Allianz Group

Consolidated Financial Statements 2001

**To go directly to any chapter, simply click ➤➤
on the headline or the page number.**

ALLIANZ GROUP CONSOLIDATED FINANCIAL STATEMENTS 2001

CONTENTS

To read the notes, simply click ➤➤ on the number.

Consolidated Balance Sheet for the Year Ended December 31,

ASSETS	➤➤ Note	2001 € mn	2000 € mn
A. Intangible assets	5	16,911	10,394
B. Investments in affiliated enterprises, joint ventures, and associated enterprises	6	10,247	11,763
C. Investments	7	345,302	280,834
D. Investments held on account and at risk of life insurance policyholders	8	24,692	22,770
E. Loans and advances to banks	9	61,274	7,070
F. Loans and advances to customers	10	239,693	28,086
G. Trading assets	11	128,422	372
H. Cash funds and cash equivalents	12	21,240	4,209
I. Amounts ceded to reinsurers from insurance reserves	13	30,999	28,475
J. Deferred tax assets	39	8,415	6,133
K. Other assets	14	55,730	39,889
Total assets		942,925	439,995

EQUITY AND LIABILITIES

	Note	2001 € mn	2000 € mn
A. Shareholders' equity	15	31,664	35,603
B. Minority interests in shareholders' equity	16	17,349	16,200
C. Participation certificates and post-ranking liabilities	17	12,207	1,337
D. Insurance reserves	18	299,512	284,824
E. Insurance reserves for life insurance where the investment risk is carried by policyholders	8	24,726	22,841
F. Liabilities to banks	19	135,402	5,172
G. Liabilities to customers	20	177,323	9,684
H. Certificated liabilities	21	134,670	13,606
I. Trading liabilities	22	44,538	197
J. Other accrued liabilities	23	14,117	7,143
K. Other liabilities	24	41,900	28,492
L. Deferred tax liabilities	39	8,898	14,332
M. Deferred income	25	619	564
Total equity and liabilities		942,925	439,995

Consolidated Income Statement for the Year Ended December 31,

	Note	2001 € mn	2000 € mn
1. Premiums earned (net)	26	52,745	49,907
2. Interest and similar income	27	24,224	16,595
3. Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises	28	1,588	1,860
4. Other income from investments	29	8,502	10,945
5. Trading income	30	1,592	– 36
6. Fee and commission income, and income from service activities	31	4,827	2,187
7. Other income	32	2,479	2,331
Total income (1. to 7.)		95,957	83,789
8. Insurance benefits (net)	33	– 50,154	– 51,738
9. Interest and similar expenses	34	– 7,947	– 2,399
10. Other expenses for investments	35	– 8,923	– 4,949
11. Loan loss provisions	36	– 596	– 21
12. Acquisition costs and administrative expenses	37	– 19,324	– 13,679
13. Amortization of goodwill	5	– 808	– 495
14. Other expenses	38	– 6,378	– 5,595
Total expenses (8. to 14.)		– 94,130	– 78,876
15. Earnings from ordinary activities before taxes		1,827	4,913
16. Taxes	39	840	– 176
17. Minority interests in earnings	16	– 1,044	– 1,277
18. Net income		1,623	3,460

		€	€
Earnings per share	42	6.66	14.10

Movements in Shareholders' Equity

	Paid-in capital € mn	Revenue reserves € mn	Unrealized gains and losses € mn	Consolidated unappropriated profit € mn	Shareholders' equity € mn
12/31/1999	7,811	9,884	11,626	355	29,676
Currency translation adjustments		374	77		451
Changes in the group of consolidated companies		283			283
Capital paid in	183				183
Unrealized investment gains and losses			1,745		1,745
Net income for the year		3,027		433	3,460
Shareholders' dividend				– 306	– 306
Miscellaneous		160		– 49	111
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

Cash Flow Statement

	2001 € mn	2000 € mn
Net income for the year	1,623	3,460
Change in unearned premiums	949	– 674
Change in aggregate policy reserves[1]	6,859	6,550
Change in reserve for loss and loss adjustment expenses	3,375	2,715
Change in other insurance reserves[2]	– 4,007	2,227
Change in deferred acquisition costs	– 662	– 1,093
Change in funds held by others under reinsurance business assumed	– 171	66
Change in funds held under reinsurance business ceded	– 278	483
Change in accounts receivable/payable on reinsurance business	– 4	– 604
Change in trading securities[3]	– 12,544	46
Change in loans and advances to banks and customers	3,442	– 3,694
Change in liabilities to banks and customers	– 5,456	836
Change in certificated liabilities	3,130	2,642
Change in other receivables and liabilities	3,843	– 1,408
Change in deferred tax assets/liabilities[4]	– 2,181	– 2,226
Adjustment for investment income/expenses not involving movements of cash	112	– 7,525
Adjustments to reconcile amortization of goodwill	808	495
Other	387	180
Cash flow from operating activities	– 775	2,476
Change in securities available for sale	– 3,465	– 7,271
Change in investments held to maturity	383	634
Change in real estate	112	– 287
Change in other investments	2,692	– 416
Change in investments held on account and at risk of life insurance policyholders	– 1,465	– 1,942
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	12,114	– 3,054
Change in aggregate policy reserves for life insurance products according to SFAS 97	8,089	6,770
Other	– 441	– 1,389
Cash flow from investing activities	18,019	– 6,955
Change in participation certificates and post-ranking liabilities	– 770	1,714
Cash inflow from capital increases	275	184
Dividend payouts	– 673	– 613
Other from shareholders' capital and minority interests[5]	937	3,464
Cash flow from financing activities	– 231	4,749
Effect of exchange rate changes on cash and cash equivalents	18	9
Change in cash and cash equivalents	17,031	279
Cash and cash equivalents at beginning of period	4,209	3,930
Cash and cash equivalents at end of period	21,240	4,209

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

[2] Without change in the reserve 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

IAS rules have been used to prepare the data for the cash flow statement. First-time compliance with regulations specific to the banking sector required changes in the cash flow statement. The headings for the previous year were adjusted accordingly. The cash flow statement excludes the effects of the first-time consolidation of major new acquisitions, i.e. during the course of 2001, in particular the Dresdner Bank Group, Frankfurt/Main, and Nicholas Applegate, San Diego. These acquisitions increased the value of investments held (excluding funds held by others) by € 77,978 (1,440) mn, goodwill by € 5,146 (2,761) mn. The net total of other assets and liabilities decreased by € 88,568 (1,146) mn. Cash outflow related to these acquisitions amounted to € 12,450 (3,099) mn. Cash outflow contrasted with cash and cash equivalents of € 24,564 (45) mn through first-time consolidation included in the consolidated financial statements. Tax benefits on income amounted to € 306 (outflow 1,873) mn.

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

ASSETS	Life/Health 2001 € mn	Life/Health 2000 € mn	Property/Casualty 2001 € mn	Property/Casualty 2000 € mn
A. Intangible assets	4,005	4,232	2,943	2,822
B. Investments in affiliated enterprises, joint ventures, and associated enterprises	6,043	5,615	40,387	22,514
C. Investments	180,076	186,799	91,712	95,718
D. Investments held on account and at risk of life insurance policyholders	24,692	22,770	–	–
E. Loans and advances to banks	1,010	3,747	5,079	4,527
F. Loans and advances to customers	24,843	14,445	2,837	1,565
G. Trading assets	775	119	1,373	20
H. Cash funds and cash equivalents	2,351	1,978	2,617	2,041
I. Amounts ceded to reinsurers from insurance reserves	17,927	18,073	19,209	15,439
J. Deferred tax assets	1,911	2,253	5,060	3,631
K. Other assets	17,634	17,187	22,840	21,717
Total segment assets	281,267	277,218	194,057	169,994

EQUITY AND LIABILITIES	Life/Health 2001 € mn	Life/Health 2000 € mn	Property/Casualty 2001 € mn	Property/Casualty 2000 € mn
A. Participation certificates and post-ranking liabilities	–	–	573	953
B. Insurance reserves	215,217	208,829	90,432	81,046
C. Insurance reserves for life insurance where the investment risk is carried by policyholders	24,726	22,841	–	–
D. Liabilities to banks	2,143	1,201	6,303	5,942
E. Liabilities to customers	–	3	–	3
F. Certificated liabilities	229	– 163	14,727	7,312
G. Trading liabilities	50	–	448	–
H. Other accrued liabilities	967	961	5,387	5,458
I. Other liabilities	19,963	19,880	21,624	14,620
J. Deferred tax liabilities	1,958	3,906	5,920	10,353
K. Deferred income	406	413	84	136
Total segment liabilities	265,659	257,871	145,498	125,823

Banking		Asset Management		Consolidation Adjustments		Group	
2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn
3,183	1	6,780	3,339	–	–	16,911	10,394
2,079	96	116	62	– 38,378	– 16,524	10,247	11,763
85,133	3,070	1,362	528	– 12,981	– 5,281	345,302	280,834
–	–	–	–	–	–	24,692	22,770
54,271	1,142	1,646	1,102	– 732	– 3,448	61,274	7,070
222,916	12,555	561	395	– 11,464	– 874	239,693	28,086
125,741	51	539	182	– 6	–	128,422	372
16,244	95	550	139	– 522	– 44	21,240	4,209
–	–	–	–	– 6,137	– 5,037	30,999	28,475
1,350	208	94	30	–	11	8,415	6,133
14,977	783	2,589	1,538	– 2,310	– 1,336	55,730	39,889
525,894	18,001	14,237	7,315	– 72,530	– 32,533	942,925	439,995

Banking		Asset Management		Consolidation Adjustments			Group	
2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn		2001 € mn	2000 € mn
11,757	371	22	21	– 145	– 8		12,207	1,337
–	–	–	–	– 6,137	– 5,051		299,512	284,824
–	–	–	–	–	–		24,726	22,841
131,454	781	1,554	504	– 6,052	– 3,256		135,402	5,172
175,228	8,630	2,981	1,312	– 886	– 264		177,323	9,684
122,713	6,310	435	5	– 3,434	142		134,670	13,606
44,052	197	2	–	– 14	–		44,538	197
7,130	193	633	531	–	–		14,117	7,143
8,798	511	1,413	1,015	– 9,898	– 7,534		41,900	28,492
980	53	40	20	–	–		8,898	14,332
129	11	–	4	–	–		619	564
502,241	17,057	7,080	3,412	– 26,566	– 15,971		893,912	388,192
						Equity *)	49,013	51,803
						Total equity and liabilities	942,925	439,995

*) Shareholders' equity and minority interests

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

	Life/Health		Property/Casualty	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn
1. Premiums earned (net)	18,317	18,378	34,428	31,529
2. Interest and similar income	10,765	10,152	5,068	5,568
3. Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises	525	693	889	1,833
4. Other income from investments	3,562	6,667	4,307	4,259
5. Trading income	– 117	– 49	1,451	– 10
6. Fee and commission income, and income from service activities	268	271	1,425	940
7. Other income	866	1,139	1,329	1,078
Total income (1. to 7.)	34,186	37,251	48,897	45,197
8. Insurance benefits (net)	– 21,979	– 26,354	– 28,200	– 25,413
9. Interest and similar expenses	– 492	– 148	– 1,323	– 1,136
10. Other expenses for investments	– 5,537	– 3,004	– 2,888	– 1,913
11. Loan loss provisions	– 4	–	– 4	–
12. Acquisition costs and administrative expenses	– 4,259	– 3,927	– 10,042	– 9,106
13. Amortization of goodwill	– 146	– 137	– 349	– 277
14. Other expenses	– 1,357	– 2,055	– 3,682	– 3,453
Total expenses (8. to 14.)	– 33,774	– 35,625	– 46,488	– 41,298
15. Earnings from ordinary activities before taxes	412	1,626	2,409	3,899
16. Taxes	– 99	– 343	701	5
17. Minority interests in earnings	– 84	– 658	– 746	– 642
18. Net income	229	625	2,364	3,262

Banking 2001 € mn	Banking 2000 € mn	Asset Management 2001 € mn	Asset Management 2000 € mn	Consolidation Adjustments 2001 € mn	Consolidation Adjustments 2000 € mn	Group 2001 € mn	Group 2000 € mn
–	–	–	–	–	–	52,745	49,907
9,085	1,502	129	204	– 823	– 831	24,224	16,595
1,016	122	– 3	1	– 839	– 789	1,588	1,860
628	25	44	18	– 39	– 24	8,502	10,945
244	7	10	16	4	–	1,592	– 36
1,474	2	2,479	1,420	– 819	– 446	4,827	2,187
394	64	79	63	– 189	– 13	2,479	2,331
12,841	1,722	2,738	1,722	– 2,705	– 2,103	95,957	83,789
–	–	–	–	25	29	– 50,154	– 51,738
– 6,852	– 1,257	– 82	– 61	802	203	– 7,947	– 2,399
– 465	– 33	– 57	–	24	1	– 8,923	– 4,949
– 588	– 21	–	–	–	–	– 596	– 21
– 3,446	– 170	– 1,895	– 484	318	8	– 19,324	– 13,679
– 70	8	– 243	– 89	–	–	– 808	– 495
– 1,193	– 125	– 795	– 1,043	649	1,081	– 6,378	– 5,595
– 12,614	– 1,598	– 3,072	– 1,677	1,818	1,322	– 94,130	– 78,876
227	124	– 334	45	– 887	– 781	1,827	4,913
6	67	168	4	64	91	840	– 176
– 453	– 90	– 182	– 136	421	249	– 1,044	– 1,277
– 220	101	– 348	– 87	– 402	– 441	1,623	3,460

LIFE/HEALTH

	Premiums earned (net)		Net expense ratio		Net income		Investments	
	2001 € mn	2000 € mn	2001 %	2000 %	2001 € mn	2000 € mn	2001 € mn	2000 € mn
1. Europe								
Germany	10,545	10,500	12.7	10.7	63	339	93,316	104,109
France	1,515	2,283	52.0	27.6	132	127	39,319	39,025
Italy	1,247	1,339	22.5	14.8	133	158	14,171	14,161
Switzerland	557	477	22.6	9.9	– 20	14	7,042	7,027
Spain	873	525	4.2	8.9	12	38	3,176	2,774
2. U.S.A.	1,068	1,092	49.2	48.2	– 46	112	10,415	7,680
3. Asia-Pacific Region	1,202	937	17.6	19.6	– 32	– 184	3,296	2,680

PROPERTY/CASUALTY*)

	Premiums earned (net)		Net loss ratio		Net expense ratio		Net income		Investments	
	2001 € mn	2000 € mn	2001 %	2000 %	2001 %	2000 %	2001 € mn	2000 € mn	2001 € mn	2000 € mn
1. Europe										
Germany	10,149	9,714	76.2	73.5	26.8	24.2	3,230	3,014	41,623	44,412
France	4,083	3,803	83.0	85.8	29.3	28.3	– 94	180	9,237	10,564
Great Britain	1,765	1,604	73.2	82.7	31.0	33.4	68	21	2,865	2,731
Italy	4,181	3,956	76.7	77.8	22.5	21.6	318	144	8,417	8,241
Switzerland	1,599	1,514	79.1	74.2	26.9	30.0	81	121	4,098	4,337
Spain	1,027	915	78.7	81.1	21.2	23.8	18	38	1,387	1,332
2. America										
NAFTA Region	5,177	4,173	99.9	87.9	29,2	29.6	– 1,064	– 117	12,595	12,899
South America	610	653	63.7	70.9	39.7	34.8	12	– 24	479	364
3. Asia-Pacific Region	768	553	79.9	83.1	27.3	23.0	– 25	17	1,520	1,045

*) Excluding credit and travel insurance

Credit and Travel Insurance

	Premiums earned (net)		Net loss ratio		Net expense ratio		Net income		Investments	
	2001 € mn	2000 € mn	2001 %	2000 %	2001 %	2000 %	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Credit insurance	901	932	68.0	46.6	44.0	35.9	70	131	2,118	2,336
Travel insurance and assistance	669	608	64.4	63.2	33.4	36.5	– 8	6	237	276

BANKING

	Total income		Less loan loss provisions		Total expenses		Earnings after taxes	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Private Customers	1,443	165	177	4	– 1,400	– 136	– 111	25
Corporates & Markets	1,864	10	417	–	– 2,040	– 9	– 619	1

To go directly to any chapter, simply click ➤➤
on the headline or the page number.

ALLIANZ GROUP CONSOLIDATED FINANCIAL STATEMENTS 2001

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting regulations

The consolidated financial statements have been prepared in conformity with International Accounting Standards (IAS), on the basis of clause § 292a of the German Commercial Code (HGB) which has a debt-discharging effect. All the standards currently in force for the year under review have been adopted in the presentation of the consolidated financial statements.

IAS does not provide specific guidance concerning the reporting of insurance transactions in annual financial statements. In such cases as envisioned within the IAS Framework, the provisions embodied in the U.S.-Generally Accepted Accounting Principles (U.S. GAAP) have been applied. Preparation of the consolidated financial statements requires us to make estimates and assumptions that affect items reported under the headings in the consolidated balance sheet/income statement, and 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. The judgement of the executive management also has an influence on the loss-free valuation of assets.

The financial statements were prepared in euros (€).

2 Changes to accounting, valuation and reporting policies

The following IAS accounting principles were applied for the first time in fiscal year 2001: IAS 39 and IAS 40. The effect of the first-time recognition under IAS 39 of the market values of derivatives that have until now not been shown in the balance sheet have been recorded in the beginning balance of shareholders' equity. This reduced revenue reserves by € 153 mn. First-time application of IAS 40 has only resulted in changes in presentation.

IAS 39 – Financial instruments: recognition and measurement – IAS 39 sets forth requirements for the recognition in financial statements and valuation of the financial assets and liabilities of an enterprise, including the reporting of hedging instruments, and relating to additional disclosure. Under this standard all financial assets and liabilities, including all derivatives, are initially recognized on the balance sheet at cost. Subsequent to initial recognition, all financial assets are remeasured to fair value, with the exception of certain assets and liabilities listed in the standard. This standard does not apply to rights and obligations arising under insurance contracts.

IAS 40 covers investment property independent of the main activity of the enterprise concerned. Investment property is real estate held to earn rentals or for capital appreciation. IAS 40 does not apply to real estate held for use in the production or supply of goods or services or for administrative purposes. The standard allows an enterprise to choose either a fair value model or a cost model for valuation purposes. The Allianz Group has chosen the acquisition cost method which is consistent with its previous accounting policy.

With the first-time consolidation of the Dresdner Bank Group, we have changed the structure of the consolidated balance sheet and the consolidated income statement. The purpose is to provide appropriate information for both the insurance and banking activities within the Group. Some headings in the consolidated balance sheet and consolidated income statement have been combined. To maintain transparency and clarity, the relevant information is presented in detail in the notes to the consolidated financial statements.

We have also expanded our segment reporting. In accordance with our internal organizational structure and group controlling, the segment formerly entitled Financial Services was replaced with two new segments: Banking and Asset Management. These business segments are reported in addition to the existing segments of Life/Health and Property/Casualty.

Amounts in the consolidated financial statements were reported for the first time in € mn without a decimal place.

All figures from fiscal year 2000 have been restated to reflect the foregoing changes, in order to permit comparison between years.

3 Consolidation

Scope of consolidation

In addition to Allianz AG, 163 (previous year 104) German and 1,021 (660) foreign enterprises have been consolidated in full. 73 (59) German and 85 (79) foreign investment funds were also consolidated.

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

146 (95) associated enterprises have been accounted for by the equity method.

Certain enterprises have not been included in the consolidation or accounted for at equity 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 consolidated financial statements and Group management report have an exempting effect in accordance with the application of clause § 264 b of the German Commercial Code (HGB). Selected affiliated and associated enterprises are shown on pages 80 to 83.

The following principal acquisitions were consolidated for the first time in the year under review:

- Dresdner Bank AG, Frankfurt/Main, and its subsidiaries. With its purchase of 56.7 % on July 23, 2001 the Allianz Group acquired the majority stake for a price of € 17,227 mn. A further 1.0 % of the stock was purchased in the period to December 31, 2001. Total acquisition costs for the majority holding of 78.5 % amounted to € 19,561 mn. In addition to goodwill of € 3,977 mn reported in the first-time consolidation of the Dresdner Bank Group from the acquisition of stock to date, further € 659 mn was recognized under other intangible assets for the value of the brand name.
- the U.S. asset manager Nicholas Applegate, San Diego. The 100.0 % holding was acquired on January 31, 2001 at a purchase price of € 1,111 mn. The transaction also includes performance-related purchase price payments of up to € 1,236 mn and incentive and retention schemes amounting to a maximum of € 170 mn.

On December 20, 2000 Allianz acquired 100.0 % of the stock in Zwolsche Algemeene Holding, Nieuwegein, and its subsidiaries. The operating results of these companies were included in the consolidated financial statements for the first time in fiscal year 2001 with gross premium income of € 205 mn and net income for the year of € – 12 mn.

The following table shows the effect of including Dresdner Bank AG and Nicholas Applegate in the Consolidated Financial Statements:

	Effects on the consolidated financial statements for 2001[1]			
First-time consolidations	Date of first-time consolidation	Net income € mn	Goodwill[2] € mn	Amortization of goodwill € mn
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

The following were the principal companies consolidated for the first time in 2000:

	Effects on the consolidated financial statements for 2000[1]				
Principal new acquisitions 2000	Date of first-time consolidation	Gross premiums € mn	Net income € mn	Goodwill[2] € mn	Amortization of goodwill € mn
PIMCO Advisors L.P., Delaware	5/5/2000	–	– 37	2,674	– 88
Allianz-Tiriac Asigurari, Bucharest	10/1/2000	18	1	10	–
Arab International Insurance Company, Cairo	1/1/2000	12	–	–	–
Münchener und Magdeburger Hagelversicherung AG, Munich	7/1/2000	19	– 1	1	–
Zwolsche Algemeene Holding, Nieuwegein	12/31/2000	–	–	153	–

[1] Consolidated in the business segments
[2] On the date of first-time consolidation

The table below shows pro-forma balance sheet and income statement information before and after consolidation of the Dresdner Bank Group.

Consolidated balance sheets

ASSETS	12/31/2001 Before consolidation of the Dresdner Bank Group € mn	12/31/2001 After consolidation of the Dresdner Bank Group € mn
A. Intangible assets	11,137	16,911
B. Investments in affiliated enterprises, joint ventures, and associated enterprises	12,968	10,247
C. Investments	270,320	345,302
D. Investments held on account and at risk of life insurance policyholders	24,692	24,692
E. Loans and advances to banks	7,785	61,274
F. Loans and advances to customers	35,011	239,693
G. Trading assets	2,399	128,422
H. Cash funds and cash equivalents	5,464	21,240
I. Amounts ceded to reinsurers from insurance reserves	30,999	30,999
J. Deferred tax assets	7,273	8,415
K. Other assets	41,281	55,730
Total assets	449,329	942,925

EQUITY AND LIABILITIES	12/31/2001 Before consolidation of the Dresdner Bank Group € mn	12/31/2001 After consolidation of the Dresdner Bank Group € mn
A. Shareholders' equity	32,146	31,664
B. Minority interests in shareholders' equity	14,336	17,349
C. Participation certificates and post-ranking liabilities	929	12,207
D. Insurance reserves	299,512	299,512
E. Insurance reserves for life insurance where the investment risk is carried by policyholders	24,726	24,726
F. Liabilities to banks	1,584	135,402
G. Liabilities to customers	5,977	177,323
H. Certificated liabilities	19,803	134,670
I. Trading liabilities	507	44,538
J. Other accrued liabilities	7,660	14,117
K. Other liabilities	33,631	41,900
L. Deferred tax liabilities	7,908	8,898
M. Deferred income	610	619
Total equity and liabilities	449,329	942,925

Consolidated Income Statements

	2001 Before consolidation of the Dresdner Bank Group € mn	2001 After consolidation of the Dresdner Bank Group € mn
1. Premiums earned (net)	52,745	52,745
2. Interest and similar income	16,895	24,224
3. Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises	508	1,588
4. Other income from investments	7,905	8,502
5. Trading income	1,351	1,592
6. Fee and commission income, and income from service activities	2,998	4,827
7. Other income	2,307	2,479
Total income (1. to 7.)	84,709	95,957
8. Insurance benefits (net)	– 50,154	– 50,154
9. Interest and similar expenses	– 2,683	– 7,947
10. Other expenses for investments	– 8,234	– 8,923
11. Loan loss provisions	– 26	– 596
12. Acquisition costs and administrative expenses	– 15,588	– 19,324
13. Amortization of goodwill	– 673	– 808
14. Other expenses	– 5,563	– 6,378
Total expenses (8. to 14.)	– 82,921	– 94,130
15. Earnings from ordinary activities before taxes	1,788	1,827
16. Taxes	739	840
17. Minority interests in earnings	– 543	– 1,044
18. Net income	1,984	1,623

Consolidation principles

The consolidated financial statements are based on the annual financial statements of Allianz AG and all principal subsidiaries. All the financial statements included are uniformly prepared as of December 31, 2001. We have used interim financial statements for those entities whose accounting periods end on a different date.

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 the 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 useful life. In the case of acquisitions prior to January 1, 1995, such differences have been taken to revenue reserves in accordance with the transitional provisions in force.

The earnings generated by subsidiaries after their first-time consolidation or, where appropriate, their acquisition, are allocated to the revenue reserves of the Group, as are the effects of consolidation procedures on earnings and the Group's portion of the unappropriated retained earnings of 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 those enterprises for the year.

Intra-Group receivables and payables, income and expenses, and intercompany 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 currency for Group companies is always the local currency of the relevant company. 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, in all 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 liabilities in the local currency and principally invest in the same currency in capital markets.

The principal exchange rates are summarized in the following table.

Currency	€ closing rates		€ averages rates	
	2001	2000	2001	2000
Australian Dollar (AUD)	1.739	1.675	1.732	1.596
Japanese Yen (JPY)	115.330	106.759	108.749	99.736
Pound Sterling (GBP)	0.609	0.624	0.622	0.609
Swiss Franc (CHF)	1.483	1.523	1.510	1.561
South Korean Won in thousands (KRW)	1.162	1.173	1.155	1.053
U.S. Dollar (USD)	0.885	0.930	0.896	0.926

4 Accounting and valuation policies

For consolidation purposes, the financial statements of Allianz AG and its consolidated German and non-German subsidiaries have been drawn up uniformly in conformity with IAS accounting and valuation standards.

Effects of applying IAS 39

IAS 39.5 defines a financial instrument as "any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise".

The financial assets in their entirety are thus reported under assets on the balance sheet, regardless of whether they are in the form of shares, cash receivables or interest-bearing securities, or investment interests in separate trust assets. All cash liabilities are reported under equities and liabilities, irrespective of whether they are certificated or not certificated. Furthermore, all commitments for delivery or receipt of financial instruments and cash receivables or cash liabilities are classified as financial instruments.

IAS 39 also defines derivative financial instruments (derivatives) as financial instruments. A distinction is drawn between over-the-counter (OTC) products, which are individually traded contracts, and exchange-traded products, which are standardized.

IAS 39 also includes a new rule for reporting hybrid financial instruments. Hybrid financial instruments are a combination of cash instruments (bearer contracts) and derivative financial instruments (embedded derivatives). Subject to certain conditions, IAS 39 requires that embedded derivative components be separated out from the bearer contract, and also requires separate reporting and valuation.

IAS 39 regulates hedge accounting in conjunction with the reporting of derivatives. The commercial hedge provided by derivative financial instruments is recognized in the financial statements by balancing differing principles for recognition and/or measurement for the valuation of hedged items and hedging instruments in case the requirements are met for qualification as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity.

For purposes of **initial recognition** and **derecognition,** IAS 39 requires that a financial asset or a financial liability be recorded in the balance sheet from the date at which the company reporting the item in the balance sheet becomes a partner to the contractual provisions of the financial instrument, i.e. when the conclusion of a contract authorizes agreed payments or entails an agreed commitment to considerations. A financial asset is derecognized when the Group company reporting the item loses control (power of disposal) over the contractual rights that comprise the financial asset. Financial liabilities are derecognized when the liability is amortized, settled, expired, cancelled or lapsed.

Derivative financial instruments are initially measured at cost in the same way as the underlying financial instruments. Subsequent to initial recognition, derivatives are then revalued at fair value.

Exchange-traded derivative financial instruments are valued using the fair-value method and 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 market and counterparty risks into account.

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 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 20 years in the case of life and health insurance enterprises, 10 years in the case of property and casualty insurance enterprises, 10 years in the case of banks and 20 years in the case of asset management companies.

The book values of goodwill are reviewed annually. Special depreciations are made for diminutions in value which are deemed to be other than temporary. Gains or losses realized on the disposal of subsidiaries include any related unamortized goodwill balances.

Other intangible assets include software purchased from others or developed in-house and real property rights, which are amortized on a straight-line basis over their useful service life or contractual term. They also include 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 (realization of surpluses or premium income). The valuation is based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, in addition to underwriting costs and returns on assets that were invested in order to be able to meet the obligations arising under the insurance contracts. 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.

Investments in affiliated enterprises, joint ventures, and associated enterprises

Investments in affiliated enterprises, joint ventures, and associated enterprises are generally valued by the equity method in accordance with the Group's valuation principles, at the Group's proportionate share of their net assets using a date as close as possible to the Group's year-end, but not more than six months prior to the Group's year-end. In the case of investments in enterprises that prepare their own consolidated financial statements, the valuation is based on the sub-group's consolidated net assets. 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 by 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 a 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 are accounted for at amortized cost. 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 are included in a separate component of shareholders' equity net of deferred tax, and latent reserves as appropriate, for premium refunds. Realized gains and losses are principally determined by applying the average cost method.

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. 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 relate mainly to investments funding unit-linked life insurance policies and variable annuities. They are valued at market value on the balance sheet date. Unrealized gains and losses arising from market valuations lead to a corresponding increase or decrease in the related insurance reserves.

Loans and advances to banks and customers

These balance sheet items include original loans and advances and a limited volume of purchased accounts receivable. The former are accounted for at amortized cost. The latter are either recognized at fair value (available for sale) or at amortized cost (held to maturity) according to their classification.

The amortized cost is calculated from the outstanding loan amount, less charges and costs recognized on an accrual basis for original loans, less premiums and discounts not requiring repayment for acquired loans, and less other prepaid expenses. Interest, premiums, discounts and accrued net charges are recognized as interest income using the effective yield method over the term of the associated loans.

Accrued interest is generally no longer recognized, if principal or interest payments are highly unlikely. If a loan is identified as impaired, all previously accrued but not recognized interest is written back against earnings, if the collateral provided for the loan is not sufficient to cover the accrued interest. Income arising from such loans is only reported if the cash funds are received or future installment payments are likely. Accrued interest is only reported for loans of this nature if their interest and installments are currently up to date and if, in the opinion of the management, principal and interest payments for these loans are likely to be received in full.

The amount of **loan loss allowances** reflects management’s estimate of the probable valuation allowances that are required in the loan portfolio as of the consolidated balance sheet date. Loans are regularly analyzed so that reasonable loan loss allowances can be made. The valuation amounts are largely based on loan classifications that are defined by credit assessment and determined by estimated default factors on the basis of historical loss data. 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 “Loan loss provisions”.

Identified counterparty risk is covered by specific credit risk allowances for individual loans or by general allowances for loan losses for a group of similar loans, and by provisions. The size of each allowance is determined by the probability of the borrower’s making required payments of interest and principal, with the value of underlying collateral being taken into consideration.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of a certain country to service its external debt. These country risk allowances are based on an internal Group country rating system which incorporates economic data as well as other facts and evaluations to categorize countries.

Trading assets

These consist of debt and equity securities, derivatives with positive market values, promissory note loans and precious metal holdings. 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 funds 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.

Other assets

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

Real estate owned by Allianz and used for its own activities and property, plant and equipment, and inventories are carried at cost less accumulated depreciation.

Receivables are recorded at face value less any payments made or appropriate valuation allowances.

Deferred acquisition costs, which are incurred in connection with the acquisition or renewal of insurance policies, are capitalized and amortized against income over the term of the policies.

Supplementary information on assets

Impairment of assets

All assets are reviewed regularly to ensure that they have maintained their value. Valuation write-downs are charged to the income statement if any permanent diminution in value is established. Write-downs are based on the relevant fair values.

A diminution in value is assumed to have occured on a loan if it is probable that not all amounts due under the provisions of the loan agreement will be received. If this is the case, collateral is taken into account as appropriate. In the case of collateralized loans the fair value of the collateral is applied to determine the amount of the diminution in value.

The Group uses the following methods and assumptions to determine fair values:

Loans: The fair value of loans is calculated using the discounted cash flow method. This method uses the effective yield of the relevant debt instrument. Where there is doubt about the repayment of loans, the anticipated cash flows are discounted at a reasonable rate that takes into account date of receipt and includes a charge for an element of uncertainty in cash flows.

Fixed-term securities, equities, and other investments: 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 fixed-term securities and equities.

Cash with banks, checks and cash on hand: The carrying amount corresponds to the fair value.

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 evenly over the lifetime of the transactions and reported under interest income/interest expenses and similar income/expenses.

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 securities involved on its balance sheet, whereas borrowed securities are not reported. 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".

Accounting for leases

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.

Supplementary information on liabilities

Shareholders' equity

Treasury stock held by the Group is stated as shares held by the company. These shares 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, reserve 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 over the period of the contract for every day that the premium still has to cover. 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 based on the calculations of the cedant.

Aggregate policy reserves, including the reserve for advancing age in health insurance, is calculated on actuarial principles from 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 (variable annuities). 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 give any contractual guarantees about minimum rate of return or the level of management fees (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 by FAS 120, in the second and third cases by FAS 60, and in the fourth and fifth cases by 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. Here, too, acquisition costs are spread over the term of the policies, but in the same proportion as premiums written for the year concerned compared to the total premium income.

The interest rates used in 2001 for the assumptions were as follows:

	Policies using the contribution principle (FAS 120) %	Other policies (FAS 60) %
Aggregate policy reserves	3	7
Deferred acquisition costs	7	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 premiums paid by policyholders, plus interest credited. 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 either the amount of benefits to be paid or the date when payments must be made is 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 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 the differences between this income statement under IAS rules and local income statements. These differences are restated and recognized on a future accrual basis and reported in profit participation accounts.

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 allocated to policyholders or paid out to them reduces the reserve. Any dividends allocated or paid out over and above the reserve are recorded in 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.

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”.

Trading liabilities

This item primarily includes derivates 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. These liabilities are valued the same as 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 highly-rated 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 reserves for restructuring, for anticipated losses arising from non-insurance business, 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 tax 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. 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

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 costs involved are treated as premium income.

Life-insurance premiums from traditional life insurance policies are reported as earned when due. Reserves are established for benefits and expenses to calculate the profits over the estimated lifetime of the insurance policies.

The premium components for insurance-related costs, surrenders and policy administration are deducted from the account balance of the policyholder. These deductions relate to premium income from investment-oriented insurance policies (universal life type) and pension plans with variable payout amounts, and as such are recorded as premiums earned in the income statement. Benefits recognized under expenses include the claims for benefits arising during the period under review that exceed the balance of the relevant insurance policy accounts, and interest that is credited to the appropriate insurance policy account.

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 formed for benefits and expenses from this income, in order to record the profits over the estimated term of the insurance policies.

Premiums for property and casualty insurance are reported proportionately as income over the term of the insurance contract for every day that the premium has to cover. Unearned premiums are calculated separately for each policy, in order to determine the portion of premium income that has not yet been earned.

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 received. Interest on finance leases is recognized in interest income over the term of the respective lease so that a constant period 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 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. The share of net income from investments in associated enterprises and joint ventures is recognized on an accrual basis, and 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 period yield based on the net investment is attained.

In addition to traditional commission income received on securities, 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 are related to 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. Commissions received from such business are shown as "Fee and commission income" in the income statement.

Supplementary information

Equity remuneration plans

Equity-based remuneration plans are reported in conformity with U.S. GAAP Standard APB (Accounting Principles Board) Opinion No. 25 and related regulations on the basis of the intrinsic value of the option rights.

In conformity with the method based on the intrinsic value of the option rights, remuneration expenses correspond to the difference between the current share price on the balance sheet date and the exercise price of the option on the assignment date. They are reported proportionately over the retirement term for the allocation. Remuneration expenses for Stock Appreciation Rights (SAR) correspond to the amount by which the share price exceeds the reference price, provided that it can be assumed that the stock appreciation requirements and the associated rights of employees are being exercised. An increase or fall in the stock-market price of the share leads to a corresponding change in the remuneration expenses.

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 Life/Health, Property/Casualty, Banking and Asset Management.

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 much broader under IAS 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 IAS 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
- only the recognition of lower insurance reserves in property and casualty business is permitted.

Calculation of profit

There are substantial differences between accounting treatment under IAS rules and the German Commercial Law in the case of investments, trading activities and reserves. The following summary explains the most important aspects of IAS which differ from HGB.

Claims equalization reserves Claims equalization reserves and major risk reserves are not allowed under IAS 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 IAS because they are not calculated in accordance with the prudence concept but at the best estimate of the ultimate cost.

Acquisition costs Under IAS acquisition costs are capitalized and amortized over the term of the policy.

Depreciation and write-downs Depreciation charges and valuation write-downs are reduced overall under IAS. In particular they are not allowed where movements in stock market prices or exchange rates result in only a temporary diminution in value.

Valuation at equity All participations of between 20 and 50 % are valued by 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.

Capital gains and losses Gains on disposal may be lower, and losses on disposal may be higher under IAS because the proceeds of disposal are set against historical cost. Under German Commercial Law, by contrast, the disposal proceeds are set against the carrying amount, which might be lower.

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 IAS rules.

Treasury shares Under IAS 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 IAS as follows:

- over 20 years for life and health insurance companies
- over 10 years for property and casualty 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:

	12/31/2001 € mn	12/31/2000 € mn
Goodwill	12,649	7,393
Other intangible assets	4,262	3,001
Total	16,911	10,394

Changes in goodwill for the fiscal year were as follows:

	€ mn
Gross amount capitalized 12/31/2000	8,899
Accumulated amortization 12/31/2000	– 1,506
Value stated as of 12/31/2000	7,393
Translation differences	134
Value stated as of 1/1/2001	7,527
Reclassification	350
Additions	5,580
Amortization	– 808
Value stated as of 12/31/2001	12,649
Accumulated amortization as of 12/31/2001	– 2,314
Gross amount capitalized as of 12/31/2001	14,963

Reclassification relates to the interest of the Allianz Group in the goodwill shown in the balance sheet of the Dresdner Bank Group prior to acquisition of the majority shareholding on July 23, 2001.

Major additions include the following:

- first-time consolidation of the following subsidiaries:
  Dresdner Bank AG, Frankfurt/Main € 3,977 mn
  Nicholas Applegate, San Diego € 1,042 mn
  Malaysia British Assurance, Malaysia € 45 mn
- € 19 mn by increasing the interests in Berner Allgemeine Versicherungs-Gesellschaft, Bern by 39.8 % to 99.9 %.

Amortization of goodwill is shown in the income statement under item 13 as a separate heading.

Other intangible asset values changed during the year under review as follows:

Software

	€ mn
Gross amount capitalized 12/31/2000	1,356
Accumulated amortization 12/31/2000	– 762
Value stated as of 12/31/2000	594
Translation differences	6
Value stated as of 1/1/2001	600
Additions	491
Changes in the group of consolidated companies	612
Disposals	– 26
Amortization	– 241
Value stated as of 12/31/2001	1,436
Accumulated amortization 12/31/2001	– 1,003
Gross amount capitalized 12/31/2001	2,439

The balance sheet value amounting to € 1,436 (594) mn includes € 619 (394) mn for software developed in-house and € 817 (200) mn for software purchased from others. Software is amortized over a maximum of five years, according to its useful life. Amortization is apportioned between the relevant cost headings in the income statement.

Capitalized value of life/health insurance portfolios

	€ mn
Gross amount capitalized 12/31/2000	1,975
Accumulated amortization 12/31/2000	- 457
Value stated as of 12/31/2000	1,518
Translation differences	13
Value stated as of 1/1/2001	1,531
Additions	11
Amortization	– 168
Value stated as of 12/31/2001	1,374
Accumulated amortization 12/31/2001	– 625
Gross amount capitalized 12/31/2001	1,999

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 addition under capitalized value of life insurance portfolios relates to first-time consolidation of the subsidiary Malaysia British Assurance Life, Kuala Lumpur.

The capitalized value of life/health insurance portfolios is amortized over the lives of the policies concerned (realization of surpluses). 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 € 574 (713) mn that are amortized on a straight-line basis over five years. € 659 mn were recognized under assets for the value of the brand name “Dresdner Bank” and “dit” (Deutscher Investment-Trust) and these are amortized on a straight-line basis over 20 years.

Scheduled amortization for the brand names amounted to € 15 mn during the year under review.

6 Investments in affiliated enterprises, joint ventures, and associated enterprises

Investments	12/31/2001 € mn	12/31/2000 € mn
In affiliated enterprises	870	581
In joint ventures	105	97
In associated enterprises	9,272	11,085
Total stated value	10,247	11,763
Total market value	24,134	29,477

The market value is principally based on stock exchange quotations.

The value of interests in banks amounts to € 2,079 (76) mn.

7 Investments

Investments comprise the following:

	12/31/2001 € mn	12/31/2000 € mn
Securities held to maturity	7,688	8,087
Securities available for sale	322,192	258,001
Real estate used by third parties	12,004	11,506
Funds held by others under reinsurance contracts assumed	3,418	3,240
Total	345,302	280,834

Securities held to maturity

	Amortized cost	
	12/31/2001 € mn	12/31/2000 € mn
Government bonds	2,824	2,696
Corporate bonds	2,319	2,357
Other	2,545	3,034
Total	7,688	8,087

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.

Amortization includes unscheduled write-downs of € 35 (2) mn.

	Amortized cost 12/31/2001 € mn	Amortized cost 12/31/2000 € mn	Market values 12/31/2001 € mn	Market values 12/31/2000 € mn
Contractual term to maturity				
Due in 1 year or less	692	1,678	675	1,661
Due after 1 year and in less than 5 years	3,797	2,429	3,901	2,479
Due after 5 years and in less than 10 years	2,125	2,898	2,174	2,944
Due after 10 years	1,074	1,082	1,057	1,096
Total	7,688	8,087	7,807	8,180

Securities available for sale

	Amortized cost 12/31/2001 € mn	Amortized cost 12/31/2000 € mn	Unrealized gains/losses 12/31/2001 € mn	Unrealized gains/losses 12/31/2000 € mn	Market values 12/31/2001 € mn	Market values 12/31/2000 € mn
Equity securities	69,896	62,385	11,567	29,340	81,463	91,725
Government bonds	110,142	101,126	2,152	523	112,294	101,649
Corporate bonds	84,481	49,200	1,876	771	86,357	49,971
Other	41,126	14,266	952	390	42,078	14,656
Total	305,645	226,977	16,547	31,024	322,192	258,001

	Proceeds of sale 2001 € mn	Proceeds of sale 2000 € mn	Realized gains 2001 € mn	Realized gains 2000 € mn	Realized losses 2001 € mn	Realized losses 2000 € mn
Equity securities	37,844	33,656	6,632	9,546	6,153	2,654
Government bonds	43,724	27,175	768	701	295	651
Corporate bonds	21,690	12,193	238	162	363	529
Other	– 7,404	6,664	100	174	77	155
Total	95,854	79,688	7,738	10,583	6,888	3,989

Realized gains and losses have been calculated on the basis of average values.

Investment strategy within the Allianz Group is primarily geared to the long term. Forward sale agreements and securities lending are used to hedge unrealized gains.

	Amortized cost		Market values	
	12/31/2001 € mn	12/31/2000 € mn	12/31/2001 € mn	12/31/2000 € mn
Contractual term to maturity				
Due in 1 year or less	28,814	8,763	25,689	9,235
Due after 1 year and in less than 5 years	98,301	63,241	105,619	65,778
Due after 5 years and in less than 10 years	85,572	75,525	88,209	73,685
Due after 10 years	23,062	17,063	21,212	17,578
Total[*)]	235,749	164,592	240,729	166,276

*) 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 of the real estate. The gross capitalized values totaled € 13,942 mn at the beginning of the year and € 14,545 mn at the end of the year. Accumulated depreciation amounted to € 2,436 mn at the beginning of the year and € 2,541 mn at the end of the year. Assets pledged as security and other restrictions on title amount to € 68 mn.

Amortization includes unscheduled write-downs of € 86 (90) mn.

Expenditures to restore the future economic benefits from 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 € 61 mn.

Changes in the total carrying value of real estate used by third parties during the year

	€ mn
Value stated as of 12/31/2000	11,506
Translation differences	1
Value stated as of 1/1/2000	11,507
Additions	1,525
Changes in the group of consolidated companies	428
Disposals	– 1,078
Depreciation	– 378
Value stated as of 12/31/2001	12,004

The market value of real estate used by third parties was € 16,731 mn on the balance sheet date.

8 Investments held on account and at risk of life insurance policyholders

This item comprises mainly investments funding unit-linked life insurance policies and investments to cover obligations under policies where the benefits are index-linked.

Group enterprises keep these investments separate from other investments and invest them separately.

Policyholders are entitled to all the gains recorded and therefore to the total amount of all the investments shown under this heading, but they also have to carry any losses.

For this reason the liability heading "Insurance reserves for life insurance where the investment risk is carried by policyholders" moves in parallel with this account.

9 Loans and advances to banks

	12/31/2001 € mn	12/31/2000 € mn
Loans	5,812	260
Other advances	55,716	6,811
Loans and advances to banks	61,528	7,071
Less loan loss allowance	254	1
Loans and advances to banks after loan loss allowance	61,274	7,070

Receivables due within one year total € 51,052 (5,867) mn, those due after more than one year total € 10,476 (1,204) mn.

10 Loans and advances to customers

	12/31/2001 € mn	12/31/2000 € mn
Corporate customers	149,244	–
Public authorities	33,908	–
Private customers	64,351	28,412
Loans and advances to customers	247,503	28,412
Less loan loss allowance	7,810	326
Loans and advances to customers after loan loss allowance	239,693	28,086

Loans and advances to customers by type of loan are as follows:

	12/31/2001 € mn	12/31/2000 € mn
Loans	199,190	14,806
Reverse repos	42,393	–
Other advances	5,920	13,606
Total	247,503	28,412

Loans and advances due within one year total € 109,693 (20,627) mn, those due after more than one year total € 137,810 (7,785) mn.

Loans and advances to customers include amounts receivable under finance leases at their net investment value totaling € 21,142 (2,427) mn. The corresponding gross investment value of these leases amounts to € 31,099 (3,570) mn, the associated unrealized finance income is € 35 (4) mn and unguaranteed residual values are € 9 (1) mn. Lease payments received have been recognized as income in the amount of € 1,498 (172) mn. The allowance for uncollectable lease payments receivable amounted to € 78 (9) mn at the balance sheet date. The total amounts receivable under leasing arrangements include € 3,493 (401) mn due within one year, € 10,271 (1,179) mn due within one to five years, and € 17,335 (1, 990) 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.

	12/31/2001 € mn	12/31/2000 € mn
Loans to banks	5,812	260
Loans to customers*)	199,572	14,806
Total lending volume	205,384	15,066
Less loan loss allowance	8,064	327
Lending volume after loan loss allowance	197,320	14,739

*) Including bills of exchange amounting to € 382 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 € 8,064 mn. Also included are provisions for contingent liabilities in the amount of € 497 mn.

	Counterparty risks		Country risks		Potential risks (General loan loss allowance)		Total	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn
As of January 1	304	290	–	–	23	22	327	312
Additions								
Additions to allowances charged to the income statement	1,461	97	–	–	110	7	1,571	104
Changes in the group of consolidated companies	6,596	–	544	–	855	–	7,995	–
Total	8,057	97	544	–	965	7	9,566	104
Reductions								
Charge-offs	– 445	– 16	–	–	2	–	– 443	– 16
Amounts released	– 611	– 46	– 281	– 21	– 77	– 6	– 969	– 73
Total	– 1,056	– 62	– 281	– 21	– 75	– 6	– 1,412	– 89
Other additions/reductions	38	– 1	– 29	1	18	– 1	27	– 1
Changes due to currency translation	44	1	5	–	4	–	53	1
As of December 31	7,387	325	239	– 20	935	22	8,561	327

The loan portfolio includes value-adjusted loans amounting to € 9,778 mn, on which interest was not being recognized. This amount includes € 6,843 mn of loans that were placed on non-accrual status, and € 2,935 mn of loans which have a specific allowance against the interest accrued. Interest which would have been recognized had these loans been accruing interest, amounting to € 224 mn, was not included in interest income.

11 Trading assets

	Market values 12/31/2001 € mn	12/31/2000 € mn
Equities	15,123	60
Fixed-income securities	91,493	312
Derivatives	19,827	–
Other trading assets	1,979	–
Total	128,422	372

The majority of equities and fixed-income securities held in the trading portfolio are marketable and listed securities. The fixed-income securities include € 42,432 mn from public-sector issuers, and € 49,061 mn from other issuers.

12 Cash funds and cash equivalents

	12/31/2001 € mn	12/31/2000 € mn
Balances with banks payable on demand	11,797	4,209
Balances with central banks	7,222	–
Checks and cash on hand	1,584	–
Treasury bills, discounted treasury notes and similar treasury securities	255	–
Bills of exchange	382	–
Total	21,240	4,209

13 Amounts ceded to reinsurers from the insurance reserves

	12/31/2001 € mn	12/31/2000 € mn
Unearned premiums	1,663	1,506
Aggregate policy reserves	12,207	13,085
Reserve for loss and loss adjustment expenses	16,784	13,100
Other insurance reserves	298	221
Subtotal	30,952	27,912
Insurance reserves for life insurance where the investment risk is carried by policyholders	47	563
Total	30,999	28,475

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.

14 Other assets

	12/31/2001 € mn	12/31/2000 € mn
Real estate used by Allianz for its own activities	5,097	3,006
Property, plant and equipment, and inventories	2,303	1,354
Accounts receivable on direct insurance business	9,523	8,295
Accounts receivable on reinsurance business	3,164	3,161
Other receivables	19,633	9,812
Other assets	3,454	1,943
Deferred acquisition costs	11,192	10,433
Prepaid expenses	1,364	1,885
Total	55,730	39,889

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 € 8,701 (7,124) mn, those due after more than one year total € 10,932 (2,688) 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 € 3,642 mn at the beginning of the year and € 6,175 mn at the end of the year. Accumulated depreciation amounted to € 636 mn at the beginning of the year and € 1,078 mn at the end of the year. Assets pledged as security and other restrictions on title amount to € 29 mn.

As in the previous year, no unscheduled depreciation was recorded in 2001.

Expenditures to restore the future economic benefits from 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 € 26 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 12/31/2000	3 006
Translation differences	65
Value stated as of 1/1/2001	3 071
Additions	1 068
Changes in the group of consolidated companies	2 203
Disposals	– 597
Depreciation	– 648
Value stated as of 12/31/2001	5 097

The market value of real estate used by Allianz for its own activities amounted to € 6,205 mn.

Property, plant and equipment, and inventories

Property, plant and equipment, and inventories are depreciated over 5 to 10 years according to their useful lives. The gross capitalized values totaled € 3,794 mn at the beginning of the year and € 6,453 mn at the end of the year. Accumulated depreciation amounted to € 2,440 mn at the beginning of the year and € 4,150 mn at the end of the year. Expenditures to restore the future economic benefits from 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 property, plant and equipment amounted to € 51 mn.

Depreciation is apportioned between the relevant cost headings in the income statement. Write-ups are credited to "Other income".

Accounts receivable on direct insurance business

These amount to € 5,884 (5,019) mn for policyholders and € 3,639 (3,276) mn for agents.

Other receivables

These primarily include tax refunds amounting to € 3,310 (2,236) mn, interest and rental receivables amounting to € 8,785 (2,891) mn, and accounts receivable on banking and asset management business amounting to € 2,817 (312) 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 18).

The total amortization in the year under review was € 1,991 mn.

SUPPLEMENTARY INFORMATION ON GROUP LIABILITIES AND EQUITY

15 Shareholders' equity

The shareholders' equity comprises the following:

	12/31/2001 € mn	12/31/2000 € mn
Issued capital	682	629
Capital reserve	14,087	7,365
Revenue reserves	14,010	13,728
Less treasury stock	5,801	–
Other reserves	8,276	13,448
Consolidated unappropriated profit	410	433
Total	31,664	35,603

Issued capital

Within the framework of the takeover bid to the shareholders of Dresdner Bank AG, Allianz AG increased its capital stock by € 51,129,188 through the issue of 19,972,339 registered no par value shares. The shares were issued to DAD Transaktionsgesellschaft mbH, Frankfurt/Main, for a non-cash consideration. The amount of € 6,544,803,673 exceeding the capital stock was transferred to the capital reserve.

In September 2001, 705,661 shares held by the company were issued at a price of € 253.20 each, enabling employees of Allianz Group enterprises in Germany and abroad to purchase 361,235 shares at prices between € 177.24 and € 215.22. The remaining 344,426 shares were sold on the stock exchange at an average price of € 259.41. The difference between the issue price and the sale price was taken to revenue reserves.

The shares issued in 2001 are qualifying shares from the beginning of the year of issue.

The issued capital at December 31, 2001 amounted to € 682,055,680, divided into 266,428,000 registered shares. The shares have no par value as such 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 a**uthorized unissued capita**l 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 € 8,193,508 (3,200,589 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. To that extent the 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

Allianz AG received 24,452,365 of its own shares through the takeover of Dresdner Bank AG on July 23, 2001. The acquisition cost for treasury stock amounted to € 5,444 mn and was recorded in revenue reserves.

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 clause § 71 (1) no. 7 of the Corporation Law (Aktiengesetz). In accordance with this authorization, the banks in the Group purchased 26,910,860 of the company's own shares in the course of 2001. An average price of € 272.63 per share is calculated, including the initial inventory. 26,851,171 shares were disposed of again during the course of 2001 at an average price of € 280.64 per share. The surplus proceeds arising from these transactions were € 34 mn and were transferred to revenue reserves.

The Annual General Meetings on July 11, 2001 and on July 12, 2000 authorized the company 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 786,100 shares in treasury stock at an average price of € 314.48 per share in the months January to June 2001.

At year-end, treasury stock was comprised as follows:

	12/31/2001 Acquisition costs € mn	12/31/2001 Number of shares	12/31/2001 % of issued capital	12/31/2000 Acquisition costs € mn	12/31/2000 Number of shares	12/31/2000 % of issued capital
Shares held by						
Allianz AG	247	786,100	0.30	–	–	–
affiliated enterprises	5,554	24,452,365	9.18	–	–	–
(of which Dresdner Bank Group)	(5,554)	(24,452,365)	(9.18)	(–)	(–)	(–)
Total	5,801	25,238,465	9.48	–	–	–

Changes to the number of issued shares outstanding

	Number of shares
As of 1/1/2000	245,750,000
Additions	
Capital increase against non-cash consideration	19,972,339
Capital increase for employee shares	705,661
	266,428,000
Reductions on account of acquisition of treasury stock	
Acquisition of Dresdner Bank	– 24,452,365
Acquisition for purposes of securities trading	–
Acquisition for miscellaneous purposes	– 786,100
As of 31/12/2001	241,189,535

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 transferred out of consolidated net income. 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.

The **consolidated unappropriated profit** is derived from consolidated net income as follows:

	2001 € mn	2000 € mn
Consolidated net income for the year	1,623	3,460
Transfers to revenue reserves (appropriated retained earnings)	1,213	3,027
Consolidated unappropriated profit	410	433

The Board of Management will propose to the Annual General Meeting the distribution of a dividend of € 1.50 (1.50) per qualifying share for fiscal year 2001. Details on the recommendation for appropriation of profit are given in the Group management report.

16 Minority interests in shareholders' equity/earnings

The primary subsidiaries included are the AGF Group, Paris, the RAS Group, Milan, the PIMCO Group, Delaware, Allianz Lebensversicherungs-AG, Stuttgart, Frankfurter Versicherungs-AG, Frankfurt/Main, Bayerische Versicherungsbank AG, Munich, and the Dresdner Bank Group, Frankfurt/Main.

The interests of minority shareholders are made up as follows:

	12/31/2001 € mn	12/31/2000 € mn
Other reserves		
Unrealized gains and losses	3,114	5,956
Share of earnings	1,044	1,277
Other equity components	13,191	8,967
Total	17,349	16,200

17 Participation certificates and post-ranking liabilities

	12/31/2001 € mn	12/31/2000 € mn
Participation certificates	2,508	476
Post-ranking liabilities	9,699	861
Total	12,207	1,337

Participation certificates include € 450 (450) mn in respect of those issued by Allianz AG. The item "Participation certificates" presents the guaranteed total redemption price that Allianz AG has to pay upon redemption, by the holders of the 5,723, 512 "profit participation certificates" issued by the company. 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 issues of profit participation certificates in 1999 to 2001.

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, and does not intend, to redeem the profit participation certificates, either in cash or in shares. Allianz AG currently has no intention of changing this position.

A lawsuit against Allianz AG seeking compensation for profit participation certificates based on the price of Allianz ordinary shares was dismissed in a judgment handed down by the Munich district court (Landgericht) on July 5, 2001.

Participation certificates also include € 2,035 (0) 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 in accordance with the conditions attached to the certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

Capital relating to profit-participation certificates of the Dresdner Bank Group with a notional amount of € 3,980 mn comprises 12 issues from the years 1991 to 1998. The certificates were issued by Dresdner Bank AG, Deutsche Hypothekenbank Frankfurt-Hamburg AG, Oldenburgische Landesbank AG and Dresdner Bank Lateinamerika AG. Interest rates are between 6.125 and 9.0 %, two issues have variable interest rates. The issues will mature between 2002 and 2009.

Post-ranking liabilities include € 9,243 (0) mn of the Dresdner Bank Group, and € 438 (830) mn of the AGF Group. Post-ranking liabilities of the Dresdner Bank Group include hybrid shareholders' equity, including certificated dormant participations, amounting to € 1,923 mn and other post-ranking liabilities totaling € 7,320 mn.

18 Insurance reserves

	12/31/2001 € mn	12/31/2000 € mn
Unearned premiums	12,391	11,143
Aggregate policy reserves	197,689	184,886
Reserve for loss and loss adjustment expenses	66,648	59,013
Reserve for premium refunds	21,589	28,138
Premium deficiency reserve	517	786
Other insurance reserves	678	858
Total	299,512	284,824

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)	
	12/31/2001 € mn	12/31/2000 € mn	12/31/2001 € mn	12/31/2000 € mn	12/31/2001 € mn	12/31/2000 € mn
Life/Health	101,858	102,778	77,890	67,893	36,867	32,019
Property/Casualty	5,695	4,946	–	–	105	91
Total	107,553	107,724	77,890	67,893	36,972	32,110

Reserve for loss and loss adjustment expenses

The reserve for loss and loss adjustment expenses is divided between the two main categories of the Group's insurance business as follows:

	12/31/2001 € mn	12/31/2000 € mn
Life/Health	5,172	4,966
Property/Casualty	61,476	54,047
Total	66,648	59,013

The reserve for loss and loss adjustment expenses (loss reserves) has changed in Property/Casualty insurance during the year under review as follows:

	2001 € mn	2000 € mn
1. Loss reserve as of January 1.		
a. Gross	54,047	51,272
b. Amount ceded to reinsurers	– 12,571	– 12,089
c. Net	41,476	39,183
2. Plus claims (net)		
a. Claims in the year under review	27,295	24,163
b. Previous years' claims	76	– 123
c. Total	27,371	24 040
3. Less claims paid (net)		
a. Claims in the year under review	– 11,895	– 11,735
b. Previous years' claims	– 12,462	– 11,968
c. Total	– 24,357	– 23,703
4. Currency translation adjustments	407	649
5. Change in the group of consolidated companies	423	240
6. Restructuring	–	458
7. Other changes	–	609
8. Loss reserve as of December 31		
a. Net	45,320	41,476
b. Amount ceded to reinsurers	16,156	12,571
c. Gross	61,476	54,047

No retrospective back-payments of premiums have been demanded. Net claims expenses resulting from the terrorist attack in the U.S.A. amount to € 1.5 bn. No exceptional events insured against have occurred since the balance sheet date which would materially affect the net worth, financial position or results of the Group. The balance sheet figure includes annuity reserves of € 2,743 (2,577) mn 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.

The current reserve valuation for asbestos claims is based on the estimate of an external independent actuarial report dating from the year 1995. Our U.S. property and casualty subsidiary has 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. We anticipate that this report will be completed during the second half of 2002. A higher valuation for asbestos-related claims reserves could result from the findings of the new actuarial report.

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 and, secondly, amounts arising from the valuation of certain assets and liabilities of the Group's life and health insurance enterprises at fair market value (the latent reserve for premium refunds).

The reserve for premium refunds has changed as follows:

	2001 € mn	2000 € mn
a) Amounts already allocated under local regulations		
As of January 1	10,583	9,099
Changes in the group of consolidated companies	–	–
Change	– 495	1,484
As of December 31	10,088	10,583
b) Latent reserves		
As of January 1	17,555	19,562
Change due to fluctuations in market value	– 3,120	– 2,949
Changes in the group of consolidated companies	– 66	–
Changes due to valuation differences charged or credited to income	– 2,868	942
As of December 31	11,501	17,555
c) Total	21,589	28,138

In addition to the amounts allocated under a), policyholders of the Allianz Group were credited amounts totaling € 6,478 mn directly from the surplus.

19 Liabilities to banks

	12/31/2001 € mn	12/31/2000 € mn
Payable on demand	21,352	471
Other term liabilities	114,050	4,701
Including: registered mortgage bonds issued	(6,843)	(–)
Liabilities to banks	135,402	5,172

Liabilities due within one year total € 121,320 (4,634) mn, those due after more than one year total € 14,082 (538) mn.

20 Liabilities to customers

	12/31/2001 € mn	12/31/2000 € mn
Savings deposits	10,995	1,931
Home-loan savings deposits	2,903	1,300
Total	13,898	3,231
Payable on demand	50,908	991
Other term liabilities	80,638	–
(including: registered mortgage bonds issued)	(12,660)	(–)
Other liabilities	31,879	5,462
Liabilities to customers	177,323	9,684

Liabilities to customers are classified according to the following customer groups:

	12/31/2001 € mn	12/31/2000 € mn
Corporate customers	125,368	–
Public authorities	7,980	–
Private customers	43,975	9,684
Liabilities to customers	177,323	9,684

Liabilities due within one year total € 134,766 mn, those due after more than one year total € 42,557 mn.

21 Certificated liabilities

	12/31/2001 € mn	12/31/2000 € mn
Mortgage bonds	13,037	–
Public-sector bonds	41,540	–
Other bonds	48,222	–
Total bonds issued	102,799	–
Money market securities	29,749	–
Own acceptances and promissory notes outstanding	351	–
Other	1,771	–
Other certificated liabilities	31,871	13,606
Certificated liabilities	134,670	13,606

€ 20,560 mn of bonds issued mature within one year.

22 Trading liabilities

	12/31/2001 € mn	12/31/2000 € mn
Derivatives	15,973	–
Obligations to deliver securities	26,031	–
Other trading liabilities	2,534	197
Total	44,538	197

23 Other accrued liabilities

	12/31/2001 € mn	12/31/2000 € mn
Reserves for pensions and similar obligations	5,629	3,528
Accrued taxes	2,478	947
Miscellaneous accrued liabilities	6,010	2,668
Total	14,117	7,143

Accrued taxes amounting to € 1,523 (0) mn are attributable to the Dresdner Bank Group.

Pension and similar reserves

	12/31/2001 € mn	12/31/2000 € mn
Reserves for pensions	5,268	3,147
Reserves for similar obligations	361	381
Total	5,629	3,528

Allianz Group companies normally have pension plans covering their employees – and, in Germany, their agents. These include plans providing fixed benefits (defined benefit pension plans) and plans on the defined contribution basis.

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

	12/31/2001 € mn	12/31/2000 € mn
Actuarially calculated present value of pension rights accrued		
Direct commitments of Group enterprises	5,842	3,321
Commitments through pension funds	5,103	4,407
Total	10,945	7,728
Pension fund assets	4,987	4,650
Pension obligations less pension fund assets	5,958	3,078
Unrecognized gains/losses	– 607	69
Unrecognized (past) service cost	– 83	–

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 12/31/2000	3,147
Translation differences	3
Value stated as of 01/01/2001	3,150
Changes in the group of consolidated companies	2,160
Expenses	449
Payments	– 491
Value stated as of 12/31/2001	5,268

Income and expenses recognized in the income statement:

	2001 € mn	2000 € mn
Current service cost	231	187
Interest cost	552	465
Expected return on pension fund assets	– 358	– 339
Gains/losses recognized	– 19	–
Past service cost recognized	–	–
Income/expenses of plan curtailments or settlements	43	3
Total	449	316

Most of the amounts expensed are charged in 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 € 198 (154) 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:

	2001 %	2000 %
Discount rate	5–8	6–8
Expected rate of return on pension fund assets	7–9	7–9
Retirement rates	2–5	3–5
Benefit levels	2–3	2–3

The calculations are based on current actuarially calculated 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 € 108 mn were expensed in the year under review.

Miscellaneous accrued liabilities

Miscellaneous accrued liabilities include reserves of € 478 (309) mn for restructuring in connection with company mergers and reserves for employee expenses amounting to € 3,039 (811) mn.

24 Other liabilities

	12/31/2001 € mn	12/31/2000 € mn
Funds held under reinsurance business ceded	8,929	9,127
Accounts payable on direct insurance business	7,610	7,296
Accounts payable on reinsurance business	2,103	2,082
Other liabilities	23,258	9,987
Total	41,900	28,492

Other liabilities primarily include liabilities arising from tax charges on income totaling € 1,055 (978) mn, interest and rental liabilities amounting to € 3,874 (590) mn, social security liabilities of € 274 (156) mn, derivative liabilities of € 868 (0) mn, and unprocesed sales totaling € 876 (531) 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, € 14,876 (6,392) mn are due within one year, those due after more than one year total € 8,382 (3,595) mn.

25 Deferred income

This item includes miscellaneous deferred income positions amounting to € 619 (564) mn.

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT

26 Premiums earned (net)

	Life/Health*)		Property/Casualty*)		Total	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Gross premiums written	20,129	20,219	41,459	37,666	61,588	57,885
Premiums ceded in reinsurance	– 1,169	– 1,139	– 6,669	– 6,488	– 7,838	– 7,627
Change in unearned premiums (net)	19	– 3	– 1,024	– 348	– 1,005	– 351
Premiums earned (net)	18,979	19,077	33,766	30,830	52,745	49,907

*) After eliminating intra-Group transactions between segments

Gross premiums written in the year under review totaled € 58,331 mn for direct insurance business and € 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.

27 Interest and similar income

	2001 € mn	2000 € mn
Income from		
Securities held to maturity	467	509
Securities available for sale	13,055	11,889
Real estate used by third parties	1,108	850
Lending and money market transactions	1,935	253
Leasing agreements	68	87
Loans advanced by Group enterprises	6,631	1,699
Other interest-bearing instruments	960	1,308
Total	24,224	16,595

Net interest margin from banking business*)

	2001 € mn	2000 € mn
Interest and current income	9,073	1,414
Interest expenses	– 6,668	– 1,190
Net interest margin	2,405	224
Less loan loss allowance	588	21
Net interest margin after loan loss allowance	1,817	203

*) After eliminating intra-Group transactions between segments

28 Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises

	2001 € mn	2000 € mn
Income		
Current income	657	1,161
Write-ups	27	12
Realized gains from investments in affiliated enterprises, joint ventures, and associated companies	1,319	725
Total	2,003	1,898
Expenses		
Depreciation	– 243	– 23
Realized losses on investments in affiliated enterprises, joint ventures, and associated enterprises	– 119	– 15
Miscellaneous expenses	– 53	–
Total	– 415	– 38
Income (net)	1,588	1,860

€ 1,388 (1,263) mn of the income (net) from investments in affiliated enterprises, joint ventures, and associated companies is attributable to associated enterprises.

A structured securities borrowing transaction resulted in realized gains totaling € 866 mn.

29 Other income from investments

	2001 € mn	2000 € mn
1. Realized gains on		
Securities held to maturity	2	8
Securities available for sale	7,738	10,583
Real estate used by third parties	303	278
Other investments	72	38
Subtotal	8,115	10,907
2. Income from revaluations of		
Securities held to maturity	7	3
Securities available for sale	184	–
Real estate used by third parties	87	35
Other investments	109	–
Subtotal	387	38
3. Total	8,502	10,945

30 Trading income

Trading income includes contributions to earnings amounting to € 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 € 880 mn and income from forward contracts that are used to hedge investments amounting to € 966 mn. Trading income also includes losses totaling € 461 mn arising from the use of other derivative financial instruments by insurance companies.

Trading income amounting to € 1,592 (– 36) mn includes income from trading activities of banking business*) totaling € 244 (7) mn. This is comprised as follows:

	2001 € mn	2000 € mn
Securities trading	59	3
Foreign exchange/precious metals trading	49	– 1
Other dealings in financial instruments	136	5
Total	244	7

*) After eliminating intra-Group transactions between segments

31 Fee and commission income, and income from service activities

Out of the total fee and commission income, and income from service activities, € 1,383 (38) mn are attributable to banking business and € 2,429 (1,099) mn are attributable to asset management.*)

Net fee and commission income from banking business*)

	2001 € mn	2000 € mn
Fee and commission income	1,383	38
Fee and commission expenses	– 162	– 37
Total	1,221	1

*) After eliminating intra-Group transactions between segments

Net fee and commission income comprises income from:

	2001 € mn	2000 € mn
Securities business	713	–
Lending business	72	–
Underwriting business (new issues)	75	–
Other	361	1
Net fee and commission income	1,221	1

32 Other income

Other income is comprised of the following items:

	2001 € mn	2000 € mn
Income from releasing or reducing miscellaneous accrued liabilities	694	198
Income from reinsurance business	485	426
Fees	473	118
Foreign currency gains	114	135
Income from other assets	101	100
Other	612	1,354
Total	2,479	2,331

33 Insurance benefits

Insurance benefits in Life/Health*) relate to:

	Gross		Ceded in reinsurance		Net	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Benefits paid	– 15,576	– 14,948	1,135	951	– 14,441	– 13,997
Change in reserves						
Aggregate policy reserves	– 6,526	– 6,364	231	345	– 6,295	– 6,019
Other	– 196	– 524	122	– 104	– 74	– 628
Subtotal	– 22,298	– 21,836	1,488	1,192	– 20,810	– 20,644
Expenses for premium refunds	– 1,873	– 6,448	4	–	– 1,869	– 6,448
Total	– 24,171	– 28,284	1,492	1,192	– 22,679	– 27,092

*) After eliminating intra-Group transactions between segments

Insurance benefits in Property/Casualty*) comprise the following:

	Gross 2001 € mn	Gross 2000 € mn	Ceded in reinsurance 2001 € mn	Ceded in reinsurance 2000 € mn	Net 2001 € mn	Net 2000 € mn
Claims						
Claims paid	– 29,966	– 28,646	5,609	4,943	– 24,357	– 23,703
Change in reserve for loss and loss adjustment expenses	– 5,871	– 948	2,857	611	– 3,014	– 337
Subtotal	– 35,837	– 29,594	8,466	5,554	– 27,371	– 24,040
Change in other reserves						
Aggregate policy reserves	– 428	– 370	227	27	– 201	– 343
Other	227	132	15	– 18	242	114
Subtotal	– 201	– 238	242	9	41	– 229
Expenses for premium refunds	– 167	– 407	22	30	– 145	– 377
Total	– 36,205	– 30,239	8,730	5,593	– 27,475	– 24,646

*) After eliminating intra-Group transactions between segments

34 Interest and similar expenses

	2001 € mn	2000 € mn
Interest expenses for		
Deposits	– 610	– 198
Certificated liabilities	– 4,607	– 617
Subtotal	– 5,217	– 815
Other interest expenses	– 2,730	– 1,584
Expenses for real estate used by third parties	–	–
Total	– 7,947	– 2,399

35 Other expenses for investments

	2001 € mn	2000 € mn
Realized losses on		
Securities held to maturity	– 12	– 15
Securities available for sale	– 6,888	– 3,989
Real estate used by third parties	– 19	– 75
Other investments	– 79	–
Subtotal	– 6,998	– 4,079
Depreciation and write-down on		
Securities held to maturity	– 35	– 2
Securities available for sale	– 1,507	– 411
Real estate used by third parties	– 378	– 444
Other investments	– 5	– 13
Subtotal	– 1,925	– 870
Total	– 8,923	– 4,949

36 Loan loss provisions

	2001 € mn	2000 € mn
Additions to allowances including direct write-offs	– 1,593	– 104
Less amounts released	969	73
Less recoveries on loans previously written off	28	10
Loan loss provisions	– 596	– 21

37 Acquisition costs and administrative expenses

	Life/Health*)		Property/Casualty*)	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Acquisition costs				
Payments	– 3,341	– 3,097	– 6,642	– 7,698
Change in deferred acquisition costs	620	848	270	1,021
Subtotal	– 2,721	– 2,249	– 6,372	– 6,677
Administrative expenses	– 1,269	– 1,528	– 4,482	– 3,257
Underwriting costs (gross)	– 3,990	– 3,777	– 10,854	– 9,934
Less commissions and profit-sharing received on reinsurance business ceded	198	193	1,389	1,449
Underwriting costs (net)	– 3,792	– 3,584	– 9,465	– 8,485
Expenses for management of investments	– 457	– 398	– 484	– 558
Total acquisition costs and administrative expenses	– 4,249	– 3,982	– 9,949	– 9,043

	Banking Business*)		Asset Management*)	
	2001 € mn	2000 € mn	2001 € mn	2000 € mn
Personnel expenses	– 2,045	– 106	– 1,102	– 303
Operating expenses	– 1,360	– 64	– 619	– 181
Total acquisition costs and administrative expenses	– 3,405	– 170	– 1,721	– 484

*) After eliminating intra-Group transactions between segments

Acquisition costs and administrative expenses in 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 banking business are reported under “Acquisition and administrative expenses”.

38 Other expenses

Other expenses are comprised as follows:

	2001 € mn	2000 € mn
Expenses for the enterprise as a whole	– 1,526	– 1,112
Expenses for service activities	– 971	– 923
Expenses resulting from reinsurance business	– 562	– 1,204
Depreciation and write-downs of other intangible assets	– 413	– 303
Expenses for increasing miscellaneous or accrued liabilities	– 389	– 91
Fees	– 281	– 113
Direct credit from policy reserves	– 257	– 107
Integration expenses	– 236	–
Amortization of capitalized loyalty bonuses to senior management of the PIMCO Group	– 188	– 110
Foreign currency losses	– 137	– 131
Expenses for assistance to victims under joint and several liability and road casualties	– 127	– 85
Interest on accumulated policyholder dividends	– 108	– 72
Other	– 1,183	– 1,344
Total	– 6,378	– 5,595

39 Taxes

The tax shown in the income statement comprises the taxes actually charged to individual Group enterprises and changes in deferred tax assets and liabilities.

	2001 € mn	2000 € mn
Current taxes	– 617	– 629
Deferred taxes	1,531	491
Subtotal	914	– 138
Other taxes	– 74	– 38
Total	840	– 176

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the balance sheet and their tax basis, and on differences recognized as income or expense arising from the application of uniform valuation policies for consolidation purposes and from consolidation procedures.

The tax rates used in the calculation of deferred tax are the applicable national rates; changes to tax rates already adopted on the balance sheet date are taken into account. Deferred taxes on losses carried forward are recognized as an asset if at the time of recognition it is probable that sufficient future taxable profits will be available against which the unused tax losses can be utilized. The Group reported average earnings from ordinary activities (before income taxes) for the past three years amounting to € 3,797 mn and believes that the recoverability of deferred tax assets is probable. Safety margins are used where appropriate.

Carrying back tax losses reduced current taxes by € 72 mn.

Unused tax losses carried forward at the balance sheet date of € 9,876 mn and deferred tax assets have been recognized where there is sufficient certainty that the unused tax losses will be utilized. € 5,672 mn of the tax losses carried forward can be utilized without restriction.

Aside from the losses sustained during the course of fiscal year 2001, the rise in tax losses carried forward by comparison with the previous year is due to consolidation of Dresdner Bank in the consolidated financial statements.

Losses carried forward can be utilized subject to restrictions and are scheduled in subsequent years as follows:

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	> 10 years	unrestricted	Total
€ mn	72	598	660	332	695	49	18	15	30	6	1,729	5,672	9,876

The current tax charge for 2001 is € 1,250 mn less than the anticipated tax charge on income which would have been incurred based on an estimated weighted average tax rate for the Group applied to earnings before taxation. The difference is due mainly to tax-free income.

The low rate of corporate income tax at 19.2 % expected in 2001 primarily results from the reduction of the income tax rate in Germany.

Reconciliation statement

	2001 € mn	2000 € mn
Anticipated tax rate in %	19.2	37.8
Anticipated tax charge on income	336	1 842
– municipal trade tax and similar taxes	– 276	74
– tax-free income	– 1,314	– 247
+ effects of tax losses	63	– 92
+ other tax settlements	277	– 1,439
= Current tax charge	– 914	138
Effective tax rate in %	– 52.1	2.8

The effective tax rate is determined on the basis of the current tax charge on earnings from ordinary activities (before income tax and before minority interests) amounting to € 1,753 mn. The effective tax rate related to earnings from ordinary activities before amortization of goodwill is – 35.7 %.

Other tax settlements include an expense amounting to a total of € 30 mn arising from the release of deferred taxes.

The item “effects of tax losses” includes effects arising from recognizing deferred taxes on losses carried forward as an asset for which no deferred taxes had so far been recognized. It also includes effects that arise from not recognizing deferred taxes on tax losses for the fiscal year.

Deferred tax assets and liabilities comprise the following balance sheet headings:

	2001 € mn	2000 € mn
Deferred tax assets		
Intangible assets	169	16
Investments	1,809	1,868
Trading assets	765	–
Deferred acquisition costs	61	72
Tax loss carried forward	3,019	730
Other assets	934	508
Insurance reserves	1,508	1,642
Pensions and similar reserves	400	247
Deferred income	– 250	1,050
Total	8,415	6,133
Deferred tax liabilities		
Intangible assets	238	324
Investments	4,064	9,907
Trading assets	388	9
Deferred acquisition costs	1,493	1,481
Other assets	– 101	– 271
Insurance reserves	1,593	1,613
Pensions and similar reserves	5	–
Deferred income	1,218	1,269
Total	8,898	14,332

40 Supplementary information on insurance business

Investments*)

	Life/Health		Property/Casualty		Total	
	2001	2000	2001	2000	2001	2000
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
I. Real estate	7,450	7,582	6,930	6,819	14,380	14,401
II. Investments in affiliated enterprises, joint ventures, and associated enterprises	1,073	1,173	6,988	10,513	8,061	11,686
III. Loans	14,785	13,473	1,901	1,368	16,686	14,841
IV. Other securities						
1. Held to maturity	5,482	5,309	1,179	1,765	6,661	7,074
2. Available for sale	168,030	174,830	76,703	80,796	244 ,733	255,626
3. Trading	771	104	1,371	19	2,142	123
Total IV.	174,283	180,243	79,253	82,580	253,536	262,823
V. Other investments	1,563	1,458	8,070	6,948	9,633	8,406
Total	199,154	203,929	103,142	108,228	302,296	312,157

Investment income*)

	Life/Health		Property/Casualty		Total	
	2001	2000	2001	2000	2001	2000
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Income from investments						
Current income	10,516	10,122	5,278	5,922	15,794	16,044
Income from revaluations	614	37	1,329	15	1,943	52
Realized investment gains	3,605	6,883	4,458	4,728	8,063	11,611
Subtotal	14,735	17,042	11,065	10,665	25,800	27,707
Investment expenses						
Depreciation and write-downs on investments	– 1,319	– 400	– 1,104	– 509	– 2,423	– 909
Realized investment losses	– 4,909	– 2,638	– 2,193	– 1,456	– 7,102	– 4,094
Investment management, interest charges and other investment expenses	– 526	– 463	– 1,061	– 923	– 1,587	– 1,386
Subtotal	– 6,754	– 3,501	– 4,358	– 2,888	– 11,112	– 6,389
Total	7,981	13,541	6,707	7,777	14,688	21,318

*) Investments in conformity with EU insurance accounting guideline and eliminating intra-Group transactions between segments

41 Supplementary information on banking business*)

- Loans and advances (after loan loss allowance) to banks and customers include reverse repos totaling € 82,945 mn. Liabilities to banks and customers include repo transactions amounting to € 59,946 mn.
- Post-ranking assets amounted to € 466 mn.
- At the balance-sheet date there were commitments to repurchase assets sold under repurchase agreements with a net book value of € 63,505 mn.
- An amount of € 381 mn eligible for refinancing with the central bank is held in cash funds.

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	12/31/2001 € mn
Balance sheet items				
Assets	101,680	46,055	37,793	185,528
Liabilities	120,113	54,266	33,805	208,184

Collateral pledged for own liabilities of banking business

For the following liabilities and contingencies, assets having the indicated value were pledged as collateral:

	12/31/2001 € mn
Liabilities to banks	32,226
Liabilities to customers	4,018
Certificated liabilities	–
Contingent liabilities	2
Other commitments	8,521
Total collateralized liabilities	44,767

*) After eliminating intra-Group transcactions between segments

The total amount of collateral pledged consists of the following assets:

	12/31/2001 € mn
Loans and advances to banks	5,132
Loans and advances to customers	9,542
Trading assets	26,700
Investments	3,376
Property and equipment	17
Total value of collateral pledged	44,767

Structure of residual terms for banking business

The matrix of residual terms provides a breakdown of loans and advances for banking business as well as liabilities by final maturity or call date.

	12/31/2001				
	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	54,292	32,737	12,311	6,091	3,153
Loans and advances to customers[1]	229,805	85,096	20,377	53,308	71,024
Term loans and advances	284,097	117,833	32,688	59,399	74,177
LIABILITIES					
Participation certificates and post-ranking liabilities	11,739	49	857	3,269	7,564
Term liabilities to banks[2]	105,553	78,309	13,905	5,949	7,390
Liabilities to customers[2]					
Savings deposits and home-loan savings deposits	13,566	11,049	777	979	761
Other term liabilities to customers	79,577	53,310	6,242	10,034	9,991
Certificated liabilities	122,644	30,051	19,223	52,901	20,469
Term liabilities	333,079	172,768	41,004	73,132	46,175

[1] Loans and advances to customers with residual terms of up to 3 months include € 13,130 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.

Securitizing financial assets, we sell revolving loans – within the framework of precisely defined loan portfolios – to 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 in each case is € 5 bn. Taking the two programs on an annual average, just under half of this amount was used.

Trustee business in banking business

The table shown below is a breakdown of trustee business in banking business not reported in the balance sheet.

	12/31/2001 € mn
Loans and advances to banks	3,415
Loans and advances to customers	4,497
Investments	7
Other	9
Assets held in trust*)	7,928
Liabilities to banks	300
Liabilities to customers	7,628
Liabilities incurred as a trustee	7,928

*) Including € 5,078 mn of trustee loans.

42 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 Königinstrasse 28, 80802 München. 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 179,946 people (119,683). 87,589 (43,124) were employed in Germany and 92,357 (76,559) abroad. The number of employees undergoing training rose by 3,554 to 8,245.

Personnel expenses

	2001 € mn	2000 € mn
Salaries and wages	6,760	4,784
Social security contributions and employee assistance	1,208	1,104
Expenses for pensions and other post-retirement benefits	405	501
Total	8,373	6,389

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.

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.

	12/31/2001 € mn
Contingent liabilities on endorsed bills of exchange settled with customers	1
Including: Rediscounted at central banks	–
Contingencies on guarantees and warranties	
Credit guarantees	2,131
Other guarantees and warranties	17,301
Letters of credit	2,297
of which:	
letters of credit opened	1,189
letters of credit confirmed	1,108
Subtotal	21,730
Liability on collateral pledged for third-party liabilities	567
Other contingent liabilities	3,194
Total contingent liabilities	25,491
Underwriting commitments	–
Irrevocable loan commitments	
Advances	27,947
Stand-by facilities	12,346
Guarantee credits	1,785
Discount credits	15
Mortgage loans/public-sector loans	844
Other commitments	42,937

As of December 31, 2001 there were no underwriting commitments drawn.

On the balance sheet date commitments to pay up shares, bonds and other capital interests totaled € 58 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 € 1,971 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 € 190 mn to fund LIKO; Dresdner Bank's participation is € 10 mn. The Dresdner Bank Group is contingently liable to pay in further assessments to LIKO up to € 58 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 2001, the Joint Fund did not levy a contribution (2000: 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.

Allianz AG has commited to make future capital payments in favor of our North American holding company, Allianz of America, Inc. This will place Allianz of America, Inc. in a position to provide sufficient capital on its part for Allianz Insurance Company, Los Angeles, so that this company can meet its payment obligations for claims received in connection with the attack on the World Trade Center. These future capital payments are limited to USD 575 mn and are secured by pledges in securities.

Allianz AG has also provided a guarantee for Allianz of America, Inc., Wilmington, in respect of obligations relating to the acquisition of the minority interest in PIMCO Advisors L.P. The Allianz Group acquired a holding of 69.5 % in PIMCO in 2000 and the minority shareholders have the option of selling their 30.5 % holding to Allianz.

An agreement was reached in the course of the purchase of Nicholas Applegate, San Diego that part of the purchase price would fall due in 2005 and that the amount would depend on the income growth of Nicholas Applegate, San Diego:

- if average income growth is at least 25 % during the next 5 years, 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.

Use, treatment and reporting of derivative financial instruments

Derivatives used by individual enterprises in the Allianz Group comply 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 replacement value. These totaled € 45,006 mn on the balance sheet date. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives.

The total notional principal amount of all open derivative positions of the Allianz Group was € 3,957,125 mn. The market values were € 5,378 mn.

The following tables show the distribution of derivative positions on the balance sheet date.

Notional principal amounts and market values of open derivative positions as of December 31, 2001

Insurance Segments Life/Health and Property/Casualty

	Maturity as of 12/31/2001			2001		2000	
	up to 1 year € mn	1 – 5 years € mn	over 5 years € mn	Notional principal amounts € mn	Market values € mn	Notional principal amounts € mn	Market values € mn
Interest rate contracts	1,510	1,198	9,696	12,404	– 30	8,567	86
OTC							
Swaps	3	1,019	2,067	3,089	– 6	324	65
Swaptions		80	56	136	6	130	4
Caps			7,573	7,573	– 26	7,242	6
Floors						9	9
Options		99		99	– 3		
Exchange traded							
Futures	217			217	– 1	408	–
Options	1,290			1,290	–	454	2
Equity/Index contracts	10,781	8,930	1,991	21,702	2,576	4,462	1,924
OTC							
Forwards	6,245	2,459		8,704	2,801	2,477	1,768
Swaps	1,464	20		1,484	180	36	1
Options	1,321	6,451	1,991	9,763	– 408	1,031	152
Exchange traded							
Futures	800			800	1	790	– 16
Options	951			951	2	128	19
Foreign exchange contracts	2,428	1,457	62	3,947	58	1,175	– 9
OTC							
Forwards	2,422			2,422	68	137	– 6
Swaps	5	1,311	62	1,378	– 10	1,032	– 3
Options		146		146	–		
Exchange traded							
Futures	1			1	–	6	–
Total	14,719	11,585	11,749	38,053	2,604	14,204	2,001

Forward contracts amounting to € 15,410 mn were also entered into in conjunction with the restructuring of shareholdings.

The most important exposures were in the form of interest rate caps, which are used to manage interest income over the long term in anticipation of increasing interest rates, and stock futures and options used to hedge fluctuations in market prices and in the run-up to transactions relating to shareholdings.

Notional principal amounts and market values of open derivative positions as of December 31, 2001

Banking and Asset Management Segments

	Maturity as of 12/31/2001			2001		2000	
	up to 1 year € mn	1 – 5 years € mn	over 5 years € mn	Notional principal amounts € mn	Market values € mn	Notional principal amounts € mn	Market values € mn
Interest rate contracts	2,015,876	726,057	474,268	3,216,201	259	23,667	– 35
OTC							
Forwards	254,519	20,900	369	275,788	20		
Swaps	1,479,282	594,890	403,513	2,477,685	903	16,185	– 57
Swaptions	19	18,761	43,062	61,842	– 810		
Caps	18,168	28,725	15,279	62,172	39	3,892	21
Floors	13,022	15,982	11,487	40,491	118	1,402	2
Options	10	374	412	796	4		
Other			146	146	–		
Exchange traded							
Futures	208,650	46,425		255,075	– 15	788	– 1
Options	42,206			42,206	–	1,400	–
Equity/Index contracts	75,601	69,852	1,723	147,176	852	22	1
OTC							
Swaps	2,596	1,022	333	3,951	271	18	1
Options	22,738	61,205	1,390	85,333	272		
Other	475	22		497	361		
Exchange traded							
Futures	10,356			10,356	15	3	–
Options	39,436	7,603		47,039	– 67	1	–
Foreign exchange contracts	436,447	58,429	24,649	519,525	1,884	229	–
OTC							
Forwards	360,135	10,302	241	370,678	874	86	– 3
Swaps	16,474	44,806	22,998	84,278	1,011	123	3
Options	57,988	3,132	1,410	62,530	1	20	–
Other	122			122	1		
Exchange traded							
Futures	1,609	189		1,798	–		
Options	119			119	– 3		
Credit contracts	3,436	10,690	11,694	25,820	– 190	–	–
OTC							
Credit default swaps	2,027	3,723	10,811	16,561	57		
Total return swaps	1,409	6,967	883	9,259	– 247		
Other contracts	6,050	2,941	1,359	10,350	– 31	–	–
OTC							
Precious metals	5,424	2,940	1,359	9,723	– 18		
Other	331	1		332	– 13		
Exchange traded							
Futures	217			217	–		
Options	78			78	–		
Total	2,537,410	867,969	513,693	3,919,072	2,774	23,918	– 34

The main derivative financial instruments used were interest rate derivatives, in particular interest rate swaps that were 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 is applicable to derivatives 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 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. Insurance companies mainly use interest rate and currency swaps, and forward sale agreements. Important hedging instruments in Banking are interest rate and currency 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 € 1,925 mn. Ineffectiveness in hedge transactions led to a gain of € 66 mn.

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 and of future cash flows from a firm commitment or a forecasted transaction. Any value changes in derivative instruments are recognized under shareholders' equity, if they are included in the effective part of the hedging relationship. The ineffective part of the hedge must be recognized directly in the income statement.

Derivative financial instruments for cash flow hedges were reported with a fair value of € 387 mn. The use of derivatives as a hedging instrument in cash flow hedges increased other reserves by € 388 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 € 46 mn were entered into to hedge currency risks related to a net investment in a foreign entity. Application of hedge accounting reduced other reserves by € 61 mn.

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.

		2001	2000
Net income	€ mn	1,623	3,460
Weighted average number of shares		243,585,880	245,401,507
Number of shares (not including shares held by the company)		241,189,535	245,750,000
Earnings per share	€	6.66	14.10

The weighted average number of shares does not include 11,073,783 (0) shares held by the company.

A diluted earnings per share figure was not calculated because there were no dilutive securities.

Related party disclosures

The following report relates to associated enterprises and enterprises in which the Allianz Group held ownership interest of between 10 and 20 %, or which held such an ownership interest in Allianz AG and it relates to transactions with such related parties.

These business relationships are stated as of December 31, 2001 unless otherwise indicated.

Dresdner Bank

On December 31, 2000, the Allianz Group held an ownership interest of 21.2 % in Dresdner Bank. On May 31, 2001, Allianz AG's management board decided with the approval of the supervisory board to make a public offer to the shareholders of Dresdner Bank to purchase their Dresdner Bank ordinary shares for € 53.13 per share. As a result of the takeover offer, the Allianz Group held 77.5 % of Dresdner Bank's ordinary shares as of July 23, 2001 (not including forward sale agreements pursuant to which some ordinary shares were not to be transferred until January and June 2002). At that date, Dresdner Bank and its subsidiaries were consolidated for the first time in the financial statements of the Allianz Group. As of December 31, 2001, the Allianz Group held 78.5 % of Dresdner Bank's ordinary shares, not including Dresdner Bank ordinary shares held by Dresdner Bank. After concluding a number of forward purchases on January 15 and 16, 2002, and further purchases, Allianz Group held, as of March 15, 2002, 95.6 % of the ordinary shares of Dresdner Bank.

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 München (Munich Re)

Munich Re is an associated company of the Allianz Group. The relationship between Allianz AG and Munich Re is set forth in a so called Principles of Cooperation of May 2000, which mainly governs the reinsurance relationships between the two companies. Among other things, the Principles of Cooperation provide that Munich Re shall provide reinsurance for 14.0 % 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 chose its reinsurer, Allianz AG will give Munich Re the first opportunity to submit bids. The Principles of Cooperation can be terminated as of December 31, 2005. It was most recently 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 2005. The supplementary agreement is effective through December 31, 2010.

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:

	2001 € mn	2000 € mn
Ceded premiums	2,400	2,300
Assumed premiums	850	900

The reinsurance agreements between the two Groups are governed by terms and conditions that could also be obtained by third parties.

During fiscal year 2001, Munich Re, as principal reinsurer of Allianz AG, assumed substantial claims received by companies of the Allianz Group arising from the terrorist attack on the World Trade Center in accordance with the contractual agreements.

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, 2001, the Allianz Group held 24.9 % of the ordinary shares of Munich Re. As of March 15, 2002, the Allianz Group held 24.8 % of the ordinary shares of Munich Re. On December 31, 2001, the Munich Re Group held 23,0 % of the ordinary shares of Allianz AG. Taking into account Allianz AG ordinary shares held by Allianz Group companies, the ownership interest of the Munich Re Group in Allianz AG amounted to 21.2 % as of March 15, 2002.

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 provides 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 each of Allianz AG and Munich Re, if it wishes to sell the ownership interest it holds in the other, will grant the other a right to designate the buyer of the ownership interest being sold.

On January 15, 2002, the 40.6 % ownership interest in Allianz Lebensversicherungs-AG (Allianz Leben) previously held by Munich Re was sold to Allianz AG for a price of € 607.17 per share, or a total of € 2,587 mn. The reinsurance relationships between Allianz Leben and Munich Re will continue on the basis of existing contracts until 2010.

Munich Re and Allianz continue to hold cross-ownership interests in several direct insurance companies that are scheduled to be reduced in accordance with the letter of intent of May 2000. Munich Re holds ownership interests in Frankfurter Versicherungs-AG and Bayerische Versicherungsbank AG, both of which are subsidiaries of Allianz AG. Allianz holds an ownership in Karlsruher Lebensversicherungs AG, a subsidiary of Munich Re.

HypoVereinsbank AG

As of December 31, 2002, Allianz Group held 16.4 % of the ordinary shares of HypoVereinsbank. For fiscal 2001, we have therefore continued to report HypoVereinsbank as a related party. A participation of 16.0 % in HypoVereinsbank was transferred to Munich Re on January 15, 2002, for a price of € 5,133 mn. On December 31, 2001, HypoVereinsbank held 6.3 % 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 March 15, 2002, was 6.9 %.

Allianz and its subsidiaries terminated the existing cooperation agreement with HypoVereinsbank concerning the distribution of insurance products in the course of the year 2001.

Transactions with related enterprises

Transactions with the above mentioned related enterprises were concluded at ordinary market terms and conditions.

Certain members of the respective Management Boards of Allianz AG, Munich Re and HypoVereinsbank hold seats on the respective Supervisory Boards of the other companies, and in some cases also on the boards of their subsidiary companies.

Loans to shareholders

As part of the normal course of business, the Group grants loans to non-employee shareholders. These transactions are entered into on an arm's-length basis.

Loans to Members of the Board of Management and the Supervisory Board

Loans to Members of the Board of Management of Allianz AG and liabilities assumed on their behalf totaled € 1 (0) mn. This included loans extended to, or liabilities assumed on behalf of Members of the Boards of Management of subsidiaries amounting to € 1 (0) mn. These transactions have been entered into on ordinary commercial terms. There were no loans to Members of the Supervisory Board of Allianz AG or liabilities assumed on their behalf.

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 361,235 (193,586). The difference between the exercise price and market price of € 26.7 (20.8) 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 period of restrictions has 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 2001 is the average price of Allianz shares in the first quarter of 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, 2001. The two-year restricted period had not yet expired on December 31, 2001, for the Incentive Plans covering the years 2001 and 2000.

A reserve of € 21 mn was established at the end of 2000 and reported under the heading "Miscellaneous accrued liabilities" to record the intrinsic value of the SARs. The intrinsic value corresponds to the difference between the current share price on the balance sheet date and the reference price of the relevant plan. Because the intrinsic value of all SARs issued at the balance sheet date was zero, the reserve formed in the course of the previous year was released. 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, 2001, 5,034,600 (4,165,750) 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 2001. These options have an exercise price of € 15.35 per share. The options can be exercised between August 1, 2002 and July 31, 2007. 711,000 options issued under this scheme were outstanding as of December 31, 2001.

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 682,403 shares as of December 31, 2001.

Events after the balance sheet date

Monachia Grundstücks-AG

Allianz AG disposed of 46.2 % of the capital stock of Monachia Grundstücks-AG, Munich at a price of € 187 mn to Bayerische Städte- und Wohnungsbau GmbH on January 15, 2002.

On February 28, 2002 Arber Baubetreuungs-GmbH purchased 2.5 % of Monachia capital stock from Allianz AG for a purchase price of € 10 mn by exercising their call option.

Restructuring other participations

In connection with the public takeover offer made by Munich Re to ERGO shareholders, the Allianz Group entered into forward sales for 6.3 % of the shares in Munich Re. Munich Re in turn entered into forward sales of 3.7 % of the shares of Allianz in connection with the public takeover offer made by Allianz for Dresdner Bank. It was also agreed with Munich Re that Allianz would sell the interest held by the Allianz Group in HypoVereinsbank AG, currently amounting to 16.0 % of the share capital, to Munich Re during the course of 2002. These transactions were executed on January 15, 2002. Pursuant to the agreement between Allianz and Munich Re in April 2001, Allianz acquired 40.6 % of the capital stock of Allianz Lebensversicherungs-AG from Munich Re on January 15, 2002.

Pursuant to agreements entered into in 2001, Allianz is scheduled to purchase the 45 % stake held by Munich Re in Bayerische Versicherungsbank as well as the 50.0 % stake in Frankfurter Versicherung on July 1, 2002. Munich Re will in turn purchase the 36.1 % holding in Karlsruher Lebensversicherung held by the Allianz Group.

Increase in the holding of Dresdner Bank

As of December 31, 2001, the Allianz Group held an interest of 78.5 % in Dresdner Bank AG. Through the exercise of options and conversion rights, the number of outstanding shares of Dresdner Bank AG increased during 2002. During the first months of 2002, the Allianz Group purchased additional shares in the market and had already increased its shareholding in Dresdner Bank by 15.8 % in January 2002 through forward purchase agreements. As of March 15, 2002, the Allianz Group held an interest of 95.6 % in Dresdner Bank AG.

Mortgage banks

With retroactive effect as of January 1, 2002, Dresdner Bank, Deutsche Bank and Commerzbank combine their mortgage business under the brand “Eurohypo”. The interest of the Allianz Group in the new institution will be less than 50 %.

Compensation for the Board of Management and the Supervisory Board

Provided that the Annual General Meeting of shareholders approves payment of the dividend proposed, the compensation paid by Allianz AG and its affiliated enterprises to the Board of Management for the year under review is € 16 (10) mn. The number of members of the Board of Management increased from 9 to 12.

Total remuneration for members of the Board of Management includes a fixed-component (the basic salary) and a variable component. The latter comprises a component depending on the dividend, the annual bonus which includes an individual element and an element based on company performance, and a 3-year bonus.

The compensation paid to the Board of Management is comprised as follows:

	2001 €	2000 €
Fixed remuneration	6,691,056	4,271,079
Variable remuneration	9,231,921	5,271,632
Total	15,922,977	9,542,711

The variable component includes expenses for the dividend-related variable remuneration, for the bonus for fiscal year 2001, and for allocation to the reserve for the performance-related 3-year bonus. Payments from this reserve for the performance-related 3-year-bonus can only be made to members of the Board of Management from 2004.

In addition to the amounts reported above, Allianz AG and its affiliated enterprises paid an amount of € 1 mn to increase pension reserves and reserves for similar obligations in favor of active members of the Board of Management.

Under the LIP 2001, a total of 39,815 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 € 4 mn. The value of these rights at the end of the fiscal year is € 3 mn. At an intrinsic value of € 0, the full amount specified is a time value.

On December 31, 2001 the members of the Board of Management held a total of 86,479 SARs issued from 1999 to 2001. Based on standard option valuation methods (Black-Scholes or Binomial Method) these rights had a value of € 7 mn on the balance sheet date. None of the SARs has an intrinsic value at December 31, 2001, 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:

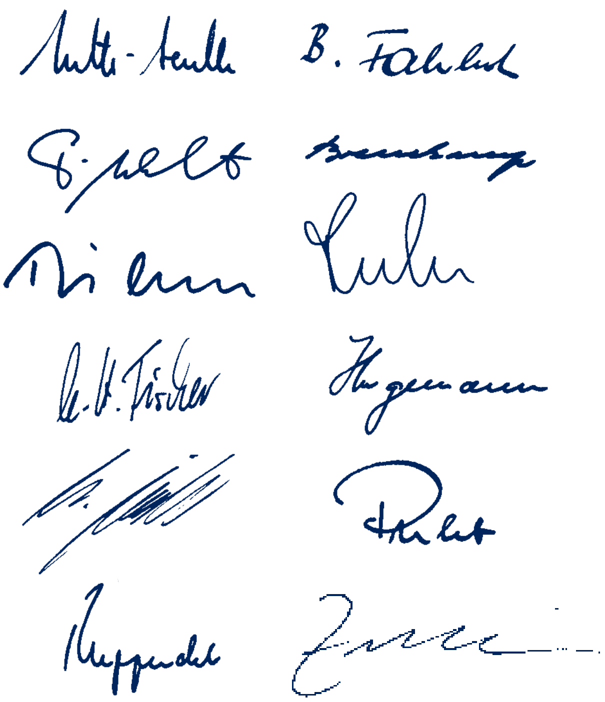
	LIP 2001	LIP 2000	LIP 1999
Exercise period	4/2003 – 3/2008	4/2002 – 3/2007	4/2001 – 3/2006
Number of SARs issued	39,815	19,890	26,774
Value of SARs on assignment	€ 4,483,965	€ 3,480,750	€ 2,971,914
Fair value of SARs as of 12/31/2001	€ 3,395,025	€ 1,430,422	€ 2,105,679
Intrinsic value of SARs as of 12/31/2001	€ 0	€ 0	€ 0
Waiting time expired?	no	no	yes
20 % hurdle cleared?	no	no	no
Performance hurdle cleared?	yes	no	yes

In the year 2001 pensions and other benefits for former members of the Board of Management amount to € 3 (3) mn.
€ 27 (25) mn has been 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 2002 Annual Meeting of shareholders, will be € 2 (2) mn.

Munich, March 25, 2002

Allianz Aktiengesellschaft
The Board of Management



Selected participations and equity investments

Operating subsidiaries	Equity in € mn	% owned [1]
ADVANCE Bank AG, Duisburg	77	100.0
AGIS Allianz Gesellschaft für Informatik Service mbH, Munich	181	100.0
Allianz Bauspar AG, Munich	23	100.0
Allianz Capital Partners GmbH, Munich	649	100.0
Allianz Dresdner Asset Management GmbH, Munich	39	100.0
Allianz Global Risks Rückversicherungs-AG, Munich	50	100.0
Allianz Globus MAT Versicherungs-Aktiengesellschaft, Hamburg	52	100.0
Allianz Immobilien GmbH, Stuttgart	4	100.0
Allianz Kapitalanlagegesellschaft mbH, Stuttgart	5	100.0
Allianz Lebensversicherungs-AG, Stuttgart	1,074	50.5
Allianz PIMCO Asset Management GmbH, Munich	7	100.0
Allianz Vermögens-Bank AG, Augsburg	23	100.0
Allianz Versicherungs-AG, Munich	1,516	100.0
Allianz Zentrum für Technik GmbH, Munich	0	100.0
Bayerische Versicherungsbank AG, Munich	321	45.0 [2]
DEGI Deutsche Gesellschaft für Immobilienfonds mbH, Frankfurt/Main	23	100.0
Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG, Frankfurt/Main	1,245	98.1
Deutsche Lebensversicherungs-AG, Berlin	36	100.0
dit DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH, Frankfurt/Main	139	100.0
DREGIS Dresdner Global IT Services Gesellschaft mbH, Frankfurt/Main	106	100.0
Dresdner Asset Management (Germany) GmbH, Frankfurt/Main	3	100.0
Dresdner Bank AG, Frankfurt/Main	21,633	78.5
Dresdner Bank Lateinamerika AG, Hamburg	438	100.0
Dresdner Bauspar AG, Bad Vilbel	42	100.0
Frankfurter Versicherungs-AG, Frankfurt/Main	343	50.0 [2]
Hermes Kreditversicherungs-AG, Hamburg	103	89.6
Kraft Versicherungs-AG, Berlin/Munich	10	99.5
Lombardkasse AG, Berlin	31	99.4
Münchner und Magdeburger Hagelversicherung AG, Munich	6	52.4
Oldenburgische Landesbank AG, Oldenburg	392	89.7
Reuschel & Co., Munich	155	50.1
Vereinte Krankenversicherung AG, Munich	245	100.0
Vereinte Lebensversicherung AG, Munich	57	100.0
Vereinte Rechtsschutzversicherung AG, Munich	10	100.0
Vereinte Spezial Krankenversicherung AG, Munich	8	100.0
Vereinte Spezial Versicherung AG, Munich	8	100.0
Vereinte Versicherung AG, Munich	269	99.3

[1] Including shares held by subsidiaries
[2] Management control agreement

Operating subsidiaries	Equity in € mn	% owned [1]
AGF Belgium Insurance, Brussels	396	100.0
AGF La Lilloise, Paris	71	100.0
AGF-M.A.T., Paris	127	100.0
Alba Allgemeine Versicherungs-Gesellschaft, Basel	17	100.0
Allianz Asset Management (Ltd.), Hong Kong	3	100.0
Allianz Australia Limited, Sydney	459	100.0
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	9	71.6
Allianz Bulgaria Life Insurance Company Ltd., Sofia	5	94.0
Allianz Compañía de Seguros y Reaseguros S. A., Madrid	269	99.8
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	99	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	363	98.7
Allianz Europe Ltd., Amsterdam	1,657	100.0
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	10	100.0
Allianz First Life Insurance Co. Ltd., Seoul	299	100,0
Allianz General Insurance Company S. A., Athens	7	100.0
Allianz Hungária Biztosító Rt., Budapest	98	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	11	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	44	100.0
Allianz Insurance Company, Los Angeles	4,103	100.0
Allianz Lebensversicherung (Schweiz) AG, Zurich	41	100.0
Allianz Life Insurance Company of North America, Minneapolis	1,716	100.0
Allianz Life Insurance Company S. A., Athens	5	100.0
Allianz México S. A. Compañía de Seguros, Mexico City	89	100.0
Allianz of America Inc., Wilmington	5,873	100.0
Allianz of Canada Inc., Toronto	182	100.0
Allianz of South Africa (Proprietary) Ltd., Johannesburg	14	100.0
Allianz pojišťovna a. s., Bratislava	26	100.0
Allianz poistòvna a. s., Prague	24	100.0
Allianz President General Insurance, Taipeh	36	50.0 [2]
Allianz President Life Insurance, Taipeh	18	50.0 [2]
Allianz-RAS Tutela Giudiziaria S. p. A., Milan	6	100.0
Allianz Re Dublin Ltd., Dublin	11	100.0
Allianz Risk Transfer, Zurich	387	100.0
Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A., Turin	186	71.1
Allianz Suisse Lebensversicherungs-Gesellschaft, Zurich	100	100.0
Allianz Suisse Versicherungs-Gesellschaft, Zurich	363	99.9
Allianz Tiriac Insurance S. A. , Bucharest	8	51.0
Allianz Underwriters Insurance Company, Los Angeles	64	100.0
Allianz Versicherung (Schweiz) AG, Zurich	68	100.0
Allianz Worldwide Care, Dublin	12	100.0

[1] Including shares held by dependent subsidiaries

[2] Controlled by Allianz

Operating subsidiaries	Equity in € mn	% owned [1]
Allianz Zagreb d.d., Zagreb	10	52.0
Allianz (UK) Ltd., London	806	100.0
Arab International Insurance Company, Cairo	9	80.0
Arab International Life Company, Cairo	7	100.0
Assurances Générales de France Iart, Paris	1,820	100.0
Assurances Générales de France Vie, Paris	1,964	100.0
Assurances Générales de France, Paris	5,730	67.8
Banque AGF, Paris	427	100.0
Berner Allgemeine Versicherungs-Gesellschaft, Bern	223	99.9
Berner Lebensversicherungs-Gesellschaft, Bern	19	100.0
Church and General Insurance p.l.c., Dublin	74	100,0
Commercial Bank "Bulgaria Invest" Company Ltd., Sofia	7	99.2
Compagnie d'Assurance de Protection Juridique S. A., Zug	6	100.0
Companhia de Seguros Allianz Portugal S. A., Lisbon	108	64.8
Cornhill Insurance PLC, London	874	98.0 [2]
Dresdner Asset Management Ltd., Singapore	3	100.0
dresdnerbank asset management S. A., Luxemburg	32	100.0
Dresdner Bank (Ireland) plc., Dublin	271	100.0
Dresdner Bank Luxembourg S. A., Luxemburg	1,024	100.0
Dresdner Bank (Schweiz) AG, Zurich	101	99.8
Dresdner International Management Services Ltd., Dublin	4	100.0
Dresdner Kleinwort Wasserstein (Japan) Ltd., Hongkong, Tokyo	351	100.0
Dresdner Kleinwort Wasserstein Securities SIM p.A., Milan	30	66.9
Dresdner Kleinwort Wasserstein (South East Asia) Ltd., Singapore	195	100.0
Dresdner RCM Global Investors Holdings (UK) Ltd., London	64	100.0
ELVIA Reiseversicherungs-Gesellschaft, Zurich	22	100.0
Entenial, Guyancourt	334	72.2
EULER, Paris	698	71.5
Fireman's Fund Insurance Company, Novato	3,537	100.0
France Life, Seocho-Ku, Seoul	2	100.0
Groupe Mondial Assistance, Zurich	532	100.0
International Reinsurance Company S. A., Luxemburg	32	100.0
Jefferson Insurance Company of N. Y., New York	106	100.0
LifeU.S.A. Insurance Company, Minneapolis	1,001	100.0
Lloyd 1885 S. p. A., Milan	23	100.0
Lloyd Adriatico S. p. A., Triest	443	99.7
Malaysia British Assurance, Malaysia	35	98.5
Malaysia British Assurance Life, Kuala Lumpur	24	100.0
Merchant Investors Assurance Co. Ltd., Bristol	12	100.0
Nicholas Applegate, San Diego	1,117	100.0
Oppenheimer Capital, Delaware	22	100.0
Orbis Group Ltd., St. Peter Port/Guernsey	7	100.0

[1] Including shares held by dependent subsidiaries

[2] Percentage of voting capital owned: 99.99 %

Operating subsidiaries	Equity in € mn	% owned [1]
Ost-West Allianz Insurance Company, Moscow	1	100.0
Pacific Investment Management Company LLC, a DE LLC, Delaware	89	97.0
Pet Plan Health Care Ltd., London	10	100.0
PIMCO Funds Distributors LLC, Delaware	58	100.0
Privatinvest Bank AG, Salzburg	15	69.0
P. T. Asuransi Allianz Life Indonesia, Jakarta	3	98.7
P. T. Asuransi Allianz Utama Indonesia, Jakarta	8	55.4
RB Vita S. p. A., Milan	146	100.0
Riunione Adriatica di Sicurtà S. p. A., Milan	4,054	51.1 [2]
T. U. Allianz Polska S. A., Warsaw	84	100.0
T. U. Allianz Polska Zycie S. A., Warsaw	28	100.0
Veer Palthe Voute N. V., Gouda	7	100.0
Wm. H McGee & Co. Inc., New York	52	100.0
ZA Leven, Nieuwegein	199	100.0
Zwolsche Algemeene Schadeverzekering N. V., Nieuwegein	113	100.0

[1] including shares held by dependent subsidiaries

[2] percentage of voting capital owned: 51.87 %

Associated companies[2]	Equity in € mn	% owned [1]
Autobahn Tank & Rast Holding GmbH, Bonn	21	31.4
Beiersdorf AG, Hamburg	1,458	43.6
Bilfinger + Berger Bauaktiengesellschaft, Mannheim	748	25.1
Heidelberger Zement AG, Heidelberg	3,639	18.1
Karlsruher Lebensversicherung AG, Karlsruhe	175	36.1
Kommanditgesellschaft Allgemeine Leasing GmbH & Co., Grünwald	48	40.5
Monachia Grundstücks-Aktiengesellschaft, Munich	26	48.7
Münchener Rückversicherungs-Gesellschaft AG, Munich	23,602	24.9
TELA Versicherung AG, Berlin/Munich	277	25.0
Allianz CP General Insurance Company Ltd., Bangkok	8	25.0
EUROPENSIONES S. A., Entidad Grestora de Fondos de Pensiones, Madrid	35	49.0
Koç Allianz Hayat Sigorta A. S., Istanbul	17	38.0
Koç Allianz Sigorta T.A.S., Istanbul	21	37.1
National Insurance Company Berhad, Brunei	6	25.0
Russian People's Insurance Society "Rosno", Moscow	26	45.3
Sophia, Paris	821	28.1

[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 in € mn	% owned [2]
AMB Generali Holding AG	602	9.5
BASF AG, Ludwigshafen	2,678	10.9
Bayerische Motorenwerke AG, Munich	1,692	6.5
Bayer AG, Leverkusen	1,524	5.8
Bayerische Hypo- und Vereinsbank AG, Munich	3,024	16.4
Continental AG, Hanover	159	8.0
DaimlerChrysler AG, Stuttgart	780	1.6
Deutsche Bank AG, Frankfurt/Main	2,209	4.5
Deutsche Börse AG, Frankfurt/Main	260	5.9
Deutsche Telekom AG, Bonn	372	0.5
E.ON AG, Düsseldorf	3,736	9.2
ERGO Versicherungsgruppe AG, Düsseldorf	205	1.5
Fresenius AG, Bad Homburg	201	6.0
Karstadt Quelle AG, Essen	724	14.0
Linde AG, Wiesbaden	670	12.3
mg technologies ag, Frankfurt/Main	238	13.0
Norddeutsche Affinerie AG, Hamburg	40	8.7
Preussag AG, Hanover	118	2.4
RWE AG, Essen	2,753	11.4
SAP AG, Walldorf	409	0.9
Schering AG, Berlin	1,422	11.9
SGL Carbon AG, Wiesbaden	38	7.7
Siemens AG, Munich	2,558	3.8
Süd-Chemie AG, Munich	58	19.0
ThyssenKrupp AG, Essen	356	4.2
Vodafone AG, Düsseldorf	1,145	0.7
Volkswagen AG, Wolfsburg	196	1.4
Vossloh AG, Werdohl	18	5.7

[1] Market value > = € 100 mn or percentage of shares owned > = 5 % without trading portfolio of banking business

[2] Including shares held by dependent subsidiaries (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Market value in € mn	% owned [2]
Abbott Laboratories Inc., Abbott Park, IL	100	0.1
ABN Amro Holding N. V., Amsterdam	110	0.4
Aegon N. V., The Hague	172	0.4
Alcatel S. A., Paris	214	0.9
American Int. Group Inc., New York, NY	151	0.1
Assicurazioni Generali S. p. A., Triest	310	0.8
AstraZeneca PLC, London	201	0.2
Aventis S. A., Schiltigheim	593	1.0
AXA-UAP S. A., Paris	490	1.2
Banca Intesa BCI S. p. A., Milan	375	2.1
Banco Atlantico S. A., Barcelona	42	5.6
Banco Bilbao Vizcaya Argentaria, Bilbao	318	0.7
Banco Popular Espanol S. A., Madrid	466	5.8
Banco Santander Central Hispánico S. A., Madrid	146	0.3
Barclays Bank PLC, London	108	0.2
BNP Paribas, Paris	568	1.3
Bollore Investissement S. A., Puteaux	188	16.0
BP Amoco PLC, London	436	0.2
Banco Português de Investimento (BPI-SGPS) S. A., Porto	129	8.9
Carrefour Supermarché S. A., Paris	267	0.6
CGNU PLC (ex CGU plc), London	247	0.8
Citigroup Inc., New York, NY	203	0.1
Crédit Lyonnais S. A., Paris	1,272	9.9
Credit Suisse Group, Zurich	258	0.4
CRH PLC, Dublin	205	2.0
Dixons Group PLC, Hertfordshire	124	1.6
DMC Dollfus-Mieg et Cie S. A., Paris	12	10.7
Electronic Data Systems Corp., Plano, TX	107	0.3
Endesa S. A., Madrid	135	0.7
ENI S. p. A., Rome	512	0.9
Exxon Mobil Corp., Irving, TX	182	0.1
Fannie Mae Inc., Washington, DC	101	0.1
FleetBoston Financial Corp., Boston, MA	100	0.2
Fortis N. V. , Utrecht	354	0.7
France Télécom S. A., Paris	232	0.4
General Electric Co. Inc., Fairfield, CT	217	0.1
Geodis S. A., Paris	11	8.5
GlaxoSmithKline PLC, Greenford, Middlesex	491	0.3
Groupe Danone S. A., Paris	230	1.1

1) Market value > = € 100 mn or percentage of shares owned > = 5 % without trading portfolio of banking business

2) Including shares held by dependent subsidiaries (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Market value in € mn	% owned[2]
Hana Bank, Seoul	225	12.5
Harwanne S. A., Geneva	14	18.8
HSBC Holdings PLC, London	209	0.2
IBM Corp., Armonk, NY	177	0.1
Immobilière Marseillaise, Marseille	58	8.5
ING Group N. V., Amsterdam	499	0.9
Intel Corp., Santa Clara, CA	132	0.1
Kon. Ahold N. V., Amsterdam	314	1.1
Lloyds TSB Group PLC, Edinburgh	371	0.5
L'Oréal S. A., Paris	211	0.4
Mediobanca S. p. A., Milan	157	1.7
Microsoft Corp., Redmond, WA	285	0.1
Nestlé S. A., Vevey	853	0.9
Nokia Oyj., Nokia	988	0.7
Novartis AG, Basel	818	0.8
Olivetti S. p. A., Ivrea	216	1.7
Pechiney S. A., Paris	298	6.4
PepsiCo Inc., Purchase, NY	121	0.1
Peugeot S. A., Paris	143	1.2
Pfizer Inc., New York, NY	244	0.1
Pharmacia Corp, Peapack, NJ	101	0.2
Philip Morris Companies Inc., New York, NY	106	0.1
Philips Electronics N. V., Amsterdam	397	0.9
Pinault-Printemps-Redoute S. A., Paris	222	1.3
Pirelli & Co. S. p. A., Milan	83	5.1
Prudential Corporation PLC, London	180	0.7
Rolo Banca 1473 S. p. A., Bologna	281	3.4
Royal Bank Scotland Group PLC, Edinburgh	125	0.2
Royal Dutch Petroleum, The Hague	701	0.6
San Paolo IMI S. p. A., Turin	162	0.9
Sanofi-Synthelabo S. A., Paris	161	0.3
Schneider S. A., Boulogne-Billancourt	179	1.4
Schweizer Rückversicherungs-Gesellschaft AG, Zurich	151	0.4
Shell Transport & Trading Co. PLC, London	109	0.1
Société Générale S. A., Paris	747	2.8
STMicroelectronics N. V., Geneva	167	0.5
Suez Lyonnaise des Eaux S. A., Paris	335	1.0
Telecom Italia S. p. A., Rome	371	0.6

[1] Market value >= € 100 mn or percentage of shares owned >= 5 % without trading portfolio of banking business

[2] Including shares held by dependent subsidiaries (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Market value in € mn	% owned [2]
Telefónica S. A., Madrid	360	0.5
Tesco PLC, Cheshunt, Hertfordshire	228	0.8
TIM S. p. A., Turin	321	0.6
Total Fina Elf S. A., Paris	925	0.8
Tyco International Ltd., Pembroke Bermuda	146	0.1
UBS AG, Zurich	580	0.8
UniCredito Italiano S. p. A., Milan	1,134	5.0
Unilever N. V., Rotterdam	183	0.5
Verizon Communications Inc.(ex Bell Atl.), New York, NY	132	0.1
Vivendi Universal, Paris	538	0.8
Vodafone Group PLC, Newbury	618	0.3
Voest-Alpine AG, Linz	83	8.2
Wal-Mart Stores Inc., Bentonville, AR	188	0.1
Worms et Cie, Paris	346	15.2
Zagrebacka Banka d.d., Zagreb	75	9.9
Zurich Financial Services AG, Zurich	113	0.5

[1] Market value >= € 100 mn or percentage of shares owned >= 5 % without trading portfolio of banking business

[2] Including shares held by dependent subsidiaries (incl. consolidated investment fund)

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	% owned
Deutsche Lufthansa AG, Cologne	576	10.0	50
Heidelberger Druckmaschinen AG, Heidelberg	872	23.9	50
Hochtief AG, Essen	111	10.0	50
MAN AG, München	947	25.8	50

Disclosure of equity investments

Information is filed separately with the Commercial Register in Munich.

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, 2001. The preparation and the content of the consolidated financial statements in accordance with International Accounting Standards (IAS) 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 Accounting Standards (IAS).

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, 2001, 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, 2001, 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, April 4, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gerd Geib	Dr. Frank Ellenbürger
Independent Auditor	Independent Auditor

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.

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 first 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, in which the Group has an interest of between 20 percent and 50 percent, 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

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 percent 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.

IAS Framework
The framework for International Accounting Standards (IAS) 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 und 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. Shorts 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.