Allianz Group

Annual Report 2002
Short Version

AT A GLANCE

ALLIANZ GROUP		2002	2001	Change from previous year in %
Earnings before taxes	€ mn	– 1,214	1,827	– 166.4
Taxes	€ mn	735	840	– 12.5
Minority interest in earnings	€ mn	688	1,044	– 34.1
Net income	€ mn	– 1,167	1,623	– 171.9
Total premium income	€ bn	82.6	75.1	9.9
Net revenue from banking	€ bn	7.6	3.9	94.1
Net revenue from asset management	€ bn	2.3	2.0	12.7
Assets under management	€ bn	989	1,126	– 12.1
Shareholders' equity	€ bn	22	32	– 31.2
Return on equity after taxes	%	– 4.4	4.8	– 190.5
Earnings per share	€	– 4.81	6.66	– 172.1
Employees		181,651	179,946	0.9

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

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COVER PHOTO

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

Dear Shareholder,

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

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

The consolidation phase that I had announced was implemented earnestly and there were initial signs of success: we did cut costs at Dresdner Bank, streamline operations in property and casualty insurance, boost performance in asset management and increase our market share in private and corporate retirement plans. But we did not progress far enough to withstand the many blows that fell on us in 2002: the worldwide economic crisis and the free fall in the stock markets caused us to make significant write-downs in our investment portfolio and further impacted the bank's earnings. Adding to these factors were threats of war and natural catastrophes of unexpected intensity and scale. Finally, we had to re-evaluate our exposure to asbestos-related and environmental risks in the U.S., leading us to increase the reserves related to these risks.

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

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

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

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

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

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

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

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

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

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

Yours sincerely

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

Supervisory Board

DR. KLAUS LIESEN
Chairman of the Supervisory Board E.ON AG
Chairman

FRANK LEY
Employee, Allianz Lebensversicherungs-AG
Deputy Chairman

DR. BERND W. VOSS
Member of the Supervisory Board Dresdner Bank AG
Deputy Chairman,
since June 13, 2002

NORBERT BLIX
Employee, Allianz Versicherungs-AG

DR. DIETHART BREIPOHL
Former member of the Board of Management Allianz AG

BERTRAND COLLOMB
Président Directeur Général Lafarge

DR. GERHARD CROMME
Chairman of the Supervisory Board ThyssenKrupp AG

JÜRGEN DORMANN
Chairman of the Supervisory Board Aventis S. A.

HINRICH FEDDERSEN
Member of the Federal Steering Committee ver.di –
Vereinte Dienstleistungsgewerkschaft

DR. UWE HAASEN
Former member of the Board of Management Allianz AG
since June, 13 2002

PETER HAIMERL
Employee, Dresdner Bank AG

PROFESSOR DR. RUDOLF HICKEL
Professor of finance

HORST MEYER
Employee, Hermes Kreditversicherungs-AG

UWE PLUCINSKI
Employee, Dresdner Bank AG

REINHOLD POHL
Employee, Allianz Immobilien GmbH

ROSWITHA SCHIEMANN
Branch Manager, Allianz Versicherungs-AG

DR. ALBRECHT SCHMIDT
Chairman of the Supervisory Board Bayerische Hypo-
und Vereinsbank AG
until June 12, 2002

DR. MANFRED SCHNEIDER
Chairman of the Supervisory Board Bayer AG

DR. HERMANN SCHOLL
Managing Director Robert Bosch GmbH

JÜRGEN E. SCHREMPP
Chairman of the Board of Management DaimlerChrysler AG

JÖRG THAU
Employee, Allianz Private Krankenversicherungs-AG

DR. ALFONS TITZRATH
Former member of the Supervisory Board
Dresdner Bank AG
until June 12, 2002

Board of Management

DR. HENNING SCHULTE-NOELLE
Chairman of the Board of Management

DR. PAUL ACHLEITNER
Group Finance

DETLEV BREMKAMP
Europe II

JAN R. CARENDI
Americas
since May 1, 2003

MICHAEL DIEKMANN
Americas, Group Human Resources

DR. JOACHIM FABER
Allianz Dresdner Asset Management

DR. BERND FAHRHOLZ
Allianz Dresdner Banking
until March 25, 2003

LEONHARD H. FISCHER
Dresdner Corporates & Markets
until October 31, 2002

DR. REINER HAGEMANN
Europe I
Director responsible for Labour Relations

DR. HORST MÜLLER
Group Financial Risk Management

DR. HELMUT PERLET
Group Controlling, Accounting,
Taxes, Compliance

DR. GERHARD RUPPRECHT
Group Information Technology,
Life Insurance Germany

DR. HERBERT WALTER
Allianz Dresdner Banking
since March 19, 2003

DR. WERNER ZEDELIUS
Growth Markets

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

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

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

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

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

Our five strategic priorities are:

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

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

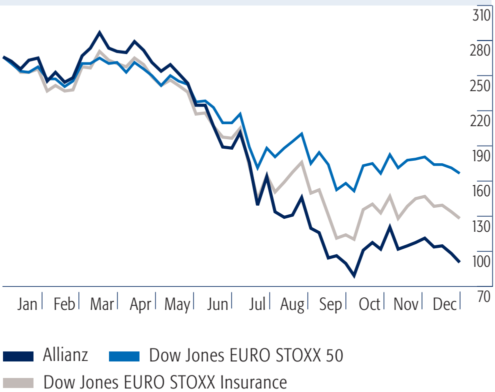
Consistently applied, these principles and priorities are a reliable guide that will help us stay the course in a difficult market environment. We see Allianz as one of the decisive forces in the consolidation process that is currently unfolding in the financial services market, and we will emerge from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

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

Capital markets weaken insurance stocks

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

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



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

Allianz share performance in comparison
Average annual performance in %

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

Source (chart and table): Thomson Financial Datastream

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

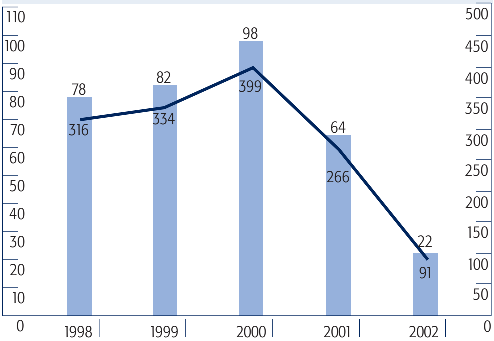
The Allianz share is also included in the Dow Jones Sustainability Index. This index only lists the top 10 percent of companies in a given industry that have obtained the best rankings in a sustainability rating. The ranking is based on economic, ecological and social criteria.

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

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

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

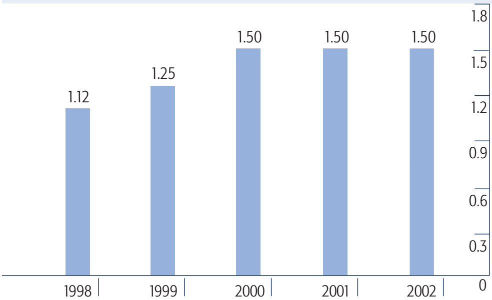
Market capitalization and share price at year-end[*)]
Market capitalization in € bn — Price on 12/31 in €



Market capitalization
Year-end price

*) Market capitalization calculated without treasury shares
Source: Thomson Financial Datastream

Dividend per share in €



Dividend per share

Exceptional charges determine earnings per share

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

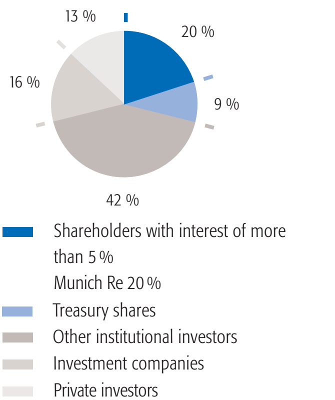
Dividend at previous year's level

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

Public offer to holders of profit participation certificates

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

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



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

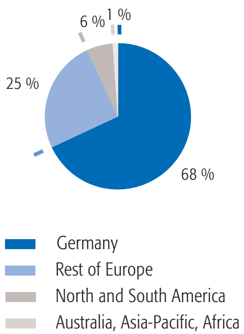
Free float now over 71 percent

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

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

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

Regional distribution of share ownership on December 31, 2002



Value-oriented management

Our foremost objective is profitable growth. That is why we use "Economic Value Added" (EVA) as the key indicator for controlling our business. In 2002, we did not reach our profitability targets.

Performance-based remuneration

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

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

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

In 2002, approximately 570 senior managers were participating in the long-term incentive plan. Due to the poor performance of our share price, management received no payments from the stock appreciation rights granted in previous years.

Annual General Meeting online on the Internet

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

Allianz share key indicators at a glance

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

[1] Excluding treasury shares

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

Basic Allianz share information

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

Top priority for investor relations

For Allianz, investor relations remain of crucial importance. That is why we expanded the range of information we offer. In numerous meetings, we informed investors about the development of our business and the progress in integrating Dresdner Bank. Our roadshows brought us to the world's leading financial centers, including New York, Boston, San Francisco, London und Frankfurt. We also talked to investors in Paris, Zurich und Edinburgh and organized separate information meetings for our bond investors whom we visited in Europe and Asia.

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

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

Financial Calendar for 2003/2004

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

Comprehensive service

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

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

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

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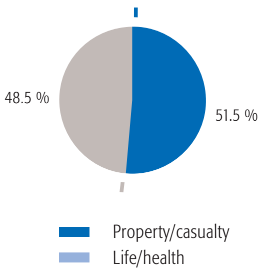
Internet: www.allianzgroup.com/investor-relations

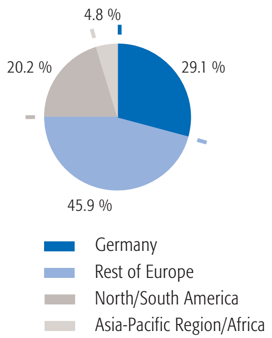
Consolidated balance sheet (short version)	2002 € bn	2001 € bn
ASSETS		
Intangible assets	18.3	16.9
Investments in affiliated enterprises	11.3	10.2
Investments	285.3	345.3
Investments held on account and at risk of life insurance policy holders	25.7	24.7
Loans and advances to banks	86.8	61.3
Loans and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

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

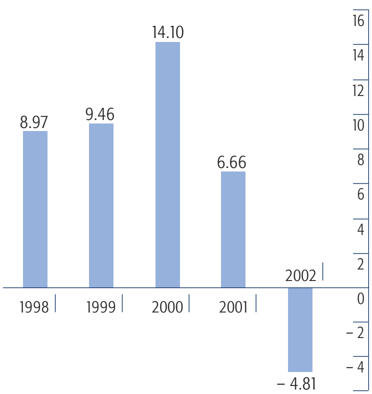
Total premium income by business segments (€ 82.6 bn)



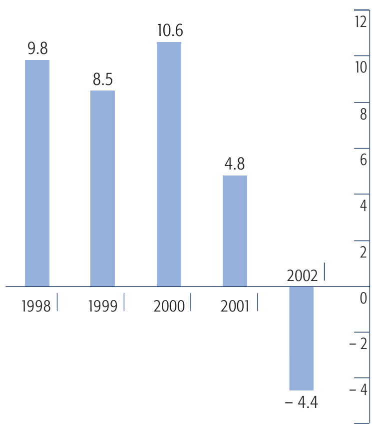
Total premium income by regions (€ 82.6 bn)



Earnings per share
in €



Return on equity after taxes
in %



- Allianz had to report a loss of just under 1.2 billion euros in 2002. A major contributing factor was the extraordinarily difficult situation in the economy and in the capital markets. Another problem was the shortfall of operating income at Dresdner Bank. To make matters worse, our performance was undermined by a number of special influences.

- The effects of these special influences were mainly felt in the third quarter, where they completely eroded the net earnings of 1.6 billion euros reported at mid-year. Despite clear improvements of our earnings, the fourth quarter ended with a loss of 0.2 billion euros, mainly due to persistently high write-downs on our equity portfolio. For the full fiscal year 2002, these amounted to 5.6 billion euros.

- The abrupt deterioration of our earnings in the third quarter, which was as devastating as it was unexpected, overshadows major improvements in our operating business. Premium income increased substantially in many areas. At the same time, we achieved a substantial reduction of the combined ratio in property and casualty insurance.

- We propose to pay our shareholders a dividend of 1.50 euros, the same amount as distributed in the previous year.

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

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

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

Overview

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

Earnings

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

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

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

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

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

Premium income from the insurance business

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

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

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

Asset management

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

Banking

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

Shareholders' equity

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

Market capitalization

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

Human Resources

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

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

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

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

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

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

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

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

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

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

Premiums from investment-oriented life insurance products

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

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

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

Investment income, which was depressed by the extremely weak capital markets, dropped by 1.1 to 7.4 billion euros. For that reason, profit sharing was considerably lower than last year. Payments made to our customers declined from 22.0 billion euros to 21.3 billion euros despite the fact that in many countries higher payments were due for maturities, surrenders and pensions. Because of this development, lower investment income had less effect on net income.

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

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

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

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

Our banking business posted the following results:

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

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

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

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

Administrative expenses came to 7.3 billion euros.

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

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

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

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

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

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

Assets under management

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

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

Asset management for third party investors

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

Approximately 57 percent or 561 billion euros of our assets are managed for third party investors. That includes 43 billion euros in net inflows. Despite these inflows, the value of this portfolio decreased by 59 billion euros. The causes for this decline were lower stock market prices, which accounted for 25 billion euros, and an additional 77 billion euros due to the depreciation of the U.S. dollar against the euro.

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

In 2002, we achieved a number of successes:

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

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

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

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

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

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

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

Business outlook of the Allianz Group

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

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

Cautionary Note Regarding Forward-Looking Statements:

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

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

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