

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.