

## Investor Relations Release

### **Allianz Group – Performance in the first quarter 2003: Operating improvements overlaid by high level of write-downs on securities**

**Total premium income increased by 9.8 percent – Combined ratio in property and casualty at 97.7 percent – Write-downs on investments in the Group impact on earnings to the tune of 0.8 billion euros**

During the first three months of the current fiscal year, the Allianz Group achieved significant improvements in operating business. The growth trend in insurance business continued. Overall, global premium income in insurance business went up by 9.8 percent. Life and health insurance even recorded an increase of 17.3 percent. The combined ratio in property and casualty business was 97.7 percent. Administrative expenses were reduced in banking business by 10.8 percent. The positive developments contrast with further write-downs on investments in the Group totaling 2.3 billion euros. These exerted a negative effect of 0.8 billion euros on earnings. The quarter closed overall with a loss of 520 million euros. "From an operating point of view, fiscal year 2003 has seen an encouraging start. This shows that our homework has paid off. However, in view of the continuing uncertainties in the performance of the capital markets and the economy, it's too early to say whether a change in trend is already underway. The situation remains serious. The ongoing review of all business segments and concentration on improving operating results remain the key challenge for the rest of the year," commented Dr. Helmut Perlet, responsible for Controlling and Accounting on the Board of Management of Allianz.

Total **gross premium income in insurance business** increased by 9.8 percent from 22.8 to 25.1 billion euros during the first quarter of 2003 against the comparable period for the previous year. Adjusted for exchange rate and consolidation effects, the growth rate was even 14.2 percent.

In **property and casualty insurance**, premium income rose by 4.7 percent during the first three months, from 13.9 to 14.6 billion euros. This growth is notable because in individual markets, primarily in the USA, aggressive portfolio rationalization has been implemented and sales in unprofitable business areas have been curtailed. The companies in France and Spain have been particularly effective in supporting sales performance with significant growth rates, while credit insurance also played a significant role.

By comparison with the figure for the first three months of the previous year, the **claims ratio** fell from 76.2 to 72.6 percent during the first quarter of 2003. Significant rises in premiums, a selective underwriting policy and a reduction in claims arising from natural hazards, particularly in Germany and Great Britain, were the primary factors responsible for this improvement. The **expense ratio** at 25.1 percent improved by 2.1 percentage points, because costs were held steady while income increased.

The **combined ratio**, i.e. the ratio of claims and expenses to premiums earned was successfully reduced to 97.7 percent. "This has taken us a significant step toward achieving our goal for the year of a combined ratio of less than 100 percent," according to Perlet.

The overwhelming majority of companies remained below this benchmark. Considerable improvements were achieved in Germany, France, the USA, in credit insurance and in international industrial insurance business which is bundled in Allianz Global Risks (AGR). The combined ratio for US business fell to 99.7 percent, while at Euler Hermes the ratio was 81.6 percent. The combined ratio at AGR improved to 102.8 percent. Achievement of the profit threshold is anticipated during the course of the current year. Helmut Perlet: "Restructuring measures in unprofitable areas are making good progress. We will also be paying a great deal of attention to prices commensurate with risk during the course of the current year, and we will be taking further measures to improve operating business."

**Net income** in property and casualty insurance after amortization of goodwill, taxes and minority interests amounted to 27 million euros.

In **life and health insurance**, the Allianz Group increased total sales by 17.3 percent from 9.1 to 10.7 billion euros. 5.6 billion euros originated from investment-oriented products. Despite poor sentiment in the capital markets, sales were increased by 45.7 percent. After adjustment for consolidation and currency effects, the life and health insurance segment posted growth of 24.0 percent. The financial statements drawn up in accordance with IFRS regulations reported a decrease of 3.9 percent in premium income to 5.0 billion euros.

Growth in premium income was primarily due to sales successes in the USA, Italy and Germany. A growth rate of 46.2 percent was recorded in the USA. Calculated on the basis of the US dollar, the increase amounted to as much as 75.9 percent. Total premium income in Italy rose by 54.6 percent, primarily due to the successful bancassurance cooperation with Unicredito and Banca Antoniana Veneta. New premiums in Germany went up by 36 percent.

Business in company pension provision also continued to undergo outstanding development. In the first three months of the year alone, 66,000 new contracts were concluded in the pension fund. "Particularly in times of uncertain capital markets, customers recognize the value of an insurer with a strong financial base," commented Helmut Perlet.

Investment income was heavily influenced by weakness in the capital markets. It fell from 2.2 to 1.1 billion euros. After amortization of goodwill, taxes and minority interests, **earnings** in the segment of life and health insurance amounted to minus 13 million euros.

In the **banking business**, which is primarily influenced by performance at Dresdner Bank, it proved possible to stabilize operating revenues at the level for the previous year. Total net interest income, net fee and commission income and trading income amounted to 2.0 billion euros. Net interest income fell, primarily as a result of the deconsolidation of Deutsche Hyp and the disposal of risk-weighted assets as planned. Commission business continued to suffer from customers' restrained attitude. By contrast, trading income went up almost threefold by comparison with the first quarter of 2002.

**Administrative expenses** were running at 1.6 billion euros during the first quarter of 2003, and a fall of 10.8 percent was achieved over the corresponding period for the previous year. The cost-cutting program introduced at Dresdner Bank is starting to impact. Expenses for **loan loss provisions** were 355 million euros during the first three months of the current year and were hence in accordance with expectations. The banking segment closed overall with a slightly positive **operating result** of 69 million euros.

The **balance of other expenses and income** amounting to minus 303 million euros was essentially comprised of write-downs on securities and restructuring costs connected with the Advance Group. After write-downs on securities, amortization of goodwill, taxes and minority interests, a negative **result** of 424 million euros was reported.

**Assets under management** of the Allianz Group amounted to 979 billion euros at the close of the first quarter for 2003. The Group's own investments have gone down slightly since the end of 2002 by 3 billion euros to 400 billion euros. Investments held for third parties totaled 553 billion euros on March 31, 2003. Despite net inflows of 8 billion euros adjusted for currency differences, a drop of 8 billion euros was posted by comparison with year-end 2002. Falling prices in international equity markets exerted a negative effect here to largely neutralize the positive development in the bond markets. The strength of the euro against the US dollar also exerted a negative effect on investments managed in the USA and Asia.

Very good growth rates were achieved in particular in business with fixed-income securities. New inflows amounted to a total of 11 billion euros overall. The PIMCO Total Return Fund made a significant contribution to this result. With assets under management totaling 73 billion US dollars, it has established itself as the world's biggest actively managed investment fund. Its European equivalent, the dit Euro Bond Total Return Fund "powered by PIMCO", has already generated new inflows of 3 billion euros during the first eleven months since its introduction.

Overall, the Group's German mutual fund dit achieved significant growth during the first quarter. Net inflows of 1.7 billion euros in mutual funds represented around 16 percent of sales for the sector overall, taking third place for new business among fund companies in Germany.

**Operating profit** in the asset management segment was 137 million euros. After deduction of the loyalty bonuses and retention payments primarily for management and employees of the PIMCO Group, amortization of goodwill, taxes and minority interests, a loss of 85 million euros resulted in line with expectations.

Allianz is assuming that the combined ratio for property and casualty insurance will be below 100 percent for the **current fiscal year**. Dynamic growth in life and health insurance is expected to continue. Earnings in banking business will be heavily dependent on developments in capital markets and the economy. Cost-cutting measures are on schedule. Allianz is assuming that performance in asset management will continue in accordance with expectations. However, overall the Group is anticipating further substantial write-downs on securities if there is sideways movement in the capital markets.

Munich, May 16, 2003

You can find this announcement as well as the pdf file of the interim report for the first quarter 2003 in the Internet at [www.allianzgroup.com/investor-relations](http://www.allianzgroup.com/investor-relations). In addition the interim report will automatically be sent to all persons on our distribution list by the end of May at the latest.

We would like to again remind you of our conference call which will take place at 2.00 p.m. CET / 1.00 p.m. UK time today. The presentation charts will be available to you in the Internet at [www.allianzgroup.com/investor-relations](http://www.allianzgroup.com/investor-relations).

**All assessments are as always subject to the following cautionary statements**

**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.