable is based on the age of the beneficiary and depends on the level of benefit promised.

Defined contribution pension plans

The central feature of these post-employment benefit plans is the contribution which an enterprise pays into an independent pension fund. The enterprise has no further obligations beyond the amount that it agrees to contribute to the fund and has no interest in the financial results of the independent pension fund. Benefits have to be claimed from the independent pension fund.

Derivative financial instruments (derivatives)

Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings from ordinary activities

Pre-tax profit or loss from activities which an enterprise undertakes in the normal course of business. This does not include extraordinary items, i.e. income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and are therefore not expected to recur frequently or regularly.

Earnings per share (basic/diluted)

Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation

The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets (= shareholders' equity) of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio

Underwriting costs (including change in deferred acquisition costs) as a percentage of premiums earned.

Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS

U.S. Financial Accounting Standards on which the details of U.S. GAAP (Generally Accepted Accounting Principles) are based.

Forwards

The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Funds held by/for others under reinsurance contracts

Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures

Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill

Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition. Minority interests are always valued at carried-forward historical cost. Goodwill is amortized over its useful life.

Gross/Net

In insurance terminology the terms gross and net mean before and after deduction of reinsurance respectively. (Net is also referred to as "for own account"). In connection with income from interests in affiliated enterprises, joint ventures and associated enterprises, the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted. In the context of investments the term "net" is used where the relevant expenses (e.g. for investment management or valuation write-downs) have already been deducted from the income. This means that investment income (net) from investments in affiliated enterprises, joint ventures and associated enterprises signifies the net result from these investments.

Hedging

The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS Framework

The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Investments held on account and at risk of life insurance policyholders

Mainly investments funding variable annuities plus investments to cover obligations under policies where the benefits are index-linked. Policyholders are entitled to the gains recorded on these investments, but also have to carry any losses.

Issued capital and capital reserve

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency

Number of losses in relation to the number of insured risks.

Loss ratio

Loss and loss adjustment expenses as a percentage of premiums earned.

Market value

The amount obtainable from the sale of an investment in an active market.

Minority interests in earnings

That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

Minority interests in shareholders' equity

Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

New cost basis

Historical cost adjusted by depreciation to reflect permanent diminution in value.

Options

Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives

Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Pension and similar reserves

Current and future post-employment benefits payable to current and former employees under company pension schemes, accrued as a liability.

Premiums written/earned

Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance

Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements

A repurchase (“repo”) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group’s balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for trading assets or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate.

A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively.

Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest income/interest expenses and similar income/expenses.

Reserve for loss and loss adjustment expenses

Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds

That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

Revenue reserves

In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Securities available for sale

Securities available for sale are securities which are neither held with the intent that they will be held to maturity nor have been acquired for sale in the near term; securities available for sale are shown at their market value on the balance sheet date.

Securities held to maturity

Securities held to maturity comprise debt securities held with the intent and ability that they will be held to maturity. They are valued at amortized cost.

Segment reporting

Financial information based on the consolidated financial statements, reported by business segments (life/health, property/casualty, and financial services) and by regions and products.

Subordinated assets

Assets are recorded as subordinated assets if, in the case of liquidation or bankruptcy, the related claim cannot be realized before the claims of other creditors are realized.

Subordinated liabilities

Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps

Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Trading assets

Trading assets are debt issues and stocks as other financing instruments (essentially derivatives, note loans and precious metals holding) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

Trading income

Trading income includes all realized and unrealized profits and losses from trading assets and trading liabilities. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

Trading liabilities

Trading liabilities include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Short sales of securities are recorded at market value on the balance sheet date. Derivatives shown as trading liabilities are valued the same way as trading assets.

Underwriting costs

Commissions, salaries, general expenses and other expenses relating to the acquisition and ongoing administration of insurance policies. The net figure is after expenses recovered from reinsurers have been deducted.

Unearned premiums

Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

Unrecognized past service cost

Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

U.S. GAAP

U.S. Generally Accepted Accounting Principles.

Variable annuities

The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

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Allianz AG

To the attention of Ms Marianne Cummins

Your opinion

Dear Readers,

for this year's edition, we revamped the look and content of our Annual Report. Please tell us, what you liked and what we could do better in the future. And send us your suggestions for additional topics we should cover. If you reply by mail, we'll be glad to pay the postage.

- The report is organized in such a way that I easily found the topics that interested me most.

very much so not at all

The report provides comprehensive information on all important topics of the last fiscal year. It is interesting to read and well presented.

very much so not at all

- I would additionally like to read more about the following subjects in the Annual Report 2003:

.....
.....
.....

Feedback

We will be glad to keep you informed

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