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ALLIANZ AKTIENGESELLSCHAFT
Form 6-K
May 16, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For May 16, 2003

Commission File Number: 1-15154

ALLIANZ AKTIENGESELLSCHAFT

Koeniginstrasse 28
80802 Munich
Germany

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

OFFERING CIRCULAR

CONFIDENTIAL

[ALLIANZ AKTIENGESELLSCHAFT LOGO]

117,187,500 NEW ALLIANZ SHARES

ALLIANZ AKTIENGESELLSCHAFT

SUBSCRIPTION PRICE: E38 PER NEW ALLIANZ SHARE

Allianz Aktiengesellschaft ("Allianz AG") is offering 117,187,500 new registered no-par value shares with restricted transferability (vinkulierte

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Namensaktien) (the "New Allianz Shares") in an international offering. The international offering consists of an offering of subscription rights to Allianz AG's existing shareholders and private placements of New Allianz Shares not subscribed for in the subscription offering and of a residual amount of existing Allianz AG shares for which subscription rights have been excluded so as to avoid a fractional subscription ratio.

Each existing Allianz share entitles its holder to receive one subscription right. The exercise of 15 subscription rights entitles the exercising holder to subscribe for seven New Allianz Shares against payment of the subscription price. Subscriptions will be accepted for a whole number of New Allianz Shares only. The subscription price is E38 per New Allianz Share, representing a discount of approximately 33% to the closing price of an Allianz AG share on the Frankfurt Stock Exchange on April 11, 2003, the date of this Offering Circular, of E56.95.

If holders of the subscription rights wish to subscribe for New Allianz Shares, they must exercise their subscription rights before 5.00 p.m. (Frankfurt time) on April 29, 2003. Subscription rights not exercised by 5.00 p.m. (Frankfurt time) on April 29, 2003 will expire. The New Allianz Shares allocated to such unexercised subscription rights will be offered to eligible investors in the private placements upon the terms and conditions described in this Offering Circular.

Shares of Allianz AG are traded on the stock exchanges in Frankfurt am Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart (the "German stock exchanges"), the SWX Swiss Exchange, Euronext Paris and the London Stock Exchange's market for listed securities under the symbol "ALV." Shares of Allianz AG, in the form of American Depositary Shares, are listed on the New York Stock Exchange under the symbol "AZ."

The subscription rights will be listed and may be traded on the official market (amtlicher Markt) of the Frankfurt Stock Exchange during the period from April 15, 2003 up to and including April 25, 2003. Beginning on April 15, 2003, shares of Allianz AG will be listed on the official market of the German stock exchanges "ex subscription right" ("ex Bezugsrecht"). Application has been made for admission (Zulassung) of the New Allianz Shares to listing and trading on the official market of the German stock exchanges and is expected to be granted on April 28, 2003. Trading in the New Allianz Shares on the German stock exchanges is expected to commence on April 30, 2003. Allianz AG intends to have the New Allianz Shares listed for trading on other stock exchanges where existing Allianz shares are currently listed.

INVESTING IN THE SUBSCRIPTION RIGHTS OR THE NEW ALLIANZ SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 13 TO READ ABOUT MATERIAL FACTORS INVESTORS SHOULD CONSIDER BEFORE INVESTING IN THE SUBSCRIPTION RIGHTS OR THE NEW ALLIANZ SHARES.

THE SUBSCRIPTION RIGHTS AND THE NEW ALLIANZ SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY ONLY BE OFFERED OR SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (OTHER THAN RULE 144A) AND (II) OUTSIDE THE UNITED STATES TO CERTAIN PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT. THE SUBSCRIPTION RIGHTS AND THE NEW ALLIANZ SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The shares subscribed for in the subscription offering will be delivered on or around April 30, 2003 and the shares to be offered in the private placements will be delivered on or around May 5, 2003.

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The institutions named below (the "Underwriters") have agreed with Allianz AG to subscribe for any New Allianz Shares not taken up in the subscription offering. See "Underwriting."

Joint Global Coordinators

CITIGROUP DEUTSCHE BANK SECURITIES GOLDMAN, SACHS & CO. UBS WARBURG LLC

The date of this Offering Circular is April 11, 2003

AN UNDERWRITER, AS PRINCIPAL, MAY PERFORM MEASURES THAT ENABLE IT TO KEEP THE MARKET PRICE OF THE NEW ALLIANZ SHARES AND THE SUBSCRIPTION RIGHTS AT A LEVEL THAT DIFFERS FROM THE LEVEL THAT MAY OTHERWISE EXIST. STABILIZATION MEASURES, IF ANY, MAY BE DISCONTINUED AT ANY TIME; ANY STABILIZATION MEASURES WILL BE CONDUCTED IN GERMANY OR ELSEWHERE IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATION.

DURING THE DISTRIBUTION OF NEW ALLIANZ SHARES IN THE INTERNATIONAL OFFERING, DRESDNER BANK, A SUBSIDIARY OF ALLIANZ AG, INTENDS TO ENGAGE IN VARIOUS DEALING AND BROKERAGE ACTIVITIES INVOLVING ALLIANZ SHARES OUTSIDE THE UNITED STATES. AMONG OTHER THINGS, DRESDNER BANK INTENDS TO MAKE A MARKET IN ALLIANZ SHARES AND DERIVATIVES RELATING TO ALLIANZ SHARES BY PURCHASING AND SELLING ALLIANZ SHARES AND DERIVATIVES (SUCH AS OPTIONS, WARRANTS AND OTHER INSTRUMENTS) RELATING TO ALLIANZ SHARES FOR ITS OWN ACCOUNT AND THE ACCOUNTS OF ITS CUSTOMERS. DRESDNER BANK ALSO INTENDS TO ENGAGE IN TRADES IN ALLIANZ SHARES FOR ITS OWN ACCOUNT AND THE ACCOUNTS OF ITS CUSTOMERS FOR THE PURPOSE OF HEDGING THEIR POSITIONS ESTABLISHED IN CONNECTION WITH THE DERIVATIVES MARKET MAKING DESCRIBED ABOVE, AS WELL AS TO EFFECT UNSOLICITED BROKERAGE TRANSACTIONS IN ALLIANZ SHARES WITH ITS CUSTOMERS. THESE ACTIVITIES MAY OCCUR ON THE GERMAN STOCK EXCHANGES AND THE STOCK EXCHANGES IN LONDON, LUXEMBOURG, MILAN, PARIS AND ZURICH. DRESDNER BANK'S AFFILIATED U.S. BROKER-DEALER MAY ALSO ENGAGE IN UNSOLICITED BROKERAGE TRANSACTIONS IN ALLIANZ SHARES AND AMERICAN DEPOSITORY SHARES REPRESENTING ALLIANZ SHARES WITH ITS CUSTOMERS IN THE UNITED STATES. DRESDNER BANK IS NOT OBLIGED TO MAKE A MARKET IN ALLIANZ SHARES OR DERIVATIVES ON ALLIANZ SHARES AND ANY SUCH MARKET MAKING MAY BE DISCONTINUED AT ANY TIME. THESE ACTIVITIES COULD HAVE THE EFFECT OF PREVENTING OR RETARDING A DECLINE IN THE PRICE OF THE ALLIANZ SHARES.

This Offering Circular is confidential and is being furnished by Allianz AG in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the rights to subscribe for new registered no-par value shares with restricted transferability, each described herein. This Offering Circular may not be copied or reproduced, in whole or in part, nor may it be distributed or any of its contents be disclosed to anyone other than the prospective investors to whom it is being provided. Each offeree of the subscription rights and/or the New Allianz Shares, by accepting delivery of this Offering Circular, agrees to the foregoing.

The information contained in this Offering Circular has been provided by Allianz AG and other sources identified herein. No representation or warranty, express or implied, is made by the Underwriters named herein as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the

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Underwriters. No person is to give any information or to make any representation in connection with the offering or sale of the subscription rights or the New Allianz Shares other than as contained in this Offering Circular. If any such information is given or made, it must not be relied upon as having been authorized by Allianz AG or any of the Underwriters or any of their respective affiliates or advisers or selling agents. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of Allianz AG or its subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS CONCERNING THE INTERNATIONAL OFFERING, EACH INVESTOR AND EACH OF ITS EMPLOYEES, REPRESENTATIVES, OR OTHER AGENTS MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND STRUCTURE (AS SUCH TERMS ARE USED IN SECTIONS 6011, 6111 AND 6112 OF THE U.S. INTERNAL REVENUE CODE AND THE U.S. TREASURY REGULATIONS PROMULGATED THEREUNDER) OF SUCH OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ALLIANZ AG HAS PROVIDED TO INVESTORS RELATING TO SUCH U.S. FEDERAL INCOME TAX TREATMENT AND STRUCTURE.

The subscription rights and the New Allianz Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The distribution of this Offering Circular and the offering and sale of the subscription rights

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and the New Allianz Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Allianz AG and the Underwriters to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the subscription rights or the New Allianz Shares in any jurisdiction in which such offer or invitation would be unlawful.

NOTICE TO NEW HAMPSHIRE RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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NOTICE TO INVESTORS

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Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the subscription rights or the New Allianz Shares offered hereby.

No actions have been taken to register or qualify the subscription rights or the New Allianz Shares offered hereby or otherwise permit a public offering of the subscription rights or the New Allianz Shares offered hereby in any jurisdiction other than Germany, Austria and the United Kingdom. The subscription rights and the New Allianz Shares are being offered in the United States on a private placement basis to "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A under the Securities Act in transactions exempt from the registration requirements of the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. The subscription rights and the New Allianz Shares offered hereby have not been and will not be registered under the Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration under the Securities Act.

Investors may not receive or exercise their subscription rights and they may not purchase New Allianz Shares in the private placements in the United States unless they are QIBs. Investors may receive and exercise their subscription rights, and the Underwriters will offer and sell New Allianz Shares in the private placements, in the United States only if such investors sign and deliver to one of the Joint Global Coordinators (as directed) an investor letter substantially as described below.

If investors sign such a letter, such investors will, among other things, be:

- (1) Representing that they and any account for which they are receiving and exercising subscription rights or purchasing New Allianz Shares, as the case may be, are QIBs as defined in Rule 144A under the Securities Act;
- (2) Acknowledging that they are acquiring "restricted securities" within the meaning of the Securities Act, which restricted securities are subject to restrictions on resale;
- (3) Agreeing not to resell the subscription rights or the New Allianz Shares issuable upon the exercise of the subscription rights or purchased in the private placements in the United States, except (i) pursuant to an effective registration statement under the Securities Act, (ii) outside the United States in compliance with Rule 904 of Regulation S under the Securities Act or (iii) in the case of New Allianz Shares, in accordance with Rule 144 under the Securities Act; and
- (4) Agreeing not to deposit the New Allianz Shares issuable upon the exercise of the subscription rights or purchased in the private placements in the United States for so long as they are "restricted securities" in Allianz AG's American Depositary Receipt facility.

RESALES OF SUBSCRIPTION RIGHTS OR OF NEW ALLIANZ SHARES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ARE NOT PERMITTED.

From the date of this Offering Circular until the 40th day after the date on which the New Allianz Shares are delivered (which is currently expected to be June 15, 2003), J.P. Morgan Chase Bank, as depositary for Allianz AG's American Depositary Receipt facility, will not accept deposits of Allianz AG shares in the facility, or permit pre-releases of American Depositary Shares from the facility, unless the shareholder certifies that it did not acquire the shares to

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be deposited through the exercise of subscription rights in the private placements.

In addition, each purchaser of New Allianz Shares on the exercise of the subscription rights or the New Allianz Shares offered hereby will be deemed to have acknowledged and agreed that:

(1) It is relying on this Offering Circular in conducting its examination of Allianz AG and the terms of the international offering, including the merits and risks involved, and in making an investment decision regarding the subscription rights or the New Allianz Shares; and

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(2) No person is authorized to give any information or make any representations other than those contained in this Offering Circular and, if given or made, such information or representations will not be relied upon as having been authorized by Allianz AG or the Underwriters nor will Allianz AG or the Underwriters have any liability or responsibility therefor.

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PRESENTATION OF FINANCIAL INFORMATION

Allianz AG publishes, and has included in this Offering Circular, consolidated financial statements prepared in accordance with International Financial Reporting Standards, or IFRS. Unless Allianz AG notes otherwise, financial statement amounts set forth in this Offering Circular are presented on this basis. IFRS differs in certain significant respects from U.S. GAAP. Allianz AG is a reporting company under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, it files annual reports on Form 20-F with the United States Securities and Exchange Commission (the "Commission") which include a full reconciliation to U.S. GAAP. Investors can obtain such information from the Commission; however, the annual report on Form 20-F for the year ended December 31, 2002 has not yet been filed and there is, therefore, at this time no completed U.S. GAAP reconciliation for 2002.

Allianz AG publishes its financial statements in euros. In this Offering Circular, references to "dollars" and "US\$" are to United States dollars and references to "euro" or "E" are to the currency of the member states of the European Union participating in the Economic and Monetary Union.

TAXATION

U.S. FEDERAL INCOME TAXATION

The following is a discussion of material U.S. federal income tax consequences of receipt, exercise and disposition of subscription rights pursuant to the subscription offering, as well as of the acquisition, ownership and disposition of New Allianz Shares. This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular holder of subscription rights or New Allianz Shares. The discussion applies to investors only if they hold subscription rights and New Allianz Shares as capital assets for U.S. federal income tax purposes, and it does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;

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- dealers and traders in securities or foreign currencies;
- persons holding New Allianz Shares or subscription rights as part of a hedge, straddle or conversion transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organizations;
- persons holding New Allianz Shares or subscription rights that own or are deemed to own more than ten percent of Allianz AG's voting stock; or
- persons who acquired Allianz AG's shares pursuant to the exercise of any employee stock option or otherwise as compensation.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Investors are advised to consult their own tax advisers concerning the U.S. federal, state, local, German and other foreign tax consequences of the receipt, exercise and disposition of subscription rights pursuant to the subscription offering, as well as of the acquisition, ownership and disposition of New Allianz Shares in their particular circumstances.

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The discussion below applies to an investor only if the investor is a beneficial owner of subscription rights or New Allianz Shares, as the case may be, and is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

TAXATION OF THE SUBSCRIPTION RIGHTS

RECEIPT OF THE SUBSCRIPTION RIGHTS

The receipt of subscription rights by investors pursuant to the subscription offering will be treated as a nontaxable distribution with respect to their shares for U.S. federal income tax purposes.

If the fair market value of the subscription rights received by investors is less than 15% of the fair market value of their shares on the date the subscription rights are received, the subscription rights will be allocated a zero basis for U.S. federal income tax purposes, unless investors elect to allocate basis in proportion to the relative fair market values of their shares and the subscription rights received determined on the date of receipt. This election must be made in investors' tax returns for the taxable year in which

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the subscription rights are received. On the other hand, if the fair market value of the subscription rights received by investors is 15% or more of the fair market value of their shares on the date the subscription rights are received, then their basis in their shares must be allocated between the shares and the subscription rights received in proportion to their fair market values determined on the date the subscription rights are received.

EXERCISE OF THE SUBSCRIPTION RIGHTS

The exercise of a subscription right by investors or on their behalf will generally not be a taxable transaction for U.S. federal income tax purposes. The basis of each New Allianz Share acquired upon exercise of the subscription right by investors or on their behalf will equal the sum of the price paid for the New Allianz Share (which will include German taxes, if any, payable by, or on behalf of, investors in connection with the exercise of the subscription right) and their tax basis (as determined above), if any, in the subscription right exercised.

The holding period of a New Allianz Share acquired upon exercise of one or more subscription rights begins on and includes the day of exercise.

SALE OR EXPIRATION OF THE SUBSCRIPTION RIGHTS

For U.S. federal income tax purposes, gain or loss investors realize on a sale of subscription rights by them will be capital gain or loss, and will be long-term capital gain or loss if their holding period for the subscription rights is more than one year. For these purposes, investors' holding period in a subscription right will include their holding period in the shares with respect to which the subscription rights was distributed. The amount of investors' gain or loss will be equal to the difference between their tax basis in the subscription rights disposed of (as determined above) and the amount realized on the disposition. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes.

An investor whose subscription right expires unexercised will not recognize any loss upon the expiration of the subscription right, and the tax basis of the shares with respect to which the expired subscription right was distributed will remain unchanged compared to their basis prior to the subscription offering.

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TAXATION OF THE NEW ALLIANZ SHARES

TAXATION OF DISTRIBUTIONS ON NEW ALLIANZ SHARES

Distributions made on New Allianz Shares, to the extent paid out of current or accumulated earnings and profits as determined under U.S. federal income tax principles, other than certain pro rata distributions of common shares, will be treated as a dividend. The amount of this dividend will include any amounts withheld (or deemed withheld) by Allianz AG or its paying agent in respect of German taxes. The amount of the dividend will be includible in the investor's gross income as ordinary income and will be treated as foreign source dividend income. The dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code. Dividends generally will constitute passive income for foreign tax credit purposes. Distributions in excess of current and accumulated earnings and profit of Allianz AG, as determined for U.S. federal income tax purposes, will be treated as a return of capital to the extent of the investor's basis in the New Allianz Shares and thereafter as capital gain.

Dividends paid in euro will be included in investors' income in a U.S.

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dollar amount calculated by reference to the exchange rate in effect on the date of their receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, investors generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Investors may have foreign currency gain or loss if they do not convert the amount of such dividend into U.S. dollars on the date of its receipt. Foreign currency gain or loss will be ordinary income or loss from sources within the United States.

Subject to certain limitations, the German tax withheld in accordance with German law or the income tax convention between the United States and Germany (the "Treaty"), if applicable, and paid over to the German tax authorities, will be creditable against an investor's U.S. federal income tax liability. To the extent a refund of the tax withheld is available to an investor eligible for the benefits of the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the investor's U.S. federal income tax liability.

SALE AND OTHER DISPOSITION OF NEW ALLIANZ SHARES

For U.S. federal income tax purposes, gain or loss investors realize on the sale or other disposition of New Allianz Shares will be capital gain or loss, and will be long-term capital gain or loss if they held the New Allianz Shares for more than one year. The amount of gain or loss will equal the difference between their tax basis in the New Allianz Shares disposed of and the amount realized on the disposition. Long-term capital gain of a non-corporate investor is generally taxed at a maximum rate of 20%, and at 18% where the property is held for more than five years. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) investors are a corporation or other exempt recipient or (ii) investors provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to investors will be allowed as a credit against their U.S. federal income tax liability and may entitle them to a refund, provided that the required information is furnished to the Internal Revenue Service.

Each investor and each of its employees, representatives, or other agents is authorized to disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and structure (as such terms are used in Sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code and the U.S. Treasury Regulations promulgated thereunder) of the international offering and all materials of any kind, including opinions or other tax analyses, that have been provided to an investor relating to such U.S. federal income tax treatment and structure.

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ENFORCEMENT OF CIVIL LIABILITIES

Allianz AG is organized under the laws of the Federal Republic of Germany and its assets are located primarily outside the United States. In addition, the directors and officers of Allianz AG are non-residents of the United States and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States

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upon Allianz AG or such persons or to enforce against them or against Allianz AG judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the Federal securities or other laws of the United States or any state thereof. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by a Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, may not be enforceable, either in whole or in part, in Germany. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment that has been rendered in the United States. In the above circumstances, a judgment by a Federal or state court of the United States against Allianz AG will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to rehear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Germany.

AVAILABLE INFORMATION

Allianz AG is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports (including annual reports on Form 20-F) and other information with the Commission. Reports and other information filed by Allianz AG with the Commission may be read and copied at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Commission's public reference rooms may be obtained by calling the Commission at 1-800-SEC-0330. Copies may also be obtained from the Commission's website at <http://www.sec.gov>.

American Depositary Shares representing Allianz AG's registered shares are listed on the New York Stock Exchange. Reports and other information concerning Allianz AG can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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GENERAL INFORMATION

RESPONSIBILITY FOR THE OFFERING CIRCULAR

Allianz Aktiengesellschaft, Munich (hereinafter referred to as "Allianz AG" and, together with its subsidiaries, as "Allianz Group" or the "Group") and the banks listed at the end of this offering circular (Verkaufsprospekt, or the "Offering Circular") assume the responsibility for the contents of this Offering Circular pursuant to Section 13 of the German Securities Selling Prospectus Act

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(Verkaufsprospektgesetz) in conjunction with Sections 44 et seq. of the German Securities Exchange Act (Borsengesetz) and declare that to the best of their knowledge the information contained in this Offering Circular is true and accurate in all material respects and that no material facts have been omitted.

INSPECTION OF DOCUMENTS

All publicly available documents referred to in this Offering Circular, to the extent that they concern Allianz AG, as well as future annual reports and interim reports are available from, or may be inspected during normal business hours at, Allianz Aktiengesellschaft, Koniginstrasse 28, 80802 Munich, Germany.

SUBJECT MATTER OF THE OFFERING CIRCULAR

This Offering Circular relates to 117,187,500 registered no-par value shares with restricted transferability from the capital increase against cash contributions from authorized capital with subscription rights (except for residual amounts), which was resolved by the Management Board on April 7, 2003 with the consent of the Supervisory Board given on April 8, 2003, each with a notional nominal value (the proportional amount of the share capital attributable to each share) of E2.56 per share and full dividend entitlement as of January 1, 2003. The subscription price has been determined by the Management Board on April 11, 2003 and approval by the Supervisory Board is expected for April 12, 2003.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements, including statements using the words "believes," "anticipates," "expects" or other similar terms. This applies in particular to statements under the captions "Risk Factors" and "Business" and statements elsewhere in this Offering Circular relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Allianz Group, growth and profitability and general industry and business conditions applicable to the Allianz Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Allianz Group, or those of financial institutions generally to be materially different from or worse than those expressed or implied by these forward-looking statements. These factors include, without limitation:

- general economic conditions, including in particular economic conditions in the core business areas and core markets of the Allianz Group;
- function and performance of global financial markets, including emerging markets;
- frequency and severity of insured loss events, including terror attacks, environmental and asbestos claims;
- mortality and morbidity levels and trends;
- interest rate levels;
- currency exchange rate developments, including euro/U.S. dollar exchange rate;
- levels of additional loan loss provisions due to weakening credit quality;
- further impairments of investments;

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- general competitive factors, in each case on a local, regional, national, and global level;

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- changes in laws and regulations, including in the United States and in the European Union;
- changes in the policies of central banks and/or foreign governments;
- the impact of the acquisition of Dresdner Bank AG, including related integration and restructuring issues;
- terror attacks, events of war, and their respective consequences

and other factors referred to in this Offering Circular. Allianz AG does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

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SUMMARY

The following summary is supplemented by, and should be read in conjunction with, the more detailed information provided elsewhere in this Offering Circular as well as the financial statements and the notes thereto and the discussions of results of operations under "Business" of the Group's property and casualty, life/health, banking and asset management businesses. Unless otherwise indicated, the Allianz Group has obtained data regarding the relative size of various national insurance markets from annual reports prepared by SIGMA, an independent organization which publishes market research data on the insurance industry. In addition, unless otherwise indicated, insurance market share data are based on gross premiums written. Data on market share within particular countries are based on the Allianz Group's own internal estimates.

ALLIANZ GROUP

The Allianz Group is one of the world's leading financial services providers, offering insurance, banking and asset management products and services through property-casualty, life/health, banking and asset management business segments. The Allianz Group is one of the leading insurance groups in the world based on gross premiums written in 2002. The Group is the leading German property-casualty and life/health insurance company, with estimated market shares of approximately 18.3% and 14.2%, respectively, based on gross premiums written in 2002. The Group also has leading market positions in a number of other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group was the second-largest German financial institution, based on market capitalization, at March 31, 2003. The Group believes that it is well capitalized relative to its competitors, notwithstanding recent downgrades of its ratings in March 2003. As of April 7, 2003, the Group had financial strength ratings of A+ from A.M. Best and AA- from Standard & Poor's Ratings Services ("Standard & Poor's") although both with a negative outlook. Moody's Investors Services ("Moody's") does not provide a rating for Allianz AG, but as of April 7, 2003, debt securities issued by Allianz AG's finance subsidiaries had a senior unsecured debt rating of Aa2 from Moody's, again with a negative outlook. The Group's investment portfolio includes a number of significant equity participations, primarily in major German companies, including both financial institutions and industrial enterprises.

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The Allianz Group was founded in 1890 in Berlin, Germany, and since that time it has become the largest German insurer. Through its international expansion strategy, the Allianz Group has sought to bring into the Group companies that are well-positioned in their domestic markets and that have leading positions in particular business lines and attractive earnings prospects. In the last several years, the Group's non-German insurance business has therefore grown substantially in importance. Gross premiums written by the Group's non-German business represented approximately 63.3% of the Group's total gross premiums written in 2002. The Allianz Group now operates in more than 70 countries worldwide and has leading market positions in many of them.

In 1998, building on over a century's experience in managing its extensive insurance investment portfolio, the Allianz Group established financial services as its third core business segment, in addition to its property-casualty and life/health insurance businesses. In 2001, following its acquisition of Dresdner Bank AG ("Dresdner Bank" and, together with its subsidiaries, "Dresdner Bank Group"), the Allianz Group reorganized its financial services segment into separate asset management and banking segments. In the Group's asset management segment, the acquisitions of Dresdner Bank on July 23, 2001 and Nicholas-Applegate Capital Management ("Nicholas-Applegate") on January 31, 2001 increased the Group's third-party assets under management by E228 billion and E36 billion, respectively, as of the respective dates of the acquisitions and made the Allianz Group one of the five leading asset managers in the world based on total assets under management as of December 31, 2002. In the Group's banking segment, which is now its fourth core business segment, the Allianz Group's acquisition of Dresdner Bank made the Group one of the leading banks in Germany and the thirteenth-largest bank in Europe, based on total assets, and provided the Group with significantly expanded bank distribution channels for its property-casualty, life/health and asset management products and services.

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The Allianz Group's strategy is to achieve profitable growth across the Group's four business segments for the benefit of its shareholders, policyholders and employees. The Allianz Group believes that its size, financial strength and worldwide reach are key competitive strengths that will permit the Group to participate in the ongoing consolidation of the financial services industry and maintain its position as an industry leader. The Allianz Group offers its products through multiple distribution channels including agents and brokers and, in many markets, bancassurance and e-commerce. In its mature markets of Germany, the rest of western Europe and the United States, the Allianz Group believes demographic trends will particularly favor the Group's life/health and asset management businesses in the coming years. The Allianz Group intends to capitalize on cross-selling opportunities between the Group's banking and pension provision businesses for corporate customers and to take advantage of additional potential synergies between the Group's life/health, asset management and banking operations.

As a reflection of the underlying strengths of the Group's franchise as well as the leading market positions in many of its businesses, the Group's core strategy remains substantially unchanged. Allianz AG's five main strategic priorities are:

- Optimize the Economic Value Added ("EVA") of the Group, based on risk-adjusted capital requirements and sustainable growth targets;
- Exploit attractive market opportunities by leveraging the Group's traditional risk management expertise;
- Strengthen the Group's leading position in life/health insurance and in asset management, especially in private and corporate retirement

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insurance plans;

- Increase the Group's asset gathering capabilities by building customer-oriented, multichannel distribution platforms; and
- Expand the Group's investments and capital markets expertise.

SUMMARY OF THE OFFERING

SUBSCRIPTION OFFER

Based on the authorization pursuant to Section 2 para. 3 of the articles of association of Allianz AG, the Management Board resolved on April 7, 2003, with the consent of the Supervisory Board given on April 8, 2003, to increase the share capital by E300,000,000 to E982,408,000 by issuing 117,187,500 new no-par value shares with full dividend entitlement for the 2003 fiscal year.

The banks listed under the caption "Underwriting" have agreed to underwrite the new no-par value shares and, with the exception of a residual amount of approximately 860,275 shares, to offer them to the existing shareholders of Allianz AG at a ratio of 15:7 at a subscription price of E38.00 per share.

EXERCISE OF SUBSCRIPTION RIGHTS

To avoid exclusion of their subscription rights, the shareholders of Allianz AG will be asked to exercise their subscription rights in the period from April 15, 2003 up to and including April 29, 2003.

Shareholders may subscribe for seven new no-par value shares for each 15 Allianz shares held at a subscription price of E38.00 per share. The subscription price is due and payable not later than April 29, 2003.

RIGHTS TRADING

The subscription rights (German Securities Identification Number 245 771) will be traded and listed on the official market (amtlicher Markt) of the Frankfurt Stock Exchange in the period from April 15, 2003 up to and including April 25, 2003.

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PRIVATE PLACEMENTS

The residual share amounts to which shareholders' subscription rights were excluded and any shares not subscribed to in the subscription offer, will be offered through the Underwriters to institutional investors in private placements.

LOCK-UP

Allianz AG will agree with the Underwriters that, until October 31, 2003, to the extent legally permitted, it will not issue new shares or sell own shares outside of the Allianz Group or issue securities which are convertible into or exchangeable for or which carry the right to acquire any new shares of Allianz AG, except for shares or other securities offered to senior executives or employees of Allianz AG or its affiliates, and shares issued in connection with a capital increase from retained earnings (stock dividends) or in connection with an acquisition or a joint venture directly to the partner of such acquisition or joint venture, provided that the acquiror agrees to such lock-up.

STOCK EXCHANGE LISTING

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Application has been made for admission of the new shares to trading and listing on the official market of all German stock exchanges as well as for admission to the official market with uniform post-admission duties (Prime Standard) segment of the Frankfurt Stock Exchange and is expected to be granted on April 28, 2003. Trading of the new shares on all German stock exchanges is expected to commence on April 30, 2003.

DELIVERY

The New Allianz Shares will be represented by one or more global share certificates deposited with Clearstream Banking AG, Frankfurt am Main. The New Allianz Shares will be credited to the respective subscribers' and investors' securities account.

USE OF PROCEEDS

Allianz AG intends to use the net proceeds for general financing purposes within Allianz AG and the Allianz Group.

SECURITIES IDENTIFICATION NUMBERS

ISIN:	DE 000 840 400 5
German Securities Identification Number:	840 400
Common Code:	001182013

TRADING SYMBOL

ALV

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SELECTED CONSOLIDATED FINANCIAL DATA

		DECEMBER 31,		
		2002	2001	2000
EARNINGS				
Earnings before taxes.....	E million	(1,214)	1,827	4,91
Property-casualty insurance.....	E million	7,554	2,409	3,89
Life/health insurance.....	E million	(91)	412	1,62
Banking.....	E million	(1,537)	227	12
Asset management.....	E million	(234)	(334)	4
Taxes.....	E million	735	840	(17)
Minority interests in earnings.....	E million	(688)	(1,044)	(1,27)
Net income (loss).....	E million	(1,167)	1,623	3,46
Total premium income.....	E billion	82.6	75.1	68.
Net revenue from banking.....	E billion	7.6	3.9	0.
Net revenue from asset management.....	E billion	2.3	2.0	1.
BALANCE SHEET				
Investments.....	E billion	285	345	28
Trading assets.....	E billion	125	128	3
Receivables.....	E billion	275	301	3
Shareholders' equity.....	E billion	22	32	3
Minority interests in equity.....	E billion	8	17	1

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Participation certificates, subordinated				
liabilities.....	E billion	14	12	
Insurance provisions.....	E billion	306	300	28
Liabilities.....	E billion	285	313	1
Balance sheet total.....	E billion	852	943	44
OTHER DATA (UNAUDITED)				
Return on equity after taxes.....	%	(4.4)	4.8	10.
Return on equity before amortization of goodwill....	%	0.0	7.2	12.
PER SHARE				
Earnings per share.....	E	(4.81)	6.66	14.1
Earnings per share before amortization of goodwill.....	E	(0.02)	9.98	16.1
Dividend per share.....	E	1.50(1)	1.50	1.5
Dividend payment.....	E million	374(1)	364	36
Share price at year-end.....	E	91	266	39
Market capitalization at year-end.....	E billion	22.0	64.2	98.
OTHER				
Employees.....	E	181,651	179,946	119,68
Assets under Management.....	E billion	989	1,126	70

(1) Proposed.

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THE OFFERING

GENERAL

The offering relates to a total number of 117,187,500 new shares in Allianz AG (the "New Allianz Shares") and consists of a subscription offer to existing shareholders of Allianz AG, the placement of a residual amount not subject to the subscription rights (corresponding to approximately 860,275 shares), as well as the placement of any shares not subscribed to in the subscription offer by way of private placements with institutional investors worldwide (except for Canada, Japan and Australia) (the "Offering").

The Offering is subject to an underwriting agreement dated April 12, 2003 (the "Underwriting Agreement"). The registration of the implementation of the capital increase from authorized capital in the commercial register (Handelsregister) is expected to occur on April 25, 2003. The subscription offer is subject to the condition precedent that the implementation of the capital increase is registered in the commercial register. Moreover, the Offering may be discontinued or postponed by up to one week under certain circumstances. See "-- Subscription Offer -- Important Notices."

TIME TABLE

The Offering is based on the following timetable:

April 11, 2003	Approval (Billigung) of the Offering Circular by the Frankfurt Stock Exchange
April 14, 2003	Publication of the subscription offer
April 15, 2003	Crediting of the subscription rights based on status of collective custody accounts as of the evening of April 14 (record date)

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April 15, 2003	Subscription period and subscription rights trading commence
April 25, 2003	End of the subscription rights trading period
April 28, 2003	Admission resolutions (Zulassungsbeschluss) by the stock exchanges in Frankfurt/Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich, and Stuttgart
April 29, 2003	End of the subscription period
April 29, 2003	Payment of the subscription price
April 30, 2003	Inclusion of the shares of Allianz AG from the capital increase in the trading on all German stock exchanges

SUBSCRIPTION OFFER

The following is the subscription offer, which is expected to be published on April 14, 2003 in the Frankfurter Allgemeine Zeitung and on April 14, 2003 in the electronic issue of the Federal Gazette (Bundesanzeiger) and on April 15, 2003 in the printed issue of the Federal Gazette:

SUBSCRIPTION OFFER FOR SHARES FROM THE APRIL 2003 CAPITAL INCREASE

Based on the authorization pursuant to Section 2 para. 3 of the articles of association of Allianz AG, the Management Board, with the consent of the Supervisory Board given on April 8, 2003, has resolved on April 7, 2003 to increase the share capital by E300,000,000 to E982,408,000 by issuing 117,187,500 new registered no-par value shares with restricted transferability (the "New Allianz Shares"). The subscription right of existing shareholders was excluded in respect of a residual amount of approximately E2,202,304. The New Allianz Shares are entitled to full dividends as of the 2003 fiscal year.

The underwriters, jointly led by Citigroup Global Markets Deutschland AG, Deutsche Bank AG, Goldman, Sachs & Co. oHG, and UBS Warburg AG (the "Underwriters") have agreed to underwrite the New Allianz Shares pursuant to the underwriting agreement dated April 12, 2003

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(the "Underwriting Agreement") and to offer them to the existing shareholders of Allianz AG at a ratio of 15:7, subject to the terms set forth under the caption "Important Notices" below. The registration of the implementation of the capital increase in the commercial register at the local court (Amtsgericht) in Munich is expected to occur on April 25, 2003.

Clearstream Banking AG will automatically credit the subscription rights for shares which are held in collective custody as of the evening of April 14, 2003 to the depositary banks. Shareholders who hold effective share certificates made out to a nominal amount and "Allianz Aktiengesellschaft" and with an issuance date "im April 1997" in individual securities accounts or personally, may, for the avoidance of exclusion, exercise their subscription rights by submitting the dividend coupon no. 8.

Shareholders who have not yet exchanged their share certificates made out to "Allianz Aktiengesellschaft Holding" (the previous company name of Allianz AG) and a nominal amount of DM 50.00, which certificates have been declared void in the meantime, for no-par value shares may only exercise their subscription

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rights if they submit their old certificates (together with the dividend coupon no. 20 and the renewal coupon, registration confirmation and assignment declaration) to Dresdner Bank AG through their depositary bank by April 22, 2003, identifying their bank account as well as a securities account and/or bank account number for the transfer of the shares resulting from the conversion and the subscription rights.

IN ORDER TO AVOID EXCLUSION OF THE SUBSCRIPTION RIGHTS, WE ASK OUR SHAREHOLDERS TO EXERCISE THEIR SUBSCRIPTION RIGHTS TO THE NEW ALLIANZ SHARES IN THE PERIOD

FROM APRIL 15, 2003 UP TO AND INCLUDING APRIL 29, 2003

AT ONE OF THE SUBSCRIPTION AGENTS LISTED BELOW DURING NORMAL BUSINESS HOURS.

In the Federal Republic of Germany:

Deutsche Bank AG
Citigroup Global Markets Deutschland AG
Dresdner Bank AG
UBS Warburg AG

In Switzerland:

UBS AG

Corresponding to the subscription ratio of 15:7, existing shareholders may subscribe for seven New Allianz Shares for each 15 Allianz shares held. Pursuant to Section 67 para. 2 of the German Stock Corporation Act (Aktiengesetz), only those persons who are registered in the share register of Allianz AG are treated as shareholders in relation to Allianz AG. The acquisition of subscription rights -- as well as the acquisition of shares -- requires the consent of Allianz AG. Pursuant to its articles of association, Allianz AG will only withhold such consent if it deems this to be necessary in the interest of Allianz AG on exceptional grounds. The exercise of subscription rights by shareholders who are already registered in the share register of Allianz AG does not require the consent of Allianz AG. In the event that Allianz AG withholds its consent, subscription rights purchased by investors will still be credited to their respective securities accounts, together with any New Allianz Shares acquired through the exercise thereof. Allianz AG may, however, refuse to register any such investors in its share register.

SUBSCRIPTION PRICE

The subscription price is E38.00 per New Allianz Share. The subscription price is due and payable not later than April 29, 2003.

RIGHTS TRADING

The subscription rights (ISIN DE 000 245 771 0/German Securities Identification Number 245 771) will be listed and traded on the official market (amtlicher Markt) of the Frankfurt Stock Exchange during the period from April 15, 2003 up to and including April 25, 2003. The subscription agents in Germany have agreed to broker stock exchange purchases and sales of subscription rights, if possible. Beginning on April 15, 2003, shares of Allianz AG will be listed on the

official market of all German securities exchanges "ex Bezugsrecht" (without subscription right). The subscription for one New Allianz Share is possible;

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accordingly, fractions of the subscription rights will be traded during the subscription period.

IMPORTANT NOTICES

The Underwriters reserve the right to terminate the Underwriting Agreement for certain reasons or to delay the completion of the subscription offer by up to one week. These reasons include, without limitation, significant adverse changes in the financial position or results of operations or shareholders' equity of the Group, to the extent not discussed in this Offering Circular, material restrictions of exchange trading or of the banking business, the eruption or escalation of hostilities, which have, or can be expected to have, a material adverse effect on the financial markets, and the failure to register the implementation of the capital increase in the commercial register by April 28, 2003.

IN THE EVENT OF A TERMINATION OF THE UNDERWRITING AGREEMENT PRIOR TO THE REGISTRATION OF THE IMPLEMENTATION OF THE CAPITAL INCREASE IN THE COMMERCIAL REGISTER, THE SUBSCRIPTION RIGHTS BECOME VOID. IF THIS WAS TO OCCUR, THE BROKERING INSTITUTIONS WOULD NOT REVERSE ANY SUBSCRIPTION RIGHTS TRADING TRANSACTIONS. ACCORDINGLY, INVESTORS WHO HAVE ACQUIRED SUBSCRIPTION RIGHTS ON A STOCK EXCHANGE WOULD SUFFER A LOSS. TO THE EXTENT THAT THE UNDERWRITERS TERMINATE THE UNDERWRITING AGREEMENT AFTER THE REGISTRATION OF THE IMPLEMENTATION OF THE CAPITAL INCREASE IN THE COMMERCIAL REGISTER, SHAREHOLDERS WHO HAVE EXERCISED THEIR SUBSCRIPTION RIGHTS MAY SUBSCRIBE TO NEW ALLIANZ SHARES AT THE SUBSCRIPTION PRICE.

IN THE EVENT OF A TERMINATION OF THE UNDERWRITING AGREEMENT AFTER THE SETTLEMENT OF THE SUBSCRIBED SHARES (APRIL 30, 2003), WHICH IS POSSIBLE UNTIL MAY 2, 2003, THE TERMINATION WOULD ONLY BE APPLICABLE TO SHARES NOT SUBSCRIBED. THE PURCHASE AGREEMENTS RELATING TO SUCH SHARES ARE THEREFORE CONTINGENT. TO THE EXTENT THAT ANY NEW ALLIANZ SHARES ACQUIRED IN THE OFFERING HAVE ALREADY BEEN SOLD SHORT PRIOR TO THE CANCELLATION OF SETTLEMENT, ANY PERSON SO SELLING NEW ALLIANZ SHARES WILL BEAR THE RISK OF BEING UNABLE TO SETTLE SUCH SALE BY DELIVERING NEW ALLIANZ SHARES.

CERTIFICATION OF THE NEW ALLIANZ SHARES

On or around April 30, 2003, the New Allianz Shares will be made available to shareholders in the form of one or more global share certificates deposited with Clearstream Banking AG in a collective custody account. Shareholders do not have any right to receive individual share certificates.

COMMISSION

The subscription is subject to the customary banking commission unless the subscriber submits dividend coupon no. 8 for subscription during normal business hours at the counter of a subscription agent and no additional written communication is required.

STOCK EXCHANGE TRADING OF THE NEW ALLIANZ SHARES

Application has been made for admission (Zulassung) of the New Allianz Shares to trading on the official market of the securities exchanges in Frankfurt/Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart as well as for admission to the official market with uniform post-admission duties (Prime Standard) segment of the Frankfurt Stock Exchange. Admission to trading on the official market of the German stock exchanges as well as admission to the Prime Standard segment of the Frankfurt Stock Exchange is expected to be granted on April 28, 2003. It is anticipated that trading in the New Allianz Shares will commence on April 30, 2003 and that the New Allianz Shares will be included in the trading of the existing Allianz shares on such

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date. Allianz intends to apply for listing of the New Allianz Shares for trading on other stock exchanges where its shares are currently listed.

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PLACEMENT OF UNSUBSCRIBED SHARES

The New Allianz Shares for which shareholders' subscription rights were excluded and any shares not subscribed to in the subscription offer will be offered to institutional investors through the Underwriters in private placements.

PUBLICATION OF THE NOTIFICATION

Printed copies of the Offering Circular dated April 11, 2003 will be made available for free distribution in Germany by, among others, the subscription agents listed above as well as by the Frankfurt Stock Exchange, Admission Office, 60284 Frankfurt am Main (fax no. 069/21 01-39 92), the Baden-Württembergische Stock Exchange in Stuttgart, Admission Office, 70173 Stuttgart (fax no. 0711/2 26 81 19), the Bavarian Stock Exchange, Admission Office, 80333 Munich (fax no. 089/54 90 45-32), the Berlin-Bremen Stock Exchange, Admission Office, 10623 Berlin (fax no. 030/31 10 91 79), the Hanseatic Stock Exchange Hamburg, Admission Office, 20095 Hamburg (fax no. 040/36 13 02 23), the Niedersächsische Stock Exchange in Hanover, Admission Office, 30159 Hanover (fax no. 0511/32 49 15), and the Stock Exchange in Dusseldorf, Admission Office, 40212 Dusseldorf (fax no. 0211/13 32 87).

SELLING RESTRICTIONS

The New Allianz Shares and the related subscription rights have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") nor with the securities regulatory authority of any U.S. state, and will not be offered, sold or delivered, directly or indirectly, in the United States except in limited circumstances pursuant to an exemption from the registration requirements of the Securities Act.

Munich, in April 2003

ALLIANZ AKTIENGESELLSCHAFT
THE MANAGEMENT BOARD

PRIVATE PLACEMENTS

The New Allianz Shares to which shareholders' subscription rights were excluded and any shares not subscribed to in the subscription offer will be offered to institutional investors in private placements.

STOCK EXCHANGE LISTING, DELIVERY

Application has been made for admission of the New Allianz Shares to trading and listing on the official market of the stock exchanges in Frankfurt/Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich, and Stuttgart as well as for admission to the official market with uniform post-admission duties (Prime Standard) segment of the Frankfurt Stock Exchange and is expected to be granted on April 28, 2003. Inclusion of the admitted shares into trading of the existing shares of Allianz AG on the stock exchanges in Frankfurt/Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart is expected to occur on April 30, 2003. Allianz AG intends to apply for listing of the New Allianz Shares on other stock exchanges where its shares are currently listed.

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The shares subscribed to in the subscription offer will be delivered on or around April 30, 2003 and the shares to be offered in private placements will be delivered on or around May 5, 2003 through the book-entry facilities of Clearstream Banking AG, Frankfurt/Main, Clearstream Banking societe anonyme, Luxembourg, or Euroclear Bank S.A./N.V., Luxembourg. Shareholders and investors receiving New Allianz Shares may not exercise voting rights resulting from these shares at the April 29, 2003 general meeting.

The New Allianz Shares will be represented by one or more global share certificates deposited with Clearstream Banking AG. Pursuant to the articles of association of Allianz AG, shareholders' have no right to receive individual share certificates unless receipt thereof is necessary pursuant to the rules applicable to a stock exchange on which the shares are listed. Dividend coupons and renewal coupons will be issued as bearer certificates.

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CONSENT OF ALLIANZ AG TO THE ACQUISITION AND TRANSFER OF THE NEW SHARES

As registered shares with restricted transferability, all shares in Allianz AG may only be acquired and transferred with the consent of Allianz AG. Pursuant to its articles of association, Allianz AG will only withhold such consent if it deems this to be necessary in the interest of Allianz AG on exceptional grounds and will inform the applicant about the reasons leading to such refusal. Only those persons who are registered in the share register of Allianz AG will be treated as shareholders in relation to Allianz AG, and only these persons are entitled to participate in general meetings of Allianz AG and to exercise their voting rights. See also "Directors and Senior Management -- General Meeting" and "Information about the Share Capital of Allianz Aktiengesellschaft -- Form and Certification of Shares/Consent to Transfers."

STABILIZATION

An Underwriter, as principal, may perform measures that enable it to keep the market price of the shares and the subscription rights at a level that differs from the level that may otherwise exist. Stabilization measures, if any, may be discontinued at any time; any stabilization measures will be conducted in Germany or elsewhere in accordance with applicable laws and regulations.

USE OF PROCEEDS

The net proceeds to Allianz AG from the subscription and sale of the New Allianz Shares amount to approximately E4.3 billion, based on a subscription price of E38.00 per share. The commission payable by Allianz AG to the Underwriters amounts to approximately E170 million. Other costs to be borne by Allianz AG in connection with the Offering amount to approximately E4 million. See "Underwriting."

Allianz AG intends to use the net proceeds for general financing purposes within Allianz AG and the Allianz Group.

SECURITIES IDENTIFICATION NUMBERS, TRADING SYMBOL

International Securities Identification Number (ISIN):	DE 000 840 400 5
German Securities Identification Number (WKN):	840 400
Common Code:	001182013

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Trading Symbol:

ALV

VOTING RIGHTS

Each share, including the New Allianz Shares, entitles a shareholder who is registered in the share register of Allianz AG to one vote at the general meeting. The voting rights attached to the New Allianz Shares may not be exercised in the general meeting of April 29, 2003. See also "Directors and Senior Management -- General Meeting."

NOTIFICATIONS, PAYING AGENT

In accordance with its articles of association, all notifications of Allianz AG are published in the electronic German Federal Gazette. Notifications pertaining to the shares are also published in the electronic German Federal Gazette and, additionally, in one supra-regional newspaper accredited by the stock exchanges in Frankfurt/Main, Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart (Pflichtblatt).

Dresdner Bank AG is acting as principal paying and depositary agent.

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ADDITIONAL IMPORTANT NOTICES

As discussed under the caption "Important Notices" above, the Underwriting Agreement may be terminated after registration of the implementation of the capital increase in the commercial register until April 29, 2003 with respect to the subscription offer, and after commencement of trading in the New Allianz Shares until May 2, 2003 with respect to the residual share amounts for which shareholder's subscription rights were excluded and any shares not subscribed in the subscription offer. Accordingly, the exercise of subscription rights as well as the purchase agreements relating to shares not subject to any subscription rights, are contingent. To the extent that any New Allianz Shares acquired in the Offering have already been sold short prior to the cancellation of settlement, any person so selling New Allianz Shares will bear the risk of being unable to settle such sale by delivering New Allianz Shares.

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CAPITALIZATION

The following table shows the actual capitalization of Allianz Group as of December 31, 2002 as well as adjusted on a pro-forma basis for the issuance of 117,187,500 New Allianz Shares from the share capital increase with subscription rights at a subscription price of E38.00 per New Allianz Shares (prior to deduction of the commission payable to the Underwriters and other costs to be borne by Allianz AG).

	DECEMBER 31, 2002	
	ACTUAL	ADJUSTED
	-----	-----
	(E IN MILLION)	
LONG-TERM FINANCIAL LIABILITIES		
Certificated Liabilities(1).....	37,673	37,673
Liabilities to Customers(1).....	13,473	13,473

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Liabilities to Banks(1).....	10,575	10,575
Participation Certificates(2).....	1,955	1,955
Subordinated Liabilities.....	12,219	12,219
MINORITY INTERESTS IN SHAREHOLDERS' EQUITY.....	8,165	8,165
SHAREHOLDERS' EQUITY(2)		
Issued Capital.....	682	982
Capital Reserves.....	14,102	18,255
Revenue Reserves.....	10,731	10,731
Less Treasury Stock.....	(5,958)	(5,958)
Other Reserves.....	1,049	1,049
Consolidated Unappropriated Profit.....	1,165	1,165
Total Shareholders' Equity.....	21,771	26,224
TOTAL CAPITALIZATION.....	105,831	110,284

(1) In each case, including only the portion of the respective liabilities due after more than one year.

(2) In January 2003, Allianz AG concluded the exchange of a portion of its outstanding participation certificates into shares of Allianz AG on the basis of a voluntary exchange offer made to the holders of the participation certificates in November 2002. The conclusion of this exchange offer resulted in a reduction of the participation certificates by E386 million and a corresponding increase in shareholders' equity, neither of which is reflected in this table. In addition, potential increases in the participation certificates resulting from the subscription offer of participation certificates in connection with the capital increase described in this Offering Circular are not reflected.

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RISK FACTORS

Prospective investors should carefully review the following risk factors in conjunction with the other information contained in this Offering Circular before reaching a decision on whether to subscribe to or purchase New Allianz Shares. The financial position and results of operations of the Group may be materially adversely affected by each of these risks. The market price of the shares of Allianz AG may decline as a result of each of these risks and investors may lose the value of their investment in whole or in part. The order of the risk factors that follow is not intended as an indicator of the probability that the risks discussed below will occur.

RISKS RELATING TO THE GROUP'S BUSINESS

INTEREST RATE VOLATILITY MAY ADVERSELY AFFECT THE GROUP'S RESULTS OF OPERATIONS.

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) can affect the Group's insurance, asset management and banking results. Over the past several years, movements in both short- and long-term interest rates have affected the level and timing of recognition of gains and losses on securities that the Group held in its various investment portfolios. The Group's investment portfolios are heavily weighted toward euro-denominated fixed-income investments. Accordingly, interest rate movement in the euro zone will significantly affect the value of these investment portfolios. In 2002, lower interest rates resulted in a decline in current income from new investments in fixed-income securities as higher yielding investments matured. An increase in interest rates could substantially decrease the value of the fixed income portfolio, and any unexpected change in interest rates could materially adversely affect the Group's bond and interest

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rate derivative positions.

Excluding separate account assets and trading assets, the Group's insurance investment portfolio consists primarily of fixed income securities, which represented approximately 74% of its insurance investments at December 31, 2002. Excluding trading assets, certain loans to banks and loans to customers, the Group's banking investment portfolio consists primarily of fixed-income securities (approximately 65% at December 31, 2002).

The short-term impact of interest rate fluctuations on the Group's life/health insurance business may be reduced in part by products designed to partly or entirely transfer the Group's exposure to interest rate movements to the policyholder. While product design reduces the Group's exposure to interest rate volatility, changes in interest rates will impact this business to the extent they result in changes to current interest income, impact the value of the Group's fixed income portfolio, and affect the levels of new product sales or surrenders of business in force. In addition, reductions in the investment income below the rates assumed in product pricing, or below the regulatory minimum required rates in countries such as Germany and Switzerland, would reduce or eliminate the profit margins on the life/health insurance business written by the Group's life/health subsidiaries.

Results of the Group's asset management business may also be affected by movements in interest rates, since management fees are generally based on the value of assets under management, which fluctuate with changes in the level of interest rates.

In addition, the Group's management of interest rate risks affects the results of its banking operations. The composition of the Group's banking assets and liabilities, and any mismatches resulting from that composition, cause the net income of the Group's banking operations to vary with changes in interest rates. The Group is particularly impacted by changes in interest rates as they relate to different maturities of contracts and the different currencies in which the Group holds interest rate positions. A mismatch with respect to maturity of interest-earning assets and interest-bearing liabilities in any given period can have a material adverse effect on the financial position or results of operations of the Group's banking business. In 2002 both the net interest margin and the net interest spread in the Group's banking operations declined significantly from 2001 levels, due to changes in the mix of the Group's assets and liabilities. If the Group is unable to manage any mismatch between its interest earning-assets and interest-bearing liabilities, the consequences of further declines in net interest margin and net interest income could have a material adverse effect on the Group's results of operations. For additional information, see "Business -- Selected Statistical Information Relating to the Group's Banking Operations."

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THE GROUP'S INVESTMENT PORTFOLIO IS SIGNIFICANTLY EXPOSED TO EQUITY SECURITIES. MARKET RISKS COULD IMPAIR THIS PORTFOLIO AND ADVERSELY IMPACT THE GROUP'S FINANCIAL POSITION AND RESULTS OF OPERATIONS.

Allianz Group holds a significant equity portfolio, which represented approximately 19% of its investments (excluding separate account assets, trading assets, certain loans to banks and loans to customers) at December 31, 2002. The Group's equity investment portfolio includes, in particular, large stakes in a number of major German companies, including Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft in Munchen ("Munich Re") and Beiersdorf AG, significant holdings in companies in France and Italy and equity investments in companies in virtually all major financial markets of the world. Fluctuations in equity markets affect the market value and liquidity of these

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holdings.

Most of the Group's assets and liabilities are recorded at fair value, including trading assets and liabilities, and securities available for sale. Changes in the value of securities held for trading purposes are recorded through the consolidated statement of income. Changes in the market value of securities available for sale are recorded directly in the consolidated shareholders' equity. Securities available for sale are reviewed regularly for impairments, and valuation write-downs to fair value are charged to income if an other than temporary diminution in value occurs. If a decline in the market value below the original cost of an available for sale security is considered other than temporary, the decline in value will be recorded in the consolidated income statement. A decline in the market value below the original cost of a security available for sale generally is determined to be other than temporary if it is 20% or more below book value for more than 6 consecutive months.

In 2002, developments in the capital markets had a significant impact on the Group's investment portfolios, reducing their value by E60.0 billion. In particular, reduced valuations of the Group's equity portfolio led to a reduction of approximately E7.2 billion in the amount of net unrealized gains in the Group's shareholders' equity. At current equity market levels, the Group expects to record an additional E800 million of impairment losses on the Group's equity portfolio in the first quarter of 2003. If equity markets continue to decline, further significant impairments affecting net income and reductions in shareholders' equity could be realized in 2003. Accordingly, in the event of further market declines, there can be no assurance as to the amount or timing of future unrealized losses or impairments of equity securities, which may, in each case, materially adversely impact the Group's results of operations and shareholders' equity.

MARKET FACTORS, AS WELL AS A LACK OF IMPROVEMENT IN THE GROUP'S OPERATING PERFORMANCE, COULD ADVERSELY AFFECT GOODWILL, DEFERRED ACQUISITION COSTS AND DEFERRED TAX ASSETS; THE GROUP'S DEFERRED TAX ASSETS ARE ALSO POTENTIALLY IMPACTED BY CHANGES IN GERMAN TAX LEGISLATION.

The current uncertain trends and investment climate in many of the Group's major markets have adversely affected its businesses and profitability in 2002 and can be expected to continue to do so unless conditions improve.

Business and market conditions may impact the amount of goodwill the Group carries in its consolidated accounts. As of December 31, 2002 the Group has recorded goodwill in an aggregate amount of E13,786 million, of which E2,216 million relates to the Group's banking business, E5,079 million to its asset management business and E6,491 million relates to its insurance business.

The Group's banking operations, of which Dresdner Bank represents by far the most significant component, reported a net loss of E1,358 million for the year ended December 31, 2002. See "Business -- Banking Operations -- Results of Operations." Notwithstanding such loss, at December 31, 2002, the Group concluded that a write down of the goodwill relating to Dresdner Bank was not required. The Group is implementing further turnaround steps and continues to expect the turnaround of its banking operations in the near future. If conditions in the banking operations do not improve or continue to deteriorate, however, an impairment test for the fiscal year 2003 could result in a significant write-down of goodwill, adversely impacting the Group's results of operations. As the value of certain other parts of the Group's businesses, including in particular its asset management business, are also significantly impacted by such factors as the state of financial markets and ongoing operating performance, significant declines in financial

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markets or operating performance could also result in impairment of other goodwill carried by the Group and result in further significant write-downs, which could be material.

The assumptions made by the Group with respect to recoverability of deferred acquisition costs ("DAC"), particularly in its annuity business in the United States, are also affected by such factors as operating performance and market conditions. DAC is incurred in connection with the production of new business and deferred, to be amortized generally in proportion to profits expected to be generated over the life of the underlying contracts. If the assumptions on which expected profits are based prove to be incorrect, it may be necessary to accelerate amortization of DAC which could materially adversely affect results of operations.

As of December 31, 2002, the Group had a total of E13,258 million in deferred tax assets. The Group also recorded deferred tax liabilities of E12,188 million. The calculation of the respective tax assets and liabilities is based on current tax laws and accounting standards and depends on the performance of the Group as a whole and certain business units in particular. At December 31, 2002 E4,910 million (E3,019 million as of December 31, 2001) of deferred tax assets depended on the ability to use existing tax-loss carry forwards.

Changes in tax legislation or regulations or an operating performance below currently anticipated levels may lead to a significant impairment of tax assets. The Draft Bill on the Reduction of Tax Privileges (Steuervergünstigungsabbaugesetz) proposed by the German government accordingly provided for a minimum taxation, pursuant to which tax loss carryforwards could be offset against only 50% of taxable profits for purposes of corporate and trade income tax. In addition, the proposal included limitations on the use of tax credits from prior year profits in connection with profit distributions. After the draft act was passed by the German First Chamber (Bundestag) and rejected by the Second Chamber (Bundesrat), on April 9, 2003, the Mediation Committee (Vermittlungsausschuss) of the Bundestag and Bundesrat proposed a compromise to the Draft Bill on the Reduction of Tax Privileges. The proposed compromise included essentially a temporary restriction of the use of accrued corporate tax credits through the introduction of a three-year moratorium. The proposals that were not included in the compromise, however, are expected to be reintroduced, perhaps in modified form in a separate legislative process. In this case, the Group could be obligated to write-off certain tax assets. Tax assets may also need to be written down if certain assumptions of profitability prove to be incorrect, as losses incurred for longer than expected will make the usability of tax assets more unlikely. Any such development may have a material adverse impact on the Group's results of operations.

ALLIANZ AG OPERATES BOTH AS A REINSURANCE COMPANY AND AS A HOLDING COMPANY FOR THE ALLIANZ GROUP, AND IS EXPOSED TO VARIOUS LIQUIDITY RISKS.

Allianz AG acts as the principal reinsurer for the Group companies. At the same time, Allianz AG is a holding company, conducting its insurance and financial services operations through direct and indirect subsidiaries. In addition to premiums from its reinsurance operations, the principal sources of Allianz AG's funds are dividends received from subsidiaries, associated companies and other equity investments as well as funds that it may raise from time to time through the issuance of debt or equity securities or through bank or other borrowings. Allianz AG's uses of funds include payment of interest on its outstanding debt, obligations arising in its reinsurance business, which may include large and unpredictable claims including catastrophe claims, as well as the funding of potential capital requirements of its operating subsidiaries or of acquisitions.

As of December 31, 2002, Allianz AG had total outstanding debt of E35,475

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million (2001: E23,219 million), including amounts owed to credit institutions of E2,247 million, outstanding subordinated debt instruments of E3,575 million and outstanding non-subordinated debt instruments of E29,654 million (2001: E3,079 million, E0 million and E20,140 million, respectively). For the year ended December 31, 2002, Allianz AG made payments of E1,111 million in respect of interest on outstanding debt. E1,810 million of long-term debt of Allianz AG to non-Group companies matures during 2003. In addition, on March 31, 2003, a subsidiary of Allianz AG received notice from the former parent company of the Group's asset management subsidiary PIMCO Group ("PIMCO") that such former parent company had exercised its right to put US\$250 million of its remaining ownership interest in PIMCO to Allianz, with payment therefor due by April 30, 2003. For additional

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discussion concerning these put arrangements, see "-- Consolidated Results of Operations -- Asset Management Operations -- Results of Operations -- Year Ended December 31, 2002 compared to Year Ended December 31, 2001 -- Net Income."

Allianz AG expects that its premiums from its own reinsurance business, together with dividends and other amounts received from subsidiaries, associated companies and other investments, will continue to cover its operating expenses, including interest payments on its outstanding debt, together with its reinsurance and other obligations. As a holding company, Allianz AG can offer no assurance, however, that funds available to it will continue to be sufficient to meet its operating expenses, funding obligations and interest payments in the future, and that it will not need to raise additional funds from time to time through the issuance of debt or equity securities, through bank or other borrowings or through dispositions of assets or other transactions, nor as to the adequacy or timing of any such measures.

LOSS RESERVES FOR THE GROUP'S PROPERTY-CASUALTY INSURANCE AND REINSURANCE POLICIES ARE BASED ON ESTIMATES AS TO FUTURE CLAIMS LIABILITIES. IN 2002, THE GROUP MADE SIGNIFICANT ADDITIONAL RESERVES RELATING TO ASBESTOS-RELATED AND ENVIRONMENTAL CLAIMS IN THE UNITED STATES AND IN CONNECTION WITH DISCONTINUED AND RUN-OFF BUSINESSES. FURTHER ADVERSE DEVELOPMENTS RELATING TO CLAIMS COULD LEAD TO FURTHER RESERVE ADDITIONS AND MATERIALLY ADVERSELY IMPACT THE GROUP'S RESULTS OF OPERATIONS.

In accordance with industry practice and accounting and regulatory requirements, the Group establishes reserves for loss and loss adjustment expenses related to its property-casualty insurance and reinsurance businesses, including discontinued property and casualty business in run-off. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made both on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported ("IBNR") to the Group. These reserves represent the estimated ultimate cost necessary to bring all pending reported and IBNR claims to final settlement.

Reserves, including IBNR reserves, are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, changes in medical costs, costs of repairs and risk factors such as inflation. The Group's earnings depend significantly upon the extent to which the Group's actual claims experience is consistent with the assumptions the Group uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that the Group's actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, the Group may be required to increase its reserves, which may materially

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adversely effect earnings.

Reserves Generally. Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. The Group also conducts reviews of various lines of business to consider the adequacy of reserve levels, as it did recently with its asbestos and environmental exposure in the United States. Based on current information available to it and on the basis of the Group's internal procedures, the management of the Allianz Group considers that these reserves are adequate. However, because the establishment of claims reserves is an inherently uncertain process, there can be no assurance that ultimate losses will not materially exceed the Group's loss reserves and have a material adverse effect on the Group's earnings. See "Business -- Property-Casualty Insurance Reserves -- General."

Asbestos-related and Environmental Pollution Claims. In relation to asbestos-related and environmental pollution, it has been necessary, and may over time continue to be necessary, to revise estimated potential loss exposure and, therefore, the related loss reserves. Changes in law, novel or changing policy interpretations, evolving judicial theories as well as developments in class action litigation add to the uncertainties inherent in claims of this nature. As a result, the Group continues to monitor developments in asbestos-related and environmental claims and may determine that further adjustments in the reserve amounts are required in the future. In 2002, reserves were increased for asbestos and environmental claims in the United States by E762 million following external and internal actuarial reviews.

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Discontinued and Run-off Insurance Businesses. The Group maintains loss reserves in its discontinued and run-off insurance businesses to cover its estimated ultimate liability for losses and loss adjustment expenses for reported and unreported losses incurred as of the end of each accounting period. The Group has discontinued certain lines of business formerly pursued by the Fireman's Fund Insurance Company ("Fireman's Fund") in the United States, including the surety, national accounts, diversified risk and medical malpractice lines of business. Commercial auto liability, medical malpractice, other liability and workers' compensation reserves were increased in respect of prior years in the amount of E230 million in 2002. Allianz AG believes that reserves associated with discontinued lines are adequate; however, the costs and liabilities associated with these divested and run-off businesses and other contingent liabilities could cause the Group to take additional charges that could be material to its results of operations. In particular, Fireman's Fund has issued surety bonds in favor of certain companies, some of which are currently experiencing financial difficulties. In the case of a default in respect of the obligations covered by the surety bonds, Fireman's Fund could be required to establish significant additional loss reserves.

ACTUARIAL EXPERIENCE AND OTHER FACTORS COULD DIFFER FROM THAT ASSUMED IN THE CALCULATION OF LIFE/HEALTH ACTUARIAL RESERVES AND PENSION LIABILITIES.

The assumptions the Group makes in assessing its life/health insurance reserves may differ from that which the Group experiences in the future. The Group derives its life/health insurance reserves using "best estimate" actuarial practices and assumptions. These assumptions include the assessment of the long term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, policyholder bonus rates (some of which are guaranteed), mortality and morbidity rates, policyholder lapses and future expense levels. The Group monitors its actual experience of these assumptions and to the extent that the Group considers that

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this experience will continue in the longer term the Group refines its long-term assumptions. Similarly, estimates of the Group's own pension obligations necessarily depend on assumptions concerning future actuarial, demographic, macroeconomic and financial markets developments. Changes in any such assumptions may lead to changes in the estimates of life/health insurance reserves or pension obligations.

The Group has a substantial portfolio of contracts with guaranteed investment returns, including endowment and annuity products for the German market as well as certain guaranteed contracts in other markets. The Group's amounts payable at maturity of an endowment policy in Germany and in certain other markets include a "guaranteed benefit," an amount that, in practice, is equal to a legally mandated maximum rate of return on actuarial reserves. In Germany, this rate is currently 3.25% per year for policies issued on or after July 1, 2000 and with euro as applicable currency, and for policies issued through June 2000, the maximum rate of return is 4.0% per annum. For policies issued prior to 1995, the maximum rate is 3.5% or 3.0%, depending on the generation of tariff. The average interest rate that was guaranteed in Germany at the end of 2002 was approximately 3.5%. If interest rates should remain at current historically low levels, Allianz AG could be required to provide additional funds to its life/health subsidiaries to support their obligations in respect of products with higher guaranteed returns, or increase reserves in respect of such products, which could in turn have a material adverse effect on the Group's results of operations.

In the United States, the Group has a substantial portfolio of contracts with guaranteed investment returns indexed to equity markets. The Group enters into hedging arrangements in order to meet the expected returns of the contracts. There can be no assurance that the hedging arrangements will satisfy the returns guaranteed to policyholders.

THE FINANCIAL RESULTS OF THE GROUP MAY BE MATERIALLY ADVERSELY AFFECTED BY THE OCCURRENCE OF CATASTROPHES.

Portions of the Group's property and casualty insurance cover losses from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

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Although Allianz AG monitors the Group's overall exposure to catastrophes and other unpredictable events in each geographic region, each of its subsidiaries independently determines its own underwriting limits related to insurance coverage for losses from catastrophic events. The Group generally seeks to reduce its exposure to these events through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. However, such efforts to reduce exposure may not be successful and claims relating to catastrophes may result in unusually high levels of losses and could have a material adverse effect on the Group's financial position or results of operations. During 2002 and 2001 the Group incurred significant catastrophe losses, in particular net claims costs of approximately E1.5 billion relating to the terrorist attack of September 11, 2001. The Group also suffered losses from severe flooding in Germany and Central and Eastern Europe which adversely affected the Group's results by E710 million in 2002. If catastrophes affecting properties insured by the Group continue to occur with such frequency or with greater frequency or severity than has historically been the case, related claims could have a material adverse effect on the Group's consolidated financial position, results of operations and cash flows.

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THE GROUP HAS SIGNIFICANT COUNTERPARTY RISK EXPOSURE.

The Group is subject to a variety of counterparty risks, including:

- General credit risks: Third parties that owe the Group money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities the Group holds, borrowers under loans made, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. In addition, under credit default swaps, which Dresdner Bank has entered into, Dresdner Bank may become obliged to make payments if and when a default of a particular debtor occurs.

During 2002, the Group recognized losses of E2,818 million due to these credit exposures, including write-downs and write-offs in its fixed income portfolio. The current uncertain trends and investment climate in financial markets have resulted in an increase in investment impairments on the Group's investment assets due to defaults and credit downgrades and a further downturn in the economy generally could result in increased impairments. In addition, the Group is subject to geographic and industry concentrations with respect to its credit exposures, and as a result developments in particular geographic regions or industries may adversely impact the Group. In particular, the Group has extended significant credit to financial institutions in Germany, and as a result any systemic risk materializing in the German financial industry could have a material adverse effect on the Group's results of operations.

- Reinsurers: The Group transfers its exposure to certain risks in its property and casualty and life insurance business to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of the Group's losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of the Group's reinsurance will increase the Group's risk of loss. When the Group obtains reinsurance, it is still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of the Group's reinsurers to meet their financial obligations could materially affect the Group's results of operations. Although the Allianz Group conducts periodic reviews of the financial statements and reputations of its reinsurers, the reinsurers may become financially unsound by the time they are called upon to pay amounts due, which may not occur for many years. For a discussion of the Group's external reinsurance relationships, see "Business -- Property -- Casualty Operations By Geographic Region -- Allianz AG."

FURTHER POOR OPERATING PERFORMANCE, DIFFICULTIES IN MANAGING AND DELAYS IN COMPLETING THE INTEGRATION OF DRESDNER BANK WOULD ADVERSELY AFFECT THE GROUP'S RESULTS.

In July 2001, the Group acquired Dresdner Bank. Our banking operations, of which Dresdner Bank is the most significant component, suffered significant net losses in 2002. In addition to

poor operating performance, continuing difficulties in managing and integrating the additional operations and personnel, significant delays in completing the integration of Dresdner Bank and any loss of key employees or customers could adversely affect the Group's results. A substantial amount of management time

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has been and continues to be diverted from operations to pursue and complete the integration of Dresdner Bank within the Group, which has not yet been completed. The future success of the Group's banking business depends in large part on the Group's ability to restore the profitability of Dresdner Bank and it is possible that the anticipated benefits from the acquisition may not be realized in full, may take longer to realize than expected or may not be realized at all. In the event that management is unable to successfully implement the restructuring and cost-cutting measures announced to date, the Group's financial performance and results of operations may continue to be materially adversely affected.

DRESDNER BANK MAY EXPERIENCE FURTHER SIGNIFICANT LOSSES RELATING TO PROBLEM LOANS.

At December 31, 2002, following the deconsolidation of Deutsche Hypothekenbank AG ("Deutsche Hyp") on August 1, 2002, the Allianz Group's non-performing loans and potential problem loans, substantially all of which were attributable to Dresdner Bank, were E11,625 million and E2,437 million, respectively, representing a net increase of E1,276 million, or 12.3%, in non-performing loans, and E231 million, or 10.5%, in potential problem loans from year-end 2001 (excluding the loan portfolio of Deutsche Hyp).

A substantial majority of Dresdner Bank's problem loans is comprised of loans made to German corporate customers as well as to individuals. Certain of its loans to corporate customers represent significant credit exposure to individual companies. The effects of the weak economic conditions in Germany, which have continued into 2003, as well as recent financial difficulties faced by the bank's customers, have resulted in the recognition of substantial provisions by the Group. For the year ended December 31, 2002, additional net loan loss provisions in the Group's banking segment were E2,222 million, including E3,106 million of gross new provisions. Of the new provisions, E2,151 million were specific provisions relating to both Dresdner Bank's German corporate business, including small businesses and professionals, and its non-German corporate business, especially in Latin America and the United States, reflecting the continued weakness in the global economy, deteriorating credit quality of borrowers, declines in collateral value, inability to enforce its security interest in collateral and increased insolvencies. Of the new loan loss provisions in 2002, approximately E1,259 million were specific provisions relating to the Group's German business, including small businesses and professionals. The Group's banking operations also recorded specific provisions of E665 million relating to private individuals and E73 million relating to banks.

Dresdner Bank may need to make additional loan loss provisions or recognize further credit losses as a result of continuing weak economic conditions, declines in collateral value, inability to enforce security interests in collateral, an increase in corporate or personal bankruptcies, in particular in Germany, further deterioration of the financial position of Dresdner Bank's borrowers or changes in reserve and risk management requirements. Any such developments could materially adversely affect the Group's results of operations or result in further capital requirements in its banking operations.

A REDUCED CAPITAL BASE AT DRESDNER BANK, TOGETHER WITH FURTHER ADDITIONAL WRITEDOWNS AND IMPAIRMENTS, COULD RESULT IN CAPITAL REQUIREMENTS THAT MAY CONSTRAIN THE GROUP'S OPERATIONS.

Dresdner Bank's capital ratios at December 31, 2002 were 6.0% in the case of consolidated Tier 1 capital and 10.6% in the case of consolidated total capital under BIS principles. In recent years, Dresdner Bank has suffered from poor operating performance, an increased level of loan loss allowances, deteriorating asset quality and substantial impairments in its investment portfolio. Dresdner Bank had to set aside significant new provisions for possible loan losses in 2002, and additional provisions may be required in the

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future. If these trends continue, there can be no assurance that Dresdner Bank will be able to maintain its capital ratios at the above mentioned levels. Failure to do so could require the Group to restrict its banking operations, or further support its banking operations through injection of additional capital. See "Business -- Regulation and Supervision" for a discussion of the capital adequacy guidelines applicable to the Group's banking operations.

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Further, the risk-adjusted capital guidelines ("Basle Accord") promulgated by the Basle Committee on Banking Supervision, which form the basis for the capital adequacy guidelines of the German Federal Financial Supervisory Authority (the Bundesanstalt für Finanzdienstleistungsaufsicht, or "BaFin"), are being revised and implementation is planned for 2006. At this time, the Group is unable to predict how the revised guidelines will affect its requirements for capital and the impact of these revisions on its banking or other operations.

MANY OF THE GROUP'S BUSINESSES ARE DEPENDENT ON THE FINANCIAL STRENGTH AND CREDIT RATINGS ASSIGNED TO THE GROUP AND ITS BUSINESSES BY VARIOUS RATING AGENCIES. THEREFORE, A DOWNGRADE IN THE GROUP'S RATINGS MAY MATERIALLY ADVERSELY AFFECT RELATIONSHIPS WITH CUSTOMERS AND INTERMEDIARIES, NEGATIVELY IMPACT SALES OF THE GROUP'S PRODUCTS AND INCREASE THE GROUP'S COST OF BORROWING.

Standard & Poor's, Moody's and A.M. Best assign ratings to various obligations of certain Group companies. On March 20, 2003, Standard & Poor's cut the Group's financial strength ratings from AA to AA-, citing the Group's negative performance and reduced capital base resulting from significant write-downs and losses in the period to December 31, 2002, and noted that Allianz AG continues to be on "negative outlook." Although Moody's maintained its rating of Aa2 for the senior unsecured debt securities issued by the Group's finance subsidiaries, Moody's rating also has a negative outlook. On March 21, 2003 A.M. Best also cut the Group's financial strength rating from A++ to A+, and noted that Allianz AG continues to be on "negative outlook." Rating agencies can be expected to continue to monitor the Group's financial strength, and no assurances can be given that further ratings downgrades will not occur, whether due to changes in the Group's performance, changes in rating agencies' industry views or ratings methodologies, or a combination of such factors.

Claims paying ability and financial strength ratings are a factor in establishing the competitive position of insurers. The Group's financial strength rating has a significant impact on the individual ratings of key subsidiaries. If a rating of certain subsidiaries falls below a certain threshold the respective operating business may be significantly impacted. A ratings downgrade, or the potential for such a downgrade, of the Group or any of its insurance subsidiaries could, among other things, adversely affect relationships with agents, brokers and other distributors of the Group's products and services, thereby negatively impact new sales, adversely affect the Group's ability to compete in its markets and increase the Group's cost of borrowing. In particular, in those countries where primary distribution of the Group's products is done through independent agents, such as the United States, further ratings downgrades could adversely impact sales of the Group's life insurance products. Any further ratings downgrades will also materially adversely affect the Group's cost of raising capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels.

IF THE GROUP'S ASSET MANAGEMENT BUSINESS UNDERPERFORMS, IT MAY EXPERIENCE A DECLINE IN ASSETS UNDER MANAGEMENT AND RELATED FEE INCOME.

While the assets under management in the Group's asset management segment include a significant amount of funds related to affiliated Allianz Group

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insurance operations, a growing portion of its assets under management, particularly following the acquisitions of PIMCO in May 2000, Nicholas-Applegate in January 2001 and Dresdner Bank in July 2001, represents third-party funds. In 2002, despite substantial increases in third party assets under management, declines in world equity markets resulted in reductions in the value of the equity portfolios in the Group's asset management business as customers withdrew or re-allocated funds from equities. Results of the Group's asset management activities are affected by share prices, share valuation, interest rates and market volatility. In addition, third-party funds are subject to withdrawal in the event the Group's investment performance is not competitive with other asset management firms. Accordingly, fee income from the asset management business might decline if the level of the Groups' third-party assets under management were to continue to decline due to investment performance or otherwise.

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INCREASED GEOPOLITICAL RISKS FOLLOWING THE TERRORIST ATTACK OF SEPTEMBER 11, 2001 AND THE CURRENT MILITARY CONFLICT IN IRAQ, INCLUDING ANY FUTURE TERRORIST ATTACKS, COULD HAVE A CONTINUING NEGATIVE IMPACT ON THE GROUP'S BUSINESSES.

After September 11, 2001, reinsurers generally either put terrorism exclusions into their policies or drastically increased the price for such coverage. Although the Group has attempted to exclude terrorist coverage from policies it writes, this has not been possible in all cases. Furthermore, even if terrorism exclusions are permitted in the Group's primary insurance policies, the Group may still have liability for fires and other consequential damage claims that follow an act of terrorism itself. As a result, the Group may have liability under primary insurance policies for acts of terrorism and may not be able to recover from its reinsurers.

At this time, the Group cannot assess the future effects of terrorist attacks, the ensuing military and other responsive actions, including the current military conflict in Iraq, and the possibility of further terrorist attacks, on the Group's businesses. Such matters have significantly adversely affected general economic, market and political conditions, increasing many of the risks in the Group's businesses noted in the previous risk factors. This may have a material negative effect on the Group's businesses and results of operations over time.

CHANGES IN EXISTING, OR NEW, GOVERNMENT REGULATIONS IN THE COUNTRIES IN WHICH THE GROUP OPERATES MAY MATERIALLY IMPACT THE GROUP.

The Group's insurance, banking and asset management businesses are subject to detailed, comprehensive regulation and supervision in all the countries in which they do business. The BaFin is currently performing a local review at Allianz AG with respect to its reinsurance business and its activity as an insurance holding company. Changes in existing laws and regulations may affect the way in which the Group conducts its business and the products it may offer. Changes in regulations relating to pensions and employment, social security, financial services, taxation, securities products and transactions may materially adversely affect the Group's insurance, banking and asset management businesses by restructuring their activities, imposing increased costs or otherwise.

In December 2002, the EU adopted a directive that provides for assessment of the capital requirements of a financial conglomerate on the group level, supervision of risk concentration and intra-group transactions and prevention of double-leveraging of the capital of the holding or parent company, i.e. once in the holding or parent company and a second time in the subsidiary ("double-gearing"). The Group is a financial conglomerate within the scope of this directive. The EU member states are required to implement this directive

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into national law for fiscal years beginning on or after January 1, 2005. It is as yet unclear how the directive will be implemented in Germany. Therefore, it is impossible to determine what future impact these requirements will have on the Group's capital requirements, but there can be no assurance that the current and future level of capital will be sufficient to meet such requirements. For more information, see "Business -- Regulation and Supervision."

CHANGES IN TAX LEGISLATION COULD ADVERSELY AFFECT THE GROUP'S BUSINESS.

Changes to tax laws may affect the attractiveness of certain of the Group's products that currently receive favorable tax treatment. Under current German tax regulations, payments received at the maturity of a life insurance policy with a term of at least 12 years and on which premiums have been paid for at least 5 years are not taxable, and the life insurance premiums are deductible from the insured's income in the year paid, subject to certain limitation. In recent years, the German legislature has from time to time proposed legislation that would reduce the tax-favored treatment of both premiums and benefit payouts for these life insurance policies. The enactment of legislation reducing the tax benefit associated with the Group's German life insurance products could significantly reduce the attractiveness of life insurance in Germany. Because the German life business accounts for a significant portion of the Group's total income (14.7% in 2002), the enactment of any such legislation could adversely affect the Group's financial results. From time to time, governments in other jurisdictions in which the Group does business have also considered changes to tax laws which could adversely affect the tax advantages of such products, and if enacted, could result in a significant reduction in the sale of such products.

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In addition, from time to time, proposals have been made to repeal the provisions of the German Tax Reform discussed in "Taxation in Germany" that generally exempts capital gains from the disposal of corporate shareholdings from German tax. In the event such proposals were to be enacted into law, the Group's ability to dispose of its shareholdings profitably might be significantly affected.

CHANGES IN VALUE RELATIVE TO THE EURO OF NON-EURO ZONE CURRENCIES IN WHICH THE GROUP GENERATES REVENUES AND INCURS EXPENSES COULD ADVERSELY AFFECT THE GROUP'S REPORTED EARNINGS AND CASH FLOW.

The Group prepares its consolidated financial statements in euros. However, a significant portion of the revenues and expenses from the Group's subsidiaries outside the euro zone, including in the United States, Switzerland and the United Kingdom, originates in currencies other than the euro. Allianz AG expects this trend to continue as the Group expands its business into growing non-euro zone markets. For the year ended December 31, 2002, approximately 30.8% of the Group's gross premiums written originated in currencies other than the euro.

As a result, although non-euro zone Group subsidiaries generally record their revenues and expenses in the same currency, changes in the exchange rates used to translate foreign currencies into euros may adversely affect the Group's reported results. The strength of the euro against other currencies, in particular the U.S. dollar and pound sterling, reduced premium income by E736 million during 2002. Third-party assets under management in the Group declined by E77 billion during 2002 due to depreciation of other currencies against the euro, in particular, the U.S. dollar.

In addition, Allianz AG's dividends are generally payable in euros. Adverse changes in exchange rates used to translate the currencies in which the Group's non euro-zone subsidiaries pay dividends to Allianz AG may materially adversely

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affect the cash flow available to Allianz AG to pay dividends and other obligations. While the Group's non-euro assets and liabilities, and revenues and related expenses, are generally denominated in the same currencies, the Group does not generally engage in hedging transactions with respect to dividends or cash flows in respect of its non-euro subsidiaries.

RISKS RELATING TO THE OFFERING

THE SHARE PRICE OF ALLIANZ AG HAS BEEN AND MAY CONTINUE TO BE VOLATILE.

The share price of Allianz AG has been volatile in the past due in part to the high volatility in the securities markets generally, and in financial institutions' shares in particular, as well as developments which impact its financial results. Factors other than the Group's financial results that may affect its share price include but are not limited to: market expectations of the performance and capital adequacy of financial institutions generally; investor perception of, as well as the actual performance of, other financial institutions; investor perception of the success and impact of the Offering and the strategy described in this Offering Circular; a downgrade or rumored downgrade of the Group's credit ratings; potential litigation or regulatory action involving the Group or any of the industries the Group has exposure to through its insurance and banking activities; announcements concerning the bankruptcy or other similar reorganization proceedings involving, or any investigations into the accounting practices of, other insurance or reinsurance companies or banks; and general market volatility.

SHAREHOLDERS WHO DO NOT PARTICIPATE IN THE OFFERING MAY EXPERIENCE SIGNIFICANT DILUTION IN THEIR SHAREHOLDINGS.

Subscription rights that are not exercised on or before April 29, 2003 will expire. To the extent that a shareholder does not exercise its subscription right to subscribe for New Allianz Shares, such shareholder's proportionate ownership and voting interest in Allianz AG will, accordingly, be reduced, and the percentage that any original shares represent of Allianz AG's increased share capital after the capital increase will, accordingly, be reduced.

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IF THE OFFERING IS DISCONTINUED OR THERE IS A SUBSTANTIAL DECLINE IN ALLIANZ AG'S SHARE PRICE, SUBSCRIPTION RIGHTS MAY BECOME VOID OR WORTHLESS.

The shares are subscribed by the Underwriters with the obligation to offer them to the shareholders of Allianz AG pursuant to the Underwriting Agreement which may be terminated under certain circumstances (see "The Offering -- Subscription Offer"). If the Underwriting Agreement is terminated, this Offering will not proceed and the subscription rights will become void or worthless. Accordingly, investors who have acquired subscription rights in the secondary market will suffer a loss, as trades relating to subscription rights will not be unwound once the offering is terminated. In addition, a significant decline in Allianz AG's share price may materially adversely affect the value of the subscription rights.

ALLIANZ AG CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE SUBSCRIPTION RIGHTS AND, IF A MARKET DOES DEVELOP, THE SUBSCRIPTION RIGHTS MAY BE SUBJECT TO GREATER VOLATILITY THAN THE SHARES OF ALLIANZ AG.

Allianz AG intends to set a trading period for the subscription rights from April 15, 2003 to April 25, 2003 on the Frankfurt Stock Exchange. Allianz AG does not intend to apply for the subscription rights to be traded on any other exchange. There can be no assurance that an active trading market in those subscription rights will develop on the Frankfurt Stock Exchange during that

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period and that there will be sufficient liquidity throughout the period in which rights are traded. In accordance with German practice, the price of the subscription rights is set only once a day. Additionally, because the trading price of the subscription rights depends on the trading price of the shares of Allianz AG, the existing volatility of the shares of Allianz AG, as described above in "-- The share price of Allianz AG has been and may continue to be volatile," will likewise impact the volatility of the subscription rights.

TRANSFERS OF SHARES IN ALLIANZ AG RELATING TO THIS OFFERING AND OF SUBSCRIPTION RIGHTS REQUIRE THE CONSENT OF ALLIANZ AG. CONSENT TO ACQUIRE SUCH SHARES OR RIGHTS MAY BE DENIED.

Transfers of shares in Allianz AG require the consent of Allianz AG (represented by its management board). Pursuant to its articles of association, Allianz AG may deny consent only on exceptional grounds if it deems this to be necessary in the interest of Allianz AG. If such acquisition is made through a stock exchange, the shares will be credited to the investor's securities account. However, if Allianz AG denies its consent, the investor will not be registered in the share register and, thus, will not become a shareholder of Allianz AG. In such case, investors may have difficulties in recovering their payment.

Likewise, the transfer of subscription rights relating to this Offering requires the consent of Allianz AG. Allianz AG has informed the Frankfurt Stock Exchange that Allianz AG will not deny consent to the transfer of subscription rights, except on exceptional grounds in the interest of Allianz AG. If Allianz AG denies its consent, the purchaser of the subscription rights, upon exercise of such rights, will not become a shareholder in Allianz AG.

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BUSINESS

The following discussion should be read in conjunction with the Group's consolidated financial statements, including the notes thereto. The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (or IFRS). Unless otherwise indicated, the financial information included in this Offering Circular is presented on a consolidated basis under IFRS. Unless otherwise indicated, the Allianz Group has obtained data regarding the relative size of various national insurance markets from annual reports prepared by SIGMA, an independent organization which publishes market research data on the insurance industry. In addition, unless otherwise indicated, insurance market share data are based on gross premiums written. Data on market share within particular countries are based on the Allianz Group's own internal estimates.

INTRODUCTION

The Allianz Group is one of the world's leading financial services providers, offering insurance, banking and asset management products and services through property-casualty, life/health, banking and asset management business segments. The Allianz Group is one of the leading insurance groups in the world based on gross premiums written in 2002. The Group is the leading German property-casualty and life/health insurance company, with estimated market shares of approximately 18.3% and 14.2%, respectively, based on gross premiums written in 2002. The Group also has leading market positions in a number of other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group was the second-largest German financial institution, based on market capitalization, at March 31, 2003. The Group believes that it is well capitalized relative to its competitors, notwithstanding recent downgrades of its ratings in March 2003. As of April 7,

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2003, the Group had financial strength ratings of A+ from A.M. Best and AA- from Standard & Poor's, both with a negative outlook. Moody's does not provide a rating for Allianz AG, but as of April 7, 2003, debt securities issued by Allianz AG's finance subsidiaries had a senior unsecured debt rating of Aa2 from Moody's, again with a negative outlook. The Group's investment portfolio includes a number of significant equity participations, primarily in major German companies, including both financial institutions and industrial enterprises.

The Allianz Group was founded in 1890 in Berlin, Germany, and since that time it has become the largest German insurer. Through its international expansion strategy, the Allianz Group has sought to bring into the Group companies that are well-positioned in their domestic markets and that have leading positions in particular business lines and attractive earnings prospects. In the last several years, the Group's non-German insurance business has therefore grown substantially in importance. Gross premiums written by the Group's non-German business represented approximately 63.3% of the Group's total gross premiums written in 2002. The Allianz Group now operates in more than 70 countries worldwide and has leading market positions in many of them.

In 1998, building on over a century's experience in managing its extensive insurance investment portfolio, the Allianz Group established financial services as its third core business segment, in addition to its property-casualty and life/health insurance businesses. In 2001, following its acquisition of Dresdner Bank, the Allianz Group reorganized its financial services segment into separate asset management and banking segments. In the Group's asset management segment, the acquisitions of Dresdner Bank on July 23, 2001 and Nicholas-Applegate on January 31, 2001 increased the Group's third-party assets under management by E228 billion and E36 billion, respectively, as of the respective dates of the acquisitions and made the Allianz Group one of the five leading asset managers in the world based on total assets under management as of December 31, 2002. In the Group's banking segment, which is now its fourth core business segment, the Allianz Group's acquisition of Dresdner Bank made the Group one of the leading banks in Germany and the thirteenth-largest bank in Europe, based on total assets, and provided the Group with significantly expanded bank distribution channels for its property-casualty, life/health and asset management products and services.

The Allianz Group's German property-casualty and life/health insurance businesses are managed by subsidiaries located primarily in Munich and Stuttgart. The Group's non-German insurance businesses are locally managed, generally through operations located in France, Italy,

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the United Kingdom, Switzerland, Spain and the United States, which are the Group's largest non-German markets. In contrast, each of the Allianz Group's specialty lines of credit insurance, marine and aviation insurance, industrial reinsurance through Allianz Global Risks Ruckversicherungs-AG ("Allianz Global Risks"), and travel and assistance insurance is managed and operates on a global basis. The Allianz Group's asset management segment also operates on a worldwide basis, with key management centers in Munich, Hong Kong, Paris, Milan, Westport, Connecticut, and San Diego and Newport Beach, California. The Group's banking segment operates through the approximately 1,100 German and non-German branch offices of Dresdner Bank and various subsidiaries, with significant operations in Germany, the United Kingdom, other European countries and the United States.

At December 31, 2002, the Allianz Group employed more than 181,000 persons in its insurance, banking and asset management businesses worldwide, of whom more than 94,000 were based outside Germany. Through interdisciplinary and multi-jurisdictional training and advancement programs, the Allianz Group seeks

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to develop and promote a corporate culture that emphasizes technical expertise, dedication to client service and an international outlook.

The headquarters of the Allianz Group are located in Munich, Germany. In addition, the Allianz Group has subsidiary, branch, representative and similar offices worldwide. The Group owns substantially all of the land and buildings that are used in the normal course of the Group's business in Europe and leases office space in various locations throughout the world. The Group also has part of its investment portfolio invested in land and buildings. The Allianz Group believes that its facilities are adequate for the Group's present needs in all material respects.

STRATEGY

This section regarding the Group's strategy contains forward-looking statements and, therefore, should be read in conjunction with the section "Forward-Looking Statements." In addition, for a discussion of the risks involved in achieving the Group's strategic goals, see "Risk Factors."

The Allianz Group's strategy is to achieve profitable growth across the Group's four business segments for the benefit of its shareholders, policyholders and employees. The Allianz Group believes that its size, financial strength and worldwide reach are key competitive strengths that will permit the Group to participate in the ongoing consolidation of the financial services industry and maintain its position as an industry leader. The Allianz Group offers its products through multiple distribution channels including agents and brokers and, in many markets, bancassurance and e-commerce. In the Group's mature markets of Germany, the rest of western Europe and the United States, the Allianz Group believes demographic trends will particularly favor the Group's life/health and asset management businesses in the coming years. The Allianz Group intends to capitalize on cross-selling opportunities between the Group's banking and pension provision businesses for corporate customers and to take advantage of additional potential synergies between the Group's life/health, asset management and banking operations.

As a reflection of the underlying strengths of the Group's franchise as well as the leading market positions in many of its businesses, the Group's core strategy remains substantially unchanged. Allianz AG's five main strategic priorities are:

- Optimize the Economic Value Added ("EVA") of the Group, based on risk-adjusted capital requirements and sustainable growth targets;
- Exploit attractive market opportunities by leveraging the Group's traditional risk management expertise;
- Strengthen the Group's leading position in life and health insurance and in asset management, especially in private and corporate retirement insurance plans;
- Increase the Group's asset gathering capabilities by building customer-oriented, multichannel distribution platforms; and
- Expand the Group's investments and capital markets expertise.

Allianz AG has implemented Group-wide a rigorous and disciplined capital allocation approach. All capital allocation decisions are based on an internal risk-based model, which, in addition to traditional insurance and banking risks, also takes into account investment and other

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capital markets risks. Allianz AG will monitor the Group's risk-adjusted results closely on an ongoing basis. Companies and business lines which are not expected to meet the hurdle risk adjusted return on allocated capital over the medium term will be reviewed for possible divestiture.

Allianz AG manages the business of the Group with a significant degree of autonomy for local management teams. Allianz AG believes that these teams are best positioned to determine what measures to take to maximize the profitability of their business, and Allianz AG makes them accountable, and compensates them, based on this performance. The Allianz Group measures performance both on a local level as well as on a Group basis based on the EVA model. Allianz AG also monitors closely the nature and volume of risks accumulated locally as well as across the Group on an ongoing basis.

FOCUS ON IMPLEMENTATION

The Group's immediate objective is to address the most significant operating challenges it faces:

- Further strengthening the Group's pricing and underwriting discipline and internal efficiency in line with the EVA requirements, and enforcing these consistently across the Group. As part of this effort, the Group aims to improve the operational performance of selected operations such as Assurances Generales de France ("AGF," and, together with its subsidiaries, the "AGF Group"), Fireman's Fund and Allianz Global Risks;
- Returning Dresdner Bank to profitability;
- Improving the profitability of the Group's life business;
- Reducing the dependence of the Group's results on the volatility of the equity markets.

OPERATIONAL DISCIPLINE

Property-Casualty Insurance

The Allianz Group's goal for 2003 and thereafter is to achieve a combined ratio of below 100% for the group. The Allianz Group is particularly focused on Fireman's Fund, Allianz Global Risks and AGF, businesses with combined ratios of over 100%:

- Fireman's Fund's operational discipline is expected to be improved by a new management team, the reduction of headcount, exit of underperforming businesses, recent strengthening of environmental and asbestos reserves and more defensive portfolio management;
- Allianz Global Risks is actively seeking to turn its property-casualty business around. Allianz Global Risks has undertaken significant changes including appointing a new management team, introducing clear operational targets and non-renewing certain clients and treaties;
- AGF has increased rates, not renewed policies and implemented operational improvements to reduce the expense ratio.

Turnaround of Dresdner Bank profitability

Due to the continuing difficult economic environment and the sharp deterioration in the capital markets since late 2001, Dresdner Bank reported significant losses in 2002. The Group has recently appointed a new CEO of Dresdner Bank and intends to reduce personnel costs, operating expenses and

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non-core lending to fully exploit the bank's franchise in the coming years. In the last 18 months, Dresdner Bank has significantly reduced its headcount, and plans are in place to further reduce headcount positions.

The turnaround program to restore profitability has several components:

- IRU: New Institutional Restructuring Unit ("IRU") within the Group's banking segment to free up risk capital through the reduction of risk-weighted assets by restructuring non-performing loans to strategic customers with the intent of returning such loans to the business units from which they originated, while maximizing the recovery from remaining non-performing loans, as well as non-strategic customer loans, through repayment, sale,

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hedging, securitization and other means. Loans to be bundled together in the IRU are primarily performing loans to non-strategic clients, such as small-capitalization clients in Latin America, Asia and the United States, as well as, to a lesser extent, loans to corporate and private clients that are currently non-performing. The IRU is expected to initially include approximately E31 billion, consisting of approximately E22 billion of loans (including approximately E7 billion of non-performing loans and approximately E1 billion of potential problem loans) and approximately E1 billion of other non-strategic assets, including private equity investments, and approximately E8 billion of undrawn commitments.

- Cost-Cutting and Restructuring Measures:
 - Ongoing cost-cutting efforts are being stepped up.
 - Certain centralized services were transferred to the two business units, Private and Business Clients and Corporates & Markets, which are now directly responsible for managing these costs.

CAPITAL AND PORTFOLIO MANAGEMENT

The Group believes that it is well capitalized relative to its competitors, notwithstanding recent downgrades of its ratings in March 2003. As of April 7, 2003, the Group had financial strength ratings of A+ from A.M. Best and AA- from Standard & Poor's, both with a negative outlook. Moody's does not provide a rating for Allianz AG, but as of April 7, 2003, debt securities issued by Allianz AG's finance subsidiaries had a senior unsecured debt rating of Aa2 from Moody's, again with a negative outlook.

However, the Group's internal risk based model shows a gap of approximately E1.7 billion as per December 2002. It has therefore been decided to launch a capital improvement program to secure the financial strength of the Allianz Group.

Reduction of equity exposure and volatility

The reduction of the Group's equity exposure is being addressed through a number of measures. These measures include a significant hedging program to protect the Group against potential future losses while the Group retains an upside potential. The Group will continue to further assess this program to manage its exposures.

The Allianz Group has also actively sold and expects to continue to sell equity investments to further reduce the equity exposure of the Group. This

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includes, for example, an intended reduction of its stake in Munich Re from 22.4% as of December 31, 2002 to approximately 15% during the course of 2003 and 2004. As of March 31, 2003, the Allianz Group's stake in Munich Re had been reduced to slightly less than 20%. See "Related Party Transactions -- Transactions with Munich Re."

Focused portfolio management and capital allocation

In addition, Allianz AG will significantly step up its focus on the efficient use of capital in the Group. As stated before, Allianz AG will implement economic capital savings by discontinuing and selectively scaling down certain business lines. In addition, sub-performing and non-core businesses will be divested if, according to the EVA methodology, a positive contribution to the Group is not expected.

Capital Raising

The capital raising described in this Offering Circular is an important element of the decision to strengthen the capital base with a set of transactions intended to raise total capital of up to E5 billion. By way of this Offering, Allianz AG intends to raise approximately E4.5 billion, based on a subscription price of E38.00 per share, resulting in net proceeds of approximately E4.3 billion after deduction of the commission payable to the Underwriters and other costs to be borne by Allianz AG. See "Underwriting."

In a second step -- planned for later this year -- Allianz AG intends to use the Group's hybrid capital capacity, subject to market conditions.

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SUMMARY FINANCIAL INFORMATION

The following table shows the relative contributions of the Allianz Group's property-casualty, life/health, banking and asset management segments and related geographic and other sub-segments to the Group's gross premiums written, total income and net income in 2002, 2001 and 2000. The table also shows the impact of consolidation adjustments, amortization of goodwill and minority interests. Consistent with the Group's general practice, gross premiums written and total income by geographic region are presented before consolidation adjustments representing the elimination of transactions between Group companies in different geographic regions and different segments, and net income by geographic region is presented before those consolidation adjustments, amortization of goodwill and minority interests.

	YEAR ENDED DECEMBER 31,						
	2002			2001			
	GROSS PREMIUMS WRITTEN (1)	TOTAL INCOME	NET INCOME	GROSS PREMIUMS WRITTEN (1)	TOTAL INCOME	NET INCOME	
	(E IN MILLION)						
Property-Casualty							
Germany.....	12,314	24,019	9,235 (2)	12,644	18,382	3,773	11,9
Rest of Europe.....	20,494	22,752	1,932	19,606	20,680	848	17,3
NAFTA.....	5,992	5,819	(933)	6,822	6,837	(1,030)	6,3
Rest of World.....	2,428	2,118	38	2,401	1,787	39	1,8

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Specialty Lines.....	4,948	3,712	(199)	2,321	2,303	94	2,2
Consolidation							
adjustments(3).....	(2,882)	(2,765)	(1,680)	(1,657)	(1,092)	(265)	(1,3
Subtotal.....	43,294	55,655	8,393	42,137	48,897	3,459	38,3
Amortization of							
goodwill.....	--	--	(370)	--	--	(349)	
Minority interests...	--	--	(816)	--	--	(746)	
Total Property-							
Casualty.....	43,294	55,655	7,207	42,137	48,897	2,364	38,3
Life/Health							
Germany.....	12,234	21,247	137	11,660	19,809	127	11,6
Rest of Europe.....	5,181	10,941	(95)	5,486	10,524	381	5,7
Rest of World.....	3,251	4,388	(24)	3,010	3,856	(49)	2,8
Consolidation							
adjustments(3).....	(3)	(2)	(2)	(11)	(3)	--	(
Subtotal.....	20,663	36,574	16	20,145	34,186	459	20,2
Amortization of							
goodwill.....	--	--	(174)	--	--	(146)	
Minority interests...	--	--	177	--	--	(84)	
Total							
Life/Health.....	20,663	36,574	19	20,145	34,186	229	20,2
Banking(4)							
Operations.....	--	21,275	(1,142)	--	12,841	303	
Amortization of							
goodwill.....	--	--	(241)	--	--	(70)	
Minority interests...	--	--	25	--	--	(453)	
Total Banking.....	--	21,275	(1,358) (5)	--	12,841	(220)	
Asset Management							
Operations.....	--	3,185	202	--	2,738	77	
Amortization of							
goodwill.....	--	--	(377)	--	--	(243)	
Minority interests...	--	--	(230)	--	--	(182)	
Total Asset							
Management.....	--	3,185	(405)	--	2,738	(348)	
Subtotal.....	63,957	116,689	5,463	62,282	98,662	2,025	58,6
Consolidation							
adjustments(6).....	(804)	(8,876)	(6,630)	(694)	(2,705)	(402)	(7
Total.....	63,153	107,813	(1,167)	61,588	95,957	1,623	57,8

(1) Represents premiums written for both direct business and reinsurance assumed between Group companies in different countries and segments, as well as from third parties. The Group's gross premiums written in respect of reinsurance assumed from Group companies are eliminated in consolidation.

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(2) Includes significant investment related results. See "-- Property-Casualty Insurance Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Net Income."

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- (3) Represents elimination of intercompany transactions between Group companies in different geographic regions.
- (4) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements for the full twelve months of 2002, compared to 2001, where Dresdner Bank was consolidated only from July 23, 2001, the date of the acquisition.
- (5) Includes a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. See "-- Banking Operations." The gain on this transfer was eliminated at the Group level. In addition, this item includes a realized gain of E244 million resulting from the merger of Deutsche Hyp into Eurohypo in August 2002. See "-- Other -- Real Estate."
- (6) Represents elimination of intercompany transactions between Group companies in different segments.

FACTORS AFFECTING RESULTS OF OPERATIONS

The Allianz Group's results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, insurance industry cycles (particularly with respect to property-casualty insurance) and fluctuations in interest rates. The Allianz Group believes that the impact of these factors will continue to affect the Group's results of operations. For the year ended December 31, 2002, approximately 36.7% of the Group's gross premiums were derived from the Group's German operations. As a result, economic, demographic and market developments in Germany have materially impacted and can be expected to continue to materially impact the Allianz Group's results. In addition, fluctuations in exchange rates in non-euro zone countries in which the Allianz Group does business affect the Group's euro-denominated reported results. The Group's German net income includes investment income and realized capital gains on the substantial equity portfolio held at Allianz AG, which is part of the Group's German property-casualty segment.

GENERAL MARKET CONDITIONS

Property-Casualty. Conditions in the property-casualty insurance markets in which the Allianz Group operates are generally characterized by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other catastrophe losses. In recent years, the commercial and industrial property-casualty markets in which the Allianz Group operates have also been characterized by generally lower customer demand and a growing trend toward higher retention levels and the use of self-insurance mechanisms by insureds. During this same period in Europe, the Group's automobile insurance business lines have been characterized by increased competition. The Group has succeeded in achieving substantial rate increases in the majority of its primary property-casualty markets in 2002.

In addition, the underwriting results of the Allianz Group's property-casualty operations are significantly influenced by estimates of property-casualty loss reserves, which are an accumulation of the estimated amounts necessary to settle all outstanding claims as of a particular reporting date. In recent years, the Group's U.S. property-casualty loss reserves have shown cumulative deficiencies, primarily as a result of claims related to environmental and asbestos exposures. See "Risk Factors -- Claims reserves for the Group's property and casualty insurance and reinsurance policies are based on future estimates which if not correct could materially adversely effect earnings," as well as "-- Property-Casualty Insurance Reserves" for a discussion of the Group's property-casualty reserves on a consolidated Group basis under

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IFRS, and on an individual country basis under local accounting rules.

Prior to March 31, 2003, the Group's most significant associated enterprise was Munich Re, one of the world's largest reinsurers. To the extent loss reserve development (favorable or unfavorable) impacted Munich Re's results, it was also reflected in the Group's results on an equity basis. Effective March 31, 2003, however, the Group reduced its shareholding in Munich Re to slightly less than 20%. As a result of the reduction in the Group's shareholding in Munich Re to less than 20%, the Group ceased to account for Munich Re as an associated enterprise at March 31, 2003. Accordingly, the treatment of Munich Re in the Group's financial statements after March 31, 2003 will not be comparable to that of prior periods.

Life/Health. Demographic studies suggest that over the next decade there will be growth in the Allianz Group's principal life insurance markets of Germany, France, Italy and the rest of Europe and the United States in the number of individuals who enter the age group that the Allianz Group believes is most likely to purchase retirement-oriented life insurance products. In

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addition, in a number of the Group's European markets, including Germany, retirement, medical and other social benefits previously provided by the government have been or are expected to be curtailed in the coming years. The Allianz Group believes that these trends will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. The Group believes that its distribution networks, the quality and diversity of its products and its investment management expertise in each of these markets position the Allianz Group to benefit from such developments.

Banking. Conditions in the banking market in which the Allianz Group operates, particularly in Europe, are generally characterized by intense competition and low profit margins. In 2002, the downturn in global equity markets, declining transaction volumes and increasing levels of default by both corporate and individual borrowers combined to result in significant net losses in the Group's banking segment. Nonetheless, the sale of life insurance and retirement savings products through bank branches increased in 2002, particularly in the Group's core markets of Germany, Italy and France. The Allianz Group believes that bancassurance will be an increasingly important distribution channel for all of its business segments in the years to come.

Asset Management. Prior to 2001, the Allianz Group's asset management segment had generally benefited from favorable market conditions, including falling interest rates and generally strong capital markets conditions in Europe and the United States, marked by intermittent periods of extreme volatility. In 2001 and 2002, the downturn in the global equity markets, together with the terrorist attack of September 11, 2001, had a significant negative impact on the Group's asset management operations, resulting in widespread price declines in equity securities and transaction volumes and increased uncertainty on the part of many third-party investors. The Allianz Group cannot predict how long the downturn in the capital markets will last or what its long-term effect on investor confidence will be. While the assets under management in the Group's asset management segment include a significant amount of funds related to affiliated Allianz Group insurance operations, a growing portion of the Allianz Group's assets under management, particularly following the Group's acquisitions of PIMCO in May 2000, Nicholas-Applegate in January 2001 and Dresdner Bank in July 2001, represents third-party funds.

EXCHANGE RATES

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The Allianz Group publishes its consolidated financial statements in euros. A significant portion of the Group's revenues and expenses from its subsidiaries outside the euro zone, including in the United States, Switzerland and the United Kingdom, originates in currencies other than the euro. As a result, the Allianz Group has a financial reporting translation exposure attributable to fluctuations in the values of these currencies against the euro. The impact of these fluctuations in exchange rates is mitigated by the fact that the Group's non-euro revenues and related expenses, as well as assets and liabilities, are generally denominated in the same currencies. See "-- Risk Management" for a discussion of the Group's management of foreign exchange rate-related risks as well as "Risk Factors -- Changes in value relative to the euro of non-euro zone currencies in which the Group generates revenues and incurs expenses could adversely affect the Group's reported earnings and cash flow."

CONSOLIDATION DIFFERENCES

The Allianz Group's reported segment results in 2002 were significantly affected by intercompany transactions, including the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to Allianz Dresdner Asset Management GmbH ("ADAM") (see "-- Banking Operations") and transfers of investment securities in connection with the repositioning of certain shareholdings within the Group (see "-- Insurance Operations" and "-- Banking Operations"). The gains and losses on these transfers were eliminated at the Group level. In addition, the Group's 2002 results reflect the consolidation of Dresdner Bank for the full twelve months of 2002, compared to 2001, where Dresdner Bank was consolidated only from July 23, 2001, the date of the acquisition. On August 1, 2002, the Group deconsolidated the assets and liabilities of its former mortgage banking subsidiary, Deutsche Hyp. See "-- Banking Operations -- Other -- Real Estate."

Prior to March 31, 2003, the Group's most significant associated enterprise was Munich Re, one of the world's largest reinsurers. To the extent loss reserve development (favorable or

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unfavorable) impacted Munich Re's results, it was also reflected in the Group's results on an equity basis. Effective March 31, 2003, however, the Group reduced its shareholding in Munich Re to slightly less than 20%. As a result of the reduction in the Group's shareholding in Munich Re to less than 20%, the Group ceased to account for Munich Re as an associated enterprise at March 31, 2003. Accordingly, the treatment of Munich Re in the Group's financial statements after March 31, 2003 will not be comparable to that of prior periods.

CRITICAL ACCOUNTING POLICIES

The Allianz Group has identified the accounting policies that are critical to its business operations and the understanding of its results of operations. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance reserves, loan loss allowances, the determination of the fair value of financial assets and liabilities (including impairment charges), goodwill and deferred tax assets and off-balance sheet arrangements. In each case, the determination of these items is fundamental to the Group's financial position and results of operations, and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results.

INSURANCE RESERVES

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The Allianz Group's insurance reserves represent estimates of future payouts that the Allianz Group will make in respect of property-casualty and life/health insurance claims, including expenses relating to such claims. Such estimates are made on a case-by-case basis, based on the facts known to the Group at the time reserves are established, and are periodically adjusted to recognize the estimated ultimate cost of a claim. In addition, the Allianz Group establishes so-called "IBNR" reserves in its property-casualty business to recognize the estimated cost of losses that have occurred but of which the Group does not yet have notice. When actual claims experience differs from the Group's previous estimates, the resulting difference will generally be reflected in the Group's reported results for the period of the change in estimate. In each case, the establishment of the Group's insurance reserves is an inherently uncertain process, involving assumptions as to factors such as court decisions, changes in laws, social, economic and demographic trends, inflation and other factors affecting claim costs, and, in the Group's life/health insurance business, assumptions concerning mortality and morbidity trends. In recent years, the Allianz Group's property-casualty insurance reserves in the United States have been significantly impacted by claims relating to asbestos and environmental exposures. For a further discussion of the Group's property-casualty insurance reserves, including an additional E762 million in asbestos and environmental reserves taken in 2002, see "-- Property-Casualty Insurance Reserves" as well as "Risk Factors -- Claims reserves for the Group's property-casualty insurance and reinsurance policies are based on estimates as to future claims liabilities. In 2002, the Group made significant additional reserves relating to asbestos-related and environmental claims in the United States and in connection with discontinued and run-off businesses. Further adverse developments relating to claims could lead to further reserve additions and adversely impact the Group's results of operations."

LOAN LOSS ALLOWANCES

The Allianz Group's loan loss allowances represent management's estimate of the probable credit losses in the Group's loan portfolio. Allowances are established on a case-by-case basis, are updated over time, and are described at greater length under "-- Selected Statistical Information Relating to the Group's Banking Operations." Judgments concerning the timing and level of the Group's loan loss allowances are based on numerous estimates and judgments, including determinations concerning borrower creditworthiness, contractual loan terms and available judicial and other remedies. Allowances for counterparty risk are established against individual exposures and are subject to periodic management review. Specific loan loss allowances are recorded if it is probable that the borrower will not repay principal and/or interest according to the contractually agreed terms. Individually impaired loans are measured on the basis of the present value of expected cashflows and take into consideration the borrower's financial posi-

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tion, the contractual terms of the loan and the value of collateral if any. In 2002, the Group's banking operations' recorded additional net loan loss provisions of E2,222 million. See "-- Banking Operations -- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Loan Loss Provisions" as well as "Risk Factors -- The Group has significant counterparty risk exposure" and "Risk Factors -- Dresdner Bank continues to experience significant loan losses relating to problem loans."

General loss allowances are established to provide for incurred but unidentified losses that are inherent in the loan portfolio at the relevant balance sheet date. The general loan loss allowance is reviewed in the light of general economic conditions, the size and diversity of the portfolio and

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historical default rates.

Country risk allowances are established for transfer risk, which is a measure of the likely ability of a borrower in a certain country to repay its foreign currency-denominated debt in light of the impact of currency devaluations, macroeconomic or political developments in that country. Country risk allowances are based on country ratings that incorporate current and historical economic, political and other data to categorize countries by risk profile.

When the Allianz Group determines that a loan is uncollectible, the loan is charged off against any existing specific loss allowance or directly recognized as expense in the income statement. Changes in judgments, analyses and the methodologies the Allianz Group utilizes may lead to changes over time in the level and timing of the allowances the Group establishes and related charge-offs, which may in turn materially impact the results of the Group's banking segment. In 2002, the Group's banking segment's gross charge-offs were €1,889 million.

FAIR VALUES AND IMPAIRMENTS

A portion of the Allianz Group's assets and liabilities is recorded at fair value, including trading assets and liabilities, and securities available for sale. Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions. Fair values of certain financial instruments, including OTC derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could lead to different estimates of fair value.

Financial assets are reviewed regularly for impairments, and valuation write-downs to fair value are charged to income if an other than temporary diminution in value occurs. Determinations concerning an other than temporary diminution involve judgments concerning market conditions, issuers' financial positions and other factors. The Group generally considers an other than temporary diminution to have occurred upon a decline of 20% or greater from book value over a period in excess of six consecutive months. For a discussion of impairment charges taken in 2002, see "Risk Factors -- The Group's investment portfolio is significantly exposed to equity securities. Market risks could impair this portfolio and adversely impact the Group's financial position and results of operations," and "Risk Factors -- Market factors, as well as a lack of improvement in the Group's operating performance, may adversely affect the levels of deferred acquisition costs, goodwill and deferred tax assets the Group maintains on its balance sheet; the deferred tax assets the Group maintains are also potentially impacted by changes in German tax legislation."

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements that the Allianz Group enters into in its investment and banking activities include securitization and other transactions involving special- or limited-purpose entities ("SPEs"), credit lines and loan commitments. Off-balance-sheet arrangements the Allianz Group enters into in its insurance business also include letter of credit ("LOC") transactions where the Group provides LOC coverage for all or part of its obligations to insureds or other customers, or where similar coverage is provided to the Allianz Group by reinsurers or other counterparties, in each case in accordance with applicable credit or regulatory requirements.

Off-balance sheet transactions may be carried out with or through a variety of unconsolidated SPEs. In its insurance and reinsurance businesses, the Allianz Group has entered into reinsurance transactions with SPEs, which provide the Group with long-term reinsurance coverage and were funded through the issuance of so-called "catastrophe bonds" to third-party investors. In its banking business, the Allianz Group has established SPEs in order to provide administrative services, engage in underwriting activities, enter into derivative transactions, provide liquidity and overdraft facilities and guarantees, securitize financial assets the Group holds, reduce credit risks on the Group's loan portfolios, and provide alternative financing structures and investment products for the Group's customers. Material exposures related to the transactions are recorded or disclosed in the Group's consolidated financial statements. Risks associated with establishing SPEs and transactions entered into with SPEs are reviewed in the banking operations risk management process.

In the context of the "Silver Tower" asset-backed program of Dresdner Bank, in which third-party receivables and receivables of Dresdner Bank Group are securitized, and which is refinanced by commercial paper, Dresdner Bank has granted short-term credit lines in the amount of E10.2 billion in the event that a refinancing through commercial paper is not possible. So far, E4 billion of such credit lines were used for refinancing instead of the placement of commercial paper. The risk exists that Dresdner Bank would be required to use its own credit lines by up to further E6.2 billion, which would accordingly raise its regulatory risk-weighted assets.

CONSOLIDATED RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

The Allianz Group's total income increased by E11,856 million, or 12.4%, to E107,813 million in 2002 from E95,957 million in 2001, due primarily to the full-year consolidation of Dresdner Bank in 2002, offset in part by the effects of weakness in the capital markets and the global economy, which affected all of the Group's operating segments and its banking segment in particular. The Group's earnings from ordinary activities before taxation decreased by E3,041 million, or 166.4%, to a loss of E1,214 million in 2002 from income of E1,827 million in 2001. The Allianz Group had a consolidated tax benefit of E735 million in 2002 and a consolidated tax benefit of E840 million in 2001, representing overall effective tax rates of 62.8% and (52.1)%, respectively, compared to statutory rates for the Group's primary German and other operating subsidiaries that ranged from 12.5% to 45.5% and averaged 32.5%. The consolidated tax benefit in 2002 was due primarily to tax losses, for which a deferred tax asset was recognized.

Net income decreased E2,790 million, or 171.9%, to a loss of E1,167 million in 2002, compared to income of E1,623 million in 2001, reflecting primarily weakness in the capital markets and the global economy, offset in part by the tax benefit discussed above. This weakness was particularly evident in write-downs of available for sale investments, which increased significantly to E5,523 million in 2002. In the Group's banking segment, earnings were negatively affected by additional net loan loss provisions of E2,222 million. The Group's property-casualty insurance business was negatively impacted by significant claims, including primarily E762 million relating to asbestos and environmental reserve-strengthening measures at Fireman's Fund and E710 million in net claims relating to severe floods that struck Germany and Central and Eastern Europe in July and August 2002. These negative effects in our property -- casualty segment

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were offset in part by significant investment-related gains and rate increases in most of the Group's major property-casualty markets.

The following table sets forth the percentage changes for 2002 over 2001 in the Allianz Group's total income, total expenses and net income by segment, which are discussed in greater detail below, and for the Group as a whole. Changes in results in the Group's banking and asset management segments related primarily to the full-year consolidation of Dresdner Bank in 2002. Percentage changes for 2002 over 2001 for the Group's banking segment, which the Allianz Group established as a separate segment in 2001, reflect the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001 and are therefore not comparable. See "-- Banking Operations."

	% CHANGE 2002/2001		
	TOTAL INCOME	TOTAL EXPENSES	NET I
Property-Casualty.....	13.8%	3.5%	20
Life/Health.....	7.0%	8.6%	(9
Banking.....	65.7%	80.8%	(51
Asset Management.....	16.3%	11.3%	(1
Consolidated Group.....	12.4%	15.8%	(17

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

The Allianz Group's total income increased E12,168 million, or 14.5%, to E95,957 million in 2001 from E83,789 million in 2000, due primarily to the acquisition of Dresdner Bank in July 2001, together with increases in property-casualty insurance, offset in part by a decrease in life/health insurance. Despite the increase in total income, the Group's earnings from ordinary activities before taxation decreased by E3,086 million, or 62.8%, to E1,827 million in 2001 from E4,913 million in 2000, reflecting primarily the effects of the terrorist attack of September 11, 2001 in the United States and weakness in the capital markets. On a consolidated Group basis, the terrorist attack of September 11, 2001 resulted in net claims costs of approximately E1.5 billion. As a result of the weakness in the capital markets, earnings were also negatively affected by E1.6 billion of investment write-downs. The Allianz Group had a consolidated tax benefit of E840 million in 2001 and a consolidated tax expense of E176 million in 2000, representing overall effective tax rates of (52.1)% and 2.8% respectively, compared to statutory rates for the Group's primary German and other operating subsidiaries that ranged from 10.0% to 43.0%, and averaged 19.2%.

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The consolidated tax benefit in 2001 was due to a substantial amount of tax losses resulting primarily from claims related to the September 11, 2001 terrorist attack in the United States, together with a significant amount of tax-exempt realized gains on investments.

Net income decreased E1,837 million, or 53.1%, to E1,623 million in 2001, compared to E3,460 million in 2000, reflecting primarily the impact of the special adjustment to income taxes in 2000, the effects of the terrorist attack of September 11, 2001 in the United States and weakness in the capital markets, offset in part by the tax benefit discussed above.

The following table sets forth the percentage changes for 2001 over 2000 in

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the Allianz Group's total income, total expenses and net income by segment, which are discussed in greater detail below, and for the Group as a whole. Results in the Group's banking and asset management segments reflected primarily the acquisition of Dresdner Bank in July 2001. Percentage changes for 2001 over 2000 for the Group's banking segment, which the Allianz Group established as a separate segment in 2001, are based on the results for 2000 of the banking operations of the Allianz Group, which the Group reported in 2000 and prior years together with asset management as part of its financial services segment and are therefore not comparable. See "-- Asset Management Operations" and "-- Banking Operations."

	% CHANGE 2001/2000		
	TOTAL INCOME	TOTAL EXPENSES	NET I
Property-Casualty.....	8.2%	12.6%	(2
Life/Health.....	(8.2)%	(5.2)%	(6
Banking.....	645.7%	689.4%	(31
Asset Management.....	59.0%	83.2%	(30
Consolidated Group.....	14.5%	19.3%	(5

CONSOLIDATED ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Total assets decreased by E90,869 million, or 9.6%, to E852,056 million at December 31, 2002, from E942,925 million at December 31, 2001, primarily as a result of the deconsolidation of Deutsche Hyp and price declines in the capital markets. The Group's own investments (including loans and advances in the Group's banking segment) decreased by E88,505 million, or 11.3%, to E696,433 million in 2002 from E784,938 million in 2001, while separate account assets increased by E965 million, or 3.9%, to E25,657 million at December 31, 2002, from E24,692 million at December 31, 2001. Insurance investments (excluding separate account assets) increased by E8,442 million, or 2.4%, to E362,577 million in 2002 from E354,135 million in 2001.

The Allianz Group's shareholders' equity decreased by 31.2% to E21,772 million at December 31, 2002 compared to E31,664 million at December 31, 2001. This decrease resulted primarily from a decrease in net unrealized gains of E7,198 million, from E8,276 million at December 31, 2001 to E1,049 million (adjusted for currency translation) at December 31, 2002, reflecting generally adverse conditions in the capital markets.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Total assets increased by E502,930 million, or 114.3%, to E942,925 million at December 31, 2001, from E439,995 million at December 31, 2000, primarily as a result of the Allianz Group's acquisition of Dresdner Bank in July 2001. The Group's own investments grew by E456,813 million, or 139.2%, to E784,938 million in 2001 from E328,125 million in 2000, while separate account assets increased E1,922 million, or 8.4%, to E24,692 million at December 31, 2001, from E22,770 million at December 31, 2000. Insurance investments grew by E19,066 million, or 5.7%, to E354,135 million in 2001 from E335,069 million in 2000.

The Allianz Group's shareholders' equity decreased by 11.1% to E31,664 million at December 31, 2001 compared to E35,603 million at December 31, 2000. This decrease resulted primarily from a decrease in net unrealized gains of E5,210 million in 2001.

DISCUSSION OF OPERATIONS BY BUSINESS SEGMENT

INSURANCE OPERATIONS

The Allianz Group provides property-casualty and life/health products and services on an individual and group basis in more than 70 countries worldwide. In its property-casualty business, the Allianz Group provides, among other things, automobile, homeowners, travel and other personal lines products and is a leading provider of commercial and industrial coverages to business enterprises of all sizes, including many of the world's largest companies. The Allianz Group's life/health insurance businesses provide endowment, annuity and term insurance products and a wide range of health, disability and related coverages to individual insureds, as well as group life, group health and pension products to employers. In addition to strong local positions, the Allianz Group has established leading positions in certain specialty lines on a global basis, including credit insurance, marine and aviation insurance, industrial reinsurance through Allianz Global Risks, and travel and assistance insurance.

The Allianz Group's products are marketed in Germany primarily under the "Allianz" brand name. In other countries the Allianz Group generally operates through its subsidiary insurers' brand names, which are identified as part of the Allianz Group. The Group believes that its brand name is one of the best-known and most highly respected in the German marketplace, combining a reputation for excellent customer service with an image of superior financial strength.

The Allianz Group's philosophy is to provide considerable latitude to its operating entities in product design, underwriting, distribution, marketing and operations while providing various levels of centralized support in such areas as financial and strategic planning, investment management, knowledge transfer, accounting and reinsurance to the Group's subsidiaries from the Group's headquarters in Munich. The Group refers to this combination of centralized strategic management and local business autonomy as a "multi-local" approach to its global insurance business. The Allianz Group believes that this gives the Group's subsidiary operations the flexibility to best respond to local market conditions and allows the Group to implement strategic goals and create incentives for its employees on a country-by-country basis.

PROPERTY-CASUALTY INSURANCE OPERATIONS

The following table sets forth certain financial information for the property-casualty operations of the Allianz Group for the years indicated:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
Gross premiums written.....	43,294	42,137	38,382
Premiums earned (net) (1).....	36,458	34,428	31,529

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Interest and similar income.....	4,473	5,068	5,568
Income from affiliated enterprises, joint ventures and associated enterprises.....	8,494 (2)	889	1,833
Other income from investments.....	3,652	4,307	4,259
Trading income.....	207	1,451	(10)
Fee and commission income, and income from service activities.....	521	1,425	940
Other income.....	1,850	1,329	1,078
	-----	-----	-----
Total income.....	55,655	48,897	45,197
	-----	-----	-----
Insurance benefits(net) (3).....	(28,974)	(28,200)	(25,413)
Interest and similar expenses.....	(1,564)	(1,323)	(1,136)
Other expenses for investments.....	(3,567)	(2,888)	(1,913)
Loan loss allowance.....	(7)	(4)	--
Acquisition costs and administrative expenses(4).....	(10,545)	(10,042)	(9,106)
Amortization of goodwill.....	(370)	(349)	(277)
Other expenses.....	(3,074)	(3,682)	(3,453)
	-----	-----	-----
Total expenses.....	(48,101)	(46,488)	(41,298)
	-----	-----	-----
Earnings from ordinary activities before taxation.....	7,554	2,409	3,899
Taxes.....	469	701	5
Minority interests in earnings.....	(816)	(746)	(642)
	-----	-----	-----
Net income.....	7,207	2,364	3,262
	-----	-----	-----
Special income effects.....	--	--	(1,037)
	-----	-----	-----
Adjusted net income.....	7,207	2,364	2,225
	=====	=====	=====

- (1) Net of reinsurance ceded of E6,150 million, E6,669 million and E6,488 million in 2002, 2001 and 2000, respectively.
- (2) Reflects realized gains of E1,886 million from open market sales of Munich Re shares and E713 million on the sale of a real estate subsidiary in Italy, as well as significant income from intercompany transactions, including realized gains of E3,332 million from the transfer of Munich Re shares from Allianz AG to Dresdner Bank and dividend income of E382 million from Dresdner Bank. The gains on these intercompany transactions were eliminated at the Group level.
- (3) Includes loss and loss adjustment expenses of E28,502 million, E27,919 million and E24,566 million in 2002, 2001 and 2000, respectively.
- (4) Includes net underwriting costs of E10,015 million, E9,543 million and E8,548 million in 2002, 2001 and 2000, respectively.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Gross Premiums Written. The Allianz Group's gross premiums written from property-casualty operations in 2002 increased by E1,157 million, or 2.7%, to E43,294 million from E42,137 million in 2001. Eliminating the effect of exchange rate movements and changes in the scope of consolidation, which decreased 2002 gross premiums written by E246 million, gross premiums written increased by 3.2%. This increase came primarily as a result of rate increases in all of the Group's major markets, offset in part by a more selective underwriting policy, particularly in the Group's industrial reinsurance business and in the United

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States, but also in other major markets.

Premiums Earned (Net). On a Group-wide basis, property-casualty net premiums earned in 2002 and 2001 reflected premiums ceded to reinsurers of E6,150 million and E6,669 million, respectively, resulting in overall retention levels of approximately 85.6% in 2002 and 83.8% in 2001. Net premiums earned increased by E2,030 million, or 5.9%, to E36,458 million in 2002 from

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E34,428 million in 2001, which exceeded the 2.7% increase in gross premiums written and reflected the increase in overall retention levels.

Trading Income. Trading income from the Allianz Group's property-casualty operations decreased by E1,244 million, to E207 million in 2002 from E1,451 million in 2001, due primarily to the decrease of E1,212 million in gains from certain derivative financial instruments. These gains relate to derivative financial instruments embedded in outstanding exchangeable bonds that do not qualify for hedge accounting and from forward contracts that are used to hedge investments. Gains or losses on such financial instruments arising from valuation at fair value are included in trading income. The decrease in 2002 reflected declines in the value of the underlying financial instruments.

Insurance Benefits (Net). Net insurance benefits for the Allianz Group's worldwide property-casualty business, which consist of claims paid, changes in reserves for loss and loss adjustment expenses, changes in other reserves and expenses of premium refunds, increased by E774 million, or 2.7%, to E28,974 million in 2002 from E28,200 million in 2001. Of this amount in 2002, E762 million related to asbestos and environmental reserve-strengthening measures at Fireman's Fund. An additional approximately E710 million was attributable to net claims relating to severe flooding in Germany and Central and Eastern Europe in July and August 2002. The increase in net insurance benefits in 2002 followed on an already high level of net insurance benefits in 2001, which reflected claims from the terrorist attack of September 11, 2001. For additional information on reserve-strengthening measures at the Group's U.S. property-casualty insurance subsidiaries, see "-- Property-Casualty Insurance Reserves -- Individual Country Reserves -- Gross Reserves -- United States."

The following table sets forth net claims, expense and combined ratio information for the Allianz Group's property-casualty operations by geographic region for the years 2002 and 2001:

	YEAR ENDED DECEMBER 31, 2002				
	GERMANY	REST OF EUROPE	NAFTA	REST OF WORLD	SPECIALTY LINES
Claims ratio(1).....	74.2%	76.8%	94.6%	74.5%	75.9%
Expense ratio(2).....	28.3%	24.6%	32.9%	28.1%	32.5%
Combined ratio.....	102.5%	101.4%	127.5%	102.6%	108.4%

	YEAR ENDED DECEMBER 31, 2001		
	GERMANY	REST OF EUROPE	SPECIALTY LINES
Claims ratio(1).....	74.2%	76.8%	75.9%
Expense ratio(2).....	28.3%	24.6%	32.5%
Combined ratio.....	102.5%	101.4%	108.4%

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	GERMANY	EUROPE	NAFTA	WORLD	LINES
	-----	-----	-----	-----	-----
Claims ratio(1).....	76.2%	80.3%	99.9%	72.8%	66.5%
Expense ratio(2).....	26.8%	26.2%	29.2%	32.9%	39.5%
Combined ratio.....	103.0%	106.5%	129.1%	105.7%	106.0%

(1) Represents ratio of total loss and loss adjustment expenses to net earned premium.

(2) Represents ratio of net underwriting costs to net earned premium.

The overall decrease in the Allianz Group combined ratio to 105.7% in 2002 from 108.8% in 2001 reflects the decrease in the Group's claims ratio to 78.2% in 2002 from 81.1% in 2001. The Group claims ratio was affected primarily by improved claims ratios in the Group's reinsurance operations at Allianz AG and in many of the Group's major markets, reflecting rate increases, particularly in the Group's automobile lines, and decreased claim frequency. These improvements were offset in part by increased net claims related to severe flooding in Germany and Central and Eastern Europe in July and August 2002 and a series of other storms, asbestos and environmental reserve-strengthening measures at Fireman's Fund and increased net claims in the Group's credit insurance. Excluding the effect of the flooding-related claims and the asbestos and environmental reserve-strengthening measures in 2002 and the effects of the September 11, 2001 terrorist attack in 2001, the Group claims ratio would have decreased to 74.2% in 2002 from 76.7% in 2001. The Group expense ratio was largely unchanged at 27.5% in 2002 compared to 27.7% in 2001. Increased expenses relating to the development of the distribution capacity in Germany were offset by increased operating efficiencies at other Group companies.

Acquisition Costs and Administrative Expenses. Acquisition costs and administrative expenses consist primarily of changes in deferred acquisition costs, administrative expenses, and

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net underwriting costs. Net underwriting costs of E10,015 million in 2002 increased E472 million, or 4.9%, over 2001 levels of E9,543 million, which slightly exceeded the Allianz Group's property-casualty premium growth rate of 2.7% due primarily to reduced commission income from reinsurance business ceded, reflecting higher overall retention levels. The increased expenses were offset in part by increased operating efficiencies at Group companies and cost reduction measures.

Net Income. Net income from property-casualty insurance operations in 2002 increased by E4,843 million, or 204.9%, to E7,207 million in 2002 compared with E2,364 million in 2001. The increase was due primarily to investment-related items, including realized gains of E1,886 million from open market sales of Munich Re shares, approximately E1,100 million from open market sales of Vodafone AG shares and E713 million on the sale of a real estate subsidiary in Italy, as well as realized gains from the sale of other shareholdings in the Group's German equity portfolio. The segment also recorded significant income from intercompany transactions, including realized gains of E3,332 million from the transfer of Munich Re shares from Allianz AG to Dresdner Bank and dividend income of E382 million from Dresdner Bank, E224 million from the sale of Vereinte Lebensversicherung AG from Vereinte Versicherung AG to Allianz Lebensversicherungs-AG ("Allianz Leben"). The gains on these intercompany

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transactions were eliminated at the Group level. These increases were offset in part by realized losses of E1,536 million and net investment write-downs of E1,737 million, reflecting weakness in the capital markets. Excluding these investment related items, net income from property-casualty operations in 2002 reflected significantly increased net insurance benefits, including primarily E762 million relating to asbestos and environmental reserve-strengthening measures at Fireman's Fund and E710 million in net claims relating to severe flooding in Germany and Central and Eastern Europe in July and August 2002, offset in part by the increase in net insurance premiums attributable to rate increases in most of the Group's major markets.

Amortization of goodwill was E370 million in 2002, an increase of E21 million, or 6.0%, from E349 million in 2001, largely as a result of the amortization of goodwill associated with the Allianz Group's acquisition of additional shareholdings in Frankfurter Versicherungs-AG and Bayerische Versicherungsbank AG in June 2002. See "Related Party Transactions -- Transactions with Munich Re." Minority interests in earnings increased to E816 million in 2002 from E746 million in 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Gross Premiums Written. The Allianz Group's gross premiums written from property-casualty operations in 2001 increased by E3,755 million, or 9.8%, to E42,137 million from E38,382 million in 2000. Eliminating the effect of exchange rate movements, which increased 2001 gross premiums written by E28 million, gross premiums written increased by 9.7%. This increase came as a result of increases in all of the Group's geographic segments, particularly in Rest of Europe, due to growth in France and Italy, and in Germany as discussed below.

Premiums Earned (Net). On a Group-wide basis, property-casualty net premiums earned in 2001 and 2000 reflected premiums ceded to reinsurers of E6,669 million and E6,488 million, respectively, resulting in overall retention levels of approximately 83.8% in 2001 and 82.9% in 2000. Net premiums earned increased by E2,899 million, or 9.2%, to E34,428 million in 2001 from E31,529 million in 2000, paralleling the 9.8% increase in gross premiums written.

Trading Income. Trading income from the Allianz Group's property-casualty operations increased E1,461 million, to E1,451 million in 2001 from a loss of E10 million in 2000, due primarily to income of E1,437 million in gains from certain derivative financial instruments. These gains relate to derivative financial instruments embedded in outstanding exchangeable bonds that do not qualify for hedge accounting and from forward contracts that are used to hedge investments. Gains or losses on such financial instruments arising from valuation at fair value are included in trading income.

Insurance Benefits (Net). Net insurance benefits for the Allianz Group's worldwide property-casualty business increased by E2,787 million, or 11.0%, to E28,200 million in 2001 from E25,413 million in 2000. A significant portion of the increase was attributable to the September 11, 2001 terrorist attack in the United States, which negatively impacted net claims in the property-casualty lines by approximately E1.5 billion in 2001, primarily in the United States, and

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to a lesser extent, in the Group's reinsurance operations in Germany and other countries. The remainder of the increase in net insurance benefits related to increased premium volume.

The following table sets forth net loss, expense and combined ratio information for the Allianz Group's property-casualty operations by geographic region for the years 2001 and 2000:

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	YEAR ENDED DECEMBER 31, 2001				
	GERMANY	REST OF EUROPE	NAFTA	REST OF WORLD	SPECIALTY LINES
Claims ratio(1).....	76.2%	80.3%	99.9%	72.8%	66.5%
Expense ratio(2).....	26.8%	26.2%	29.2%	32.9%	39.5%
Combined ratio.....	103.0%	106.5%	129.1%	105.7%	106.0%

	YEAR ENDED DECEMBER 31, 2000				
	GERMANY	REST OF EUROPE	NAFTA	REST OF WORLD	SPECIALTY LINES
Claims ratio(1).....	73.5%	80.8%	87.9%	75.5%	53.1%
Expense ratio(2).....	24.2%	27.1%	29.6%	30.0%	36.3%
Combined ratio.....	97.7%	107.9%	117.5%	105.5%	89.4%

(1) Represents ratio of total loss and loss adjustment expenses to net earned premium.

(2) Represents ratio of net underwriting costs to net earned premium.

The overall increase in the Group combined ratio to 108.8% in 2001 from 104.9% in 2000 reflects deteriorating claims ratios in the NAFTA zone, Germany and the Group's specialty lines, primarily due to increased net claims as a result of the September 11, 2001 terrorist attack and, in the case of specialty lines, unfavorable economic conditions, offset in part by improved claims ratios in Rest of Europe and Rest of World. Excluding the effect of the claims relating to the September 11, 2001 terrorist attack in the United States, the combined ratio would have decreased slightly to 104.4% in 2001 from 104.9% in 2000. The Group expense ratio worsened slightly to 27.7% in 2001 from 27.0% in 2000, due primarily to expenses incurred in the Group's German property-casualty operations and at Allianz AG in connection with the build-out of the Group's information technology systems and marketing and sales force development. Also contributing to the increased expense ratio were expenses incurred at Allianz AG relating to the integration of Dresdner Bank.

Acquisition Costs and Administrative Expenses. Net underwriting costs of E9,543 million in 2001 increased E995 million, or 11.6%, over 2000 levels of E8,548 million, which slightly exceeded the Group's property-casualty premium growth rate of 9.8% due primarily to expenses incurred in connection with information technology, marketing and sales force development.

Net Income. Net income from property-casualty insurance operations in 2001 decreased by E898 million, or 27.5%, to E2,364 million in 2001 compared with E3,262 million in 2000. The decrease was driven primarily by the special adjustment to income taxes, which benefited the Allianz Group's results in 2000, increased net claims resulting from the September 11, 2001 terrorist attack and

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reduced investment results, reflecting weakness in the capital markets. These were offset in part by a tax benefit resulting from a substantial amount of tax losses attributable primarily to claims related to the September 11, 2001 terrorist attack in the United States, together with a significant amount of tax-exempt realized gains on investments resulting in large part from forward sales and other transactions that were entered into in 2001 but concluded in 2002.

Amortization of goodwill was E349 million in 2001, an increase of E72 million, or 26.0%, from E277 million in 2000, largely as a result of amortization of goodwill on acquisitions made in Australia and the Netherlands. Minority interest increased to E746 million in 2001 from E642 million in 2000.

The Allianz Group's consolidated results of operations in 2000 included the effects of certain special adjustments to income taxes. There were no special adjustments to the Group's consolidated results of operations in 2001. Excluding the impact of these items in 2000, net income would have increased by E139 million, or 6.2%, to E2,364 million in 2001, from E2,225 million in 2000.

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PROPERTY-CASUALTY OPERATIONS BY GEOGRAPHIC REGION

The following table sets forth the Allianz Group's property-casualty gross premiums written and net income by geographic region. Consistent with the Group's general practice, gross premiums written by geographic region is presented before consolidation adjustments representing the elimination of transactions between Group companies in different geographic regions and different segments, and net income by geographic region is presented before those consolidation adjustments, amortization of goodwill and minority interests.

	YEAR ENDED DECEMBER 31,				
	2002		2001		2000
	GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN
	(E IN MILLION)				
Germany(1).....	12,314	9,235	12,644	3,773	11,948
Rest of Europe(1).....	20,494	1,932	19,606	848	17,302
NAFTA.....	5,992	(933)	6,822	(1,030)	6,300
Rest of World.....	2,428	38	2,401	39	1,886
Specialty Lines(1).....	4,948	(199)	2,321	94	2,267
Consolidation adjustments.....	(2,882)	(1,680)	(1,657)	(265)	(1,321)
Subtotal.....	43,294	8,393	42,137	3,459	38,382
Amortization of goodwill.....	--	(370)	--	(349)	--
Minority interests.....	--	(816)	--	(746)	--
Total.....	43,294	7,207	42,137	2,364	38,382

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- (1) Reflects the transfers, effective January 1, 2002, of marine, aviation and industrial transport insurance business and industrial reinsurance business to the Group's marine and aviation and Allianz Global Risks specialty lines. See "-- Specialty Lines."

Germany

Germany is the world's third-largest property-casualty insurance market, based on gross premiums written in 2002. The Allianz Group was the largest provider of property-casualty insurance in Germany, with an estimated market share of 18.3%, as measured by gross premiums written in 2002. Germany is the Allianz Group's most important single market for property-casualty insurance. As a percentage of the Group's total property-casualty gross premiums written worldwide, Germany accounted for 26.7% in 2002, 28.9% in 2001, and 30.1% in 2000. This decrease in percentage primarily reflects the increased levels of gross premiums written from the Group's operations in countries other than Germany.

The Allianz Group conducts its property-casualty insurance operations in Germany primarily through the Sachversicherungsgruppe Deutschland (the "German Property-Casualty Group"), which handles most of the Allianz Group's lines of property-casualty insurance in Germany, other than credit insurance and marine and aviation insurance. Allianz AG, the parent company of the Group, acts as the reinsurer for most of the Group's German property-casualty operations and for other Group companies, other than credit and industrial reinsurance. In addition, Allianz AG underwrites a relatively small amount of reinsurance with customers outside of the Allianz Group. The Group's industrial reinsurance needs are largely handled by Allianz Global Risks. See "-- Specialty Lines -- Allianz Global Risks Ruckversicherungs-AG."

German Property-Casualty Group

The German Property-Casualty Group comprises a number of different operating entities, some of which offer a full range of property-casualty lines and others of which provide specialized coverages:

- Allianz Versicherungs-AG ("Allianz Versicherung"), which is the German Property-Casualty Group's primary full-line property-casualty insurer;
- Frankfurter Versicherungs-AG, a full-line property-casualty insurer based in Frankfurt;
- Bayerische Versicherungsbank AG, a full-line property-casualty insurer based in Munich;
- Kraft Versicherungs-AG, a specialist provider of predominantly automobile insurance; and
- Vereinte Spezial Versicherung AG, primarily a specialist provider of automobile insurance.

The Allianz Group's interests in some of these subsidiaries were substantially restructured pursuant to the Group's letter of intent with Munich Re. See "Related Party Transactions." In addition, effective January 1, 2002, the Allianz Group transferred its marine, aviation and industrial transport insurance business in Germany to the Group's marine and aviation specialty line (see "-- Specialty Lines -- Marine & Aviation"). In November 2002, the Allianz Group merged its former property-casualty subsidiaries Vereinte Versicherung AG and Vereinte Rechtsschutzversicherung-AG into Allianz Versicherung, with

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retroactive effect to January 1, 2002. In 2003, the Allianz Group intends to merge Kraft Versicherungs-AG into Vereinte Spezial Versicherung AG, with retroactive effect to January 1, 2003.

Products

The operating companies that make up the German Property-Casualty Group together offer a comprehensive range of property-casualty insurance products and related services to customers primarily in Germany. The German Property-Casualty Group's principal product lines are automobile liability and other automobile insurance, fire and property insurance, personal accident insurance, liability insurance and legal expense insurance.

The German Property-Casualty Group's policy terms and conditions largely conform to those offered by other insurers in the German market. While the German Property-Casualty Group does seek to develop new policy types, given its position as the market leader in the German property-casualty insurance market, any competitive advantage gained by the introduction of new policy types tends to be short-lived, as competitors introduce equivalent forms of coverage.

In all of the German business lines of the Allianz Group, policy persistency is an important factor in the Group's profitability. Accordingly, the Allianz Group seeks to ensure that its policyholders maintain their policies in force with the Group for long periods of time. Based on German industry statistics, the Group believes that its persistency rates are generally higher than those of most other German companies. In the property-casualty area, the Allianz Group has found that customers with multiple policies with the Group generally keep their policies in force for longer periods of time. Accordingly, the German Property-Casualty Group provides its customers with substantial discounts to the extent they hold multiple Allianz insurance policies. The Allianz Group estimates that currently more than 50% of the German Property-Casualty Group's German personal lines customers have more than one Allianz policy in force.

While the Group's insurance operations in Germany generally operate on a decentralized basis through separate operating entities, many of the Group's products in Germany are distributed through common or overlapping distribution systems. The importance of these distribution channels varies by type of business. For the German Property-Casualty Group's personal and commercial lines, the network of full-time tied agents is the Group's most important distribution channel. For industrial lines, the brokerage channel predominates. In connection with the Allianz Group's acquisition of Dresdner Bank in 2001, the Group has placed approximately 960 insurance specialists to sell both life insurance products and property-casualty insurance products at Dresdner Bank branches throughout Germany at December 31, 2002. The relative importance of each of these distribution channels also varies by region and by product mix.

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The following sets forth certain key data concerning the Allianz Group's German insurance distribution systems as they related to property-casualty insurance at and for the year ended December 31, 2002:

	NUMBER (1)	% OF 2002 PROPERTY-CASUALTY PREMIUMS
	-----	-----
Full-time tied agents.....	11,656	65.5

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Part-time tied agents.....	43,076	6.5
Brokers.....	7,601	14.1
Banks.....	2,224 (2)	3.1
Other (3).....	--	10.8
	-----	-----
Total.....	--	100.0
	=====	=====

- (1) Represents the total number in Germany for all Allianz Group segments.
- (2) Represents the number of German branches at Dresdner Bank (811), and at unaffiliated banks, comprising Volks- und Raiffeisenbanken (1,406) and Industrie Kredit-Bank (7), with which the Allianz Group has distribution agreements covering the Group's property-casualty and life/health insurance products.
- (3) Includes all Allianz Group employees in Germany, who are able to sell Allianz policies.

In its German property-casualty insurance business, the Allianz Group distributes its products primarily through a network of self-employed, full-time tied agents. The Group believes that its network of tied agents is the largest full-time insurance sales force in Europe. These agents, who have an average of more than ten years' experience selling Allianz products, receive a full range of support from the Allianz Group, from initial support in establishing an office and a portfolio to pension benefits based upon the volume and product mix of their portfolios. Apart from pension provisions, agent compensation is based primarily on volume, although the Allianz Group also utilizes a number of incentive schemes to encourage sales of strategically more important policy types. The Group's full-time tied agents follow centralized underwriting and pricing guidelines, allowing the Group to carefully segment and monitor its German book of business.

Allianz AG

Allianz AG, the parent company of the Group, acts as the reinsurer for the Group's German property-casualty operations and for other Group companies, other than credit insurance and international industrial reinsurance. In addition, Allianz AG assumes a relatively small amount of reinsurance from non-Group companies. Each subsidiary is able to place reinsurance directly with reinsurers other than Allianz AG, but Allianz AG has a preferred partnership with respect to reinsurance cessions of its subsidiaries based on ordinary market terms and conditions. For the years ended December 31, 2002, 2001 and 2000, Allianz AG assumed 39.4%, 41.5% and 41.8%, respectively, of all reinsurance ceded by Group companies.

While the Allianz Group remains liable as a primary insurer notwithstanding the ceding of reinsurance to third parties, the Group's evaluation criteria, which include the claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Group believes any risks of collectibility to which the Group is exposed are not significant, and historically Group companies have not experienced difficulty in collecting from their reinsurers. Munich Re is the Allianz Group's primary outside reinsurer. For the fiscal years ended December 31, 2002, 2001 and 2000, Munich Re Group assumed E2,300 million, E2,400 million and E2,300 million in reinsurance premiums from the Allianz Group, representing 31.3%, 30.6% and 30.2%, respectively, of the Allianz Group's total reinsurance premiums ceded.

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The following table sets forth premiums ceded by Allianz Group to Munich Re Group and other reinsurers for the years indicated:

	YEAR ENDED DECEMBER 31,					
	2002		2001		2000	
	E	%	E	%	E	
	(E IN MILLION)					
Premiums ceded.....	2,300	31.3	2,400	30.6	2,300	
Other.....	5,057	68.7	5,438	69.4	5,327	
	-----	-----	-----	-----	-----	
Total.....	7,357	100.0	7,838	100.0	7,627	
	=====	=====	=====	=====	=====	

Allianz AG acts as the primary reinsurer of the Allianz Group's German property-casualty subsidiaries, other than the Group's credit insurance subsidiary, EULER & HERMES, and the Group's industrial reinsurance unit, Allianz Global Risks, for which Munich Re is the primary reinsurer. The Allianz Group bundled all of its reinsurance activities for its industrial lines in Allianz Global Risks effective January 1, 2002. See "-- Specialty Lines -- Allianz Global Risks." In the life/health area, Allianz AG and Munich Re each assume 50% of the reinsurance ceded by Allianz Lebensversicherungs-AG, the main operating company for the Group's German life insurance operations. Outside of Germany, Allianz AG acts as a reinsurer of Group subsidiaries, with a preferred partnership on all business ceded, and provides centralized advice to subsidiaries on structuring their own reinsurance programs, establishing lists of permitted reinsurers, and monitoring aggregate exposures to catastrophes and other events.

The following table sets forth the reinsurance assumed by Allianz AG by gross premiums written for the years shown:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
From German Property-Casualty Group subsidiaries.....	3,028	3,024	3,176
From German life/health subsidiaries.....	638	539	567
From EULER & HERMES(1).....	155	107	107
From other subsidiaries.....	1,190	1,170	907
	-----	-----	-----
Subtotal.....	5,011	4,840	4,757
From non-Group companies.....	589	847	830
	-----	-----	-----
Total.....	5,600	5,687	5,587
	=====	=====	=====

 (1) Reflects the consolidation of the Allianz Group's former French subsidiary,

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EULER, and the Group's former German subsidiary, HERMES, into a new corporate entity EULER & HERMES in July 2002.

Allianz AG writes a limited amount of third-party reinsurance, with premiums totaling E589 million in 2002, E847 million in 2001 and E830 million in 2000. Other than Munich Re Group, which represented E240 million, E511 million and E606 million, or 40.7%, 60.3% and 73.0%, of Allianz AG's third-party assumed reinsurance in 2002, 2001 and 2000, respectively, no single third party accounted for any significant amount of reinsurance assumed in such years. See "Related Party Transactions."

The following table shows key financial data for the Allianz Group's German property-casualty operations. Gross premiums written by operating company are presented before consolidation adjustments representing the elimination of transactions between Group companies in different countries and different segments. Net income by operating company is presented before those consolidation adjustments, amortization of goodwill and minority interests.

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GERMANY -- PROPERTY-CASUALTY: KEY DATA

	YEAR ENDED DECEMBER 31,				
	2002		2001		2000
	GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN
	(E IN MILLION)				
German Property-Casualty Group.....	9,782	1,883	10,075	1,660	9,576
Allianz AG.....	5,600	9,513(1)	5,687	2,516	5,587
Consolidation items.....	(3,068)	(2,161)	(3,118)	(403)	(3,215)
 Total.....	 12,314	 9,235	 12,644	 3,773	 11,948
	=====	=====	=====	=====	=====

(1) Includes significant investment related results. See "-- Property-Casualty Insurance Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Net Income."

Rest of Europe

The Rest of Europe is, in the aggregate, the Allianz Group's largest market for property-casualty insurance. As a percentage of the Group's total property-casualty gross premiums written worldwide, the Rest of Europe accounted for 44.4% in 2002, 44.8% in 2001 and 43.6% 2000.

The Allianz Group conducts its property-casualty insurance operations in the Rest of Europe through five main groups of operating companies in France, Italy, the United Kingdom, Switzerland and Spain. In the remainder of the Rest of Europe, the Allianz Group operates through approximately 35 Allianz subsidiaries in more than 17 other European countries. The property-casualty insurance products the Allianz Group offers in the Rest of Europe are in each

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case generally similar to those the Group offers in Germany.

France. The Allianz Group conducts its property-casualty insurance operations in France through the AGF Group. The AGF Group is the third-largest property-casualty insurance provider in France, with an estimated market share of 11.4%, as measured by gross premiums written in 2002. The primary property-casualty insurance products that the Allianz Group offers in France are automobile, personal property, commercial, fire and injury insurance. As of December 31, 2002, the Allianz Group held 58.9% of the share capital of AGF (or 64.2% after deduction of own shares held by AGF), with the remainder being publicly traded in France. The Allianz Group distributes its property-casualty products and services in France primarily through a network of general agents and brokers. The Group also utilizes a specialized employee sales staff and bancassurance and other direct sales channels.

Italy. The Allianz Group conducts its property-casualty insurance operations in Italy primarily through the RAS Group and Lloyd Adriatico, which the Allianz Group refers to together with its other Italian subsidiaries as its "Italian Subsidiaries." Taken together, the Italian Subsidiaries are the third-largest property-casualty insurer in the Italian market, with an estimated combined market share of 15.2%, as measured by gross premiums written in 2002. Lloyd Adriatico operates in all property-casualty lines, having developed a particular expertise in automobile insurance, while RAS Group underwrites primarily automobile insurance together with various other types of property-casualty insurance for both personal and commercial business throughout Italy. As of December 31, 2002, the Allianz Group held 51.7% of the voting rights of RAS Group, with the remainder being publicly traded in Italy, and 99.7% of the share capital of Lloyd Adriatico. As a result of a share buyback and other excess capital reduction measures at RAS Group that were completed in February 2003, the Group's holding in the voting rights of RAS Group was increased to 55.5% as of February 17, 2003. The Italian Subsidiaries distribute the Group's property-casualty products and services primarily through an extensive network of general agents, brokers and through Internet and telephone-based direct sales channels.

United Kingdom. The Allianz Group was the sixth-largest provider of property-casualty insurance in the United Kingdom, with an estimated market share of 4.7%, as measured by gross premiums written in 2002. The Group operates its property-casualty insurance business in the United Kingdom primarily through its wholly owned subsidiary Allianz Cornhill Insurance plc ("Allianz Cornhill"), formerly known as Cornhill Insurance Public Limited Company. The primary

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property-casualty insurance products that Allianz Cornhill offers in the United Kingdom are generally similar to those offered by the German Property-Casualty Group in Germany. In addition, the Allianz Group sells a number of specialty products in the United Kingdom, including extended warranty and pet insurance. The Group distributes its property-casualty products and services in the United Kingdom through a range of distribution channels, including brokers, and various product specific distribution channels, including affinity groups and targeted direct marketing.

Switzerland. The Allianz Group was the third-largest provider of property-casualty insurance in Switzerland, with an estimated market share of 8.3%, as measured by gross premiums written in 2002, not including travel insurance. The Group conducts its property-casualty insurance operations in Switzerland primarily through the Allianz Suisse Versicherungsgesellschaft, comprising the former ELVIA Versicherungs-AG group of companies, the Berner Versicherungs-Group and Allianz Versicherung (Schweiz) AG, which were merged into Allianz Suisse Versicherungsgesellschaft. Together with AGF Phenix, the

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Allianz Group refers to these companies as its "Swiss Subsidiaries." The Swiss Subsidiaries handle the Group's lines of property-casualty insurance in Switzerland other than travel insurance. In addition, the Group's wholly owned subsidiary Allianz Risk Transfer ("ART") sells conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide. The Group's travel insurance subsidiary Mondial Assistance Group operates and is managed on a global basis and is discussed separately (see "-- Specialty Lines"). The Swiss Subsidiaries and ART distribute the Group's products and services through a wide range of tied and general agents, and also through brokers, bancassurance and other direct channels.

Spain. The Allianz Group was the second-largest provider of property-casualty insurance in Spain, with an estimated market share of 6.8%, as measured by gross premiums written in 2002. The Group served the Spanish property-casualty insurance market through Allianz Compania de Seguros ("Allianz Spain") and the two former AGF companies Union y Fenix and Athena Seguros. Allianz Spain has headquarters in Madrid and Barcelona, with regional offices throughout the country. Allianz Spain offers a wide variety of traditional personal and commercial property-casualty insurance products, with an emphasis on automobile insurance. Allianz Spain distributes its products through agents, brokers and direct distribution channels.

Netherlands. The Allianz Group's most important subsidiaries in the Netherlands are Royal Nederland Verzekeringsgroep and Zwolsche Algemeene Holding. The Group's most important products are automobile and fire insurance. The Netherlands subsidiaries distribute their products through independent agents and brokers.

Austria. Allianz Elementar offers a broad range of property-casualty and health insurance products to individual and group customers in Austria. The Allianz Group distributes the Group's property-casualty products in Austria primarily through employee agents, tied agents and brokers.

Ireland. The Allianz Group's subsidiary Allianz Irish Life Holdings offers a wide variety of traditional property-casualty insurance products, including mainly automobile and commercial/ industrial lines. Allianz Irish Life Holdings distributes its products primarily through brokers and to a lesser extent through agents and banks.

Belgium. The Allianz Group conducts its property-casualty insurance business in Belgium primarily through AGF Belgium Insurance and Cobac. The Group's primary emphasis is on industrial insurance, in which the Allianz Group is among the market leaders. The Allianz Group also has a significant position in the market in automobile insurance. The Group distributes its property-casualty products in Belgium mainly through brokers.

Other. In addition, the Allianz Group has property-casualty insurance operations in Hungary, Portugal, Luxembourg, Greece, the Czech Republic, Poland, Croatia and Bulgaria. The Allianz Group is also represented in the Slovak Republic, Romania and Russia, and is among the top five insurers in many of these markets. The primary products sold in these countries are mandatory third-party liability coverages and related additional coverage. The Allianz Group expects further increases in property-casualty gross premiums written as the Group works to build up its sales organization and exploit other synergies in its insurance operations in the rest of Europe.

NAFTA

The Allianz Group's property-casualty insurance markets in the NAFTA zone

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are the United States, Canada and Mexico. As a percentage of the Group's total property-casualty gross premiums written worldwide, the NAFTA zone accounted for 13.0%, 15.6% and 15.9% in 2002, 2001 and 2000, respectively.

United States. The Allianz Group's property-casualty operations in the United States are organized under the umbrellas of Allianz Insurance Co. and Allianz of America, Inc. (or Allianz of America). The Allianz Group has been present in the United States since 1977, when the Group established Allianz Insurance Co., a leading provider of commercial insurance to major corporate customers, as one of its first U.S. subsidiaries. In 1991, the Allianz Group acquired Fireman's Fund Insurance Company, a leading personal and commercial lines property-casualty insurance company founded in 1864. Allianz of America comprises a group of companies writing a wide variety of property-casualty lines of business. The Group's operations in the United States accounted for 88.7% of its gross written property-casualty insurance premiums in the NAFTA zone in 2002.

Other. The Allianz Group also conducts property-casualty operations in Canada and Mexico. The Group's property-casualty products are generally similar to those the Group offers and sells in the United States.

Rest of World

The primary property-casualty insurance markets in which the Allianz Group operates in the Rest of World are Asia-Pacific and South America. As a percentage of the Group's total property-casualty gross premiums written worldwide, Rest of World accounted for 5.2%, 5.5% and 4.8% in 2002, 2001 and 2000, respectively.

Asia-Pacific

Australia. Through Allianz Australia Group, the Allianz Group serves the markets of Australia, New Zealand and Papua New Guinea. Allianz Australia Group's insurance operations comprise exclusively property-casualty insurance products and services. The Allianz Group is the second-largest workers' compensation insurer in Australia, based on gross premiums written in 2002, and a leading provider of rehabilitation and occupational health, safety and environment services. The Group also operates in certain niche areas including premium financing and pleasure craft insurance. The Group markets its products through brokers, which are the major distribution channels for commercial business in Australia, as well as non-tied agents (including automobile dealers, accountants and banks) and directly to the customer. Allianz Australia Group had gross premiums written of E1,163 million in 2002.

Other. The Allianz Group also markets property-casualty insurance products and services through its subsidiaries in Taiwan, Malaysia, Japan, Hong Kong, Indonesia, Laos, Singapore, Vietnam, Korea and China, and through signed joint venture agreements with Bajaj Auto, a large manufacturing company in India and the CP Group, a large conglomerate in Thailand.

South America

Brazil. The Allianz Group conducts its property-casualty operations in Brazil through its subsidiary AGF Seguros. With gross premiums written of E336 million in 2002, AGF Seguros is the Group's largest property-casualty operation in South America and the sixth-largest property-casualty insurance provider in Brazil. The company writes primarily automobile insurance, together with fire, transportation and other lines. Distribution is primarily through brokers.

Other. In addition to the markets described above, the Allianz Group sells property-casualty products in Colombia, Argentina, Chile and Venezuela.

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SPECIALTY LINES

In addition to the Allianz Group's multi-local approach to its global insurance business, under which the Group's non-German insurance businesses are locally managed the Allianz Group manages its specialty lines of credit/trade insurance, marine, aviation and industrial

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transport insurance, industrial reinsurance and travel/assistance insurance on a worldwide basis. Through its subsidiary EULER & HERMES, the Allianz Group is the largest credit insurer in the world, and in travel/assistance insurance, the Group is also one of the world's largest insurers.

Credit Insurance

In July 2002, the Allianz Group consolidated its French subsidiary, EULER, and its German subsidiary, HERMES, into a new corporate entity, EULER & HERMES. The consolidation of EULER and HERMES, which complemented each other in terms of product mix and geographical penetration, further strengthened its presence in the marketplace. Through EULER & HERMES, the Allianz Group is the largest credit insurer in the world, with an estimated world market share of 37.0%, based on gross premiums written in 2002. The Group's credit operations generated gross premiums written of E1,579 million in 2002, E1,589 million in 2001 and E1,611 million in 2000.

EULER & HERMES is the global leader in credit insurance in terms of gross premiums written and one of the European market leaders in factoring. EULER & HERMES's credit insurance operations are rated AA- by Standard & Poor's.

EULER & HERMES is the leading credit insurer in Germany, with an estimated domestic market share of approximately 42% at December 31, 2002, based on gross premiums written. EULER & HERMES cedes a large portion of its gross premiums written to reinsurers. The percentage of gross premiums written ceded in reinsurance was 45.0% in 2002, 42.7% in 2001 and 42.0% in 2000, of which 9.8%, 6.7% and 6.6%, respectively, was ceded to Allianz AG.

EULER & HERMES provides customers around the world with a wide range of credit insurance and related products and services, including commercial credit insurance and reinsurance, factoring services, guarantee insurance, fidelity insurance and consumer credit insurance, and manages and derives fee income from, the German federal government's export credit guarantee program.

Marine & Aviation

Effective January 1, 2002, the Allianz Group reorganized its marine, aviation and industrial transport insurance business in Germany, France and the United Kingdom under Allianz Marine & Aviation, a new specialty line. The Group's marine, aviation and industrial transport insurance activities in these countries, which the Allianz Group had previously included in the property-casualty insurance results of its respective subsidiaries, were integrated into Allianz Marine & Aviation as a single European marine, aviation and industrial transport unit. Allianz Globus MAT Versicherungs-AG, the Group's former German specialty insurer for marine, aviation and industrial transport insurance, was renamed Allianz Marine & Aviation Versicherungs-AG, and AGF MAT, the Group's French specialty unit for marine, aviation and transport insurance, was renamed Allianz Marine & Aviation (France). Allianz Marine & Aviation generated gross premiums written of E1,424 million in 2002.

Allianz Global Risks Ruckversicherungs-AG

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The Allianz Group launched Allianz Global Risks on January 1, 2002 to establish the Group's international industrial risks reinsurance business as a globally managed segment. While the Group's operating subsidiaries around the world continue to conduct the Group's direct industrial insurance business, Allianz Global Risks acts as the Group's industrial reinsurance clearing house, assuming industrial insurance from Group companies and centralizing the placement of outgoing reinsurance with third-party carriers, primarily Munich Re, in the reinsurance market. Allianz Global Risks generated gross premiums written of E1,136 million in 2002, of which approximately E138 million, or 12.1%, was ceded in reinsurance to Munich Re.

Through Allianz Global Risks, the Allianz Group aims to increase the efficiency and transparency of its international industrial reinsurance activities through economies of scale and a consistent reinsurance structure, including a selective underwriting policy, appropriate rates and coverage limits, tight risk management and centralized policies and standards throughout the Group. The Allianz Group has also introduced new products tailored for specific risks, such as the Group's specialized directors and officers policy in the U.S. market, specialized liability products

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for the pharmaceutical and chemical industries, and policies covering Internet risks. Through these and other measures, the Group intends to reestablish its international industrial risks reinsurance business as a profitable market leader.

Travel and Assistance Insurance

The Allianz Group is one of the world's largest providers of travel and assistance insurance. Its travel and assistance insurance operations generated gross premiums written of E808 million in 2002, E732 million in 2001 and E656 million in 2000. The Allianz Group believes that internal growth and recent acquisitions in its travel and assistance business will enable the Group to strengthen its leading market position and achieve enhanced efficiencies in this dynamic market. With a view toward establishing long-term partnerships, the Group's travel and assistance business provides business-to-business services to clients in the travel, insurance, automobile and banking industries. The Allianz Group provides travel and assistance insurance primarily through the Mondial Assistance Group, which is owned equally by the Group's subsidiaries AGF and RAS.

LIFE/HEALTH INSURANCE OPERATIONS

The following table sets forth certain financial information for the Allianz Group's life/health insurance operations for the years indicated:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
Gross premiums written(1).....	20,663	20,145	20,239
Premiums earned (net) (2).....	18,675	18,317	18,378
Interest and similar income.....	11,215	10,765	10,152
Income from affiliated enterprises, joint ventures and associated enterprises.....	445	525	693

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Other income from investments.....	4,932	3,562	6,667
Trading income.....	244	(117)	(49)
Fee and commission income, and income from service activities.....	200	268	271
Other income.....	863	866	1,139
	-----	-----	-----
Total income.....	36,574	34,186	37,251
	-----	-----	-----
Insurance benefits (net).....	(21,284)	(21,979)	(26,354)
Interest and similar expenses.....	(434)	(492)	(148)
Other expenses for investments.....	(8,656)	(5,537)	(3,004)
Loan loss allowance.....	(10)	(4)	--
Acquisition costs and administrative expenses.....	(4,263)	(4,259)	(3,927)
Amortization of goodwill.....	(174)	(146)	(137)
Other expenses.....	(1,844)	(1,357)	(2,055)
	-----	-----	-----
Total expenses.....	(36,665)	(33,774)	(35,625)
	-----	-----	-----
Earnings from ordinary activities before taxation.....	(91)	412	1,626
Taxes.....	(67)	(99)	(343)
Minority interests in earnings.....	177	(84)	(658)
	-----	-----	-----
Net income.....	19	229	625
	-----	-----	-----
Special income effects.....	--	--	16
	-----	-----	-----
Adjusted net income.....	19	229	641
	=====	=====	=====

(1) Under IFRS reporting standards, gross written premiums include only the cost- and risk-related components of premiums generated from unit-linked and other investment-oriented products, but do not include the full amount of statutory premiums written on these products. Statutory premiums are total revenues from sales of life insurance policies, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction. On a statutory premium basis, total premiums written were E40,066 million, E33,687 million and E31,025 million in 2002, 2001 and 2000, respectively.

(2) Net of reinsurance ceded of E1,207 million, E1,169 million and E1,139 million in 2002, 2001 and 2000, respectively.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Gross Premiums Written. Gross premiums written of the Allianz Group's life/health operations in 2002 increased by E518 million, or 2.6%, to E20,663 million in 2002 from E20,145 million in 2001. Disregarding the effects of exchange rate movements and changes in the scope of consolidation, which reduced 2002 life/health gross premiums written by E32 million, gross premiums written would have increased by E550 million, or 2.7%. On a statutory premium basis, gross premiums written increased by E6,379 million, or 18.9%, to E40,066 million in 2002 from E33,687 million in 2001, due to significant increases in sales of investment-oriented products, reflecting the general trend towards investment-oriented insurance products in particular in the United States and Italy. Gross premiums written for investment-oriented insurance products increased by E5,861 million, or 43.3%, to E19,403 million.

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Premiums Earned (Net). On a Group-wide basis, life/health net premiums earned in 2002 and 2001 reflected premiums ceded to reinsurers of E1,207 million and E1,169 million, respectively, resulting in overall retention levels of approximately 93.9% in 2002 and 94.0% in 2001. Net premiums increased by E358 million, or 2.0%, to E18,675 million in 2002 from E18,317 million in 2001, generally consistent with the increase in gross premiums written in this period.

Insurance Benefits (Net). Net insurance benefits for the Allianz Group's worldwide life/health business consist of benefits paid, changes in aggregate policy reserves, and expenses of premium refunds to policyholders. Net life/health insurance benefits decreased by E695 million, or 3.2%, to E21,284 million in 2002 from E21,979 million in 2001, primarily as a result of reduced income from investments in 2002 resulting from weakness in the capital markets. The reduction in income from investments in turn resulted in reduced policyholder participation benefits, which are included in benefits paid and changes in aggregate policy reserves, due to the participatory nature of the Group's life insurance business. See, for example, "-- Germany -- Life Insurance."

Acquisition Costs and Administrative Expenses. Acquisition costs and administrative expenses which consist primarily of payments and changes in deferred acquisition costs, administrative expenses, and net underwriting costs, remained relatively constant at E4,263 million in 2002, compared with E4,259 million in 2001.

Net Income. Net income from life/health insurance decreased by E210 million, or 91.7%, to E19 million in 2002 from E229 million in 2001, primarily as a result of reduced income from investments, particularly in the Group's operations in Germany, France and Switzerland. See "-- Asset Management Operations -- Group's Own Investments -- Investment Income" for a discussion of investment results for life/health insurance investments.

Amortization of goodwill in the Group's life/health lines increased to E174 million in 2002 from E146 million in 2001, while minority interests in earnings were a credit of E177 million in 2002, compared to a debit of E84 million in 2001, primarily as a result of the increase in the Group's shareholding in Allianz Leben and decreased earnings. See "Related Party Transactions -- Transactions with Munich Re."

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Gross Premiums Written. Gross premiums written of the Allianz Group's life/health operations in 2001 decreased by E94 million, to E20,145 million in 2001 from E20,239 million in 2000. Disregarding the effects of exchange rate movements, which reduced 2001 life/health gross premiums written by E85 million, gross premiums written would have decreased by E9 million. A large portion of the decrease is explained by the sale of a large group policy in France in 2000, which increased gross premiums written in that year by approximately E800 million. Excluding the impact of this sale, together with the impact of foreign exchange movements, gross premiums written would have increased by E791 million, or 3.9%, in 2001, due to increases in Rest of Europe and Rest of World. On a statutory premium basis, gross premiums written increased by E2,662 million, or 8.6%, to E33,687 million in 2001 from E31,025 million in 2000, reflecting the general trend towards investment-oriented insurance products in Rest of Europe and the United States. Gross premiums written for investment-oriented insurance products increased by E2,756 million, or 25.6%, to E13,542 million.

Premiums Earned (Net). On a Group-wide basis, life/health net premiums earned in 2001 and 2000 reflected premiums ceded to reinsurers of E1,169 million and E1,139 million, respec-

tively, resulting in overall retention levels of approximately 94.0% in 2001 and 94.2% in 2000. Net premiums decreased slightly by E61 million to E18,317 million in 2001 from E18,378 million in 2000, generally consistent with the slight decrease in gross premiums written in this period.

Insurance Benefits (Net). Net life/health insurance benefits decreased by E4,375 million, or 16.6%, to E21,979 million in 2001 from E26,354 million in 2000, primarily as a result of reduced income from investments in 2001. The reduction in income from investments in turn resulted in reduced policyholder participation benefits, which are included in benefits paid and changes in aggregate policy reserves.

Acquisition Costs and Administrative Expenses. Acquisition costs and administrative expenses increased by E332 million, or 8.5%, to E4,259 million in 2001 from E3,927 million in 2000, due primarily to increased underwriting costs resulting from the continued expansion of the Group's investment-oriented products. Under IFRS, these costs are expensed as incurred, even though significantly less than the amount of statutory premium is recognized as revenue.

Net Income. Net income from life/health insurance decreased by E396 million, or 63.4%, to E229 million in 2001 from E625 million in 2000, primarily as a result of reduced income from investments, particularly in Germany and Rest of Europe. See "-- Asset Management Operations -- Group's Own Investments -- Investment Income" for a discussion of investment results for life/health insurance investments.

On a Group-wide basis, amortization of goodwill in the Group's life/health lines increased to E146 million in 2001 from E137 million in 2000, while minority interest decreased to E84 million in 2001 from E658 million in 2000. The decrease in minority interests resulted primarily from decreased earnings.

The consolidated results of the Group's life/health operations in 2000 included the effects of certain special adjustments to income taxes. There were no special adjustments to the Group's consolidated results of operations in 2001. Excluding the impact of these items in 2000, net income would have decreased by E412 million, or 64.3%, to E229 million in 2001 from E641 million in 2000.

LIFE/HEALTH OPERATIONS BY GEOGRAPHIC REGION

The following table sets forth the Allianz Group's gross life/health premiums written and net income by geographic region for the years indicated. Consistent with the Group's general practice, gross premiums written by geographic region are presented before consolidation adjustments representing the elimination of transactions between Group companies in different geographic regions and different segments, and net income by geographic region is presented after tax and before those consolidation adjustments, amortization of goodwill and minority interests.

YEAR ENDED DECEMBER 31,				
2002		2001		2000
GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN	NET INCOME	GROSS PREMIUMS WRITTEN

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			(E IN MILLION)		
Germany					
Life.....	9,369	80	8,969	65	9,094
Health.....	2,865	64	2,691	48	2,587
Consolidation adjustments.....	--	(7)	--	14	--
Total.....	12,234	137	11,660	127	11,681
Rest of Europe.....	5,181	(95)	5,486	381	5,751
Rest of World.....	3,251	(24)	3,010	(49)	2,818
Consolidation adjustments.....	(3)	(2)	(11)	--	(11)
Subtotal.....	20,663	16	20,145	459	20,239
Amortization of goodwill.....	--	(174)	--	(146)	--
Minority interests.....	--	177	--	(84)	--
Total.....	20,663	19	20,145	229	20,239

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A significant portion of the Group's life/health operations in Rest of Europe and Rest of World consists of sales of unit-linked products. Only the cost- and risk-related components of premiums generated from the sale of such products is included in gross premiums written under IFRS.

Germany

The Allianz Group was the largest provider of life insurance and the third-largest provider of health insurance in Germany, with estimated market shares of 14.8% and 12.4%, respectively, as measured by gross premiums written in 2002. Germany is by far the Allianz Group's most important market for life/health insurance. As a percentage of the Group's total life/health gross premiums written worldwide, Germany accounted for 59.2% in 2002, 57.8% in 2001, and 57.7% in 2000. On a statutory premium basis, Germany accounted for 31.4% of the Group's total life/ health gross premiums written in 2002.

The Allianz Group conducts its life/health insurance operations in Germany through:

- Allianz Lebensversicherungs-AG, the main operating company for the Group's German life insurance operations. In January 2002, pursuant to an agreement announced in 2001, the Allianz Group purchased an additional 40.5% of Allianz Leben's outstanding shares from Munich Re, thereby increasing the Group's shareholding in Allianz Leben to 91.0%, with the balance of the outstanding shares in Allianz Leben publicly traded in Germany. See "Related Party Transactions." At December 31, 2002, the Allianz Group owned 91.0% of Allianz Leben. In November 2002, the Allianz Group merged its former life insurance subsidiary Vereinte Lebensversicherung AG into Allianz Leben, with retroactive effect to January 1, 2002;
- Deutsche Lebensversicherungs-AG, a wholly owned subsidiary of Allianz Leben, which is the Group's vehicle for selling standardized, low-cost term insurance and unit-linked annuities in Germany; and
- Allianz Private Krankenversicherungs-AG ("Allianz Private Health"), the Group's health insurance subsidiary, formerly known as Vereinte Krankenversicherung AG, which was renamed in January 2003.

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The Allianz Group's life/health insurance operations in Germany employed 9,683 people at the end of 2002, 10,366 people at the end of 2001 and 9,995 people at the end of 2000.

Distribution

The Allianz Group's distribution channels for its life/health products in Germany are similar to those used for the Group's property-casualty products. Many of the Group's products in Germany are distributed through common or overlapping distribution systems. In its German life/health insurance businesses, the Allianz Group distributes its products primarily through a network of self-employed, full-time tied agents. For the Group's individual life, health and mutual fund products, the network of full-time tied agents is the Group's most important distribution channel. Brokers are also an important channel for the distribution of Allianz Leben's and Allianz Private Health's group life and health products. The bank distribution channel is utilized primarily in the Group's life insurance business. The Allianz Group distributes its life insurance products through Dresdner Bank, and under contractual arrangements with Volks- und Raiffeisenbanken, a network of cooperative banks in southern Germany, as well as through IKB, a German industrial credit bank. Since 2001, the Group has placed approximately 960 insurance specialists (as of December 31, 2002) to sell both life insurance products and property-casualty insurance products at Dresdner Bank branches throughout Germany.

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The following table sets forth certain key data concerning the Allianz Group's distribution systems as they relate to life and health insurance at and for the year ended December 31, 2002:

	% OF 2002		
	NUMBER (1)	LIFE PREMIUMS	HEALTH PREMIUM
Full-time tied agents.....	11,656	58.6	82.0
Part-time tied agents.....	43,076	5.5	7.2
Brokers.....	7,601	9.7	5.9
Banks.....	2,224 (2)	19.4	--
Other (3).....	--	6.8	4.9
Total.....	--	100.0	100.0
	=====	=====	=====

 (1) Represents the total number in Germany for all Allianz Group segments.

(2) Represents the number of German branches at Dresdner Bank (811), and at unaffiliated banks, comprising Volks- und Raiffeisenbanken (1,406) and Industrie Kredit-Bank (7), with which the Allianz Group has distribution agreements covering the Group's property-casualty and life/health insurance products.

(3) Includes all Allianz Group employees in Germany, who are able to sell Allianz policies.

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Life Insurance

Life insurance is the most popular form of savings for old age in Germany. With the demographic shift toward an aging German population, the Allianz Group sees increasing opportunities for its life insurance business as private sector products are used to supplement decreasing levels of state provisions. In addition, the demand for insurance against financial loss resulting from occupational disability has grown rapidly in Germany in recent years as the German statutory social insurance system has provided declining levels of support.

On January 1, 2002, a new law (the "Altersvermogensgesetz") took effect, providing incentives for private retirement plans and company pension funds beginning in 2002. The new law, which was enacted by the German legislature in May 2001, provides for direct state subsidies or, in certain circumstances, tax-free premium payments, and it requires that life-long benefit payments be guaranteed. The benefit payments will be subject to income tax. In July 2001, the Allianz Group started selling through Allianz Leben specially designed products that satisfy the legal requirements of the Altersvermogensgesetz, primarily that the sum of premium payments be fixed at the beginning of the benefit payment period. The Allianz Group established Allianz Pensionskasse AG, a wholly owned subsidiary of Allianz Leben, and Allianz Dresdner Pensionsfonds AG, a wholly owned subsidiary of Allianz AG, in 2002 in order to more aggressively sell a variety of pension products in accordance with the Altersvermogensgesetz. Although sales of Altersvermogensgesetz products have been slower than initially expected, Allianz Leben is the leader in this market, with an estimated market share of approximately 20% as of December 31, 2002.

In the life insurance area, the Group's policy surrender rates were 3.7% in 2002, 3.6% in 2001, and 3.6% in 2000, compared to German industry-wide surrender rates of 4.9%, 4.6%, and 4.5% (based on information provided by Gesamtverband der Deutschen Versicherungswirtschaft), respectively. The Allianz Group believes that this is in large part due to its widely recognized and well respected brand name, its position as a market leader in most German insurance lines, its reputation for superior customer service and its financial strength. The Group also pays close attention to promoting follow-on business, which involves persuading policyholders to reinvest funds. This typically takes the form of using the benefits paid out on an endowment policy as the single premium for an immediate annuity that ensures a guaranteed income for the rest of the policyholder's life, or investing in a fund managed by the Group's asset management subsidiary ADAM. See "-- Asset Management Operations." The proportion of funds paid by the Group's German life insurance operations that were reinvested in other Allianz products has increased significantly over the past three years.

Products

The Allianz Group's German life insurance companies offer a comprehensive and unified range of life insurance and life insurance-related products on both an individual and group basis.

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The main classes of coverage offered are: endowment life insurance, annuity policies, term life insurance, unit-linked annuities, and other life insurance-related forms of cover, which are provided as riders to other policies and on a stand-alone basis. Allianz Leben also assumes reinsurance of each of these individual and group life insurance products.

The Allianz Group's endowment life products for the German market include policies both with unchanging levels of premiums and guaranteed benefits and

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with premiums and guaranteed benefits that rise automatically in accordance with contributions to the German statutory pension system in Germany. Amounts payable at maturity of an endowment policy include a "guaranteed benefit," an amount established by reference to a legally mandated maximum guaranteed technical interest rate on actuarial reserves. This interest rate is currently 3.25% per year for policies issued on or after July 1, 2000, having declined from 4% per year. The future profit participation credited to policyholders is not guaranteed. The total amount payable at the maturity of a policy, which is calculated based on the total expected profit participation, is the principal basis of competition between life insurance providers in the German market. Under current German law, the policyholder must be credited with at least 90% of each year's statutory net investment result plus an appropriate share in other profit components. In the current competitive environment, however, the rate of profit participation exceeds this statutory minimum and is subject to periodic adjustment by insurers in light of competitive conditions prevailing from time to time. In conformity with prevailing market conditions, the Allianz Group currently credits 91% to 92% of each year's profits to policyholders.

Health Insurance

Allianz Private Health is the third-largest private health insurer in Germany, with approximately 2.3 million customers and an estimated market share of approximately 12.4% in 2002. Allianz Private Health has strong ties to the German medical profession and is the largest health insurer for this profession in Germany and is the market leader in providing group health insurance.

The German statutory healthcare system operates as a mandatory system for persons with incomes below a specified threshold (Versicherungspflichtgrenze) and allows persons with incomes above the threshold to voluntarily opt out of the statutory system and use the private healthcare system. Currently, the German healthcare system is dominated by the German statutory schemes, while private providers of health insurance, including Allianz Private Health, compete for the remainder.

In January 2003, this specified income threshold was raised by the German legislator in order to stabilize and maintain the statutory healthcare system. As a consequence, the number of individuals who are able to choose protection under the private healthcare system may decrease. While this measure may reduce new business for full private health coverage for salaried employees, it may also create new business opportunities for supplementary insurance for individuals insured under statutory health insurance plans. Further changes to the German healthcare system are currently being considered, in particular with a view to reducing costs. Enactment into law of any such changes may have an impact on private health insurance providers, as the amount of new business written under full private health coverage may further decrease.

Allianz Private Health provides a wide range of health insurance products, including full private healthcare coverage for the self-employed, salaried employees and civil servants; supplementary insurance for people insured under statutory health insurance plans; daily sickness allowance for the self-employed and salaried employees; hospital daily allowance; supplementary care insurance; and foreign travel medical expenses insurance.

Like endowment and other life insurance products, health insurance products include mandatory profit-sharing features, whereby Allianz Private Health, like any other German private health insurer, returns 80% of the statutory profit on its health business, after the payment of claims and claims costs, the establishment of reserves, payment of taxes and other expenses, to policyholders annually, generally in the form of premium subsidies or rebates. Since the beginning of 2000, Allianz Private Health has also been required by law to allocate to its policyholders 90% of interest surplus which is a component of statutory profits. As with the Group's endowment policies in Germany, the actual

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level of profit sharing the Group provides its policyholders

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is, for competitive reasons, in excess of the statutory minimum and has been between 85% and 90% of statutory profits in recent years.

Rest of Europe

The Rest of Europe is the Allianz Group's second-largest market for life/health insurance. As a percentage of the Group's total life/health gross premiums written worldwide, the Rest of Europe accounted for 25.1% in 2002, 27.2% in 2001 and 28.4% in 2000.

The Allianz Group conducts its life/health insurance operations in the Rest of Europe through four main groups of operating companies in France, Italy, Spain and Switzerland. The life products the Allianz Group writes in its various Rest of Europe markets are written on both an individual and group basis and include traditional term and annuity products, unit-linked products and endowment and pension products. The design and features of these products vary by country, depending on local tax laws, product regulation and market conditions, and are designed to pay death benefits, optimize inheritances, provide for retirement, pay annuities or build capital, or combinations of these.

France. The Allianz Group conducts its life/health insurance operations in France through the companies of the AGF Group. The AGF Group is the eighth-largest life insurance provider in France, with an estimated market share of 4.7%, based on gross premiums written in 2002. The AGF Group provides a broad line of life insurance and other financial products, including short-term investment and savings products. An important portion of AGF Group's life premiums is generated through the sale of unit-linked policies and investment-oriented products with guaranteed interest, for which only the cost- and risk-related components of premiums are reflected in gross premiums written under IFRS.

The AGF Group also operates in the French health insurance market through a separate business unit responsible for both group insurance and health insurance and offers a wide variety of health products, which are designed to pay benefits that complement those of the mandatory French Social Security plan. The results of the Group's health operations in France are included in part in the Group's property-casualty segment and in part in the Group's life segment.

Italy. The Allianz Group conducts its life/health insurance operations in Italy primarily through the Italian Subsidiaries. Taken together, the Italian Subsidiaries are the second-largest life insurer in the Italian market, with an estimated market share of 13.6%, based on gross premiums written in 2002. The Italian Subsidiaries' individual life policies are primarily endowment policies but also include annuities and other policies, including capitalization and other products. Consistent with trends in the Italian market generally, the Italian Subsidiaries' products include an increasing amount of unit-linked policies, where policyholders participate directly in the performance of policy-related investments, and a decreasing amount of endowment products. In 2002, sales of unit-linked and equity-linked products sold through banks reached 71.0% of the Group's total statutory life premiums in Italy, reflecting the importance of this distribution channel. The Italian Subsidiaries' unit-linked policies include products linked to funds managed by the Italian Subsidiaries, as well as by third-party investment managers, and index-linked products.

Spain. The Allianz Group is the fourteenth-largest life insurance provider in Spain, with an estimated market share of 2.0%, based on gross premiums

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written in 2002. The Group conducts its life/health operations in Spain primarily through Allianz Spain and through Eurovida and Europensiones, the Group's joint ventures with Banco Popular. The Group's Spanish life insurance subsidiaries sell mainly traditional life insurance and pensions and unit-linked products.

Switzerland. The Allianz Group conducts its life/health operations in Switzerland primarily through the Swiss Subsidiaries. Taken together, the Swiss Subsidiaries are the sixth-largest life insurance provider in Switzerland, with an estimated market share of 4.8%, based on gross premiums written in 2002. The Swiss Subsidiaries sell a wide range of individual and group life insurance products, including retirement and old age, death and disability products.

Other. The Allianz Group conducts significant life/health operations in the remainder of the Rest of Europe through approximately 18 Allianz subsidiaries in more than 13 other European countries. In Austria, the Allianz Group operates through its life insurance subsidiary Allianz

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Elementar Leben. The Group serves the Belgian life insurance market primarily through AGF Belgium Insurance and the Netherlands life insurance market primarily through Royal Nederland Verzekeringsgroep. The Group's largest life insurance subsidiaries in other countries in the Rest of Europe are located in Greece, Luxembourg, Portugal, Hungary and Poland. The Group's life insurance products in Other Rest of Europe are generally the same as the life products the Allianz Group offers in the German market. The Group's life insurance operations in Other Rest of Europe had gross premiums written of E1,260 million in 2002, E1,148 million in 2001, and E971 million in 2000.

Rest of World

As a percentage of the Allianz Group's total life/health gross premiums written worldwide, Rest of World accounted for 15.7% in 2002, 14.9% in 2001 and 13.9% in 2000. The Group's primary life/health markets in Rest of World are the United States and the Asia-Pacific region.

United States. The Allianz Group serves the United States life/health insurance market through Allianz Life, which is headquartered in Minneapolis, Minnesota. Allianz Life and its subsidiaries are licensed to write business in all 50 states, the District of Columbia and Guam. Allianz Life markets a wide variety of fixed and variable life insurance and annuity contracts, and long-term care insurance to individual and corporate customers. Allianz Life is a market leader in providing equity-indexed annuities to individuals and life and health reinsurance to individual and corporate customers. In 2002, the Group's total statutory premiums written from life/health insurance in the United States, which include sales of investment-oriented products, were E9,530 million, up significantly from E4,982 million in 2001.

Asia-Pacific. The primary life/health insurance markets in which the Allianz Group operates in the Asia-Pacific area are as follows:

South Korea. The Allianz Group's insurance operations in South Korea consist of two Group subsidiaries, Allianz Life Insurance Korea, formerly First Life, which the Group acquired in 1999, and France Life, a former subsidiary of AGF which joined the Allianz Group in 1998 following the Allianz Group's acquisition of AGF. The Allianz Group refers to these subsidiaries together as the South Korean Subsidiaries. The South Korean Subsidiaries market a wide variety of life insurance products including individual endowment insurance, education insurance, protection insurance, annuities, traditional whole life insurance policies, group life insurance protection and employee severance

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plans. Together, the South Korean Subsidiaries generated E1,894 million in annual statutory premiums in 2002.

Other Asia-Pacific. In addition to the primary markets described above, the Allianz Group conducts life insurance operations in Taiwan, China, Thailand, Indonesia, India and Malaysia. The Group also markets a range of health insurance products in Indonesia, Singapore and Pakistan.

Other. In addition to the United States and Asia-Pacific, the Allianz Group also sells life/ health products in South America, primarily Brazil, Chile and Colombia.

COMPETITION

There is substantial competition in Germany and the other countries in which the Allianz Group does business for the types of insurance products and services that it provides. This competition is most pronounced in the Group's more mature markets -- Germany, France, Italy and the United States. In recent years, however, competition in emerging markets has also increased as large insurance and other financial services participants from more developed countries have sought to establish themselves in markets perceived to offer higher growth potential, and as local institutions have become more sophisticated and have sought alliances, mergers or strategic relationships with competitors of the Allianz Group.

In Germany, which is the Allianz Group's largest market for insurance operations, there is intense competition for virtually all of the products and services that the Allianz Group provides. In addition, the German insurance sector is a mature market in which the Group already has significant market shares in most lines of business.

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BANKING OPERATIONS

Through its subsidiary Dresdner Bank, the Allianz Group offers a wide range of private, commercial and investment banking products and services for corporate, governmental and individual customers, primarily in the European market. Based on total assets at December 31, 2001 and information published by American Banker (July 12, 2002), Dresdner Bank was one of the largest banks in Germany, the thirteenth-largest bank in Europe and the twenty-first-largest bank in the world.

The Allianz Group established banking as its fourth core business segment alongside property-casualty insurance, life/health insurance and asset management following the Allianz Group's acquisition of Dresdner Bank in 2001. The Group has included Dresdner Bank in its consolidated financial statements since July 23, 2001, the date of the acquisition. Prior to 2001, the Allianz Group had included the results of its banking operations, together with those of its asset management business, in its financial services segment. The Group's banking segment, established in 2001, consists primarily of the banking operations of Dresdner Bank, as the other banking operations of the Allianz Group have not historically been significant. Total banking income increased from E1,722 million in 2000 to E12,841 million and E21,275 million in 2001 and 2002, respectively. For a discussion of the Group's asset management operations, including those of Dresdner Bank, which are not included in the Group's banking segment, see "-- Asset Management Operations." For the year ended December 31, 2002, the Group's banking segment recorded a loss of E1,358 million. This result included a realized gain of E1,912 million from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM (see "-- Asset Management Operations") and a realized gain of E244 million

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from the merger of the Group's mortgage banking subsidiary Deutsche Hyp into Eurohypo AG (see "-- Other -- Real Estate"), as well as E287 million of other net realized gains on investments (see "-- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001.").

The selected statistical information on the Allianz Group's banking operations set forth in "-- Selected Statistical Information Relating to the Group's Banking Operations" differs in significant respects from, and may not be comparable to, the financial information presented below. Although the Allianz Group has included Dresdner Bank in the Group's consolidated financial statements since July 23, 2001, the statistical information includes the banking operations of Dresdner Bank for all periods presented. The statistical information for all periods presented also includes the asset management operations of Dresdner Bank, which the Allianz Group does not include in its banking segment. In addition, the statistical information presents the assets and liabilities of Dresdner Bank without reflecting the adjustments that are necessary to apply purchase accounting, which the Allianz Group has applied in the financial information presented below. For additional information, see "-- Selected Statistical Information Relating to the Group's Banking Operations."

Dresdner Bank was founded in 1872 in Dresden, Germany, and grew by acquisition and branch expansion throughout Germany to become a leading German bank. In 1952, Dresdner Bank was split into three separate institutions, which were subsequently reunified to form Dresdner Bank Aktiengesellschaft, Frankfurt am Main, in 1957. In recent years, Dresdner Bank has made significant acquisitions in investment banking, including British merchant bank Kleinwort Benson Group plc in 1995 and U.S.-based investment bank Wasserstein Perella & Co. in January 2001, and asset management, including U.S. asset manager RCM Capital Management in 1995.

With approximately 1,100 branch offices and 47,000 employees at December 31, 2002, Dresdner Bank is focused on selected customer groups, geographic regions and business areas in which the bank traditionally holds a strong position. The Allianz Group's principal banking products and services include traditional commercial banking activities such as deposit taking, lending (including residential mortgage lending), cash management and transaction banking, as well as corporate finance advisory services, mergers and acquisitions advisory services, capital and money market services, securities underwriting and securities trading and derivatives business on the Group's own account and for the Group's customers.

The Allianz Group operates through the domestic and international branch network of Dresdner Bank and through various subsidiaries both in Germany and abroad, some of which also

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have branch networks. At December 31, 2002, the Group's branch banking network comprised approximately 1,000 German branches, giving the Group a presence throughout Germany, and 100 non-German branches. For 2002, Germany, the Rest of Europe and the NAFTA zone accounted for approximately 77%, 14% and 8%, respectively, of Dresdner Bank's net revenue from banking operations.

REORGANIZATION OF BUSINESS DIVISIONS

Dresdner Bank reorganized its business structure in the course of 2001 to focus on two major operating divisions, Private and Business Clients and Corporates & Markets. In 2001, in order to serve comparable customer needs out of a single integrated business division focused on corporate customers and the capital markets, the Allianz Group combined its investment banking activities

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and its European corporate banking and capital markets activities into its Corporates & Markets division. Effective January 1, 2002, the Allianz Group also integrated its small business operations, which the Group had previously included as part of its Corporates & Markets division, with the Group's Private Clients division to form a new Private and Business Clients division. The goal of this reorganization is to increase fee and commission income by creating cross-selling opportunities through joint provision of services to both small business and private client customers and by offering a wider range of commission-related services together with additional advisory expertise.

In addition, effective January 1, 2002, the Allianz Group merged the home loan savings businesses of the Allianz Group and Dresdner Bank, which provide home loans at favorable rates to customers with home loan savings accounts, into a new entity, Allianz Dresdner Bauspar AG, within the new Private and Business Clients division. In 2001, the Allianz Group included the home loan savings business of the Group other than Dresdner Bank in the Group's Private Clients division, while the home loan savings business of Dresdner Bank was reported with the Group's other real estate activities in the real estate business line of the Group's Other division.

On August 1, 2002, the Allianz Group also merged its mortgage banking subsidiary, Deutsche Hyp, which was a part of the Group's Other division, with the mortgage banking subsidiaries of Commerzbank and Deutsche Bank into a single entity, Eurohypo AG ("Eurohypo"). The assets and liabilities of the former Deutsche Hyp were accordingly deconsolidated as of August 1, 2002. In connection with the merger, Dresdner Bank provided a guarantee of up to E351 million for loan losses relating to the portfolio of Deutsche Hyp. The Allianz Group accounts for its remaining interest of approximately 28% of Eurohypo using the equity method. Following the merger, the real estate business line of the Group's banking segment was dissolved. See "-- Other -- Real Estate."

In September 2002, in conjunction with the restructuring measures described below, the Allianz Group announced that certain performing loans to non-strategic customers and non-performing loans as well as certain private equity investments held primarily by the Group's Corporates & Markets division and certain undrawn loan commitments would be bundled together in the new IRU within the Group's banking segment, effective in 2003. The aim of the IRU is to free up risk capital through the reduction of risk-weighted assets by restructuring non-performing loans to strategic customers with the intent of returning such loans to the business units from which they originated, while maximizing the recovery from remaining non-performing loans, as well as non-strategic customer loans, through repayment, sale, hedging, securitization and other means. Loans to be bundled together in the IRU are primarily performing loans to non-strategic clients, such as small-capitalization clients in Latin America, Asia and the United States, as well as, to a lesser extent, loans to corporate and private clients that are currently non-performing. The IRU is expected to initially include approximately E31 billion, consisting of approximately E22 billion of loans (including approximately E7 billion of non-performing loans and approximately E1 billion of potential problem loans) and approximately E1 billion of other non-strategic assets, including private equity investments, and approximately E8 billion of undrawn commitments.

In other initiatives, the Allianz Group combined the private equity operations of the Allianz Group and Dresdner Bank into Allianz Private Equity Holding in April 2002 and merged the Group's information technology companies AGIS and DREGIS effective January 1, 2003.

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In 2002, in order to increase operating efficiency and cut costs in the Group's banking segment, Dresdner Bank supplemented its existing restructuring programs introduced in 2000 and 2001 with new initiatives affecting major parts of its banking operations. For these combined initiatives, Dresdner Bank has announced plans to eliminate an aggregate of approximately 11,000 positions and to significantly improve the operating efficiency of Dresdner Bank by 2004. An aggregate of approximately 7,050 positions had been eliminated under these initiatives as of December 31, 2002. The Allianz Group believes that it has made significant progress in 2002 toward reaching these goals, and the Group intends to continue striving in 2003 toward the successful completion of its cost-cutting initiatives.

In order to align costs more closely with the two major operating divisions of the Group's banking segment, in 2002 the Allianz Group recorded restructuring charges associated with its cost-cutting and restructuring plans within the respective operating divisions of the Group's banking segment. Restructuring charges originally reflected in net income of the Group's Other division in 2001 have accordingly been reclassified to the Group's Private and Business Clients division and its Corporates & Markets division in order to facilitate comparison with the presentation of such charges in 2002.

For additional information on restructuring charges recorded in 2002, see "-- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Other Expenses."

The principal cost-cutting and restructuring measures implemented in 2002 were as follows:

- In September 2002, the Allianz Group announced further initiatives involving the elimination of an additional approximately 3,000 positions in the Group's banking segment, including approximately 2,100 positions in its Corporates & Markets division, 300 positions in its Private and Business Clients division and 600 positions in its Other division. The goal of the initiatives is to further reduce administrative expenses without reducing operating income. In connection with the elimination of the first 1,500 of these positions, the Allianz Group recorded restructuring charges of approximately E199 million in 2002. The Group expects to record an additional approximately E5 million in charges associated with the termination of a further 100 of these 3,000 positions in the first half of 2003. The Allianz Group expects to record the remaining charges under these plans when such charges qualify under IFRS. Approximately 650 employees had been terminated pursuant to these plans as of December 31, 2002.
- In April 2002, as part of its ongoing cost-cutting measures, the Allianz Group announced the elimination of an additional approximately 200 positions in its Corporates & Markets division. Costs associated with eliminating these positions of approximately E17 million were recorded within Acquisition costs and administrative expenses in 2002 without establishing restructuring provisions. All 200 of these positions had been eliminated as of December 31, 2002. See "-- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Acquisition Costs and Administrative Expenses."

Over the course of 2002, the Allianz Group also continued to implement the comprehensive restructuring plans introduced by Dresdner Bank in 2001 and 2000 to reduce administrative expenses:

- In September 2001, the Allianz Group announced plans involving an aggregate reduction of approximately 1,300 positions throughout its banking segment. In the course of 2001, only the Group's restructuring plans at its German subsidiaries were sufficiently detailed to qualify

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for restructuring charges to be recorded under IFRS. Pursuant to such qualifying plans, the Allianz Group recorded charges of E31 million in 2001 for the elimination of approximately 240 positions in branch and support functions at the Group's German subsidiaries. Pursuant to plans that qualified for restructuring charges in 2002, the Allianz Group recorded further charges of E73 million in connection with the elimination of approximately 1,000 positions. In addition, the Group expects to record charges for the elimination of the approximately 60 remaining positions in 2003 when such charges

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qualify under IFRS. Of the 1,300 positions to be eliminated under these plans, approximately 750 positions had been eliminated as of December 31, 2002.

- In 2001, in connection with the reorganization of its Corporates & Markets division discussed above (see "-- Reorganization of Business Divisions"), the Allianz Group recorded charges of approximately E118 million for the elimination of approximately 1,500 positions, primarily in front and back office support functions. Additional charges of approximately E6 million associated with the reorganization were recorded in 2002 to reflect a revised estimate of costs associated with leased property. For additional information on the restructuring charges recorded in 2001, see "-- Results of Operations -- Year Ended December 31, 2001 -- Other Expenses." Of the 1,500 positions to be reduced under this reorganization, all 1,500 had been eliminated as of December 31, 2002.
- In 2000, Dresdner Bank announced a restructuring plan calling for consolidation of its German branch network and related back-office activities in Germany, including closing approximately 300 of the Group's German branches, and the discontinuation of commercial lending activities outside of Europe that are not directly related to investment banking, by 2004. These measures included aggregate job cuts of approximately 5,000 employees. Restructuring charges for the plan were initially recorded by Dresdner Bank in 2000, with further charges of approximately E10 million recognized during 2002. Of the charges recorded in 2000, the Allianz Group recorded releases of E76 million in 2002 and E5 million in 2001. The releases recorded in 2002 reflected primarily a decision not to implement plans to relocate certain banking operations in New York and changes in estimates of costs associated with the consolidation of back-office functions in Germany. The releases recorded in 2001 were attributable to changes in estimates of employee termination costs in connection with the discontinuation of the Group's commercial lending activities outside Europe. As a result of this plan, the Group reduced the total number of German branch locations from approximately 1,350 at December 31, 1999 to approximately 1,000 at December 31, 2002. Of the aggregate 5,000 positions to be eliminated under this plan, approximately 3,950 positions had been eliminated as of December 31, 2002.

In February 2003, as part of the continued reorganization of its business structure to focus on its two operating divisions, the Allianz Group announced the closure of its wholly owned subsidiary Lombardkasse AG ("Lombardkasse"), a broker-dealer specializing in securities custody and clearing transactions. The closure was effective in February 2003 and involved the termination of approximately 80 employees. Charges of approximately E40 million were recorded within other expenses in 2002 in connection with the termination of certain service contracts associated with the closure. See "-- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31,

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2001 -- Other Expenses."

In addition, in February 2003, as part of its efforts to focus on the Allianz and Dresdner Bank brands, the Allianz Group announced plans to integrate the activities of its direct banking subsidiary Advance Bank and Financial Planner into the Allianz Group in 2003. The Group plans to incorporate the approximately 900 employees of Advance Bank and Financial Planner into the joint sales network of Allianz and Dresdner Bank. In connection with this initiative, the Allianz Group estimates that it may record total charges of approximately E70 million.

The Allianz Group had approximately 47,000 employees at December 31, 2002 in its banking segment, compared to approximately 52,300 employees (including part-time employees and employees on leave) at December 31, 2001.

COMPETITION

The Allianz Group is subject to intense competition in all aspects of its banking business from both bank and non-bank institutions that provide financial services and, in some of the Group's activities, from government agencies. Substantial competition exists among a large number of commercial banks, savings banks, other public sector banks, brokers and dealers, investment banking firms, insurance companies, investment advisors, mutual funds and hedge funds to provide the types of banking products and services that the Allianz Group offers in its banking operations. In its Private and Business Clients division, the Allianz Group's main competitors are Deutsche Bank, HypoVereinsbank, Commerzbank, Citibank and German savings

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and cooperative banks. In its Corporates & Markets division, the Group's main competitors for large multinational corporate and financial institution clients are Deutsche Bank, Goldman Sachs, Morgan Stanley, Merrill Lynch, Citigroup and Commerzbank, while the Group's main competitors for medium-sized corporate clients are Deutsche Bank, Commerzbank and HypoVereinsbank, as well as German public state banks and savings and cooperative banks. Competition is based on a number of factors, including distribution systems, transaction execution, products and services, innovation, reputation and price. In recent years, the Allianz Group has generally experienced intensifying price competition as competitors have sought to increase their market share. The Group believes this trend will continue.

RESULTS OF OPERATIONS

The following table sets forth certain financial information for the Allianz Group's banking operations for the years indicated.

	YEAR ENDED DECEMBER 31,		
	2002	2001(1)	2000
	(E IN MILLION)		
Interest and similar income.....	13,336	9,085	1,502
Income (net) from investments in affiliated enterprises, joint ventures, and associated enterprises.....	2,071(2)	1,016	122
Other income from investments.....	1,430	628	25
Trading income.....	1,081	244	7
Fee and commission income, and income from service			

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activities.....	2,925	1,474	2
Other income.....	432	394	64
	-----	-----	-----
Total income.....	21,275	12,841	1,722
	-----	-----	-----
Interest and similar expenses.....	(9,509)	(6,852)	(1,257)
Other expenses for investments.....	(2,225)	(465)	(33)
Loan loss provisions.....	(2,222)	(588)	(21)
Acquisition costs and administrative expenses.....	(7,581)	(3,446)	(170)
Amortization of goodwill.....	(241)	(70)	8
Other expenses.....	(1,034)	(1,193)	(125)
	-----	-----	-----
Total expenses.....	(22,812)	(12,614)	(1,598)
	-----	-----	-----
Earnings from ordinary activities before taxation.....	(1,537)	227	124
Taxes.....	154	6	67
Minority interests in earnings.....	25	(453)	(90)
	-----	-----	-----
Net income (loss).....	(1,358)	(220)	101
	=====	=====	=====

- (1) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.
- (2) Includes a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. See "-- Asset Management Operations." The gain on this transfer was eliminated at the Group level. In addition, this item includes a realized gain of E244 million resulting from the merger of Deutsche Hyp into Eurohypo in August 2002. See "-- Other -- Real Estate."

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

The following section discusses the consolidated results of the Allianz Group's banking operations for the years ended December 31, 2002 and 2001. This discussion focuses on factors and trends that affected the Group's consolidated banking results for the full year 2002 compared to the part-year period after the Group's acquisition of Dresdner Bank on July 23, 2001, since the Group's banking operations prior to its acquisition of Dresdner Bank were not significant. As discussed below, the Group's banking results in 2002 were significantly affected by the merger into Eurohypo and deconsolidation on August 1, 2002 of the Group's former mortgage banking subsidiary Deutsche Hyp (see "-- Other -- Real Estate"), as well as the E1,912 million of realized gains recorded in connection with the transfer in August 2002 of Dresdner Bank's German asset management subsidiaries to ADAM (see "-- Asset Management Operations").

Net interest and current income. The Allianz Group measures interest and current income in its banking operations on a net basis. Net interest and current income consists of interest and

similar income, income from affiliated enterprises, joint ventures and associated enterprises, less interest and similar expenses.

The following table shows net interest and current income and its income statement components for the years indicated:

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	YEAR ENDED DECEMBER 31,	
	2002	2001(1)
	(E IN MILLION)	
Interest and similar income.....	13,336	9,085
Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises.....	2,071(2)	1,016
Interest and similar expenses.....	(9,509)	(6,852)
	5,898	3,249
	5,898	3,249

(1) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.

(2) Includes a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. See "-- Asset Management Operations." The gain on this transfer was eliminated at the Group level. In addition, this item includes a realized gain of E244 million resulting from the merger of Deutsche Hyp into Eurohypo in August 2002. See "-- Other -- Real Estate."

Interest and similar income consists primarily of income from loans and advances to banks and to customers and investment securities. Interest and similar income from the Allianz Group's banking operations was E13,336 million in 2002, reflecting primarily a decrease of approximately E79,700 million, or approximately 19%, of the Group's average interest-earning assets due to the deconsolidation of Deutsche Hyp as of August 1, 2002 and decreasing interest yields in the major markets in which the Group operates. Of this amount, income from loans and advances to customers accounted for E7,092 million. Interest and similar income on loans and advances to customers was adversely affected by both a decrease in average interest yields and a decrease in average volume due primarily to the deconsolidation in August 2002 of Deutsche Hyp, which affected primarily the Group's German operations. Income from lending and money market transactions was E1,073 million, substantially all of which related to transactions with banks. Interest income from lending and money market transactions was also adversely affected by both a decrease in average interest yields and a decrease in average volume. Interest and similar income from investment securities was E2,232 million, consisting primarily of income from fixed-interest government securities of E1,951 million and corporate debt securities of E50 million, reflecting the significance of fixed-income securities in the Group's portfolio despite decreased volume in the Group's German operations due to the deconsolidation in August 2002 of Deutsche Hyp. Dividends from equity securities, which are included in interest and similar income, were E206 million, reflecting primarily a decline in investments in equity securities.

Net income from investments in affiliated enterprises, joint ventures and associated enterprises, which consists primarily of realized gains and losses from the disposition of such investments, was E2,071 million in 2002, reflecting primarily a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. See "-- Asset Management Operations." The gain on this transfer was eliminated at the Group level. In addition, net income from

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investments in affiliated enterprises, joint ventures and associated enterprises included a realized gain of E244 million resulting from the merger of Deutsche Hyp into Eurohypo in August 2002. See "-- Other -- Real Estate."

Interest and similar expense consists primarily of interest expense on certificated liabilities, deposits, repurchase agreements and derivatives qualifying for hedge accounting treatment. Interest and similar expense was E9,509 million in 2002, consisting primarily of interest expense of E4,075 million on deposits, E3,633 million on certificated liabilities, consisting of long-term bonds and certificated money-market instruments, as well as long-term subordinated liabilities (E578 million) and profit participation certificates (E133 million), which reflected in each case the impact of a general decline in interest rates as well as declining volumes. The decline in volumes was due primarily to a decrease of approximately E76,200 million, or 21%, in the Group's average interest-bearing liabilities due to the deconsolidation in August 2002 of Deutsche Hyp and reduced funding requirements as a result of reduced lending activities. The impact of the decon-

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solidation was particularly evident in certificated liabilities and in liabilities to customers. Other interest expense was E1,090 million.

Net interest and current income from the Group's banking operations was E5,898 million in 2002, reflecting primarily decreased interest and similar income due to lower interest rates and decreased lending volumes, which were more than offset by income from investments in affiliated enterprises, joint ventures and associated enterprises of E2,071 million, reflecting realized gains from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM (E1,912 million) and the merger in August 2002 of Deutsche Hyp into Eurohypo (E244 million), as well as decreased interest and similar expense due to decreased average liability volumes and lower average interest rates.

The Allianz Group defines its net interest spread and its net interest margin by reference to the information set forth in "-- Selected Statistical Information Relating to the Group's Banking Operations -- Average Balance Sheet and Interest Rate Data." The Allianz Group's net interest spread, which consists of the difference between the average interest rate earned on average interest-earning assets of 4.0% and the average interest rate paid on average interest-bearing liabilities of 3.7%, was 0.3% in 2002, reflecting an overall reduction in interest income from higher-yielding loans to customers and investment securities, due primarily to the deconsolidation in August 2002 of Deutsche Hyp, reduced lending volumes and an overall decline in the interest rate environment. The Group's net interest margin, which the Group defines as net interest income, including net interest income on trading assets and trading liabilities, as a percentage of average interest-earning assets, was 0.7% in 2002. For further information concerning the net interest spread and net interest margin in the Group's banking business for 2002 and prior years, see "-- Selected Statistical Information Relating to the Group's Banking Operation -- Net Interest Margin."

Other Income from Investments. Other income from investments consists primarily of realized gains on investments. Other income from investments was E1,430 million in 2002, primarily as a result of E1,265 million of realized gains on the disposition of equity securities available for sale, including intercompany transfers to reposition equity investments within the Group in the course of 2002, and an additional E116 million on the disposition of government debt securities available for sale. The gain on this intercompany transfer was eliminated at the Group level.

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Trading Income. Trading income comprises mainly realized and unrealized gains and losses from trading in interest and equity products, foreign exchange and precious metals, and the effects of derivative contracts that do not qualify for hedge accounting. Trading income is net of interest expense and includes both proprietary trading revenues and margins realized from trades made on behalf of customers. Trading income was E1,081 million in 2002, consisting primarily of income of E738 million from trading in interest products, reflecting an increase in the trading volume of interest products due to ongoing weakness in the equity securities markets. Income from trading in equity products was a loss of E49 million. Income from foreign exchange and precious metals trading was E301 million, while income from the effects of derivative contracts that do not qualify for hedge accounting declined to E90 million, reflecting the decrease in income from derivative instruments that do not qualify for hedge accounting and are therefore recorded at fair value. Gains or losses on such financial instruments arising from valuation at fair value are included in trading income.

Fee and Commission Income, and Income from Service Activities. Fee and commission income, and income from service activities from the Group's banking operations comprises mainly fees and commissions from the Group's securities, lending, transaction banking, underwriting and mergers and acquisitions advisory businesses. Fee and commission income, and income from service activities was E2,925 million in 2002. Fee and commission income from the Group's securities business was E1,066 million for this period, reflecting decreased transaction volume in the Group's equity products business due to the continuing reluctance of German clients to engage in equity securities transactions in light of market conditions. Fee and commission income from the Group's mergers and acquisitions advisory businesses (E252 million) and its underwriting business (E104 million) also was negatively affected as a result of slowing market activity in the underwriting and advisory businesses in 2002. In addition, fee and commission income included commission income on account and payment transactions (E390 million),

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insurance, real estate and other brokerage commissions (E232 million), commissions earned from lending (E196 million), commissions earned for asset management products from third-party customers (E207 million) and commissions earned from the Group's ADAM segment for marketing and selling their asset management products (E113 million).

Other Income. Other income from the Group's banking operations was E432 million, consisting primarily of income from releasing or reducing miscellaneous accrued liabilities (E53 million), non-trading foreign currency transaction gains (E36 million), gains from disposals of fixed assets (E28 million) and other income (E279 million).

Other Expenses for Investments. Other expenses for investments from the Allianz Group's banking operations consist of realized losses and impairment write-downs on securities and other investments. Other expenses for investments were E2,225 million in 2002, reflecting E1,129 million of impairment write-downs, primarily on equity securities, and E1,096 million of realized losses, mainly on investments in equity securities. The realized losses on equity securities reflected primarily realized losses on two major shareholdings as part of intercompany transfers to reposition equity investments within the Group in the course of 2002. The losses on intercompany transfers were eliminated at the Group level.

Loan Loss Provisions. Loan loss provisions in the Allianz Group's banking operations consists of specific loan loss provisions, country loan loss provisions and general loan loss provisions. In addition, provisions for

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contingent liabilities relating to the Group's lending business are included in this category. The Allianz Group establishes specific loan loss provisions if the Group considers it probable that specifically identified borrowers are no longer able to make their contractually agreed upon interest and principal payments. The Group establishes general loss provisions to provide for incurred but unidentified losses that are inherent in the loan portfolio as of the relevant balance sheet date. The Group establishes country risk provisions for transfer risk, which is a measure of the likely ability of a borrower in a certain country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in that country, on the basis of the Group's country rating system that incorporates current and historical economic, political and other data to categorize countries by risk profile. For the year ended December 31, 2002, additions to net loan loss provisions in the Group's banking segment were E2,222 million, consisting of E3,106 million of new provisions, offset in part primarily by releases of E810 million of existing provisions and recoveries of E74 million.

The Group recorded new specific loan loss provisions of E2,889 million in 2002, of which E2,151 million related to corporate borrowers, particularly in the telecommunications, media and construction sectors, reflecting the continued weakness in the global economy, deteriorating credit quality of borrowers and increased insolvencies. The Allianz Group also recorded specific provisions of E665 million relating to private individuals and E73 million relating to banks. Country loan loss provisions were a net release of E97 million in 2002, reflecting releases of E208 million, due primarily to country upgrades, decreased lending volumes and other reductions of exposures subject to country risk provisions, offset in part by increased provisions of E111 million primarily relating to exposures in Brazil. Net general loan loss provisions were E89 million in 2002, based primarily on historical loss experience and management's assessment of the credit quality of the loan portfolio caused by the deteriorating condition of the global economy. Of the additional net loan loss provisions of E2,222 million in 2002, the Group recorded E1,592 million in its Corporates & Markets division, primarily in Germany, Latin America and the United States, E561 million in its Private and Business Clients division, primarily in Germany, and E69 million in its Other division. A total of approximately E1,259 million of the net specific loan loss provisions in 2002 related to borrowers in Germany.

The continuing weakness in the loan portfolio of the Group's banking segment is evidenced by the increase in the Group's non-performing loans and potential problem loans in 2002. For additional information on non-performing loans and potential problem loans, see "-- Selected Statistical Information Relating to the Group's Banking Operations -- Risk Elements." At December 31, 2001, the Group's non-performing loans and potential problem loans were E13,655 million and E2,876 million, respectively, which included approximately E3,306 million of non-performing loans and E670 million of potential problem loans, respectively, attributable to the loan portfolio of Deutsche Hyp. Excluding Deutsche Hyp, at December 31, 2001, the Group's non-performing loans and potential problem loans were E10,349 million and E2,206 million, respec-

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tively. At December 31, 2002, following the deconsolidation of Deutsche Hyp on August 1, 2002, the Group's non-performing loans and potential problem loans were E11,625 million and E2,437 million, respectively. On a comparable basis, excluding loans attributable to Deutsche Hyp, these amounts represented a net increase of E1,276 million, or 12.3%, in non-performing loans and E231 million, or 10.5%, in potential problem loans from year-end 2001. At December 31, 2002, the ratio of the total allowances for loan losses to total loans was approximately 5.2%, while the ratio of the total allowances for loan losses to total non-performing loans was approximately 59.9% in each case, reflecting the

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deconsolidation of Deutsche Hyp. These percentages represented an increase from the corresponding ratio of 4.5% and a decrease from the corresponding ratio of 68.5%, respectively, at December 31, 2001, on a comparable basis excluding loans and allowances for loan losses attributable to Deutsche Hyp.

Since 2000, Dresdner Bank has charged off loans when, based on management's judgment, all economically sensible means of recovery have been exhausted. Prior to 2000, Dresdner Bank charged off loans only when all legal means of recovery had been exhausted. This change in practice has affected both the timing and amount of charge-offs in the years 2000 to 2002, and in 2002 also affected the level of the Group's non-accrual loans. In 2002, the Group's banking segment's gross charge-offs were E1,889 million. See "-- Selected Statistical Information Relating to the Group's Banking Operations -- Summary of Loan Loss Experience."

To reduce its exposure to credit risks, the Allianz Group has taken a variety of steps in 2002 and 2003, including reducing its loans to corporate borrowers in the United States, Argentina and Brazil. In addition, in 2003, the Group began the process of reorganizing certain performing loans to non-strategic customers, non-performing loans and certain other non-strategic assets into the IRU. See "-- Reorganization of Business Divisions." For additional information, see "-- Selected Statistical Information Relating to the Group's Banking Operations -- Summary of Loan Loss Experience."

Acquisition Costs and Administrative Expenses. Acquisition costs and administrative expenses in the Group's banking segment, which consist primarily of personnel expenses and operating expenses, were E7,581 million in 2002. Personnel expenses amounted to E4,335 million, reflecting primarily decreased wages and salary expenses, social security and pension expenses due to a reduction in headcount as a result of the Group's ongoing cost-cutting and restructuring measures and the expiration of the bonus and retention agreements with Dresdner Bank executives and key management personnel made after merger negotiations with Deutsche Bank in 2000. These decreases were offset in part by continuing bonus and retention payments made in connection with the acquisition of Wasserstein Perella & Co. in January 2001. Bonus and retention payments recorded in 2002 amounted in the aggregate to E1,058 million. Operating expenses were E3,246 million, consisting mainly of occupancy-related costs (E1,263 million), depreciation expenses (E395 million), fee and commission expenses (E267 million), marketing and advertising expenses (E249 million), expenses for amortization of software and other intangible assets (E235 million), travel expenses (E143 million), consulting fees (E134 million), training costs (E125 million) and other operating expenses (E435 million). For a discussion of the Group's restructuring program to reduce administrative expenses, see "-- Cost-Cutting and Restructuring Measures."

Amortization of Goodwill. Amortization of goodwill in the Allianz Group's banking operations was E241 million in 2002, attributable primarily to the acquisition of Dresdner Bank on July 23, 2001.

Other Expenses. Other expenses from the Allianz Group's banking operations were E1,034 million in 2002, reflecting primarily restructuring charges of E245 million, and write-downs of E202 million relating to an investment in a real estate property owned by Dresdner Bank, as well as other expenses of E587 million, including E40 million of costs recorded in connection with the termination of certain service contracts associated with the closure of Lombardkasse. Restructuring charges recorded in 2002 consisted primarily of charges relating to cost-cutting measures in the Group's Corporates & Markets division (E288 million), offset in part by releases of E87 million from restructuring plans initiated by Dresdner Bank in 2001 and 2000. For a discussion of the Group's restructuring programs, see "-- Cost Cutting and Restructuring Measures."

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Taxes. Taxes on the Allianz Group's banking segment amounted to a tax credit of E154 million in 2002. The tax benefit was due to tax losses, for which a deferred tax asset was recognized.

Minority Interests in Earnings. Minority interests in the Allianz Group's banking segment were a credit of E25 million in 2002.

Net Income. Net income for the Allianz Group's banking operations was a loss of E1,358 million in 2002, reflecting the continued weakness in the capital markets and the deteriorating credit quality of borrowers in Germany and the Group's other major markets. The loss was attributable primarily to a significant decline in income in conjunction with a high level of net loan loss provisions (E2,222 million), write-downs on investment securities (E1,129 million) and realized losses on investment securities (E1,096 million), offset in part by realized gains from the transfer of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM (E1,912 million), the merger of Deutsche Hyp into Eurohypo (E244 million) and realized gains on equity securities (E1,265 million), as well as a tax credit (E154 million). Although the Group was able to reduce administrative expenses significantly over the course of 2002 as a result of cost-cutting and restructuring measures (see "-- Cost Cutting and Restructuring Measures"), the reduction in costs was not sufficient to offset the decline in income.

Year Ended December 31, 2001

The following section discusses the consolidated results of the Allianz Group's banking operations for the year ended December 31, 2001. This discussion focuses on factors and trends that affected the Group's consolidated banking results after the Group's acquisition of Dresdner Bank on July 23, 2001, since the Group's banking operations prior to its acquisition of Dresdner Bank were not significant.

Net interest and current income. The Allianz Group measures interest and current income in its banking operations on a net basis.

The following table shows net interest and current income and its income statement components for the years indicated:

	YEAR ENDED DECEMBER 31,	
	2001(1)	2000
	(E IN MILLION)	
Interest and similar income.....	9,085	1,502
Income (net) from investments in affiliated enterprises, joint ventures and associated enterprises.....	1,016	122
Interest and similar expenses.....	(6,852)	(1,257)
	3,249	367
Net interest and current income.....	3,249	367

(1) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.

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Interest and similar income from the Group's banking operations was E9,085 million in 2001, reflecting primarily declining interest rates and decreasing loan balances, offset in part by increased income from other interest-bearing instruments. Of this amount, income from loans accounted for E5,566 million, reflecting the Group's reduction of non-core commercial lending activities outside of Europe, together with intense competition for borrowers in most areas of lending. Income from lending and money market transactions was E1,908 million, of which E1,472 million related to increased volume of reverse repurchase agreements. Interest income from securities available for sale was E1,291 million, consisting primarily of income from fixed-interest government securities (E1,148 million), reflecting an increase in the volume of such securities in the Group's portfolio.

Net income from investments in affiliated enterprises, joint ventures and associated enterprises was E1,016 million in 2001, reflecting primarily realized gains of E866 million from the sale of equity holdings in Munich Re in connection with the Allianz Group's acquisition of Dresdner Bank on July 23, 2001. For additional information on the Group's disposition of ordinary shares of Munich Re in 2001, see "Related Party Transactions -- Transaction with Munich Re."

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Interest and similar expense was E6,852 million in 2001, consisting primarily of interest expense of E3,837 million on certificated liabilities, including long-term bonds and long-term subordinated liabilities, which reflected the impact of declining interest rates. Interest expense on deposits and from repurchase agreements was E2,079 million, reflecting primarily an increase with respect to repurchase agreements in the volume of short term transactions due to uncertain economic conditions, as well as a slight increase in the average balance of deposits from customers, particularly non-German corporate clients, offset in part by a decrease in deposits from banks.

Net interest and current income from the Allianz Group's banking operations amounted to E3,249 million in 2001. Excluding the Group's sale of a part of its shareholding in Munich Re, there was a downward trend in net interest and current income in 2001 due to a shift in the second half of the year from corporate and customer lending to lower-yielding reverse repurchase agreements and investment securities and a shift in funding from deposits from banks to repurchase agreements.

The Allianz Group's net interest spread was 0.36% in 2001, reflecting a change in the mix of interest income from higher-yielding loans to customers to lower-yielding reverse repurchase agreements and trading assets, and a change in the mix of funding from higher-yielding deposits from banks to lower-yielding repurchase agreements. The Group's net interest margin was 0.45% in 2001. In each case, the Group's net interest spread and margin reflect income and expense from Dresdner Bank only for the period from July 23, 2001 to December 31, 2001, calculated as a percentage of the average assets for such period. For a discussion of the interest spread and margin in the Group's banking business for the full year 2001 and prior years, see "-- Selected Statistical Information Relating to the Group's Banking Operation -- Net Interest Margin."

Other Income from Investments. Other income from investments amounted to E628 million in 2001, primarily as a result of E406 million of realized gains on the disposition of equity securities available for sale, including primarily shareholdings of Dresdner Bank, and an additional E92 million on the disposition of government debt securities available for sale.

Trading Income. Trading income was E244 million in 2001, reflecting

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primarily income from other dealings in derivative financial instruments of E177 million, net of trading interest expense. Income from securities trading was E67 million, reflecting gains from foreign exchange and bond trading which more than offset losses in the equity trading portfolio.

Fee and Commission Income, and Income from Service Activities. Fee and commission income, and income from service activities amounted to E1,474 million in 2001. Fee and commission income from the Group's securities business was E623 million for this period, reflecting decreased transaction volume in the Group's mutual fund and equity securities businesses due to the reluctance of German clients to engage in securities transactions. Fee and commission income from the Group's lending, underwriting and mergers and acquisitions advisory businesses of E213 million, also was negatively affected as a result of slowing market activity in the underwriting and advisory businesses in 2001. In addition, fee and commission income included commission income on account and payment transactions (E176 million), insurance and real estate commissions (E76 million), and commissions earned from the Group's asset management segment (E194 million).

Other Income. Other income from the Group's banking operations in 2001 was E394 million.

Other Expenses for Investments. Other expenses for investments were E465 million in 2001, reflecting primarily E340 million of realized losses, mainly on investments in equity securities and E125 million of impairment write-downs. The realized losses on equity securities reflected primarily realized losses on shareholdings of Dresdner Bank.

Loan Loss Provisions. For the year ended December 31, 2001, net loan loss provisions in the Allianz Group's banking segment were E588 million, consisting of E1,197 million of new provisions, offset in part primarily by releases of E593 million of existing provisions. Provisions for loan losses in 2001 significantly exceeded expectations in both the Group's German and non-German loan portfolios, due primarily to the continuing deterioration of the global economy. In its Dresdner Bank operations, the Allianz Group added specific loan loss provisions of E562 mil-

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lion for corporate borrowers and E308 million for private clients. All of the Group's private client provisions and the majority of its corporate provisions were incurred in respect of German borrowers. A substantial part of the Group's non-German corporate provisions in 2001 were incurred in the United States, including approximately E100 million related to one corporate borrower. The Allianz Group recorded net general loss provisions of E33 million in 2001, based primarily on historical loss experience and management's assessment of the credit quality of the loan portfolio caused by the deteriorating condition of the global economy, and released net country risk provisions of E92 million. To reduce its loan loss exposure, the Group took a variety of steps in 2001, including reducing its loans to corporate borrowers in the United States by approximately 25% for the year ended December 31, 2001. To manage country risk, the Allianz Group also reduced its loan exposure in Latin American and other problem loan countries, including Argentina, which helped to reduce the impact on the Group's banking operations of the Argentine financial crisis in late 2001. For additional information, see "-- Selected Statistical Information Relating to the Group's Banking Operations -- Summary of Loan Loss Experience."

Acquisition Costs and Administrative Expenses. Acquisition costs and administrative expenses in the Allianz Group's banking segment were E3,446 million in 2001. Personnel expenses amounted to E2,045 million, reflecting primarily wages and salary expenses, social security and pension expenses and

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bonus and retention payments made to Dresdner Bank executives and key management personnel pursuant to agreements made after merger negotiations with Deutsche Bank in 2000 and in connection with the acquisition of Wasserstein Perella & Co. in January 2001. Bonus and retention payments recorded in 2001 amounted in the aggregate to E744 million, of which E462 million were recorded in acquisition costs and administrative expenses and E282 million in other expenses. See "-- Other Expenses." Operating expenses were E1,401 million, consisting mainly of rental expenses (E376 million), depreciation expenses (E205 million), fee and commission expenses (E184 million), marketing and advertising expenses (E151 million), training and outsourcing expenses (E92 million) and travel expenses (E84 million). For a discussion of the Group's restructuring program to reduce administrative expenses, see "-- Cost-Cutting and Restructuring Measures."

Amortization of Goodwill. Amortization of goodwill in the Allianz Group's banking operations was E70 million in 2001, attributable primarily to the acquisition of Dresdner Bank on July 23, 2001.

Other Expenses. Other expenses from the Allianz Group's banking operations were E1,193 million in 2001, reflecting primarily charges of E206 million recorded in connection with the integration of Dresdner Bank into the Allianz Group, restructuring charges of E132 million, expenses for amortization of software and other intangible assets of E119 million and consulting fees of E60 million. Other expenses also included bonus and retention payments of E282 million; the Allianz Group recorded the additional bonus and retention payments noted above in acquisition costs and administrative expenses. The integration costs of E206 million comprised mainly consulting costs of E98 million and other non-staff costs of E95 million relating primarily to integration of information technology systems. The Allianz Group recorded additional charges in connection with the integration of Dresdner Bank at Allianz AG, the results of which are shown in the Group's property-casualty business segment. See "-- Insurance Operations -- Property-Casualty Insurance Operations -- Results of Operations -- Year Ended December 31, 2001 Compared to Year Ended December 31, 2000 -- Acquisition Costs and Administrative Expenses." Restructuring charges recorded in 2001 consisted primarily of charges relating to the reorganization of the Group's Corporates & Markets division (E118 million) and other German subsidiaries (E31 million), offset in part by releases of E17 million from restructuring plans initiated in May 2000. For a discussion of the Group's restructuring programs, see "-- Cost Cutting and Restructuring Measures."

Taxes. Taxes on the Group's banking operations amounted to a tax credit of E6 million in 2001. The tax benefit was due to tax losses, for which a deferred tax asset was recognized. Taxable income was reduced by tax-exempt capital gains.

Minority Interests in Earnings. Minority interests in the Group's banking operations were E453 million in 2001, reflecting primarily the application of the minority interest ownership in Dresdner Bank during the period ended December 31, 2001 to the historical cost basis of Dresdner Bank.

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Net Income. Net income for the Allianz Group's banking operations was a loss of E220 million in 2001, reflecting the weakness in the capital markets, particularly in the second half of 2001. The loss was attributable primarily to reduced fee and commission income (E1,474 million), due primarily to decreased transaction volume attributable to clients' general reluctance to engage in securities transactions, in combination with a high level of net loan loss provisions (E588 million). At the same time, administrative expenses were high (E3,446 million), due largely to high personnel costs and bonus and retention payments, and the Allianz Group incurred significant other expenses (E1,193 million), primarily in connection with the integration of Dresdner Bank into the

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Group and the implementation of measures to restructure the Group's banking segment as discussed above. See "-- Cost Cutting and Restructuring Measures."

BANKING OPERATIONS BY DIVISION

The Allianz Group conducts its banking operations through two principal operating business divisions, Private and Business Clients and Corporates & Markets. The Group's Other division includes income and expense items that are not attributable to one of the Group's operating divisions.

The following table sets forth certain key data concerning the Allianz Group's banking operations by division for the years indicated. Consistent with the Group's general practice, net revenue by division is presented before consolidation adjustments representing the elimination of transactions between Group companies in different segments. Net income by division is presented before amortization of goodwill and minority interests.

BANKING OPERATIONS -- KEY DATA BY DIVISION

	YEAR ENDED DECEMBER 31,				
	2002 (1)		2001 (2)		2000 (3)
	NET REVENUE (3)	NET INCOME	NET REVENUE (3)	NET INCOME (4)	NET REVENUE (3)
	(E IN MILLION)				
Private and Business					
Clients(5).....	3,350	(304)	1,678	(160)	--
Corporates & Markets(5).....	3,758	(1,642)	1,725	(797)	--
Other.....	2,496	804	1,861	1,260	432
	-----	-----	-----	-----	-----
Subtotal.....	9,604	(1,142)	5,264	303	432
	-----	-----	-----	-----	-----
Amortization of goodwill.....	--	(241)	--	(70)	--
Minority Interests.....	--	25	--	(453)	--
	-----	-----	-----	-----	-----
Total.....	9,604	(1,358)	5,264	(220)	432
	=====	=====	=====	=====	=====

(1) Includes a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. See "-- Asset Management Operations." The gain on this transfer was eliminated at the Group level. In addition, includes a realized gain of E244 million resulting from the merger of Deutsche Hyp into Eurohypo in August 2002. See "-- Other -- Real Estate."

(2) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.

(3) Consists of total income (less interest and similar expenses, other expenses for investments, fee and commission expenses, other investment-related expenses) and tax credits. Amounts in 2002 and 2001 have been reclassified to reflect the inclusion in net revenue of tax credits and certain other items.

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- (4) Restructuring charges of E14 million and E95 million originally reflected in net income of the Group's Other division have been reclassified to the Group's Private and Business Clients division and its Corporates & Markets division, respectively, to facilitate comparison with the presentation of such charges in 2002. In addition, integration charges of E44 million and E16 million originally reflected in net income of the Group's Other division have been reclassified to the Group's Private and Business Clients division and its Corporates & Markets division, respectively, to facilitate comparison with the presentation of such charges in 2002.
- (5) Amounts for 2001 have been reclassified to reflect the integration effective January 1, 2002 of the Group's small business operations, which the Allianz Group had previously included as part of its Corporates & Markets division, with the Group's former Private Clients division to form its new Private and Business Clients division.

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Private and Business Clients

The Allianz Group serves its private and small business customers through its Private and Business Clients division. In 2002, the Group's Private and Business Clients division accounted for approximately 34.9% of the Group's net revenue from banking operations.

The Allianz Group's Private and Business Clients business is one of the Group's two core banking activities. The Group believes that rising levels of private wealth, increasing emphasis on private retirement provision and an interest in equity securities and investment funds are increasing long-term demand not only in Germany, but throughout Europe for sophisticated, individualized investment and private retirement provision advice. Focusing on structured investment and private retirement provision advice is a core element of the Group's Private and Business Clients strategy. The Group's Private and Business Clients operations also continue to grow in importance for the distribution of investment banking, asset management and insurance products. The Allianz Group aims to bundle its banking know-how to provide private individual and small business clients with similar advisory requirements with an all-around selection of products and services for their business as well as private financial needs. In 2002, the Group provided Private and Business Clients banking products and services to approximately 5.7 million customers with more than E49 billion of deposits and more than E93 billion of assets held under custody.

The Allianz Group's Private and Business Clients customer base consists of high net worth customers worldwide, individual customers in Germany (including affluent customers) and small business customers.

Products and Services

The Allianz Group offers a wide range of banking, asset management and insurance products and services for high net worth, affluent and other private individual customers. For its high net worth customers, the Group offers sophisticated, personalized solutions through Dresdner Private Banking International. The Group's services include advisory and discretionary portfolio management, fund-based portfolio management, administration of trusts and estates and structural asset analysis, including tax planning. For its affluent customers, the Allianz Group provides structured financial advice based on a variety of financial planning and investment tools and products, such as mutual funds, mutual fund portfolio management, tax-advantaged products and alternative investments. For its other private individual customers, the Group's banking products and services include deposit-taking, the transmission of payments,

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commercial and consumer lending, mortgage lending and other property-related financing services, credit card operations, securities brokerage and asset management services and insurance. For its small business customers, the Allianz Group provides comprehensive financial advice for their private and business needs, including assistance with credit facilities and securities investment, company pension scheme and insurance products and services. The Group allocates fees between its banking segment and its asset management and insurance segments in the case of cross-segment sales and distribution activities, e.g., the sale of proprietary fund products or insurance policies through the Group's Private and Business Client distribution channels.

Distribution

In its Private and Business Clients division, the Allianz Group distributes its products primarily through its branch bank network and its on-site securities advisors, as well as its network of ATMs. The Group also offers its banking products and services through a variety of other Internet and electronic banking channels, Allianz Group insurance agencies and call centers.

Corporates & Markets

The Allianz Group serves its corporate and capital markets customers through its Corporates & Markets division, into which the Group combined its former investment banking and corporate clients business divisions in 2001. Through this combination, the Group aims to take advantage of its access to corporate Europe, the Allianz Group's strong credit rating, its extensive capital markets experience around the world and its strong position in Germany and the United Kingdom. In 2002, the Group's Corporates & Markets division accounted for approximately 39.1% of the Group's net revenue from banking operations.

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The Allianz Group's Corporates & Markets division is focused on raising capital for corporate and institutional customers in the Group's core markets of Germany, the United Kingdom and other countries in Western Europe, and the United States. The Allianz Group offers a wide range of investment banking, commercial banking and other capital markets products and services to its Corporates & Markets customers. The Group's customer base consists of approximately 20,000 client groups, most of which are domiciled in Germany.

Products and Services

The Allianz Group's Corporates & Markets division offers corporate finance advisory services on mergers and acquisitions, divestitures, restructurings and other strategic matters, securities underwriting and market making, securities and derivatives trading, portfolio management, custodial services, and other capital markets products and services. The Group also provides corporate loans, takes deposits and provides its corporate customers with payment, management consulting, real estate and other corporate banking services.

Distribution

In its Corporates & Markets division, the Allianz Group relies on relationship managers and sales teams working together with product specialists to develop in-depth corporate finance expertise in both investment banking and commercial banking to meet the capital markets needs of the Group's clients. The Group's goal is to offer a full range of capital markets products and services to its Corporates & Markets clients worldwide. Its customers now have a choice of three complementary distribution channels: standard "face-to-face" support by professional advisory staff, the Internet, and the Group's service centers.

Other

The banking segment's Other division contains income and expense items that are not directly assigned to the operating divisions, as well as transaction banking and, until August 2002, its real estate business lines. Income and expense items that are not directly assigned to the Group's operating divisions include, in particular, expenses for banking segment functions and projects affecting more than one division, realized gains and losses from the Group's strategic investment portfolio and provisioning requirements for country and general risks. In addition, other items contains charges for the restructuring measures that have been introduced. See "-- Cost-Cutting and Restructuring Measures." In 2002, the banking segment's Other division accounted for approximately 26.0% of the Group's net revenue from banking operations.

Real Estate. Until August 2002, the Allianz Group served its real estate customers through its real estate business line, which comprised primarily the business operations of the Group's mortgage bank Deutsche Hyp and its German real estate fund management subsidiary, DEGI Deutsche Gesellschaft für Immobilienfonds GmbH ("DEGI").

On August 1, 2002, the Allianz Group merged Deutsche Hyp with Rheinische Hypothekbank AG, the mortgage banking subsidiary of Commerzbank, and Eurohypo AG, the mortgage banking subsidiary of Deutsche Bank, into a single entity, which retained the name Eurohypo. The Allianz Group deconsolidated Deutsche Hyp, which had assets of E79,134 million and liabilities of E76,784 million as of the date of the deconsolidation, on August 1, 2002. The Allianz Group holds an ownership interest of approximately 28% in Eurohypo, while Deutsche Bank and Commerzbank hold approximately 38% and 32%, respectively, with the remainder publicly traded. The Allianz Group expects Eurohypo to develop over the next several years into a strong competitor in the European commercial mortgage banking market by achieving economies of scale and offering a broader product portfolio. Eurohypo retained the existing residential and other private mortgage banking business of Deutsche Hyp at the time of the merger, while the Group's new residential and other private mortgage banking operations were transferred to Allianz Leben. As of August 1, 2002, the real estate business line in the banking segment's Other division was dissolved. The Allianz Group's German real estate fund management subsidiary DEGI remained in the banking segment's Other division.

Transaction Banking. As a corporate service unit in Germany, the Allianz Group's transaction banking business line primarily provides the Group's Private and Business Clients and Corporates & Markets divisions, as well as ADAM and other Allianz Group companies, with a

wide variety of products and services relating to the processing of securities business and payments transactions. Through its custody business, the Allianz Group offers a comprehensive range of custody products and services to national and international financial intermediaries. As of December 31, 2002, the total market value of securities under custody in Dresdner Bank was E415 billion.

ASSET MANAGEMENT OPERATIONS

The asset management segment of the Allianz Group operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Group's insurance operations. The Allianz Group managed approximately E989 billion of third-party assets and Group's own investments on a worldwide basis as of December 31, 2002, with key management centers in Munich, Frankfurt, London,

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Paris, Singapore, Hong Kong, Milan, Westport, Connecticut, and San Francisco, San Diego and Newport Beach, California. The Allianz Group's third-party assets under management have grown significantly in recent years, with the exception of 2002, and were approximately E561 billion as of December 31, 2002. As measured by total assets under management at December 31, 2002, the Allianz Group was one of the five leading asset managers in the world.

The following table sets forth certain key data concerning the Allianz Group's asset management operations at December 31 for the years indicated:

ASSETS UNDER MANAGEMENT: KEY DATA

	DECEMBER 31,				
	2002		2001 (1)		2000
	E	%	E	%	E
	(E IN MILLION)				
Third-party assets(2).....	560,588	56.7	620,458	55.1	336,424
Group's own investments(3).....	403,061	40.7	480,876	42.7	341,283
Separate account assets(2) (4).....	25,657	2.6	24,692	2.2	22,770
Total.....	989,306	100.0	1,126,026	100.0	700,477
	=====	=====	=====	=====	=====

(1) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.

(2) Assets are presented at fair value.

(3) Includes trading liabilities and adjustments to reflect real estate and investments in affiliated enterprises, joint ventures and associated enterprises at market value, and excludes certain loans to banks and loans to customers. Amounts in 2001 have been revised to facilitate comparison with the presentation of Group's own investments in 2002.

(4) Represents investments held on account and at risk of life insurance policyholders.

The Allianz Group's asset management operations pursue two separate but related objectives. In its third-party asset management business, the Allianz Group seeks to leverage the power of its portfolio management expertise, existing customer relationships and distribution to maintain and further develop the Group's position as a leading global asset manager. In the management of its Group's own investments, the Allianz Group seeks to maximize long-term total return on its investments for the benefit of the Group's shareholders and policyholders, including the value of the Group's portfolio of financial and industrial equity participations, while remaining within the Group's risk management guidelines.

The Allianz Group manages its third-party asset management business primarily through ADAM, the Group's wholly owned asset management subsidiary formed after the Group's acquisition of Dresdner Bank in July 2001. The Allianz Group reorganized its former financial services segment in late 2001 under ADAM in order to integrate the asset management operations of Dresdner Bank, to achieve new economies of scale and to extend the reach of the Group's

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distribution networks for asset management products and services. The Group consolidated the assets and liabilities and results of operations of Dresdner Bank's asset management business into the Group's asset management segment as of July 23, 2001, the date of the acquisition. In August 2002, the Allianz Group transferred substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. Pursuant to this transfer, debt in the amount

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of E1,850 million remains outstanding from Allianz AG to Dresdner Bank, which will be repaid in the first half of 2003. The banking operations formerly included in the Group's financial services segment are now a part of the Group's banking segment. See "-- Banking Operations." As of December 31, 2002, ADAM managed approximately E513 billion, or 91%, of the Group's third-party assets under management and approximately E194 billion, or 48%, of the Group's own investments. The remainder of the Group's third-party assets are managed by Dresdner Bank (approximately E24 billion, or 4%) and other Allianz Group companies. The majority of the Group's own investments (approximately E209 billion, or 52%) continue to be managed by the respective investment management units of Allianz Group insurance companies around the world.

The Allianz Group conducts its third party asset management business primarily through the Group's operating companies worldwide under the umbrella brand ADAM. As part of its multi-regional strategy, however, the Allianz Group operates under multiple brand names in different regions. In the United States, the Group's main operating companies include PIMCO, Nicholas-Applegate, Dresdner RCM Global Investors, and Oppenheimer Capital. In Europe, the Allianz Group operates primarily through AGF Asset Management, RAS Asset Management, Deutscher Investment Trust ("dit") and Dresdner Bank Investment Management ("dbi"), as well as Dresdner RCM Global Investors and PIMCO. In Asia, after rebranding in 2002, the Group's main brands are Allianz Dresdner Asset Management, PIMCO and Meiji Dresdner Asset Management.

In October 2002, together with Guotai Junan Securities ("GTJA"), the Allianz Group established Guotai Junan Allianz Fund Management Co., a Shanghai-based joint venture that was the first joint venture fund management company and the first licensed fund manager with foreign participation in China. Through the combination of GTJA's distribution network and the Group's international asset management expertise, the Allianz Group believes its joint venture is well positioned to make successful inroads into this growth market.

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RESULTS OF OPERATIONS

The following table sets forth certain summarized financial information for the Allianz Group's asset management operations for the years indicated:

	YEAR ENDED DECEMBER 31,		
	2002	2001(1)	2000
	(E IN MILLION)		
Interest and similar income.....	119	129	204
Income from affiliated enterprises, joint ventures and associated enterprises.....	(12)	(3)	1
Other income from investments.....	35	44	18

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Trading income.....	(1)	10	16
Fee and commission income, and income from service activities.....	2,918	2,479	1,420
Other income.....	126	79	63
	-----	-----	-----
Total income.....	3,185	2,738	1,722
	-----	-----	-----
Interest and similar expenses.....	(89)	(82)	(61)
Other expenses for investments.....	(22)	(57)	--
Net loan loss provision.....	(2)	--	--
Acquisition costs and administrative expenses.....	(2,378)	(1,895)	(484)
Amortization of goodwill.....	(377)	(243)	(89)
Other expenses.....	(551)	(795)	(1,043)
	-----	-----	-----
Total expenses.....	(3,419)	(3,072)	(1,677)
	-----	-----	-----
Earnings from ordinary activities before taxation.....	(234)	(334)	45
Taxes.....	59	168	4
Minority interests in earnings.....	(230)	(182)	(136)
	-----	-----	-----
Net income.....	(405)	(348)	(87)
	=====	=====	=====

 (1) Reflects the inclusion of Dresdner Bank in the Group's consolidated financial statements as of July 23, 2001.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Assets Under Management. Third-party assets under management, Group's own investments and separate account assets decreased by E137 billion, or 12.2%, to E989 billion at the end of 2002 from E1,126 billion at the end of 2001. The decrease was due primarily to exchange rate movements (E77 billion with respect to third-party assets), particularly a decline in the U.S. dollar, and substantial price declines in the capital markets (E25 billion with respect to third-party assets), offset in part by significant net capital inflows of approximately E56 billion into fixed-income funds. Of the decrease, E78 billion represented a decrease in Group's own investments, while E59 billion represented a decrease in third-party assets under management. Excluding the effects of exchange rate movements, the Allianz Group's third-party assets under management would have increased by E18 billion, or 2.9%, to E638 billion at the end of 2002 due primarily to net inflows of E43 billion, primarily into fixed-income funds.

Net Income. Asset management net income decreased by E57 million, to a net loss of E405 million in 2002 from a net loss of E348 million in 2001, due primarily to increased amortization of goodwill reflecting the acquisition and full-year consolidation in 2002 of Dresdner Bank, as well as minority interest in earnings related to the PIMCO Group. Total income, which consists primarily of fee and commission income, and income from service activities, increased by E447 million, or 16.3%, to E3,185 million in 2002 from E2,738 million in 2001, reflecting primarily the full-year consolidation in 2002 of Dresdner Bank's former asset management operations, offset in part by the lower average assets under management due to the effects of exchange rate movements and price declines in the capital markets. Total expenses increased by E347 million or 11.3%, to E3,419 million in 2002 from E3,072 million in 2001, due primarily to the full-year consolidation in 2002 of Dresdner Bank's former asset management operations, offset in part by restructuring measures implemented in the course of 2002 at virtually all of the Group's equity investment operations to increase operational efficiency by reducing personnel and streamlining back-office operations and product lines. Total expenses included acquisition-related

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expenses of E729 million recorded in 2002. The acquisition-related expenses consisted primarily of amortization of goodwill of E377 million associated with the

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acquisitions of Dresdner Bank, PIMCO and Nicholas-Applegate and amortization charges of E155 million relating to capitalized retention payments to key executives of the PIMCO Group, which are being amortized over periods of five to seven years from the date of the acquisition. Another E197 million are retention payments for the management and employees of PIMCO and Nicholas-Applegate. In addition, minority interest of E230 million in the Group's asset management operations was accounted for mainly by the minority interest in PIMCO (E162 million) of PIMCO's former parent company, which continues to hold a minority ownership interest in PIMCO. Allianz's ownership interest in PIMCO was recently restructured. Pursuant to such restructuring, neither Allianz nor PIMCO's former parent company can put or call the entire ownership interest of PIMCO's former parent company in PIMCO with effect prior to October 2004, although either party may put or call up to \$250 million of such ownership interest in any calendar quarter, beginning with the quarter ended March 31, 2003. On March 31, 2003, a subsidiary of Allianz AG received notice from the former parent company of PIMCO that such former parent company had exercised its right to put \$250 million of its remaining ownership interest in PIMCO to Allianz, with payment therefor due by April 30, 2003. Excluding the effects of the acquisition-related expenses of E729 million, earnings from ordinary activities before taxation from the Group's asset management operations would have been E495 million in 2002.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Assets Under Management. Third-party assets under management, Group's own investments and separate account assets increased by E426 billion, or 60.8%, to E1,126 billion at the end of 2001 from E700 billion at the end of 2000. The increase was due primarily to the Allianz Group's acquisitions of Dresdner Bank and Nicholas-Applegate, and to a lesser extent, an increase in the Group's own investments and third-party assets under management. Of the increase, E140 billion represented growth in Group's own investments, while E284 billion represented growth in third-party assets under management, primarily as a result of the acquisition of Dresdner Bank (E211 billion), as well as the acquisition of Nicholas-Applegate (E29 billion). Excluding the effects of these acquisitions, as well as the effects of exchange rate movements (E16 billion), the Group's third-party assets under management would have increased by E28 billion, or 8.3%, to E364 billion at the end of 2001 due primarily to growth in fixed-income investments in the Group's PIMCO operations.

Net Income. Asset management net income decreased by E261 million, to a net loss of E348 million in 2001 from a net loss of E87 million in 2000, despite the increase in assets under management, primarily because costs rose more quickly than income. Total income, which consists primarily of fee and commission income, and income from service activities, increased by E1,016 million, or 59.0%, to E2,738 million in 2001 from E1,722 million in 2000, reflecting primarily the increased assets under management due to the Allianz Group's acquisition of Dresdner Bank. Total expenses increased by E1,395 million, or 83.2%, to E3,072 million in 2001 from E1,677 million in 2000, due primarily to increased expenses associated with the Allianz Group's acquisition of Dresdner Bank. Total expenses included acquisition-related expenses of E647 million recorded in 2001, as well as costs incurred in connection with the establishment of ADAM and the reorganization of the Group's asset management operations as a result of its acquisition of Dresdner Bank. The acquisition-related expenses included amortization of goodwill of E243 million associated with the acquisitions of PIMCO and Nicholas-Applegate, amortization charges of E374 million relating to capitalized retention payments to key

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executives of the PIMCO Group, which are being amortized over periods of five to seven years from the date of the acquisition, and an additional E30 million of expenses incurred in connection with retention payments to key executives at Dresdner RCM following the Allianz Group's acquisition of Dresdner Bank in July 2001. In addition, minority interest of E182 million in the Group's asset management operations was accounted for mainly by the minority interest in PIMCO (E142 million) of PIMCO's former parent company, which continues to hold an approximately 30% ownership interest in PIMCO. Excluding the effects of the acquisition-related expenses of E647 million, earnings from ordinary activities before taxation from the Group's asset management operations would have been E313 million in 2001, due primarily to earnings at PIMCO.

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THIRD-PARTY ASSETS

The following table sets forth certain key data concerning the Allianz Group's third-party assets under management at December 31 for the years indicated:

ASSET MANAGEMENT OPERATIONS -- KEY DATA BY GEOGRAPHIC REGION(1)

	DECEMBER 31,					
	2002		2001		2000	
	E	%	E	%	E	
	(E IN BILLION)					
ADAM						
Germany.....	80	14.3	96	15.5	8	
Rest of Europe.....	37	6.6	53	8.5	22	
NAFTA.....	388	69.1	409	66.0	297	8
Rest of World.....	8	1.4	26	4.2	--	
Subtotal.....	513	91.4	584	94.2	327	9
Other(2).....	48	8.6	36	5.8	9	
Total.....	561	100.0	620	100.0	336	10

(1) Represents location of Allianz Group asset management operations.

(2) Consists of assets managed by Dresdner Bank (E24 billion and E27 billion in 2002 and 2001, respectively) and other Allianz Group companies (E24 billion and E9 billion in 2002 and 2001, respectively). The increase from 2001 to 2002 reflects a reclassification of certain companies from ADAM in 2001 to other Allianz Group companies in 2002.

The Allianz Group has significantly grown its third-party assets under management in recent years, both through acquisitions such as Dresdner Bank and Nicholas-Applegate in 2001 and PIMCO in 2000, and through organic growth. The Allianz Group intends to leverage the PIMCO, dit, Nicholas-Applegate and Dresdner RCM franchises in further developing its third-party asset management business through its flagship subsidiaries on a global basis. The Group believes that the European markets offer especially attractive opportunities for

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third-party fund managers. The Group also expects that investment fund products, in particular retirement planning vehicles, will increase in importance in Europe. The Group expects this trend to be supported by the increased demographic pressure that state-run pension systems will face and the rising prevalence of defined contribution arrangements. The Group believes that it is well positioned in third-party markets, especially in Germany, France and Italy, and it is seeking to increase its market share in these markets.

The Allianz Group is also developing its insurance and banking distribution capabilities, including its dedicated advisory, branch bank and insurance networks in Europe, as asset accumulation arms to further its asset management capabilities. Leading examples of the Group's activities in this area include its operations through Dresdner Bank, where the Allianz Group has approximately 7,000 financial advisors in branch offices to distribute its asset management, life insurance and other financial products; the Group's operations at RAS Group, with its independent network of licensed financial advisors who distribute life insurance and financial products; and the Group's operations at the AGF Group in France, with its network of advisors offering comprehensive financial planning services. See also "-- Banking Operations."

As a result of the reorganization of its asset management operations under ADAM, the Allianz Group believes it is well positioned to deliver quality products and services in all major asset classes for both retail and institutional clients. The Allianz Group aims to provide its clients with first-class products on a global basis by fully utilizing its distribution channels and leveraging the asset management expertise of its specialized asset managers around the world.

The Allianz Group serves a comprehensive range of retail and institutional asset management clients, including corporate and public pension funds, insurance and other financial services companies, governments and charities, financial advisors and private individuals. The Group's third-party asset management includes primarily equity, fixed income, money market and sector products, as well as alternative investments.

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The following tables show the Allianz Group's third-party assets under management by investment category and by investor class at December 31 for the years indicated:

	DECEMBER 31,					
	2002		2001		2000	
	E	%	E	%	E	
	(E IN BILLION)					
Fixed income.....	405	72.2	377	60.8	240	7
Equity.....	141	25.1	218	35.2	96	2
Other(1).....	15	2.7	25	4.0	--	
Total.....	561	100.0	620	100.0	336	10
	===	=====	===	=====	===	==

(1) Includes primarily investments in real estate.

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	DECEMBER 31,				
	2002		2001		2000
	E	%	E	%	E
	(E IN BILLION)				
Institutional.....	403	71.8	466	75.2	269
Retail.....	158	28.2	154	24.8	67
Total.....	561	100.0	620	100.0	336
	===	=====	===	=====	===

The Allianz Group's third-party asset management subsidiary ADAM is organized globally into three principal business lines: global equity, global fixed-income and global retail (distribution). Each of the Group's asset management business lines is led by a global head. Together with ADAM's chief executive officer and chief operating officer, who sets standards and coordinates corporate controlling and administration, each of the global heads is also a member of ADAM's executive committee, which is responsible for ADAM's strategic development and financial performance. In addition, country organizations led by country managers provide shared infrastructure and services. ADAM's management structure has been designed to manage the complexity of its multi-regional, multi-product and multi-channel business activities. Within this structure, ADAM maintains significant incentives for entrepreneurship and encourages its business units to operate autonomously.

Portfolio Management

ADAM believes it has globally consistent, well-structured and transparent investment processes that are based on fundamental primary research. ADAM's goal is to provide its clients with portfolios that consistently offer superior performance in accordance with its clients' investment objectives. ADAM aims for outperformance through active portfolio management coupled with comprehensive risk management at all levels of the investment process. At December 31, 2002, the Group had more than 560 portfolio managers and more than 200 analysts in major markets worldwide providing a comprehensive range of actively managed fixed-income and equity products and services.

Global Fixed Income

ADAM's fixed-income portfolio investment process is led by PIMCO, one of the world's leading fixed-income investment managers. The Group's fixed-income product range includes total return, short and long duration, regional, country-specific, global and other geographic products, sector products including government and corporate bonds and specialty funds such as high yield and emerging markets. The Allianz Group delivers its fixed-income products in a broad range of investment vehicles, including separate accounts, fixed-income mutual funds and investment trusts.

Global Equity

The Allianz Group's equity portfolio investment products include all major investment styles: value investment, growth investment and core investment. The Group's equity product range comprises regional, country-specific, global and other geographic products, sector products

such as technology, biotechnology, capital equipment, consumer goods, energy and materials, and finance, as well as large, medium and small market capitalization funds. The Allianz Group delivers its equity products in a broad range of investment vehicles.

Distribution

In Europe, ADAM markets and services institutional products offered by its asset management subsidiaries through specialized personnel located primarily in its Frankfurt, London, Munich, Paris and Milan offices. European retail distribution is provided primarily through the proprietary channels of the Allianz Group, including branch bank advisors, full-time agents employed by affiliated insurance companies and other Allianz Group financial planners and advisors.

In Germany, ADAM and its predecessors have offered mutual funds since 1949. The funds are distributed primarily through the Group's branch bank network and its full-time insurance agents. To strengthen these channels, ADAM provides asset management specialists and support services, including call centers and client services.

In France, AGF Asset Management markets a wide range of retail products to individual investors through its own in-house network of financial advisors, including full-time agents employed by AGF Group, brokers and specialist networks.

In Italy, RAS Asset Management offers mutual funds, private banking products, current accounts, credit and debit cards, brokerage services and real estate financing. Retail products and services are marketed through affiliated financial planners, financial advisors, banks and via the Internet.

In the United Kingdom and the United States, each of the Group's ADAM asset managers markets and services its institutional products through its own specialized personnel. The institutional markets in the United Kingdom and the United States are dominated by consultants, who advise their clients with regard to investment strategy and asset allocation, conduct due diligence on and rank portfolio managers, and conduct searches. As a result, ADAM portfolio managers in these areas put emphasis on servicing consultants. In addition, in the United States, ADAM asset managers offer a wide range of retail products. The principal proprietary channel is PIMCO Funds, which distributes mutual funds managed by its affiliates through broker-dealers, financial planners, 401(k) funds and other intermediaries. The Allianz Group also provides "wrap" services through broker-dealers, by managing all or a part of separate accounts maintained by broker-dealers for their customers. In the United States, ADAM also advises mutual funds sponsored by third parties, including other mutual fund families and insurance companies offering variable annuity products.

Allianz Group has committed substantial resources to the build-out of a third-party asset management business in Asia-Pacific. Allianz Group has offices in Tokyo, Hong Kong, Singapore, Taipei, Seoul and Sydney, which are being enlarged to accommodate equity and fixed-income portfolio management as well as institutional and retail distribution. In November 2002, Allianz Group rebranded its fund management operations across Asia-Pacific under the umbrella brand ADAM. ADAM is also seeking to leverage its brand, investment know-how and customer relationships in China and to exploit the opportunities in this growing asset management market.

Competition

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The Allianz Group's main competitors in the asset management business include Deutsche Bank, AXA, UBS, Credit Suisse, Fidelity Investments, Citigroup, Merrill Lynch, Capital Group and Amvescap. Each of these entities has large, multi-jurisdictional and multi-product asset management operations, and most of them compete with the Allianz Group for both retail and institutional clients.

GROUP'S OWN INVESTMENTS

The Allianz Group's own investments consist of the investment portfolios of the Group's insurance, banking and asset management operations. The Group's investment strategy with regard to the Group's own investments is to maximize long-term total return while remaining within the Group's risk management guidelines. These guidelines relate primarily to the quality

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of the investments and the matching of assets and liabilities. The Group's policy is to closely match the maturities and currencies of assets and liabilities. The investment policies of the insurance subsidiaries reflect the different liability characteristics and tax profiles of their respective operations. The Group's internationally integrated teams of portfolio managers work closely with the regional asset management subsidiaries to coordinate asset/liability management and product development activities. Because the Group's insurance investments mostly serve to cover liabilities in the insurance business, its asset management professionals place a high priority on high quality, liquid and widely marketable securities in the Group's insurance investments portfolio. For a discussion of the investment portfolios of the Group's banking operations, see "-- Selected Statistical Information Relating to the Group's Banking Operations." For further discussion regarding the Group's investment strategy and risk management practices, see "-- Risk Management."

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The following tables set forth the components of the Group's own investment portfolios by investment category, as well as separate account assets, at the end of the years indicated. Consistent with the Group's general practice, amounts by investment category are presented before consolidation adjustments representing the elimination of transactions between Group companies in different segments.

	DECEMBER 31, 2002 (1)				
PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS	
(E IN MILLION)					
Investments in affiliated enterprises, joint ventures and associated enterprises...	51,448	6,183	4,349	20	(50,655)
Investments.....	76,855	189,172	28,965	993	(10,645)
Loans and advances to banks....	5,219	3,490	76,748	1,863	(498)
Loans and advances to customers.....	2,882	24,747	168,919	228	(8,692)
Trading assets.....	1,404	1,177	122,139	156	(34)
Subtotal.....	137,808	224,769	401,120	3,260	(70,524)
Separate accounts.....	--	25,657	--	--	--

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Total.....	137,808	250,426	401,120	3,260	(70,524)
	=====	=====	=====	=====	=====

(1) Group's own investments are stated at balance sheet value.

	DECEMBER 31, 2001 (1)				
	PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS
	(E IN MILLION)				
Investments in affiliated enterprises, joint ventures and associated enterprises...	40,387	6,043	2,079	116	(38,378)
Investments.....	91,712	180,076	85,133	1,362	(12,981)
Loans and advances to banks....	5,079	1,010	54,271	1,646	(732)
Loans and advances to customers.....	2,837	24,843	222,916	561	(11,464)
Trading assets.....	1,373	775	125,741	539	(6)
Subtotal.....	141,388	212,747	490,140	4,224	(63,561)
Separate accounts.....	--	24,692	--	--	--
Total.....	141,388	237,439	490,140	4,224	(63,561)
	=====	=====	=====	=====	=====

(1) Group's own investments are stated at balance sheet value.

	DECEMBER 31, 2000 (1)				
	PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS
	(E IN MILLION)				
Investments in affiliated enterprises, joint ventures and associated enterprises....	22,514	5,615	96	62	(16,524)
Investments.....	95,718	186,799	3,070	528	(5,281)
Loans and advances to banks....	4,527	3,747	1,142	1,102	(3,448)
Loans and advances to customers.....	1,565	14,445	12,555	395	(874)
Trading assets.....	20	119	51	182	--
Subtotal.....	124,344	210,725	16,914	2,269	(26,127)
Separate accounts assets.....	--	22,770	--	--	--
Total.....	124,344	233,495	16,914	2,269	(26,127)
	=====	=====	=====	=====	=====

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(1) Group's own investments are stated at balance sheet value.

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Insurance Operations Investments

The following is a discussion of the investment portfolio of the Allianz Group's insurance operations. For a discussion of the investment portfolios of the Group's banking operations, see "-- Selected Statistical Information Relating to the Group's Banking Operations."

Interest-Bearing Investments

Fixed income securities, including both government and corporate bonds, constituted 54.8% of the Allianz Group's property-casualty investment portfolio and 74.5% of its life/health investment portfolio as of December 31, 2002. The credit quality of the Group's fixed income securities portfolio has historically been strong. As of December 31, 2002, of the rated fixed income securities in the Group's own investments portfolio, approximately 34% had a rating comparable to a Standard & Poor's rating of AAA, approximately 63% were invested in securities with a Standard & Poor's rating of AA or better and approximately 95% were invested in securities with a Standard & Poor's rating of BBB or better.

The following table analyzes the maturities of the Group's fixed income investments available for sale at December 31, 2002:

	AMORTIZED COST	MARKET VALUE
	(E IN MILLION)	
Contractual term to maturity:		
Up to one year.....	18,459	21,091
Over one year through five years.....	86,646	79,500
Over five years through ten years.....	70,109	90,113
Over ten years.....	31,377	27,122
	-----	-----
Total.....	206,591	217,826
	=====	=====

Equity Investments

Equity investments constituted 27.9% of the Group's property-casualty investment portfolio and 12.7% of its life/health investment portfolio as of December 31, 2002. The Allianz Group has a long-standing strategy of investing life policyholders' and shareholders' funds and some amounts of property-casualty cash flow in equities. Since the early 1900's, the life/health and property-casualty investments in Germany have included equity positions in a number of well-known German companies (see table below).

In view of weak capital markets in 2002, the Group has reduced its equity exposure through various divestments and hedging activities. However, the Group believes that shares continue to represent an attractive long-term investment option and will deliver additional value to a well-diversified investment portfolio in the long-term.

The following table sets forth the Group's own investment portfolios by geographic region at the end of the years indicated:

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	DECEMBER 31,				
	2002		2001		
	PROPERTY- CASUALTY	LIFE/HEALTH	PROPERTY- CASUALTY	LIFE/HEALTH	PROPERTY CASUALTY
	(E IN MILLION)				
Germany.....	101,802	119,870	100,600	117,233	79,398
Rest of Europe.....	64,634	103,270	59,139	97,547	56,164
NAFTA.....	19,522	22,038	20,398	18,438	17,945
Rest of World.....	2,855	5,291	2,514	4,491	1,820
Specialty Lines.....	4,417	--	3,007	--	3,057
Consolidation Adjustments.....	(55,422)	(43)	(44,270)	(270)	(34,040)
Total.....	137,808	250,426	141,388	237,439	124,344

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Significant Group Equity Investments

The following tables set forth information regarding the Group's significant equity investments in German and non-German companies at December 31, 2002. Except for the investments in Munich Re, Beiersdorf AG and Eurohypo, which are valued by the equity method because the Allianz Group holds more than a 20% interest, these investments are carried on the Group's financial statements at market value.

	DECEMBER 31, 2002		
	CARRYING VALUE	MARKET VALUE	% OWNE
	(E IN MILLION)		
Munich Re(1).....	3,045	4,548	22.
Beiersdorf AG(2).....	1,620	3,886	43.
Eurohypo AG.....	1,933	1,984	28.

(1) The Group's interest in Munich Re was substantially restructured pursuant to the Group's acquisition of Dresdner Bank in July 2001 and its related agreements with Munich Re. In addition, the Group reduced its interest in Munich Re to slightly less than 20% on March 31, 2003 and further intends to reduce its interest in Munich Re to approximately 15% by the end of 2004. See "Related Party Transactions -- Transactions with Munich Re" and "The Offering."

(2) Includes 13.1% sold pursuant to repurchase agreements.

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	MARKET VALUE	% OWNERSHIP
	-----	-----
	(E IN MILLION)	
GERMAN COMPANIES		
E.ON AG.....	1,695	6.4
BASF AG.....	1,269	6.1
Siemens AG.....	1,053	2.9
Bayerische Motorenwerke AG.....	995	5.2
Schering AG.....	978	12.0
RWE AG.....	931	6.9
Deutsche Bank AG.....	824	3.1
Bayer AG.....	872	5.8
Linde AG.....	526	12.6
NON-GERMAN COMPANIES		
Credit Lyonnais S.A.....	1,915	10.3
UniCredito Italiano S.p.A.....	1,181	4.9
Banco Popular Espanol S.A.....	842	9.9
Total Fina Elf S.A.....	767	1.3
Nestle S.A.....	546	0.7
Royal Dutch Petroleum.....	519	0.5

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Investment Income

The following tables set forth the components of the Allianz Group's investment income and expenses for each of the property-casualty, life/health, banking and asset management segments for the years ended December 31, 2002, 2001 and 2000:

	YEAR ENDED DECEMBER 31, 2002				
	PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS
	-----	-----	-----	-----	-----
	(E IN MILLION)				
INVESTMENT INCOME					
Interest and similar income....	4,473	11,215	13,336	119	(933)
Income from affiliated enterprises, joint ventures and associated enterprises...	8,494	445	2,071	(12)	(6,600)
Realized gains.....	3,358	4,571	1,389	30	(694)
Income from revaluations.....	294	361	41	5	--
Trading income.....	207	244	1,081	(1)	(24)
	-----	-----	-----	-----	-----
Subtotal.....	16,826	16,836	17,918	141	(8,251)
INVESTMENT EXPENSES					
Interest and similar expenses.....	(1,564)	(434)	(9,509)	(89)	945
Realized losses.....	(1,536)	(5,930)	(1,096)	(11)	368
Loan loss allowance.....	(7)	(10)	(2,222)	(2)	--
Write-downs and other expenses.....	(2,031)	(2,726)	(1,129)	(11)	--
Investment management expenses.....	(528)	(650)	--	--	121
	-----	-----	-----	-----	-----

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Subtotal.....	(5,666)	(9,750)	(13,956)	(113)	1,434
INVESTMENT INCOME (NET).....	11,160	7,086	3,962	28	(6,817)

YEAR ENDED DECEMBER 31, 2001

	PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS
	(E IN MILLION)				
INVESTMENT INCOME					
Interest and similar income.....	5,068	10,765	9,085	129	(823)
Income from affiliated enterprises, joint ventures and associated enterprises....	889	525	1,016	(3)	(839)
Realized gains.....	4,211	3,405	505	33	(39)
Income from revaluations.....	96	157	123	11	--
Trading income.....	1,451	(117)	244	10	4
Subtotal.....	11,715	14,735	10,973	180	(1,697)
INVESTMENT EXPENSES					
Interest and similar expenses...	(1,323)	(492)	(6,852)	(82)	802
Realized losses.....	(2,088)	(4,542)	(341)	(51)	24
Loan loss allowance.....	(4)	(4)	(588)	--	--
Write-downs and other expenses.....	(800)	(995)	(124)	(6)	--
Investment management expenses.....	(499)	(546)	--	--	104
Subtotal.....	(4,714)	(6,579)	(7,905)	(139)	930
INVESTMENT INCOME (NET).....	7,001	8,156	3,068	41	(767)

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YEAR ENDED DECEMBER 31, 2000

	PROPERTY- CASUALTY	LIFE/HEALTH	BANKING	ASSET MANAGEMENT	CONSOLIDATION ADJUSTMENTS
	(E IN MILLION)				
INVESTMENT INCOME					
Interest and similar income.....	5,568	10,152	1,502	204	(831)
Income from affiliated enterprises, joint ventures and associated enterprises....	1,833	693	122	1	(789)
Realized gains.....	4,250	6,639	24	18	(24)
Income from revaluations.....	9	28	1	--	--
Trading income.....	(10)	(49)	7	16	--
Subtotal.....	11,650	17,463	1,656	239	(1,644)

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INVESTMENT EXPENSES					
Interest and similar expenses...	(1,136)	(148)	(1,257)	(61)	203
Realized losses.....	(1,428)	(2,624)	(28)	--	1
Loan loss allowance.....	--	--	(21)	--	--
Write-downs and other expenses.....	(485)	(380)	(5)	--	--
Investment management expenses.....	(558)	(406)	--	--	8
	-----	-----	-----	-----	-----
Subtotal.....	(3,607)	(3,558)	(1,311)	(61)	212
	-----	-----	-----	-----	-----
INVESTMENT INCOME (NET).....	8,043	13,905	345	178	(1,432)
	=====	=====	=====	=====	=====

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Net investment income decreased by E2,080 million, or 11.9%, to E15,419 million in 2002 from E17,499 million in 2001, largely as a result of weakness in the capital markets in 2002, as reflected in the increase in realized losses, which increased by E1,207 million, or 17.2%, in 2002 compared to 2001 and increased write-downs and other expenses of E5,897 million in 2002, compared to E1,925 million in 2001.

Property-casualty insurance investments decreased by E3,580 million, or 2.5%, to E137,808 million in 2002 from E141,388 million in 2001, due primarily to a decrease in securities available for sale, largely offset by an increase in investments in affiliated enterprises, joint ventures and associated enterprises. Net investment income from property-casualty investments increased by E4,159 million, or 59.4%, to E11,160 million in 2002 from E7,001 million in 2001, due primarily to realized gains of E1,886 million from open market sales of Munich Re shares, approximately E1,100 million from open market sales of Vodafone AG shares and E713 million on the sale of a real estate subsidiary in Italy as well as realized gains from the sale of other shareholdings in the Group's German equity portfolio. Net investment income from property-casualty investments also included significant investment income from intercompany transactions, including realized gains of E3,332 million from the transfer of Munich Re shares from Allianz AG to Dresdner Bank and E224 million from the sale of Vereinte Lebensversicherung AG from Vereinte Versicherung AG to Allianz Leben. The gain on this intercompany transaction was eliminated at the Group level. Net investment income from property-casualty insurance investments was negatively affected by price declines on the capital markets. Write-downs on investments increased by E1,231 million, or 153.9%, in 2002 compared with 2001. Interest and similar income decreased 11.7% to E4,473 million in 2002, compared with E5,068 million in 2001, while realized gains decreased to E3,358 million in 2002, compared with E4,211 million in 2001. Investment expenses increased by E952 million, or 20.2%, to E5,666 million in 2002 from E4,714 million in 2001, reflecting primarily increased realized losses on investments and write-downs of investments as a result of price declines in the capital markets.

Life/health insurance investments increased by E12,987 million, or 5.5%, to E250,426 million in 2002 from E237,439 million in 2001, reflecting primarily an increase in securities available for sale. Net investment income from life/health investments decreased by E1,070 million, or 13.1%, to E7,086 million in 2002 from E8,156 million in 2001, primarily due to an increase in investment write-downs, which increased by E1,731 million, or 174%, in 2002 compared with 2001 due to price

declines in the capital markets. Interest and similar income increased 4.2%, to

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E11,215 million in 2002, compared with E10,765 million in 2001, while realized gains increased 34.2%, to E4,571 million in 2002, compared with E3,405 million in 2001. Investment expenses increased by E3,171 million, or 48.2%, to E9,750 million in 2002 from E6,579 million in 2001, reflecting primarily an increase in realized losses on investments and write-downs of investments due to price declines in the capital markets.

Banking investments decreased by E89,020 million to E401,120 million in 2002 from E490,140 million in 2001, due primarily to a significant decrease in securities available for sale. Net investment income from banking investments increased by E894 million, to E3,962 million in 2002 from E3,068 million in 2001, due primarily to a realized gain of E1,912 million resulting from the transfer in August 2002 of substantially all of Dresdner Bank's German asset management subsidiaries to ADAM. The gain on this intercompany transaction was eliminated at the Group level. Net investment income from banking investments was negatively affected by price declines in the capital markets. Write-downs of investments increased significantly by E1,005 million, to E1,129 million in 2002, compared with E124 million in 2001. Interest and similar income increased to E13,336 million in 2002, compared with E9,085 million in 2001, while realized gains increased to E1,389 million in 2002, compared with E505 million in 2001. Investment expenses increased to E13,956 million in 2002 from E7,905 million in 2001.

Asset management investments decreased by E964 million, or 22.8%, to E3,260 million in 2002 from E4,224 million in 2001, reflecting primarily decreases in trading assets and securities available for sale. Net investment income from asset management investments decreased by E13 million to E28 million in 2002 from E41 million in 2001. Interest and similar income decreased by E10 million, or 7.8%, to E119 million in 2002, compared with E129 million in 2001, while realized gains decreased to E30 million in 2002 from E33 million in 2001. Investment expenses decreased by E26 million, or 18.7%, to E113 million in 2002 from E139 million in 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net investment income decreased by E3,540 million, or 16.8%, to E17,499 million in 2001 from E21,039 million in 2000, largely as a result of the downturn in the capital markets in 2001, as reflected in the decrease in realized gains, which decreased by E2,792 million, or 25.6%, and the increase in realized losses, which increased by E2,919 million, or 71.6%, in 2001 compared to 2000.

Property-casualty insurance investments increased by E17,044 million, or 13.7%, to E141,388 million in 2001 from E124,344 million in 2000, due primarily to an increase in investments in affiliated enterprises, joint ventures and associated enterprises. Net investment income from property-casualty investments decreased by E1,042 million, or 13.0%, to E7,001 million in 2001 from E8,043 million in 2000, due primarily to price declines on the capital markets. Interest and similar income decreased 9.0% to E5,068 million in 2001, compared with E5,568 million in 2000, while realized gains decreased slightly to E4,211 million in 2001, compared with E4,250 million in 2000. Investment expenses increased by E1,107 million, or 30.7%, to E4,714 million in 2001 from E3,607 million in 2000, reflecting primarily increased realized losses on investments and write-downs of investments as a result of price declines in the capital markets.

Life/health insurance investments increased slightly by E3,944 million, or 1.7%, to E237,439 million in 2001 from E233,495 million in 2000, reflecting primarily an increase in separate account investments. Net investment income from life/health investments decreased by E5,749 million, or 41.3%, to E8,156 million in 2001 from E13,905 million in 2000, primarily due to a decrease in realized gains on investments and an increase in realized losses on investments

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due to price declines in the capital markets. Interest and similar income increased 6.0%, to E10,765 million in 2001, compared with E10,152 million in 2000, while realized gains decreased 48.7%, to E3,405 million in 2001, compared with E6,639 million in 2000. Investment expenses increased by E3,021 million, or 84.9%, to E6,579 million in 2001 from E3,558 million in 2000, reflecting primarily an increase in realized losses on investments and write-downs of investments due to price declines in the capital markets.

Banking investments increased by E473,226 million to E490,140 million in 2001 from E16,914 million in 2000, due primarily to the acquisition of Dresdner Bank. The Dresdner Bank acquisition was also the primary driver of the banking segment's investment results, as the

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Group's banking operations were not significant in 2000. Net investment income from banking investments increased by E2,723 million, to E3,068 million in 2001 from E345 million in 2000. Interest and similar income increased to E9,085 million in 2001, compared with E1,502 million in 2000, while realized gains increased to E505 million in 2001, compared with E24 million in 2000. Investment expenses increased to E7,905 million in 2001 from E1,311 million in 2000.

Asset management investments increased by E1,955 million, or 86.2%, to E4,224 million in 2001 from E2,269 million in 2000, reflecting primarily the acquisition of Dresdner Bank, offset in part by price declines on the capital markets. Net investment income from asset management investments decreased by E137 million to E41 million in 2001 from E178 million in 2000. Interest and similar income decreased by E75 million, or 36.8%, to E129 million in 2001, compared with E204 million in 2000, while realized gains increased to E33 million in 2001 from E18 million in 2000. Investment expenses increased by E78 million, or 127.9%, to E139 million in 2001 from E61 million in 2000, reflecting primarily realized losses on investments due to price declines in the capital markets.

LIQUIDITY AND CAPITAL RESOURCES

Allianz AG operates as both a holding company for the Group's insurance, banking and other subsidiaries and as a reinsurance company, primarily for other Group companies. The liquidity and capital resource considerations for Allianz AG and for its domestic and non-domestic operating subsidiaries vary in light of the business conducted by each, as well as the insurance and banking regulatory requirements applicable to the Allianz Group in Germany and the other countries in which it does business. At December 31, 2002, 2001 and 2000, Allianz Group had E21,008 million, E21,240 million and E4,209 million, respectively, of cash and cash equivalents. Allianz AG believes that its working capital is sufficient for the Group's present requirements.

Allianz Group's principal sources of funds are premiums, customer deposits, investment income, funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends and reinsurance premiums received from Allianz AG's subsidiaries. For additional information, see "-- Selected Statistical Information Relating to the Group's Banking Operations" and "-- Risk Management." For further information regarding the uses and sources of liquidity, capital requirements, and other related matters, see "-- Consolidated Cash Flows."

The majority of Allianz AG's external debt financing at December 31, 2002 was in the form of debentures and money market securities. Allianz Group's total certificated liabilities outstanding at December 2002, 2001 and 2000 were E78,750 million, E134,670 million and E13,606 million, respectively. Of the certificated liabilities outstanding at December 31, 2002, E41,077 million were

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due within one year. Proceeds to Allianz Finance B.V. and Allianz Finance II B.V. from the issuance of debt for the years ended December 31, 2002, 2001 and 2000 were approximately E5,400 million, E3,054 million and E2,354 million, respectively.

Allianz AG paid dividends of E364 million, E367 million and E307 million on its shares in 2002, 2001 and 2000 with respect to the fiscal years 2001, 2000 and 1999, respectively, and has proposed a dividend payment of E374 million for the fiscal year 2002 which is expected to be paid on April 30, 2003. Dividends paid by the Group's operating companies outside of Germany are generally retained by an intermediate holding company to finance operations or acquisitions in the relevant countries. As a result, Allianz AG generally pays dividends out of the profits from its reinsurance operations and profits transferred from its German operating subsidiaries.

Certain of the Group companies are subject to legal restrictions on the amount of dividends they can pay to their shareholders. In addition to the restrictions in respect of minimum capital and solvency requirements that are imposed by insurance and other regulators in the countries in which these companies operate, other limitations exist in certain countries. For example, the operations of Allianz AG's insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. See "-- Regulation and Supervision."

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CONSOLIDATED CASH FLOWS

The liquidity requirements of the Group's insurance operations are met both on a short- and long-term basis by funds provided by insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. The Allianz Group also has access to commercial paper, medium-term notes and other credit facilities as additional sources of liquidity. The major uses of these funds are to pay property-casualty claims and related claims expenses, provide life policy benefits, pay surrenders, cancellations and profit sharing for life policyholders and pay other operating costs. The Allianz Group generates a substantial cash flow from insurance operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and liquid securities, have historically met the liquidity requirements of the Group's insurance operations.

In the insurance industry, liquidity generally refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance or reinsurance contracts. The liquidity of the Group's property-casualty insurance operations is affected by the frequency and severity of losses under its policies, as well as by the persistency of its products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for the Group's property-casualty operations. The liquidity needs of the Group's life operations are generally affected by trends in actual mortality experience relative to the assumptions with respect thereto included in the pricing of its life insurance policies, by the extent to which minimum returns or crediting rates are provided in connection with its life insurance products, as well as by the level of surrenders and withdrawals.

With regard to the Allianz Group's banking operations, the Group's primary

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sources of liquidity are customer deposits and interest income from its lending transactions and its investment portfolio, while its major uses of funds are for the issuance of new loans and advances to banks and customers, and the payment of interest on deposits, certificated liabilities and subordinated liabilities and other operating costs. Other sources of liquidity include the Group's ability to borrow on the interbank market and convert securities in its investment and trading portfolios into cash.

The Allianz Group's uses of funds, in addition to the dividends paid to shareholders of Allianz AG, include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims -- including claims handling expenses -- and profit sharing by life policyholders), acquisitions, and employee and other operating expenses, as well as interest expense on outstanding borrowings. The Allianz Group's life and health insurance products include mandatory profit-sharing features, whereby the Group returns a specified portion of statutory profits to policyholders annually, generally in the form of premium subsidies or rebates. See "-- Discussion of Operations by Business Segment -- Life/Health Insurance Operations -- Life/Health Operations by Geographic Region -- Germany -- Life Insurance" and "-- Discussion of Operations by Business Segment -- Life/Health Insurance Operations -- Life/Health Operations by Geographic Region -- Germany -- Health Insurance."

Recent significant acquisitions have included the purchases of PIMCO in May 2000, Nicholas-Applegate in January 2001 and Dresdner Bank in July 2001. On March 31, 2003, a subsidiary of Allianz AG received notice from the former parent company of PIMCO that such former parent company had exercised its right to put US\$250 million of its remaining ownership interest in PIMCO to Allianz, with payment therefor due by April 30, 2003. See "-- Asset Management Operations -- Results of Operations -- Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 -- Net Income."

The Allianz Group's capital requirements are primarily dependent on the Group's business plans regarding the levels and timing of capital expenditures and investments.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Net cash used in operating activities was E670 million in 2002, compared to net cash used in operating activities of E775 million in 2001. The change was primarily attributable to increased

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changes in trading securities and in funds held by others under reinsurance business assumed, offset by a decrease in net income and other receivables and liabilities.

Net cash used in investing activities was E15,934 million in 2002, compared to net cash provided by investing activities of E9,930 million in 2001. The decrease was primarily driven by a significant decrease in cash and cash equivalents from the acquisition of consolidated affiliated companies and an increased change in available-for-sale securities.

Net cash provided by financing activities was E16,481 million in 2002, compared to net cash provided by financing activities of E7,858 million in 2001. The increase was primarily attributable to an increase in participation certificates and post-ranking liabilities, the change in aggregate policy reserves for life insurance products according to SFAS 97 and in other financing activities.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

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First-time compliance with regulations specific to the banking sector required changes in the format of the cash flow statement. The headings for the previous years were adjusted accordingly. The cash flow statement excludes the effects of the first-time consolidation of major new acquisitions during the course of 2001, including, among others, Dresdner Bank and Nicholas-Applegate. Subsequent to their respective dates of acquisition, the cash of these companies has been included in the cash flow statement.

Net cash used in operating activities of the Allianz Group was E775 million in 2001, compared to net cash provided by operating activities of E2,476 million in 2000. The decrease was primarily attributable to an increased change in trading securities and a decrease in net income for the year. This was offset by an increased adjustment for investment income and expenses not involving movement in cash, and an increased change in other receivables and liabilities.

Net cash provided by investing activities of the Allianz Group was E9,930 million in 2001, compared to net cash used in investing activities of E13,725 million in 2000. The increase was primarily driven by an increased change in cash and cash equivalents from the acquisition of consolidated affiliated companies, following the acquisition of Dresdner Bank and Nicholas-Applegate, an increased change in available-for-sale securities and an increased change in other investments.

Net cash provided by financing activities of the Allianz Group was E7,858 million in 2001, compared to net cash provided by financing activities of E11,519 million in 2000. The decrease was primarily attributable to a decreased change in loans, participation certificates and post-ranking liabilities, and a decreased change in other financing activities.

PROPERTY-CASUALTY INSURANCE RESERVES

GENERAL

When claims are made by or against policyholders, any amounts that a member of the Allianz Group's property-casualty segment pays or expects to pay the claimant are referred to as losses, and the costs of investigating, resolving and processing these claims are referred to as loss adjustment expenses ("LAE"). The Allianz Group establishes reserves for payment of losses and LAE for claims that arise from its property-casualty insurance and reinsurance policies by product, coverage and year for each company in the Group. In accordance with IFRS, no specific loss and LAE reserves are established until an event that causes a loss occurs.

Loss and LAE falls into two categories: reserves for reported claims and reserves for incurred but not reported (IBNR) claims. Reserves for reported claims are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of the Group's claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These reserves are periodically adjusted in the ordinary course of settlement and represent the estimated ultimate costs necessary to bring all pending reported claims to final settlement, taking into account inflation, and other societal and economic factors which can influence the amount of the reserves required. Consideration is given to historic trends of disposition patterns and loss payments, pending levels of unpaid claims and types of coverage. In addition,

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court decisions, economic conditions and public attitudes may also affect the estimation of reserves, as well as ultimate costs of claims.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but about which the Group does not yet have notice. These reserves, like the reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims arising out of losses to final settlement. Since nothing is known about the occurrence, the Group relies on its past experience adjusted for current trends and any other factors that would modify past experience to estimate the IBNR liability. These reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Late reported claim trends, claim severity, exposure growth and future inflation are some of the factors used in projecting the IBNR reserve requirements. These reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The time required to learn of and settle claims is an important consideration in establishing reserves. Short-tail claims, such as automobile property damage claims, are reported within a few days or weeks and are generally settled within two to three years. Medium-tail claims such as personal and commercial motor liability claims generally take four to six years to settle, while long-tail claims, such as general liability, workers compensation, construction and professional liability claims take longer to settle. Based on the profile of property-casualty reserves for its largest operating entities, the Allianz Group characterizes its reserves as approximately 20% short-tail, 40% medium-tail and 40% long-tail.

The ultimate cost of loss and LAE is subject to a number of highly variable circumstances. As time passes between when a claim is reported to the final settlement of the claim, a change in circumstances may require established reserves to be adjusted either upwards or downwards. Items such as changes in the legal environment, results of litigation, and changes in medical costs, costs of automobile and home repair materials and labor rates can substantially impact claim costs. These factors can cause actual developments to vary from expectations, perhaps materially. Claims reserve estimates are periodically reviewed and updated, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations.

On the basis of the Group's internal procedures, management believes, based on information currently available to it, that the Group's property-casualty reserves are adequate. However, the establishment of loss reserves is an inherently uncertain process, and accordingly, there can be no assurance that ultimate losses will not differ from the Group's initial estimates.

RECONCILIATION OF BEGINNING AND ENDING LOSS AND LAE RESERVES

The following table is a summary reconciliation of the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the property-casualty insurance segment for each of the years in the three-year period ended December 31, 2002, on an IFRS basis.

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RECONCILIATION OF LOSS AND LAE RESERVES PROPERTY-CASUALTY INSURANCE SEGMENT

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	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
Balance as of January 1.....	61,476	54,047	51,272
Less reinsurance recoverable.....	16,156	12,571	12,089
Net.....	45,320	41,476	39,183
Plus incurred related to:			
Current year.....	27,130	27,295	24,163
Prior years(1).....	646	76	(123)
Total incurred.....	27,776	27,371	24,040
Less paid related to:			
Current year.....	12,642	11,895	11,735
Prior years.....	12,143	12,462	11,968
Total paid.....	24,785	24,357	23,703
Effect of foreign exchange.....	(3,376)	407	649
Effect of acquisitions(2).....	122	423	240
Reclassification(3).....	--	--	458
Other(4).....	--	--	609
Net balance at end of year.....	45,066	45,320	41,476
Plus reinsurance recoverable.....	14,588	16,156	12,571
Balance as of December 31.....	59,654	61,476	54,047

- (1) The favorable development in 2000 is primarily due to the Group's subsidiaries in Germany, Austria and the United Kingdom, offset to some extent by unfavorable run-off in Italy and the United States. The unfavourable development during 2002 is primarily due to increases in asbestos and general liability reserves in the United States.
- (2) Reserves for loss and LAE of subsidiaries purchased (or sold) are included (or excluded) as of the date of acquisition (or disposition).
- (3) Represents the movement of certain AGF Belgium reserves from aggregate policy reserves to loss reserves.
- (4) In 2000, includes the impact of the commutation of a reinsurance agreement with Munich Re (E322.5 million).

CHANGES IN HISTORICAL LOSS AND LAE RESERVES

The following loss and LAE reserve development table illustrates the change over time of the loss and LAE reserves of the Group at the end of the years indicated. The reserves represent the estimated amount of loss and LAE for claims arising in the current and all prior accident years that are unpaid at the balance sheet date, including IBNR. Since the Group adopted IFRS in 1997, historical loss development data is available on an IFRS basis of accounting for the six years 1997 to 2002 only.

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The first section of each table shows gross reserves for loss and LAE as initially established at the end of each stated year. The second section, reading down, shows the cumulative amounts paid, gross of reinsurance and retrocessions, as of the end of the successive years with respect to the reserve initially established. The third section shows the retroactive re-estimation of the initially established gross reserves for loss and LAE as of the end of each successive year, which results primarily from the Group's expanded awareness of additional facts and circumstances that pertain to open claims. The last section compares the latest re-estimated gross reserves for loss and LAE to the gross reserves as initially established and indicates the cumulative development of the initially established gross reserves through December 31, 2002. For instance, the surplus (deficiency) shown in the table for each year represents the aggregate amount by which the original estimates of reserves at that year-end have changed in subsequent years. Accordingly, the cumulative surplus (deficiency) for a year-end relates only to reserves at that year-end and such amounts are not additive.

Caution should be exercised in evaluating the information shown on this table, as each amount includes the effects of all changes in amounts for prior periods. Conditions and trends

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that have affected development of liability in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results may not be derived from information presented in this table.

CHANGES IN HISTORICAL RESERVES FOR UNPAID LOSS AND LAE
PROPERTY-CASUALTY INSURANCE SEGMENT
GROSS OF REINSURANCE

	DECEMBER 31, (1)					2002
	1997	1998	1999	2000	2001	
(E IN MILLION)						
Gross liability for unpaid claims and claims expenses.....	34,323	45,560 (2)	51,272 (3)	54,047	61,476 (4)	59,000
Paid (cumulative) as of:						
One year later.....	8,573	12,996	15,949	16,639	17,384	
Two years later.....	13,329	20,967	24,132	24,451		
Three years later.....	16,778	24,588	29,123			
Four years later.....	19,562	27,829				
Five years later.....	21,539					
Liability re-estimated as of:						
One year later.....	32,200	46,768	52,663	55,357	60,195	
Two years later.....	33,104	46,975	53,589	55,289		
Three years later.....	32,766	47,346	53,101			
Four years later.....	33,455	46,687				
Five years later.....	33,426					
Cumulative surplus (deficiency).....	897	(1,127)	(1,829)	(1,243)	1,281	
Cumulative surplus (deficiency) excluding impact of foreign exchange.....	1,731	1,511	(1,353)	(2,227)	(1,572)	
Percent.....	5.0%	3.3%	(2.6)%	(4.1)%	(2.6)%	

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- (1) Reserves for loss and LAE of subsidiaries purchased (or sold) are included (or excluded) as of the date of the acquisition (or disposition).
- (2) As a result of the acquisition of AGF, loss and LAE reserves at December 31, 1998 increased by E10,658 million on a gross basis.
- (3) As of December 31, 1999, gross reserves increased by E1.2 billion as a result of the completion of the acquisition of Allianz Australia and by E2.0 billion as a result of the strengthening of the U.S. dollar and the pound sterling against the euro.
- (4) As of December 31, 2001, the increase in gross reserves was primarily due to the gross incurred losses and loss adjustment expenses related to the terrorist attack of September 11, 2001.

As of December 31, 2002, 2001 and 2000, the Allianz Group's consolidated property-casualty reserves reflected discounts of E1,529 million, E1,580 million, and E1,445 million, respectively.

Reserves are discounted to varying degrees in the United States, Germany, Hungary, Switzerland, Portugal, France and Belgium. For the United States, the discount reflected in the reserves is related to annuities for certain long-tailed liabilities, primarily in workers' compensation. For the other countries, the reserve discounts relate to annuity reserves for various classes of business. These classes include personal accident, general liability and motor liability in Germany and Hungary, workers' compensation in Switzerland and Portugal, individual and group health disability and motor liability in France and health disability in Belgium. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable.

The significant increase in the gross reserves for 2001 over 2000 for the Allianz Group companies is driven by gross incurred losses and loss adjustment expenses related to the terrorist attack of September 11, 2001. On a consolidated Group basis, the terrorist attack of September 11, 2001 resulted in net claims costs of approximately E1,500 million. Estimated losses are based on a policy-by-policy analysis as well as a variety of actuarial techniques, coverage interpretations and claim estimation methodologies, and include an estimate of incurred but not reported, as well as estimated costs related to the settlement of claims. These loss estimates are subject to considerable uncertainty.

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Because the terrorist attack of September 11, 2001 was a single coordinated event, it is the belief of the Group's management that the losses at the World Trade Center constitute one occurrence. A Group company is currently a defendant in a lawsuit brought by an insured alleging that the attack constituted multiple occurrences. Based on the policy wording, the Group believes it is clear that the attack constitutes one occurrence and intends to defend this matter vigorously.

The reserves held at year-end 1997 and year-end 1998 show surpluses of 5.0% and 3.3%, respectively, after adjusting for the impact of exchange rate fluctuations. The surplus is primarily driven by favorable claims experience in Germany, France, the United Kingdom, and Austria and is offset by adverse development in Italy. The reserves held at year-end 1999, year-end 2000 and year-end 2001 show deficiencies of 2.6%, 4.1% and 2.6% respectively, after adjusting for the impact of exchange rate fluctuations. The deficiency for year-end 1999 is driven by upward development on claims related to the storms "Lothar" and "Martin" that occurred in Europe in late 1999. Additionally, the

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strengthening of the reserves U.S. casualty, asbestos and environmental, as well as for motor liability and general liability in Italy during 2001 and 2002 contributed to the deficiencies shown for 1999, 2000 and 2001. The cumulative deficiency in 2001 was also significantly impacted by exchange rate fluctuations between the euro and U.S. dollar, reflecting the reserve additions taken at the Group's U.S. subsidiaries Fireman's Fund and Allianz Insurance Co.

INDIVIDUAL COUNTRY RESERVES -- GROSS RESERVES

The following five tables present loss development data on a local statutory basis of accounting for Germany, the United States, the United Kingdom, France and Italy, the five countries in which the Allianz Group writes the majority of its business.

Since the Group adopted IFRS in 1997, historical loss development data is not available on a consistent basis of accounting for years prior to 1997. Therefore, the individual country tables presented on the following pages are prepared on a local statutory basis of accounting for each respective country.

Generally, under German, French and Italian statutory accounting principles, property-casualty loss and LAE reserves are established based on a case reserving approach. Individual case reserves, set by claims adjusters, are aggregated to determine the overall reserve amounts. In addition, local regulations require an equalization reserve as a safety margin. In comparison, under IFRS, overall property-casualty reserves are set by analyzing past data and applying actuarial methodologies to this data. In addition, IFRS-based reserves exclude equalization reserves. Consistent with IFRS principles, catastrophe and equalization reserves are not included in the individual country loss and LAE reserves disclosures.

The tables for Germany, France, Italy and the United Kingdom present nine years of loss information, as over 60% of the business in these countries is short and medium tail. The table for the United States presents ten years of loss information, as the Group provides longer tail coverages in this market.

Germany

The loss reserve development table for Germany includes the development of property-casualty reserves for the Group subsidiaries that insure or reinsure property-casualty risks in Germany. The table is presented on a consolidated basis for the Group's subsidiaries in Germany on a German statutory accounting basis, and represents 100% of property-casualty reserves in Germany.

In Germany, reserves related to annuities for personal accident, general liability and motor liability claims are discounted. As of December 31, 2002, 2001, and 2000, the Allianz Group's

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German property-casualty reserves reflected discounts of E223 million, E202 million, and E180 million, respectively.

DECEMBER 31,						
1994	1995	1996	1997	1998	1999	2000
(E IN MILLION)						

Gross reserves for unpaid claims

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and expenses cumulative paid as of:.....	10,068	10,787	13,046	13,409	13,235	13,341	13,522
One year later.....	2,080	2,052	2,448	2,444	2,527	2,841	2,721
Two years later.....	2,875	2,829	3,434	3,328	3,576	3,889	3,872
Three years later.....	3,334	3,357	3,927	4,013	4,198	4,587	
Four years later.....	3,710	3,762	4,421	4,453	4,683		
Five years later.....	4,026	4,103	4,766	4,839			
Six years later.....	4,299	4,329	5,081				
Seven years later.....	4,480	4,564					
Eight years later.....	4,670						
Liability re-estimated as of:							
One year later.....	9,314	9,780	11,821	11,954	11,982	12,413	12,427
Two years later.....	8,701	9,144	10,814	10,764	10,916	11,424	11,469
Three years later.....	8,337	8,542	9,977	10,036	10,279	10,662	
Four years later.....	7,913	8,105	9,425	9,549	9,589		
Five years later.....	7,602	7,772	9,061	9,003			
Six years later.....	7,366	7,518	8,593				
Seven years later.....	7,167	7,513					
Eight years later.....	7,167						
Cumulative surplus (deficiency)..	2,901	3,274	4,453	4,406	3,646	2,679	2,053
Percent.....	28.8%	30.4%	34.1%	32.9%	27.5%	20.1%	15.2%

As a multi-line insurer in the German market, the Allianz Group's reserves include diverse property-casualty coverages including motor liability, general liability, property, marine, and credit. In Germany, the general practice is to record statutory reserves based on a prudent case-by-case reserve approach. Statistically, due to favorable outcomes on certain portions of the case reserves, this methodology leads to overall favorable development in the total reserves, leading to statutory reserves that are generally redundant.

The increase in the gross reserves for 2001 over 2000 for Allianz Group non-life insurance companies in Germany is driven by gross incurred losses and loss adjustment expenses related to the terrorist attack of September 11, 2001, a majority of which is attributable to reinsurance underwritten by Allianz AG.

United States

The loss reserve development table for the United States includes the development of property-casualty reserves for the Group subsidiaries in the United States that insure or reinsure property-casualty risks. The table is presented on a consolidated basis for the Group's subsidiaries in the United States on a U.S. statutory basis, and represents 100% of property-casualty reserves in the United States. As of December 31, 2002, 2001, and 2000, the Allianz Group's U.S. property-casualty reserves reflected discounts of E316 million, E412 million, and E295 million, respectively.

	DECEMBER 31,							
	1993	1994	1995	1996	1997	1998	1999	2000
Gross reserves for unpaid claims and claims expenses.....	7,972	7,174	7,415	8,633	10,571	10,047	11,932	12,700
Cumulative paid as of:								

(E IN MILLION)

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One year later.....	1,589	1,536	1,626	2,538	2,589	2,937	4,043	3,96
Two years later.....	2,557	2,516	3,191	4,099	4,429	5,323	6,284	6,01
Three years later.....	3,213	3,573	4,308	5,455	5,963	6,707	7,715	
Four years later.....	3,960	4,432	5,384	6,410	6,882	7,672		
Five years later.....	4,569	5,358	6,132	7,087	7,655			
Six years later.....	5,436	5,981	6,654	7,745				
Seven years later.....	5,991	6,414	7,255					
Eight years later.....	6,358	6,970						
Nine years later.....	6,890							
Liability re-estimated as of:								
One year later.....	6,970	7,285	8,260	10,644	10,254	11,711	13,081	13,36
Two years later.....	7,207	7,984	9,859	10,341	11,286	11,965	13,312	14,42
Three years later.....	7,814	9,274	9,614	11,087	11,374	11,969	14,311	
Four years later.....	8,834	9,112	10,250	11,074	11,316	12,853		
Five years later.....	8,780	9,687	10,261	10,959	12,277			
Six years later.....	9,384	9,710	10,130	11,940				
Seven years later.....	9,428	9,597	11,185					
Eight years later.....	9,329	10,684						
Nine years later.....	10,450							
Cumulative surplus (deficiency).....	(2,478)	(3,510)	(3,770)	(3,307)	(1,706)	(2,806)	(2,379)	(1,72
Cumulative surplus (deficiency) excluding impact of foreign exchange.....	(2,075)	(1,958)	(1,166)	(1,040)	(765)	(553)	(1,601)	(2,12
Percent.....	(26.0)%	(27.3)%	(15.7)%	(12.1)%	(7.2)%	(5.5)%	(13.4)%	(16.

The Group's portfolio in the United States consists of a diverse group of personal and commercial coverages, including workers' compensation, general liability, automobile liability, property, fire and marine generally written throughout the United States, and as such the Allianz Group is exposed to general developments and risks that affect the entire U.S. property-casualty industry.

The significant increase in the gross reserves for 2001 over 2000 for the Allianz Group non-life insurance companies in the United States is driven by incurred losses and loss adjustment expenses related to the simultaneous terrorist attack of September 11, 2001, nearly all of which is attributable to Allianz Insurance Co.

Primary drivers of the increase in 2002 in the estimated liability for prior years were:

- Reserve strengthening of US\$750 million (net and gross) relating to asbestos and environmental ("A&E") exposures at Fireman's Fund for accident years 1987 and prior;
- Increases of US\$1,145 million in gross reserves for general liability and property exposures at Allianz Insurance Co.; and
- General net reserve strengthening at Fireman's Fund for accident years 1999 and 2000.

In 2002 Fireman's Fund completed an analysis of A&E liabilities. The analysis used ground-up exposure-based modeling where appropriate, supplemented by aggregate methods such as average cost models and survival ratio methods. In response to the results of this study, the Allianz Group increased gross asbestos reserves by US\$750 million (net and gross) in September, 2002, which was within the reasonable range of the analysis and resulted in an estimated 13 year survival ratio. In 1995, Fireman's Fund had increased its net and gross

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reserves for A&E by US\$800 million and in 2000 an additional US\$250 million was reallocated to A&E. There are significant uncertainties in estimating the amount of A&E claims. Reserves for asbestos-related illnesses, toxic waste clean-up claims and latent drug and chemical exposures cannot be estimated with traditional loss reserving techniques. Case reserves are established when sufficient information has been obtained to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known

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and unasserted claims. In establishing the liabilities for claims arising from asbestos related illnesses, toxic waste clean-up and latent drug and chemical exposures, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of remediation and insurer liability, and given the inherent uncertainty in estimating A&E liabilities, significant adverse deviation from the current carried A&E reserve position is possible.

In response to the uncertainty associated with A&E claims, Fireman's Fund has created an environmental claims unit focused on A&E claims evaluation and remediation for the Allianz Group's U.S. subsidiaries. The staff of this unit, consisting of a total of approximately 50 employees, determines appropriate coverage issues according to the terms of the policies and contracts involved and, on the basis of its experience and expertise, makes judgments as to the ultimate loss potential related to each claim submitted for payment under the various policies and contracts. Judgments of potential losses are also made from precautionary reports submitted by insured companies for claims which have the possibility of involving policy coverage. Factors considered in determining the reserve are: whether the claim relates to asbestos or hazardous waste; whether the claim is for bodily injury or property damage; the limits of liability and attachment points; policy provisions for expenses (which are a significant portion of the estimated ultimate cost of these claims); type of insured; and any provision for reinsurance recoverables. In addition, Fireman's Fund actively pursues commutations and reinsurance cessions to reduce its A&E exposures.

For Allianz Insurance Co., the gross increases in general liability reserves in 2002 were based on a thorough actuarial analysis carried out in conjunction with a significant re-underwriting of the company's business. The majority of the increase, or US\$936 million, is attributable to monoline general liability business. Approximately US\$187 million of the increase is from property and US\$30 million from workers compensation, partially offset by reductions of US\$9 million for other lines.

In addition to the increase in A&E and general liability reserves, in 2002 Fireman's Fund increased reserves for accident years 1999 and 2000 following the re-evaluation of several business segments during the Group's regular quarterly reserve analyses. For 1999, Commercial Auto Liability, Medical Malpractice, Other Liability and Workers' Compensation reserves were increased US\$102 million, partially offset by favorable development in Commercial Multi-Peril (US\$41 million). Accident year 2000 reserves were increased in Commercial Auto Liability, Medical Malpractice and Other Liability (US\$141 million), partially offset by favorable development in Commercial Multi-Peril and Surety (US\$56 million). Two of the major business segments that drove the results for Commercial Auto Liability and Medical Malpractice above have been re-evaluated as businesses that the Allianz Group will not write in the future.

On September 30, 2002, Fireman's Fund entered into a reinsurance contract whereby it ceded all net carried A&E reserves to Allianz AG, with Allianz AG

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providing reinsurance cover up to a maximum of US\$2,158 million. Total A&E reserves ceded under this treaty were US\$1,276 million for consideration in the amount of US\$1,276 million. The following table summarizes the gross and net U.S. claim reserves for A&E claims at December 31 for the years indicated.

YEAR-END DECEMBER 31, -----	A&E NET RESERVES (E IN MILLION) -----	A&E GROSS RESERVES (E IN MILLION) -----	AS A PERCENTAGE OF U.S. PROPERTY-CASUALTY GROSS RESERVES -----	AS A PERCENTAGE OF GROUP'S CASUALTY RESERVES -----
1998.....	982	1,849	18.4%	4
1999.....	883	1,509	12.6%	2
2000.....	1,072	1,778	14.0%	3
2001.....	979	1,649	10.1%	2
2002.....	249	1,704	10.7%	2

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United Kingdom

The loss reserve development table for the United Kingdom includes the development of property-casualty reserves for the Group subsidiaries that insure or reinsure property-casualty risks in the United Kingdom. The table is presented on a consolidated basis for the Group's subsidiaries on a U.K. GAAP basis, which is similar to an IFRS basis, and represents 100% of property-casualty reserves in the United Kingdom.

	DECEMBER 31,							
	1994	1995	1996	1997	1998	1999	2000	2001
	(E IN MILLION)							
Gross reserves for unpaid claims and claims expenses.....	1,141	1,158	1,445	1,797	2,727	3,165	3,262	3,262
Cumulative paid as of:								
One year later.....	305	393	469	507	835	911	1,059	1,059
Two years later.....	534	627	695	759	1,264	1,496	1,586	1,586
Three years later.....	708	765	856	907	1,622	1,825		
Four years later.....	807	882	947	1,039	1,841			
Five years later.....	897	938	1,031	1,109				
Six years later.....	934	1,001	1,075					
Seven years later.....	969	1,035						
Eight years later.....	995							
Liability re-estimated as of:								
One year later.....	1,055	1,349	1,613	1,606	2,960	3,052	3,189	3,189
Two years later.....	1,205	1,467	1,467	1,629	2,816	3,013	2,954	
Three years later.....	1,298	1,356	1,485	1,614	2,720	2,873		
Four years later.....	1,203	1,356	1,467	1,506	2,622			
Five years later.....	1,204	1,355	1,407	1,461				
Six years later.....	1,219	1,330	1,391					
Seven years later.....	1,270	1,322						
Eight years later.....	1,265							
Cumulative surplus (deficiency)....	(124)	(164)	54	336	105	292	308	
Cumulative surplus (deficiency)								

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Excluding impact of foreign							
exchange.....	8	143	228	339	369	259	251
Percent.....	0.7%	12.4%	15.8%	18.9%	13.5%	8.2%	7.7%

In the United Kingdom, the Allianz Group writes a broad mix of property-casualty business for both individual and commercial clients. The Group's general practice is to record property-casualty reserves at the actuarial best estimate plus a margin for prudence. Accordingly, from 1996 through 2000, the Allianz Group has experienced favorable development in property-casualty claim reserves, which has arisen to differing degrees on almost all lines of business and reflects the approach of calculating reserves on a prudent best estimate basis. This approach reflects industry practice in the United Kingdom.

Allianz Cornhill experienced gross incurred losses and loss adjustment expenses related to the terrorist attack of September 11, 2001, which was a primary factor in year-to-year reserves development.

The periods prior to and including 1995 differ from subsequent periods in that they showed a deficiency for earlier development years before a surplus emerged. This deficiency arose from the strengthening of reserves relating to Marine Excess of Loss business written through the London Market during the late 1980's. This strengthening of Marine reserves more than offset the redundancy emerging from other lines of business at the time. The Group considers that the reserve issues that arose at the time have been fully addressed, as evidenced by the now positive run-off.

The table also shows a sharp increase in the level of gross reserves from 1997 to 1998. This is primarily due to the acquisition of AGF in 1998. Reserves from AGF's UK subsidiaries were E1,067 million at December 31, 1998.

France

The loss reserve development table for France includes the development of property-casualty reserves for the Group subsidiaries that insure or reinsure property-casualty risks in France. The table is presented on a consolidated basis for the Group's subsidiaries in France on a French

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statutory accounting basis. All property-casualty lines other than construction, MAT and credit are presented on an accident year basis. Construction, MAT and credit are presented on an underwriting year basis, consistent with applicable French statutes. Loss reserves presented on an "underwriting year" basis represent claims related to all policies written during a given year. In contrast, "accident year" loss reserves represent claims for events that occurred during a given calendar year, regardless of when the policy was written. Loss reserves on an underwriting year basis may include claims from different accident years. For example, a policy written during 1999 may have losses in accident year 1999 and in accident year 2000. Therefore, underwriting year data as of a particular evaluation date is less mature than accident year data. This leads to loss emergence taking place over a slightly longer period of time. For year-ends 1998 through 2002, the lines of business accounted for on an underwriting year basis accounted for approximately 25% of the Group's reserves in France.

At December 31, 2002, 2001, and 2000, as permitted by applicable French statutes, the Group carried approximately E1.4 billion, E1.4 billion, and E1.4 billion, respectively, in annuity reserves. These annuities reflected discounts of E451 million, E451 million, and E444 million, respectively. These annuities

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relate to individual and group health disability reserves (included in the non-life segment under the Group's French statutory financial statements) and to motor liability where payment amounts are fixed and the timing is reasonably determinable. The reserve development reflected in the table below includes development attributable to the amortization of the discount.

	DECEMBER 31,							
	1994	1995	1996	1997	1998	1999	2000	2001
	(E IN MILLION)							
Gross reserves for unpaid claims and claims expenses.....	1,231	1,275	1,319	1,297	8,468	9,169	9,573	10,200
Cumulative paid as of:								
One year later.....	373	363	345	341	2,076	3,003	2,877	2,600
Two years later.....	536	518	500	469	3,140	4,358	3,977	
Three years later.....	641	622	594	573	3,826	5,065		
Four years later.....	723	696	672	648	4,304			
Five years later.....	780	758	733	707				
Six years later.....	829	803	780					
Seven years later.....	867	840						
Eight years later.....	898							
Liability re-estimated as of:								
One year later.....	1,230	1,293	1,280	1,279	8,082	10,231	9,860	10,300
Two years later.....	1,260	1,273	1,271	1,218	8,649	10,033	9,939	
Three years later.....	1,253	1,276	1,222	1,241	8,615	9,863		
Four years later.....	1,277	1,233	1,234	1,228	8,335			
Five years later.....	1,242	1,239	1,239	1,261				
Six years later.....	1,215	1,236	1,259					
Seven years later.....	1,252	1,237						
Eight years later.....	1,234							
Cumulative surplus								
(deficiency).....	(3)	39	60	36	132	(694)	(366)	(10)
Percent.....	(0.3)%	3.1%	4.6%	2.8%	1.6%	(7.6)%	(3.8)%	(0.3)%

The Allianz Group companies in France form one of the leading French property-casualty groups. The first-time inclusion of AGF in 1998 resulted in a E5,513 million increase in held reserves at December 31, 1998.

The Group's primary property-casualty lines of business in France are motor liability, property, individual and group health, group disability, general liability, construction, MAT and credit. Declining frequency trends for motor liability in recent years and a prudent case reserving philosophy for motor liability and general liability have contributed to the favorable runoff reflected in the table for years 1995 through 1997. For 1999, the adverse run-off is primarily due to the upward development during 2000 of losses from the storms "Lothar" and "Martin," which occurred in Europe in late December 1999.

During 2002, reserves for AGF IART experienced adverse development of approximately E360 million, including E185 million on motor liability, approximately E50 million on property and E105 million on general liability. These adverse developments were partially offset by favorable reserve development on the reserves of Euler and Allianz Marine and Aviation (AMA).

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Italy

The loss reserve development table for Italy includes the development of property-casualty reserves for the Group subsidiaries that insure or reinsure property-casualty risks in Italy. The table is presented on a consolidated basis for the Group's subsidiaries in Italy on an Italian statutory accounting basis, and represents 100% of property-casualty reserves in Italy.

	DECEMBER 31,							
	1994	1995	1996	1997	1998	1999	2000	2001
	(E IN MILLION)							
Gross reserves for unpaid								
claims and claims expenses...	2,379	3,471	3,829	4,029	4,640	5,040	5,560	6,097
Cumulative paid as of:								
One year later.....	888	1,308	1,487	1,562	1,824	1,940	2,092	2,060
Two years later.....	1,280	1,989	2,152	2,308	2,626	2,879	2,957	
Three years later.....	1,534	2,372	2,571	2,742	3,173	3,357		
Four years later.....	1,717	2,660	2,861	3,101	3,496			
Five years later.....	1,859	2,877	3,129	3,334				
Six years later.....	1,989	3,084	3,306					
Seven years later.....	2,118	3,222						
Eight years later.....	2,208							
Liability re-estimated as of:								
One year later.....	2,376	3,527	3,829	4,037	4,650	5,091	5,687	6,021
Two years later.....	2,333	3,524	3,804	4,147	4,788	5,332	5,677	
Three years later.....	2,404	3,605	3,938	4,279	4,984	5,286		
Four years later.....	2,449	3,710	4,049	4,429	4,904			
Five years later.....	2,498	3,796	4,162	4,337				
Six years later.....	2,547	3,879	4,061					
Seven years later.....	2,165	3,789						
Eight years later.....	2,547							
Cumulative surplus								
(deficiency).....	(168)	(319)	(232)	(309)	(264)	(247)	(117)	75
Percent.....	(7.0)%	(9.1)%	(6.0)%	(7.6)%	(5.7)%	(4.9)%	(2.1)%	1.2%

The Allianz Group companies in Italy form one of the leading Italian property-casualty groups. The property-casualty reserve portfolio in Italy consists predominantly of motor liability and general liability. During the past few calendar years, adverse development in the Italian general liability market has occurred due to an increase in late-reported claims. In addition, an increase in personal injuries for motor liability, coupled with an increase in the average cost of claims, has led to an increase in the ultimate cost of claims for motor liability. As a result, during the last several calendar years, but especially during 2001 and 2002, reserves for motor liability and general liability were strengthened at the RAS Group across several accident years. These adverse developments were however more than offset by favorable development in 2002 for other lines and other companies in Italy.

Reserve Discount

The following table shows, by country, the carrying amounts of reserves as of December 31, for claims and claim adjustment expenses that have been discounted, and the interest rates used for discounting.

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	DISCOUNTED RESERVES (E IN MILLION)		AMOUNT OF THE DISCOUNT (E IN MILLION)		INTEREST RATE USED FOR DISCOUNTING	
	2002	2001	2002	2001	2002	2001
	-----	-----	-----	-----	-----	-----
United States.....	260	288	316	412	6.55%	6.55%
Germany.....	322	279	223	202	3.25% to 4.00%	3.25% to 4.00%
Switzerland.....	485	456	412	374	4.00%	4.00%
France.....	1,410	1,410	451	451	3.20% to 3.25%	3.20% to 4.00%
Portugal.....	91	91	91	91	4.00% to 5.25%	5.25% to 6.00%
Hungary.....	59	50	18	19	1.40%	1.80%
Belgium.....	80	109	18	31	4.75%	4.75%
	-----	-----	-----	-----		
Total.....	2,707	2,683	1,529	1,580		
	=====	=====	=====	=====		

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SELECTED STATISTICAL INFORMATION RELATING TO THE GROUP'S BANKING OPERATIONS

For the purposes of presenting the following information, the Allianz Group's banking operations include Dresdner Bank AG and its subsidiaries, including its asset management operations, and certain other banking subsidiaries of Allianz. This presentation differs from the presentation elsewhere in this Offering Circular, where the asset management operations of Dresdner Bank are included in the Group's asset management segment and excluded from its banking segment. The following information has been derived from the financial records of the Group's banking operations and has been prepared in accordance with IFRS; it does not reflect adjustments necessary to convert such information to U.S. GAAP. Although the financial statements of Dresdner Bank were consolidated into the financial statements of Allianz AG on the date of the Allianz Group's acquisition of Dresdner Bank on July 23, 2001, the information presented below includes the banking operations of Dresdner Bank for all periods in order to provide the reader with comparable information about the Group's banking operations. Additionally, the assets and liabilities of Dresdner Bank do not reflect the purchase accounting adjustments applied by the Group with respect to Dresdner Bank's assets and liabilities at July 23, 2001. Additional limitations concerning certain of the average balance sheet data of Dresdner Bank for the periods ending before January 1, 2002 discussed in this section are noted below under "-- Average Balance Sheet and Interest Rate Data."

In applying the Allianz Group's accounting policies to the financial statements of Dresdner Bank during periods prior to July 23, 2001, certificated commercial loans common to the German market, or *Schuldscheindarlehen*, have been reclassified from Loans and advances to banks and Loans and advances to customers to Investment securities available for sale in order to conform to the Group's accounting policies. At December 31, 2002, 2001, 2000, 1999 and 1998, the book value of *Schuldscheindarlehen* was approximately E1.4 billion, E44.0 billion, E46.6 billion, E48.6 billion and E49.1 billion, respectively. Because there were no loss allowances recorded on such *Schuldscheindarlehen*, such reclassification had no impact on the gross amount of the loss allowances described below under "-- Summary of Loan Loss Experience." However, such reclassification did adversely affect the ratio of total allowances for loan losses to total loans. On August 1, 2002, the Allianz Group also merged its mortgage banking subsidiary, Deutsche Hyp, which was a part of the Group's Other division, with the mortgage banking subsidiaries of Commerzbank and Deutsche Bank into a single entity, Eurohypo. The assets and liabilities of the former Deutsche Hyp were accordingly deconsolidated as of August 1, 2002.

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AVERAGE BALANCE SHEET AND INTEREST RATE DATA

The following table sets forth the average balances of assets and liabilities and related interest earned from interest-earning assets and interest expensed on interest-bearing liabilities, as well as the resulting average interest yields and rates for the years ended December 31, 2002, 2001 and 2000. For the year ended December 31, 2002, the average balance sheet and interest rate data is based on consolidated monthly average balances using month-end balances prepared in accordance with IFRS. For the years ended December 31, 2001 and 2000, Dresdner Bank did not prepare consolidated balance sheet and interest rate data on a monthly basis. The average balance sheet and interest rate data shown below for the years ended December 31, 2001 and 2000 was derived using unconsolidated monthly balances of Dresdner Bank AG and its non-German branch operations and significant subsidiaries, together with quarterly consolidated balances of Dresdner Bank prepared in accordance with IFRS. Such unconsolidated monthly balances reflected approximately 90% of Dresdner Bank's consolidated assets and liabilities, were not available for all months in the periods shown, and were not in all cases prepared fully in accordance with IFRS. Dresdner Bank has reconciled such monthly balances to the consolidated quarterly balances that were not subject to these limitations, and the data shown below reflects adjustments to give effect to differences identified in such a reconciliation process. The Allianz Group believes that the average balances provide a fair representation of the activities of its banking operations.

Since the adoption of IFRS 39 on January 1, 2001, the fair values of all derivative instruments have been included within non-interest-earning assets or non-interest-bearing liabilities. Prior to January 1, 2001, the fair values of qualifying hedge derivative instruments were not recorded in the balance sheet; however, the fair values of all non-qualifying hedge and trading derivatives have been included within non-interest-earning assets or non-interest-bearing liabilities for each

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period. Interest income and interest expense relating to qualifying hedge derivative instruments have been reported within the interest income and interest expense of the hedged item for each period.

The allocation between German and non-German components is based on the location of the office that recorded the transaction. Categories of loans and advances include loans placed on nonaccrual status. For a description of the Group's accounting policies on nonaccrual loans see "-- Risk Elements -- Nonaccrual loans."

The Allianz Group's banking operations do not have a significant balance of tax-exempt investments. Accordingly, interest income on such investments has been included as taxable interest income for purposes of calculating the change in taxable net interest income.

YEAR ENDED DECEMBER 31,					
2002			2001		
AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	AVERAGE YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	AVERAGE YIELD/ RATE

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(E IN MILLION)

ASSETS

Trading securities

In German offices.....	57,523	1,681	2.9%	56,220	2,075	3.7%
In non-German offices.....	30,155	1,137	3.8%	30,020	1,484	4.9%
Total.....	87,678	2,818	3.2%	86,240	3,559	4.1%

Loans and advances to banks

In German offices.....	15,708	454	2.9%	22,028	744	3.4%
In non-German offices.....	9,966	343	3.4%	18,009	776	4.3%
Total.....	25,674	797	3.1%	40,037	1,520	3.8%

Loans and advances to customers

In German offices.....	112,709	5,490	4.9%	131,346	8,339	6.3%
In non-German offices.....	45,760	2,413	5.3%	56,144	3,741	6.7%
Total.....	158,469	7,903	5.0%	187,490	12,080	6.4%

Securities purchased under resale agreements

In German offices.....	56,213	2,109	3.8%	46,890	2,267	4.8%
In non-German offices.....	38,059	794	2.1%	41,254	1,545	3.7%
Total.....	94,272	2,903	3.1%	88,144	3,812	4.3%

Investment securities(1)

In German offices.....	35,017	1,584	4.5%	59,346	2,929	4.9%
In non-German offices.....	9,893	401	4.1%	10,577	469	4.4%
Total.....	44,910	1,985	4.4%	69,923	3,398	4.9%

Total interest-earning assets.....	411,003	16,406	4.0%	471,834	24,369	5.2%
------------------------------------	---------	--------	------	---------	--------	------

Non-interest-earning assets

In German offices.....	49,686			49,006		
In non-German offices.....	29,206			22,101		

Total non-interest-earning assets.....	78,892			71,107		
--	--------	--	--	--------	--	--

Total assets.....	489,895			542,941		
-------------------	---------	--	--	---------	--	--

Percent of assets attributable to non-German offices.....	33.3%			32.8%		
---	-------	--	--	-------	--	--

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities to banks(2)

In German offices.....	58,881	1,978	3.4%	71,681	2,765	3.9%
In non-German offices.....	23,284	1,081	4.6%	30,217	2,301	7.6%
Total.....	82,165	3,059	3.7%	101,898	5,066	5.0%

Liabilities to customers(2)

In German offices.....	71,296	1,906	2.7%	99,113	2,713	2.7%
In non-German offices.....	36,977	1,126	3.0%	46,628	1,653	3.5%
Total.....	108,273	3,032	2.8%	145,741	4,366	3.0%

Securities sold under repurchase agreements

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In German offices.....	40,328	1,544	3.8%	39,327	1,958	5.0%
In non-German offices.....	26,840	588	2.2%	37,548	1,315	3.5%
Total.....	67,168	2,132	3.2%	76,875	3,273	4.3%
Subordinated liabilities						
In German offices.....	4,541	206	4.5%	4,439	189	4.3%
In non-German offices.....	4,661	361	7.7%	4,793	458	9.6%
Total.....	9,202	567	6.2%	9,232	647	7.0%

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	YEAR ENDED DECEMBER 31,					
	2002			2001		
	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	AVERAGE YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	AVERAGE YIELD/ RATE
	(E IN MILLION)					
Certificated liabilities(2)						
In German offices.....	42,166	2,507	5.9%	71,266	4,628	6.5%
In non-German offices.....	56,854	2,108	3.7%	44,657	2,440	5.5%
Total.....	99,020	4,615	4.7%	115,923	7,068	6.1%
Profit participation certificates outstanding						
In German offices.....	1,771	133	7.5%	2,052	76	3.7%
Total.....	1,771	133	7.5%	2,052	76	3.7%
Total interest-bearing liabilities.....	367,599	13,538	3.7%	451,721	20,496	4.5%
Non-interest-bearing liabilities						
In German offices.....	64,014			34,196		
In non-German offices.....	39,288			34,576		
Total non-interest-bearing liabilities.....	103,302			68,772		
Shareholders' equity.....	18,994			22,448		
Total liabilities and shareholders' equity.....	489,895			542,941		
Percent of liabilities attributable to non-German offices.....	39.9%			38.1%		

(1) The average yields for investment securities available for sale have been

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calculated using amortized cost balances and do not include changes in fair value recorded within a component of shareholders' equity. The average yields for investment securities held to maturity have been calculated using amortized cost balances.

- (2) Interest-bearing deposits have been presented within liabilities to banks and liabilities to customers; certificates of deposit have been presented within certificated liabilities.

NET INTEREST MARGIN

The following table sets forth the average total interest-earning assets, net interest earned and the net interest margin of the Allianz Group's banking operations.

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
(E IN MILLION)			
Average total interest-earning assets.....	411,003	471,834	404,543
Net interest earned(1).....	2,868	3,873	3,221
Net interest margin(2).....	0.70%	0.82%	0.80%

(1) Net interest earned is defined as total interest income less total interest expense.

(2) Net interest margin is defined as net interest earned divided by average total interest-earning assets.

The following table sets forth an allocation of changes in interest income, interest expense and net interest income between changes in the average volume and changes in the average interest rates for the two most recent years. Volume and interest rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Changes due to a combination of volume and rate are allocated proportionally to the absolute change in volume and rate.

	YEAR ENDED DECEMBER 31,					
	2002 OVER 2001			2001 OVER 2000		
	INCREASE/ (DECREASE) DUE TO CHANGE IN:			INCREASE/ (DECREASE) DUE TO CHANGE		
	AVERAGE			AVERAGE		
TOTAL CHANGE	INTEREST RATE	AVERAGE VOLUME	TOTAL CHANGE	INTEREST RATE	AVERAGE VOLUME	TOTAL CHANGE
(E IN MILLION)						

INTEREST INCOME
Trading securities

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In German offices.....	(394)	(441)	47	688	40	
In non-German offices.....	(347)	(354)	7	427	36	
Total.....	(741)	(795)	54	1,115	76	1,

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	YEAR ENDED DECEMBER 31,					
	2002 OVER 2001			2001 OVER 2000		
	TOTAL CHANGE	INCREASE/ (DECREASE) DUE TO CHANGE IN:		TOTAL CHANGE	INCREASE/ (DECREASE) DUE TO CHANGE	
AVERAGE INTEREST RATE		AVERAGE VOLUME	AVERAGE INTEREST RATE		AVERAGE VOLUME	
	(E IN MILLION)					
Loans and advances to banks						
In German offices.....	(290)	(97)	(193)	93	(59)	
In non-German offices.....	(433)	(135)	(298)	(495)	(885)	
Total.....	(723)	(232)	(491)	(402)	(944)	
Loans and advances to customers						
In German offices.....	(2,849)	(1,770)	(1,079)	948	1,054	(
In non-German offices.....	(1,328)	(704)	(624)	114	(248)	
Total.....	(4,177)	(2,474)	(1,703)	1,062	806	
Securities purchased under resale agreements						
In German offices.....	(158)	(561)	403	1,087	24	1,
In non-German offices.....	(751)	(639)	(112)	(111)	(465)	
Total.....	(909)	(1,200)	291	976	(441)	1,
Investment securities						
In German offices.....	(1,345)	(227)	(1,118)	(381)	(308)	
In non-German offices.....	(68)	(39)	(29)	(233)	(241)	
Total.....	(1,413)	(266)	(1,147)	(614)	(549)	
Total interest income.....	(7,963)	(4,967)	(2,996)	2,137	(1,052)	3,
INTEREST EXPENSE						
Liabilities to banks						
In German offices.....	(787)	(331)	(456)	739	(126)	
In non-German offices.....	(1,220)	(768)	(452)	180	(544)	
Total.....	(2,007)	(1,099)	(908)	919	(670)	1,
Liabilities to customers						
In German offices.....	(807)	(62)	(745)	673	471	
In non-German offices.....	(527)	(213)	(314)	(519)	(799)	

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Total.....	(1,334)	(275)	(1,059)	154	(328)	
Securities sold under repurchase agreements						
In German offices.....	(414)	(463)	49	1,041	111	
In non-German offices.....	(727)	(413)	(314)	(325)	(499)	
Total.....	(1,141)	(876)	(265)	716	(388)	1,
Subordinated liabilities						
In German offices.....	17	13	4	13	9	
In non-German offices.....	(97)	(85)	(12)	89	48	
Total.....	(80)	(72)	(8)	102	57	
Certificated liabilities						
In German offices.....	(2,121)	(363)	(1,758)	(175)	(16)	(
In non-German offices.....	(332)	(900)	568	(243)	(176)	
Total.....	(2,453)	(1,263)	(1,190)	(418)	(192)	(
Profit participation certificates outstanding						
In German offices.....	57	69	(12)	12	11	
Total.....	57	69	(12)	12	11	
TOTAL INTEREST EXPENSE.....	(6,958)	(3,516)	(3,442)	1,485	(1,510)	2,
CHANGE IN TAXABLE NET INTEREST INCOME.....	(1,005)	(1,451)	446	652	458	==

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RETURN ON EQUITY AND ASSETS

The following table sets forth the net income, average shareholders' equity and selected financial information and ratios of the Allianz Group's banking operations.

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
Net (loss)/income.....	(944)	539	1,809
Average shareholders' equity.....	18,994	22,448	12,308
Return on assets(1).....	(0.19)%	0.10%	0.39%
Return on equity(2).....	(4.97)%	2.40%	14.70%
Equity to assets ratio(3).....	3.88%	4.13%	2.64%

(1) Return on assets is defined as net income of the Group's banking operations divided by average total assets of its banking operations.

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- (2) Return on equity is defined as net (loss)/income of the Group's banking operations divided by average shareholders' equity of its banking operations.
- (3) Equity to assets ratio is defined as average shareholders' equity of the Group's banking operations divided by average total assets of its banking operations.

TRADING AND INVESTMENT SECURITIES

The following table sets forth the book value of trading and investment securities held by the Allianz Group's banking operations by type of issuer. The allocation between German and non-German components is based on the domicile of the issuer.

	AT DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
TRADING SECURITIES			
GERMAN:			
Federal and state government and government agency debt securities.....	14,304	8,267	4,225
Local government debt securities.....	2,573	3,153	1,611
Corporate debt securities.....	34,645	35,326	29,892
Mortgage-backed securities.....	403	50	--
Equity securities.....	412	1,147	2,661
	-----	-----	-----
German total.....	52,337	47,943	38,389
	-----	-----	-----
NON-GERMAN:			
U.S. Treasury and other U.S. government agency debt securities.....	5,798	802	610
Other government and official institution debt securities.....	23,568	29,509	22,477
Corporate debt securities.....	8,066	12,667	11,734
Mortgage-backed securities.....	1,021	474	--
Equity securities.....	8,668	13,917	9,762
	-----	-----	-----
Non-German total.....	47,121	57,369	44,583
	-----	-----	-----
TOTAL TRADING SECURITIES.....	99,458	105,312	82,972
	=====	=====	=====
SECURITIES AVAILABLE FOR SALE			
GERMAN:			
Federal and state government and government agency debt securities.....	581	6,691	7,030
Local government debt securities.....	1,840	24,842	25,517
Corporate debt securities.....	7,534	21,566	24,196
Mortgage-backed and other debt securities.....	22	63	73
Equity securities.....	3,951	7,003	7,295
	-----	-----	-----
German total.....	13,928 (1)	60,165	64,111
	-----	-----	-----

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	AT DECEMBER 31,		
	2002	2001	2000
	(E IN MILLION)		
NON-GERMAN:			
U.S. Treasury and other U.S. government agency debt securities.....	227	453	916
Other government and official institution debt securities.....	2,550	6,884	6,467
Corporate debt securities.....	5,337	6,270	5,626
Mortgage-backed and other debt securities.....	520	105	19
Equity securities.....	3,097	3,297	2,863
Non-German total.....	11,731	17,009	15,891
TOTAL SECURITIES AVAILABLE FOR SALE.....	25,659	77,174	80,002
SECURITIES HELD TO MATURITY			
GERMAN:			
Mortgage-backed securities.....	--	301	219
German total.....	--	301	219
NON-GERMAN:			
Other government and official institution debt securities.....	579	558	593
Corporate debt securities.....	145	152	165
Non-German total.....	724	710	758
TOTAL SECURITIES HELD TO MATURITY.....	724	1,011	977

(1) Change from 2001 to 2002 reflects primarily the August 2002 deconsolidation of Deutsche Hyp.

At December 31, 2002, the Allianz Group's banking operations held ordinary shares of Munich Re that had a book value in excess of ten percent of the shareholders' equity of the Group's banking operations. The aggregate shareholders' equity of Dresdner Bank and the Group's other banking operations was approximately E13,036 million at December 31, 2002. The aggregate book value and market value of such ordinary shares were E1,518 million at December 31, 2002.

MATURITY ANALYSIS OF DEBT INVESTMENT SECURITIES

The following table sets forth an analysis of the contractual maturity and weighted average yields of the Allianz Group's banking operations' debt investment securities. Actual maturities may differ from contractual maturity dates because issuers may have the right to call or prepay obligations. The

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allocation between German and non-German components is based on the domicile of the issuer.

AT DECEMBER 31, 2002					
	DUE IN ONE YEAR OR LESS	DUE AFTER ONE YEAR THROUGH FIVE YEARS	DUE AFTER FIVE YEARS THROUGH TEN YEARS	DUE AFTER TEN YEARS	TO
(E IN MILLION)					
SECURITIES AVAILABLE FOR SALE					
GERMAN:					
Federal and state government and government agency debt securities.....	206	170	156	49	
Local government debt securities.....	6	1,139	675	20	1
Corporate debt securities.....	1,479	4,759	1,236	60	7
Mortgage-backed and other debt securities.....	--	22	--	--	
German total.....	1,691	6,090	2,067	129	9
NON-GERMAN:					
U.S. Treasury and other U.S. government agency debt securities.....	1	1	4	221	
Other government and official institution debt securities.....	1,084	688	524	254	2
Corporate debt securities.....	2,260	2,233	518	326	5
Mortgage-backed and other debt securities.....	495	16	6	3	
Non-German total.....	3,840	2,938	1,052	804	8
TOTAL SECURITIES AVAILABLE FOR SALE....	5,531	9,028	3,119	933	18
WEIGHTED AVERAGE YIELD.....	3.4%	4.1%	5.0%	5.6%	
SECURITIES HELD TO MATURITY					
GERMAN:					
Mortgage-backed securities.....	--	--	--	--	
German total.....	--	--	--	--	
NON-GERMAN:					
Other government and official institution debt securities.....	489	90	--	--	
Corporate debt securities.....	145	--	--	--	
Non-German total.....	634	90	--	--	
TOTAL SECURITIES HELD TO MATURITY.....	634	90	--	--	--
WEIGHTED AVERAGE YIELD.....	7.2%	9.3%	--	--	

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LOAN PORTFOLIO

The following table sets forth an analysis of the Allianz Group's loan portfolio, excluding allowances for loan losses, net of unearned income, according to the industry sector of borrowers. The allocation between German and non-German components is based on the domicile of the borrower.

	AT DECEMBER 31,				
	2002	2001	2000	1999	1998
	(E IN MILLION)				
GERMAN:					
Corporate:					
Manufacturing industry.....	9,728	10,825	11,539	11,014	12,459
Construction.....	1,226	1,813	2,042	2,228	3,378
Wholesale and retail trade.....	6,041	7,165	7,419	7,555	9,988
Financial institutions (excluding banks) and insurance companies.....	2,810	4,896	4,196	926	4,090
Banks.....	611	517	601	2,342	628
Service providers.....	13,797	22,943	21,326	23,658	15,243
Other.....	2,911	3,974	3,067	4,416	3,048
Corporate total.....	37,124	52,133	50,190	52,139	48,834
Public authorities.....	212	718	540	276	1,101
Private individuals (including self-employed professionals).....	43,041	63,773	65,883	64,706	60,545
German total.....	80,377	116,624	116,613	117,121	110,480
NON-GERMAN:					
Corporate:					
Manufacturing industry, construction, wholesale and retail trade and service providers.....	21,846	38,383	43,771	39,197	24,586
Financial institutions (excluding banks) and insurance companies.....	6,312	10,285	10,166	8,100	7,379
Banks.....	3,348	5,157	6,287	6,645	8,888
Other.....	9,144	3,899	3,536	3,405	4,446
Corporate total.....	40,650	57,724	63,760	57,347	45,299
Public authorities.....	2,065	3,458	990	2,913	1,239
Private individuals (including self-employed professionals).....	11,046	10,601	10,151	9,922	9,595
Non-German total.....	53,761	71,783	74,901	70,182	56,133
TOTAL LOANS.....	134,138	188,407	191,514	187,303	166,613

The following table sets forth the Allianz Group's banking operations' mortgage loans and finance leases that are included within the above analysis of loans.

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	AT DECEMBER 31,				
	2002	2001	2000	1999	1998
	(E IN MILLION)				
Mortgage loans.....	39,683	57,315	61,303	60,587	55,975
Finance leases.....	1,104	2,414	1,430	1,778	1,568

LOAN CONCENTRATIONS

Although the Allianz Group's loan portfolio is diversified across more than 152 countries, at December 31, 2002 approximately 59.9% of the Group's total loans were to borrowers in Germany. At December 31, 2002, the Group's largest credit exposures to borrowers in Germany were loans to private individuals (including self-employed professionals). Approximately 54.3% of these loans are residential mortgage loans, which represent approximately 17.4% of the Group's total loans. The Allianz Group's residential mortgage loans include owner-occupied, single- and two-family homes and apartment dwellings and investment properties. The Group's

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residential mortgage loans are well diversified across all German states. The Group's remaining loans to private individuals in Germany primarily include other consumer installment loans and loans to self-employed professionals, which are also geographically diversified across Germany. The Allianz Group has no other concentrations of loans to private individuals (including self-employed professionals) in Germany in excess of ten percent of its total loans.

The Allianz Group's loans to corporate customers are broadly diversified. At December 31, 2002, approximately 10.3% of the Group's total loans were to German corporate customers in various services industries, including utilities, media, telecommunication, transportation and other service providers. However, none of those industries are individually significant to the Allianz Group's domestic loan portfolio, and the Group has no concentrations of loans to borrowers in any services industry in excess of ten percent of its total loans.

At December 31, 2002, approximately 23.1% of the Group's total loans were to non-financial corporate borrowers outside Germany.

These loans are well diversified across various commercial industries, including:

	PERCENT OF TOTAL LOANS -----
Manufacturing industry.....	6.9%
Construction.....	1.6%
Wholesale and retail trade.....	1.1%
Telecommunication.....	1.5%
Transportation.....	1.1%
Other service providers(1).....	4.1%
Other.....	6.8%

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(1) Other service providers include media, utilities, natural resources and other services.

The Allianz Group has no concentrations of loans to non-financial corporate borrowers in any industry in excess of ten percent of its total loans.

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MATURITY ANALYSIS OF LOAN PORTFOLIO

The following table sets forth an analysis of the contractual maturity of the Allianz Group's loans at December 31, 2002. The allocation between German and non-German components is based on the domicile of the borrower.

	AT DECEMBER 31, 2002			TOTAL
	DUE IN ONE YEAR OR LESS	DUE AFTER ONE YEAR THROUGH FIVE YEARS	DUE AFTER FIVE YEARS	
	(E IN MILLION)			
GERMAN:				
Corporate:				
Manufacturing industry.....	5,238	3,158	1,332	9,728
Construction.....	884	150	192	1,226
Wholesale and retail trade.....	3,477	1,839	725	6,041
Financial institutions (excluding banks) and insurance companies.....	1,495	1,043	272	2,810
Banks.....	354	181	76	611
Service providers:				
Telecommunication.....	10	497	104	611
Transportation.....	300	157	390	847
Other service providers.....	5,420	3,763	3,156	12,339
Total service providers.....	5,730	4,417	3,650	13,797
Other.....	1,462	972	477	2,911
Corporate total.....	18,640	11,760	6,724	37,124
Public authorities.....	180	24	8	212
Private individuals (including self-employed professionals):				
Residential mortgage loans.....	277	5,643	17,450	23,370
Consumer installment loans.....	3,154	0	0	3,154
Other.....	5,872	1,848	8,797	16,517
Total private individuals (including self- employed professionals).....	9,303	7,491	26,247	43,041
German total.....	28,123	19,275	32,979	80,377

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AT DECEMBER 31, 2002				
	DUE IN ONE YEAR OR LESS	DUE AFTER ONE YEAR THROUGH FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL
(E IN MILLION)				
NON-GERMAN:				
Corporate:				
Manufacturing industry.....	4,600	3,801	831	9,232
Construction.....	417	1,094	700	2,211
Wholesale and retail trade.....	870	574	57	1,501
Service providers:				
Telecommunication.....	326	1,370	276	1,972
Transportation.....	253	575	628	1,456
Other service providers.....	2,698	2,326	450	5,474
Total service providers.....	3,277	4,271	1,354	8,902
Total manufacturing industry, construction, wholesale and retail trade and service providers.....	9,164	9,740	2,942	21,846
Financial institutions (excluding banks) and insurance companies.....	1,633	3,128	1,551	6,312
Banks.....	2,007	994	347	3,348
Other.....	5,768	1,867	1,509	9,144
Corporate total.....	18,572	15,729	6,349	40,650
Public authorities.....	1,702	188	175	2,065
Private individuals (including self-employed professionals):				
Residential mortgage loans.....	850	2,702	5,368	8,920
Consumer installment loans.....	43	52	34	129
Other.....	1,197	276	524	1,997
Total private individuals.....	2,090	3,030	5,926	11,046
Non-German total.....	22,364	18,947	12,450	53,761
TOTAL LOANS.....	50,487	38,222	45,429	134,138

The following table sets forth the total amount of loans due after one year with predetermined interest rates and floating or adjustable interest rates at December 31, 2002. Loans with predetermined interest rates are loans for which the interest rate is fixed for the entire term of the loan. All other loans are considered floating or adjustable interest rate loans. The allocation between German and non-German components is based on the domicile of the borrower.

AT DECEMBER 31, 2002			
	LOANS WITH PREDETERMINED INTEREST RATES	LOANS WITH FLOATING OR ADJUSTABLE INTEREST RATES	TOTAL
(E IN MILLION)			

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GERMAN:

Private individuals (including self-employed professionals).....	31,098	2,640	33,738
Corporate and public customers.....	12,446	6,070	18,516
German total.....	43,544	8,710	52,254
NON-GERMAN:			
Private individuals (including self-employed professionals).....	2,637	6,319	8,956
Corporate and public customers.....	5,763	16,678	22,441
Non-German total.....	8,400	22,997	31,397
TOTAL.....	51,944	31,707	83,651

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RISK ELEMENTS

Non-performing loans

The following table sets forth the outstanding balance of the Allianz Group's non-performing loans. The allocation between German and non-German components is based on the domicile of the borrower.

	AT DECEMBER 31,				
	2002	2001	2000	1999	1998
	(E IN MILLION)				
NONACCRUAL LOANS:					
German.....	7,355	8,751	7,991	7,516	6,322
Non-German.....	3,097	2,404	1,928	1,618	869
Total nonaccrual loans.....	10,452	11,155	9,919	9,134	7,191
LOANS PAST DUE 90 DAYS AND STILL ACCRUING INTEREST:					
German.....	644	1,640	1,238	1,526	1,876
Non-German.....	151	309	300	305	196
Total loans past due 90 days and still accruing interest.....	795	1,949	1,538	1,831	2,072
TROUBLED DEBT RESTRUCTURINGS:					
German.....	65	215	253	261	307
Non-German.....	313	336	323	289	294
Total troubled debt restructurings.....	378	551	576	550	601

Nonaccrual loans

Nonaccrual loans are loans on which interest income is no longer recognized on an accrual basis and loans for which a specific provision is recorded for the full amount of accrued interest receivable. The Allianz Group places loans on

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nonaccrual status when it determines, based on management's judgment, that the payment of interest or principal is doubtful.

When a loan is placed on nonaccrual status, any accrued and unpaid interest receivable is reversed and charged against interest income. The Allianz Group restores loans to accrual status only when interest and principal are made current in accordance with the contractual terms and, in management's judgment, future payments are reasonably assured. When the Group has doubts about the ultimate collectibility of the principal of a loan placed on nonaccrual status, all cash receipts are recorded as reductions in principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income. For all remaining loans, interest income is recognized when received.

Loans past due 90 days and still accruing interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which the Allianz Group continues to recognize interest income on an accrual basis.

Troubled debt restructurings

Troubled debt restructurings are loans that the Allianz Group has restructured due to a deterioration in the borrower's financial position and in relation to which, for economic or legal reasons related to the borrower's deteriorated financial position, the Group has granted a concession to the borrower that it would not have otherwise granted.

Interest Income on Non-performing Loans

The following table sets forth the gross interest income that would have been recorded during the year ended December 31, 2002 on nonaccrual loans and troubled debt restructurings if such loans had been current in accordance with their original contractual terms and the interest

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income on such loans that was actually included in interest income during the year ended December 31, 2002.

	YEAR ENDED DECEMBER 31, 2002		
	IN GERMAN OFFICES	IN NON-GERMAN OFFICES	TOTAL
	(E IN MILLION)		
Interest income that would have been recorded in accordance with the original contractual terms.....	341	137	478
Interest income actually recorded.....	48	30	78

Potential Problem Loans

Potential problem loans are loans that are not classified as nonaccrual loans, loans past due 90 days and still accruing interest or troubled debt restructurings, but where known information about possible credit problems causes the Group to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying

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the loans in one of the three categories of non-performing loans described above. The outstanding balance of the Group's potential problem loans was E2,437 million at December 31, 2002.

Each of the Group's potential problem loans has been subject to the Group's normal credit monitoring and review procedures. Of these loans, approximately E576 million have a specific loss allowance. The remaining loans have also been reviewed for impairment, however, based on the Group's estimated measurement of the impairment, no specific loss allowance has been recorded on such loans.

Approximately 6% and 2% of the Group's potential problem loans are to private individuals in Germany and Latin America, respectively. The remaining loans are to corporate borrowers in manufacturing, construction, wholesale and retail trade, telecommunication, transportation and other services, including media, utilities, natural resources and other services and other industry sectors. The Allianz Group's potential problem loans to corporate borrowers are diversified across the following geographic regions:

	AT DECEMBER 31, 2002
	PERCENT OF TOTAL POTENTIAL PROBLEM LOANS
Germany.....	62%
North America.....	11%
Europe (excluding Germany).....	8%
Latin America.....	7%
Asia/Pacific.....	2%
Middle East/Africa.....	2%

Foreign Outstandings

Cross-border outstandings consist of loans, net of allowances for loan losses, accrued interest receivable, acceptances, interest-bearing deposits with other banks, other interest-bearing investments and other monetary assets that either are recorded in an office that is not in the same country as the domicile of the borrower, guarantor, issuer or counter-party, or are denominated in a currency that is not the local currency of the borrower, guarantor, issuer or counter-party or are net local country claims. Net local country claims are domestic claims recorded in offices outside Germany that are denominated in local or foreign currency and that are not funded by liabilities in the same currency as the claim and recorded in the same office.

The Allianz Group's cross-border outstandings are allocated by country based on the country of domicile of the borrower, guarantor, issuer or counter-party of the ultimate credit risk. At head-office level the Allianz Group sets limits on and monitors actual cross-border outstandings on a country-by-country basis based on transfer, economic and political risks.

The following table sets forth the Allianz Group's cross-border outstandings by geographic location for countries that exceeded 0.75% of the total assets of the Group's banking operations. At December 31, 2002, there were no cross-border outstandings that exceeded 0.50% of the total assets of the Allianz Group's banking operations in any country currently facing debt restructur-

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ings or liquidity problems that the Group expects would materially impact the borrowers' ability to repay their obligations.

AT DECEMBER 31, 2002

	GOVERNMENT AND OFFICIAL INSTITUTIONS	BANKS AND FINANCIAL INSTITUTIONS	OTHER (1)	NET LOCAL COUNTRY CLAIMS	TOTAL CROSS- BORDER OUTSTANDINGS	PERCE OF TOT ASSETS
(E IN MILLION)						
COUNTRY						
United States.....	1,853	4,708	3,963	--	10,524	2.53
United Kingdom.....	718	3,048	2,803	3,583	10,152	2.44
France.....	1,035	3,596	1,511	56	6,198	1.49
Italy.....	6,194	1,573	202	1,932	9,901	2.38
Netherlands.....	400	3,233	1,064	--	4,697	1.13
Japan.....	749	476	109	41	1,375	0.33
Switzerland.....	79	1,701	964	--	2,744	0.66
Spain.....	829	948	519	--	2,296	0.55

AT DECEMBER 31, 2002

	GOVERNMENT AND OFFICIAL INSTITUTIONS	BANKS AND FINANCIAL INSTITUTIONS	OTHER (1)	NET LOCAL COUNTRY CLAIMS	TOTAL CROSS- BORDER OUTSTANDINGS	PERCE OF TOT ASSETS
(E IN MILLION)						
COUNTRY						
United States.....	1,266	8,200	7,135	1,178	17,779	3.38
United Kingdom.....	354	9,472	2,495	--	12,321	2.34
France.....	556	6,834	4,020	--	11,410	2.17
Italy.....	11,320	1,344	361	1,088	14,113	2.68
Netherlands.....	1,408	4,561	2,105	--	8,074	1.54
Japan.....	361	1,334	422	644	2,761	0.53
Switzerland.....	86	2,995	1,887	--	4,968	0.94
Spain.....	2,509	1,530	1,004	32	5,075	0.97

AT DECEMBER 31, 2002

	GOVERNMENT AND OFFICIAL INSTITUTIONS	BANKS AND FINANCIAL INSTITUTIONS	OTHER (1)	NET LOCAL COUNTRY CLAIMS	TOTAL CROSS- BORDER OUTSTANDINGS	PERCE OF TOT ASSETS
(E IN MILLION)						
COUNTRY						
United States.....	1,130	11,944	6,632	1,421	21,127	4.22
United Kingdom.....	216	12,398	2,891	--	15,505	3.09

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France.....	730	6,454	3,513	--	10,697	2.14
Italy.....	6,548	3,098	314	77	10,037	2.00
Netherlands.....	1,131	4,809	2,510	--	8,450	1.69
Japan.....	966	2,316	424	696	4,402	0.88
Switzerland.....	116	3,531	2,181	455	6,283	1.25
Spain.....	2,281	1,430	712	182	4,605	0.92

- (1) Other includes insurance, commercial, industrial, service providers and other corporate counter-parties.
- (2) Percent of total assets is defined as total cross-border outstandings divided by total assets of the Group's banking operations. The total assets of the Group's banking operations were E415 billion, E526 billion and E501 billion at December 31, 2002, 2001 and 2000, respectively.
- (3) Cross-border commitments have been presented separately as they are not included as cross-border outstandings unless utilized.

Total cross-border outstandings disclosed above included E945 million and E668 million of gross loans outstanding to borrowers in the United States that are also disclosed within the category of non-performing loans at December 31, 2002 and 2001, respectively. At December 31, 2002, total cross-border outstandings disclosed above also included E126 million of gross loans

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outstanding to borrowers in the United States that are also disclosed within the category of potential problem loans.

SUMMARY OF LOAN LOSS EXPERIENCE

The Allianz Group establishes allowances for loan losses in its loan portfolio that represent management's estimate of probable losses in the portfolio at the balance sheet date. The components of these allowances are:

- Specific loss allowances. A specific loss allowance is established to provide for specifically identified counter-party risks. Loans are identified as impaired if it is probable that borrowers are no longer able to make their contractually agreed-upon interest and principal payments. Specific allowances are established for impaired loans. The amount of the impairment is measured based on the present value of expected future cash flows or based on the fair value of the collateral if the loan is collateralized and foreclosure is probable. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to net loan loss provisions.
- General loss allowances. General loss allowances are established to provide for incurred but unidentified losses that are inherent in the loan portfolio as of the relevant balance sheet date. General allowances for loan losses are established for loans not specifically identified as impaired. The amount of the allowance is based on historical loss experience and management's evaluation of the loan portfolio under current events and economic conditions.
- Country risk allowances. Country risk allowances are established for transfer risk. Transfer risk is a measure of the likely ability of a

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borrower in a certain country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in that country. Country risk allowances are based on the Allianz Group's country rating system that incorporates current and historical economic, political and other data to categorize countries by risk profile.

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The following table sets forth an analysis of the specific loan loss allowances by industry sector and geographic category of the borrowers, and the percentage of the Allianz Group's total loan portfolio accounted for by those industry and geographic categories, on the dates specified. The allocation between German and non-German components is based on the domicile of the borrower.

	AT DECEMBER 31,					
	2002		2001		2000	
	AMOUNT	PERCENT OF TOTAL LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF TOTAL LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF TOTAL LOANS IN EACH CATEGORY TO TOTAL LOANS
	(E IN MILLION)					
GERMAN:						
Corporate:						
Manufacturing industry..	884	7.2%	884	5.7%	687	6.0%
Construction.....	301	0.9%	353	1.0%	381	1.1%
Wholesale and retail trade.....	426	4.5%	448	3.8%	506	3.9%
Financial institutions (excluding banks) and insurance companies...	171	2.1%	133	2.6%	135	2.2%
Banks.....	7	0.5%	5	0.3%	1	0.3%
Service providers.....	827	10.3%	982	12.2%	1,030	11.1%
Other.....	108	2.2%	59	2.1%	95	1.6%
Corporate total.....	2,724	27.7%	2,864	27.7%	2,835	26.2%
Public authorities.....	--	0.2%	--	0.4%	--	0.3%
Private individuals (including self- employed professionals).....	1,702	32.1%	2,090	33.8%	1,730	34.4%
German total.....	4,426	60.0%	4,954	61.9%	4,565	60.9%
NON-GERMAN:						
Corporate:						
Manufacturing industry, construction, wholesale and retail trade and service providers.....	659	16.3%	1,201	20.4%	998	22.9%
Financial institutions (excluding banks) and insurance companies...	33	4.7%	96	5.5%	109	5.3%
Banks.....	244	2.5%	118	2.7%	92	3.3%

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Other.....	321	6.8%	247	2.1%	118	1.8%
	-----		-----		-----	
Corporate total.....	1,257	30.3%	1,662	30.7%	1,317	33.3%
Public authorities.....	14	1.5%	15	1.8%	14	0.5%
Private individuals (including self- employed professionals).....	182	8.2%	211	5.6%	224	5.3%
Non-German total.....	1,453	40.0%	1,888	38.1%	1,555	39.1%
	-----		-----		-----	
TOTAL SPECIFIC LOAN LOSS ALLOWANCES.....	5,879	100.0%	6,842	100.0%	6,120	100.0%
COUNTRY RISK ALLOWANCES.....	340		443		480	
GENERAL LOSS ALLOWANCES.....	747		753		523	
	-----		-----		-----	
TOTAL LOAN LOSS ALLOWANCES.....	6,966		8,038		7,123	
	=====		=====		=====	

AT DECEMBER 31,

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	AMOUNT	PERCENT OF TOTAL LOANS IN EACH CATEGORY TO TOTAL LOANS
	-----	-----

(E IN MILLION)

GERMAN:

Corporate:

Manufacturing industry..	738	7.5%
Construction.....	372	2.0%
Wholesale and retail trade.....	557	6.0%
Financial institutions (excluding banks) and insurance companies...	126	2.5%
Banks.....	--	0.4%
Service providers.....	654	9.1%
Other.....	97	1.8%

Corporate total.....	2,544	29.3%
Public authorities.....	2	0.7%
Private individuals (including self- employed professionals).....	1,170	36.3%
German total.....	3,716	66.3%

NON-GERMAN:

Corporate:

Manufacturing industry, construction, wholesale and retail trade and service providers.....	1,001	14.8%
Financial institutions		

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(excluding banks) and insurance companies...	17	4.4%
Banks.....	195	5.3%
Other.....	98	2.7%

Corporate total.....	1,311	27.2%
Public authorities.....	15	0.7%
Private individuals (including self-employed professionals).....	216	5.8%
Non-German total.....	1,542	33.7%

TOTAL SPECIFIC LOAN LOSS ALLOWANCES.....	5,258	100.0%
COUNTRY RISK ALLOWANCES.....	529	
GENERAL LOSS ALLOWANCES.....	344	

TOTAL LOAN LOSS ALLOWANCES.....	6,131	
	=====	

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The following table sets forth the movements in the loan loss allowance according to the industry sector and geographic category of the borrower. The allocation between German and non-German components is based on the domicile of the borrower.

	YEAR ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
	(E IN MILLION)				
TOTAL ALLOWANCES FOR LOAN LOSSES AT BEGINNING OF THE YEAR...	8,038	7,123	7,107	6,131	4,811
	-----	-----	-----	-----	-----
GROSS CHARGE-OFFS:					
GERMAN:					
Corporate:					
Manufacturing industry.....	314	66	211	71	
Construction.....	138	16	53	33	
Wholesale and retail trade.....	206	54	163	71	
Financial institutions (excluding banks) and insurance companies.....	74	17	19	4	
Banks.....	11	--	--	--	
Service providers.....	327	103	131	82	
Other.....	117	16	36	5	
	-----	-----	-----	-----	-----
Corporate total.....	1,187	272	613	266	
Public authorities.....	--	--	1	--	
Private individuals (including self-employed professionals).....	348	211	337	173	
	-----	-----	-----	-----	-----
German total.....	1,535	483	951	439	
	-----	-----	-----	-----	-----
NON-GERMAN:					
Corporate:					

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Manufacturing industry, construction, wholesale and retail trade and service providers.....	270	516	594	93
Financial institutions (excluding banks) and insurance companies.....	12	23	48	6
Banks.....	6	13	14	19
Other.....	28	2	72	1
-----	-----	-----	-----	-----
Corporate total.....	316	554	728	119
Private individuals (including self-employed professionals).....	38	49	32	9
-----	-----	-----	-----	-----
Non-German total.....	354	603	760	128
-----	-----	-----	-----	-----
TOTAL GROSS CHARGE-OFFS.....	1,889	1,086	1,711	567
-----	-----	-----	-----	-----
RECOVERIES:				
GERMAN:				
Corporate:				
Manufacturing industry.....	--	1	9	1
Construction.....	--	--	--	1
Wholesale and retail trade.....	--	--	--	1
Service providers.....	--	--	--	10
Other.....	1	--	--	--
-----	-----	-----	-----	-----
Corporate total.....	1	1	9	13
Private individuals (including self-employed professionals).....	28	25	21	17
-----	-----	-----	-----	-----
German total.....	29	26	30	30
-----	-----	-----	-----	-----
NON-GERMAN:				
Corporate:				
Manufacturing industry, construction, wholesale and retail trade and service providers.....	57	3	1	1
Financial institutions (excluding banks) and insurance companies.....	1	7	--	--
Banks.....	--	4	1	--
Other.....	32	2	1	--
-----	-----	-----	-----	-----
Corporate total.....	90	16	3	1
Public authorities.....	--	--	1	--
Private individuals (including self-employed professionals).....	56	6	2	5
-----	-----	-----	-----	-----
Non-German total.....	146	22	6	6
-----	-----	-----	-----	-----
TOTAL RECOVERIES.....	175	48	36	36
-----	-----	-----	-----	-----
NET CHARGE-OFFS.....	1,714	1,038	1,675	531
-----	-----	-----	-----	-----

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YEAR ENDED DECEMBER 31,

2002	2001	2000	1999	19
-----	-----	-----	-----	-----

(E IN MILLION)

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Additions to allowances charged to operations.....	1,902	1,901	1,595	1,237	1,
(Decreases)/increases in allowances due to (dispositions)/acquisitions of group companies and other increases/(decreases).....	(1,085)	12	41	158	
Foreign exchange translation adjustments.....	(175)	40	55	112	
	-----	-----	-----	-----	---
TOTAL ALLOWANCES FOR LOAN LOSSES AT END OF THE YEAR.....	6,966	8,038	7,123	7,107	6,
	=====	=====	=====	=====	==
RATIO OF NET CHARGE-OFFS DURING THE YEAR TO AVERAGE LOANS OUTSTANDING DURING THE YEAR.....	0.93%	0.46%	0.78%	0.27%	0

When the Allianz Group determines that a loan is uncollectible, the loan is charged off against any existing specific loss allowance or directly recognized as expense in the income statement. Subsequent recoveries, if any, are recognized in the income statement as a credit to the net loan loss provisions. Since 2000, the Allianz Group has charged off loans when, based on management's judgment, all economically sensible means of recovery have been exhausted. The Group's determination considers information such as the age of specific loss allowances and expected proceeds from liquidation of collateral and other repayment sources. Prior to 2000, the Group charged off loans only when all legal means of recovery had been exhausted, for example only after completion of bankruptcy proceedings. The change in practice has affected both the timing and amount of charge-offs in the years 2000-2002, and in 2002 also affected the level of the Group's non-accrual loans. See "-- Risk Elements -- Non-performing Loans."

DEPOSITS

The following table sets forth the average balances and the average interest rates on deposit categories in excess of ten percent of average total deposits of the Allianz Group's banking operations. The allocation between German and non-German components is based on the location of the office that recorded the transaction.

	YEAR ENDED DECEMBER 31,					
	2002		2001		2000	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
	(E IN MILLION)					
IN GERMAN OFFICES:						
Non-interest-bearing demand deposits.....	16,603		14,364		10,193	
Interest-bearing demand deposits.....	45,697	2.6%	31,608	1.5%	33,849	2.1%
Savings deposits.....	6,495	2.8%	10,352	3.4%	14,457	2.6%
Time deposits.....	77,985	3.2%	116,239	4.0%	83,367	3.6%
	-----		-----		-----	
German total.....	146,780		172,563		141,866	
	-----		-----		-----	
IN NON-GERMAN OFFICES:						
Non-interest-bearing demand deposits.....	2,443		6,098		8,405	
Interest-bearing demand deposits.....	16,327	2.3%	11,351	3.8%	10,392	4.2%
Savings deposits.....	1,370	3.4%	1,073	3.9%	612	3.1%
Time deposits.....	41,277	4.2%	57,432	5.3%	44,358	7.5%

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Non-German total.....	----- 61,417	----- 75,954	----- 63,767
TOTAL DEPOSITS.....	----- 208,197 =====	----- 248,517 =====	----- 205,633 =====

The aggregate amount of deposits by foreign depositors in the Group's German offices was E51,688 million, E63,663 million and E55,263 million at December 31, 2002, 2001 and 2000, respectively.

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TIME DEPOSITS

The following table sets forth the balance of time certificates of deposit and other time deposits in the amount of E100,000 or more issued by the Group's German offices by time remaining to maturity at December 31, 2002.

	AT DECEMBER 31, 2002 TIME DEPOSITS OF E100,000 OR MORE ----- (E IN MILLION)
Maturing in three months or less.....	56,390
Maturing in over three months through six months.....	2,385
Maturing in over six months through twelve months.....	5,770
Maturing in over twelve months.....	3,028
Total.....	----- 67,573 =====

The amount of time deposits of E100,000 or more issued by the Group's non-German offices was E25,840 million at December 31, 2002.

SHORT-TERM BORROWINGS

Short-term borrowings are borrowings with an original maturity of one year or less. Short-term borrowings are included within liabilities to customers, liabilities to banks and certificated liabilities. Securities sold under agreements to repurchase and negotiable certificates of deposit are the only significant categories of short-term borrowings of the Group's banking operations.

The following table sets forth certain information relating to the categories of the Allianz Group's short-term borrowings.

	YEAR ENDED DECEMBER 31, ----- 2002 2001 2000 ----- (E IN MILLION)		
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS:			
Balance at the end of the year.....	63,287	56,354	60,648

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Monthly average balance outstanding during the year.....	67,168	76,875	54,102
Maximum balance outstanding at any period end during the year.....	91,929	102,587(1)	68,950(1)
Weighted average interest rate during the year.....	3.2%	4.3%	4.7%
Weighted average interest rate on balance at the end of the year.....	2.6%	2.4%	4.7%
NEGOTIABLE CERTIFICATES OF DEPOSIT:			
Balance at the end of the year.....	30,765	30,268	28,552
Monthly average balance outstanding during the year.....	31,632	28,718	28,009
Maximum balance outstanding at any period end during the year.....	35,467	30,518(2)	28,552(2)
Weighted average interest rate during the year.....	2.8%	5.0%	5.7%
Weighted average interest rate on balance at the end of the year.....	2.6%	3.1%	6.4%

- (1) During the years ended December 31, 2001 and 2000, the maximum balance outstanding at any period-end during the year was derived from the maximum balance outstanding at any month-end, based on the unconsolidated balances of Dresdner Bank AG, its branch operations and significant subsidiaries, and certain other banking subsidiaries of Allianz.
- (2) During the years ended December 31, 2001 and 2000, the maximum balance outstanding at any period-end during the year was derived from the maximum balance outstanding at any quarter end, based on the consolidated balances of the Group's banking operations.

EMPLOYEES

As of December 31, 2002 and 2001, Allianz AG had 632 and 501 employees, respectively (excluding members of the Management Board, trainees, interns and employees on parental leave or on leave for military or civil service). Until the year 2000, Allianz AG did not have any employees of its own. As of December 31, 2002, Allianz Group had a total of more than

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181,000 employees worldwide, of whom more than 87,000 or approximately 48.1% were employed in Germany. A large number of the German employees of Allianz Group is covered by collective bargaining agreements or similar arrangements. In the past three years, there have been no work stoppages or strikes at the Allianz Group's various sites that have arisen from collective bargaining disputes or for other reasons and which had a material adverse effect on the Group's results of operations. Allianz AG believes that the relations between the Allianz Group and its employees are good.

The following table shows the average number of employees of the Allianz Group by region for the years ended December 31, 2002, 2001 and 2000.

REGION	2002	2001	2000
-----	-----	-----	-----
Germany.....	87,398	87,589	43,124
Rest of Europe.....	66,657	61,892	50,569
NAFTA.....	12,644	14,722	12,667
Rest of World.....	14,952	15,743	13,323
	-----	-----	-----

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Total..... 181,651 179,946 119,683

LONG-TERM INCENTIVE PLANS AND EMPLOYEE STOCK OWNERSHIP ARRANGEMENTS

LONG-TERM INCENTIVE PLANS

Since 1999 the Group has established long-term incentive plans for the members of the Management Board of Allianz AG and eligible key executives of the Allianz Group, which are subject to approval by the Supervisory Board. As of the date of this Offering Circular, long-term incentive plans were authorized for 2002, 2001, 2000 and 1999. Under these incentive plans, the Allianz Group granted non-transferable appreciation rights tied to the value of the shares of Allianz AG to members of the Management Board of Allianz AG and eligible key executives of the Allianz Group. The appreciation rights were granted on April 1 of each of these years. The rights expire after seven years.

Under the relevant incentive plan, each plan participant is advised at the beginning of the plan of the number of the appreciation rights that were granted to him or her. Each appreciation right entitles the holder to the difference between the stock of Allianz AG at the time the right is exercised and the base price of the stock of Allianz AG as specified in the plan, the maximum difference being capped at 150% of the base price. The 2002, 2001 and 2000 incentive plans specify base prices of E265, E356 and E367, respectively. As of December 31, 2002, the Allianz Group has issued a total of 1,507,414 appreciation rights under all incentive plans. Of this amount, 625,454 appreciation rights were issued under the 2002 incentive plan, 380,391 were issued under the 2001 incentive plan and 245,542 were issued under the 2000 incentive plan.

The appreciation rights may be exercised at any time between the beginning of the third and the end of the seventh year after commencement of the relevant plan, provided that the closing stock price of Allianz AG in the Frankfurt Xetra Trade has exceeded the closing price of the Dow Jones Europe Stoxx Price Index (600) on each of at least five consecutive trading days and the closing stock price of Allianz AG in the Frankfurt Xetra Trade has appreciated as of the exercise date by at least 20% over the base price specified in the plan. Holders may not exercise an appreciation right within fixed time periods prior to the publication of the quarterly, semi-annual or annual reports. At other times, an appreciation right may be exercised only with the approval of the Allianz Group's compliance department.

Upon exercise of the appreciation rights, payment is made in the relevant local currency by the Group's company granting the appreciation rights. Appreciation rights not exercised by the last day of a plan will be exercised automatically where the necessary conditions have been met. Where these conditions have not been met or a plan participant ceases to be employed by the Allianz Group for reasons other than disability or death, the plan participant's appreciation rights are forfeited.

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EMPLOYEE STOCK OWNERSHIP ARRANGEMENTS

Allianz AG offers certain eligible employees and certain Allianz Group companies for their respective employees in Germany and abroad to buy its shares within a limited period of time at a discounted price per share. Costs for the arrangement are met by the relevant company. In general, to be eligible, employees are required to have been employed for a minimum period of six continuous months prior to the share offering. Employees are also subject to certain restrictions on the amount that may be invested to purchase the shares.

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Each participating Group subsidiary establishes a restricted period of at least one and maximum five years during which employees may not transfer the shares after purchasing them. After this period, the shares are not subject to vesting or other restrictions. The eligible employees of the Allianz Group acquired a total of 136,222 shares under such arrangements in 2002.

RISK MANAGEMENT

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

RISK MANAGEMENT ORGANIZATION

Responsibilities

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

This decentralized approach is complemented by centralized responsibility. This is necessary because the Group needs to deal with an accumulation of global risks which can considerably increase potential risk exposure. As a result, central controls are essential. The responsibility for central control lies with Group Risk Controlling, a unit that was expanded in 2002. Central control now also includes the banking business. Group Controlling assesses the Allianz Group's risk exposure on the basis of local and global risks. The results of these analyses are then submitted to senior management. At the same time, Group Controlling aims to ensure that the processes are transparent and comprehensive. Risk management activities are supervised by both internal and external auditors.

Risk Categories

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

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

In property and casualty insurance, actuarial risks arise from an unexpected variance, i.e. the volume of losses exceeds premiums fixed in advance (premium risk), or the payout for claims made is higher than the corresponding provisions (reserve risk).

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

Credit and Counterparty Risks. These risks involve potential losses that

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

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lending business and credit insurance, counterparty risks from trading activities as well as country risks in connection with cross-border transactions and the local business of foreign units. Counterparty risks from trading activities relate primarily to derivatives and especially over-the-counter (OTC) transactions. In the insurance business, these risks stem from the possibility that receivables may remain unpaid, in particular those due from reinsurers.

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

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

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

Liquidity Risks. These risks can materialize under various circumstances, for example, if present or future payment obligations cannot be met in full or as of the due date, or if refinancing capital can only be raised at higher rates (refinancing risk) in the case of a liquidity crisis or if assets can only be liquidated below current market prices (market liquidity risk).

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

Management of the Allianz Group through Risk Capital

The Allianz Group controls its activities through its respective local companies. Economic Value Added ("EVA") and risk capital are the most important parameters used in the context of the Group's risk-based controlling process.

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

In the insurance business, the Group calculates risk capital for premium, reserve, investment and credit risks. Within these risk categories, it distinguishes between the following types of risks:

- Actuarial risks. In property and casualty insurance these include the premium and reserve risks for the various insurance lines. Reinsurance is

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considered separately. In the case of life insurance, the Group calculates the insurance provisions required.

- Investment risks, which include market and counterparty risks. The market risks are subdivided according to dividend-bearing instruments, interest-bearing instruments and real estate. The credit and counterparty risk as part of investment risks is assessed on the basis of the debtor's creditworthiness or rating class.
- Credit and counterparty risks in connection with receivables in the insurance business. This risk is mainly assessed on the basis of the financial strength or the rating class of the Group's reinsurance partners.

In 2002, the Group launched a comprehensive project to substantially improve internal risk analysis in the insurance business. The Group's new tools enable it to systematically evaluate internal data by means of models based on the theory of probability. This process takes into account the special characteristics of the Group's local units as well as the specific nature of their risks. It also takes into account portfolio effects. In the current year, the Group intends to further develop this large-scale project. At present, the Group uses risk capital models provided by the Standard & Poor's rating agency.

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Risk Controlling in the Insurance Business

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

Premium Risks. Premium risks are controlled primarily with the help of actuarial models used to calculate premiums and monitor claim patterns. In addition, the Group issues guidelines for concluding insurance contracts and assuming insurance risks. In the case of life insurance, the Group essentially concentrates on biometric risks -- for example, life expectancy, disability, illness and long-term care requirements. It also focuses on risks that could arise from future policy cancellations.

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

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

Reserve Risks. The Group must constitute provisions for insurance claims that have been submitted but not yet settled. The amount is estimated on the basis of past experience and on the use of statistical methods. The Group also seeks to limit risks by constantly monitoring the development of these provisions and using the information it obtains to make forecasts. In the area of life insurance, reserves are calculated by using actuarial methods. In addition to other criteria, these calculations take into account the biometric data of the populations insured by using, for example, national mortality tables. See "-- Property-Casualty Insurance Reserves" for a discussion of certain historical data concerning the development of Group-wide property-

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casualty insurance reserves.

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

Investment Risks. Investments are an integral part of insurance coverage. They ensure the Group's ability to meet the payment commitments it makes in its insurance contracts. The link between insurance obligations and investment of the capital related to these obligations is monitored by using specific models. This also enables the Group to manage risks arising from interest guarantees provided to its customers.

The Group monitors market risks by means of sensitivity analyses and stress testing. Exchange rate fluctuations represent a risk that can essentially be disregarded because the Group's insurance commitments generally backed by funds in the same currency. The Group limits credit risks by setting high requirements on the creditworthiness of its debtors and by spreading the risk. It consolidates its exposure according to debtors and across all investment categories, and uses limit lists to monitor exposure.

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

Market and counterparty risks arising from the use of derivative financial instruments are subject to particularly strict control procedures. Credit risks are assessed by calculating replacement values; market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specifying stop-loss limits.

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The Group seeks to limit liquidity risks by reconciling its investment portfolio with its insurance commitments. In addition, it plans its cash flow from ordinary activities. Asset structure and diversification are other elements in the Group's management of investment risk.

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

Risk Capital. At the end of fiscal 2002, risk capital before minority interests was composed as follows: In property and casualty insurance, E16.1 billion were allocated for actuarial risks, E0.8 billion for credit and

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counterparty risks and E3.9 billion for investment risks. Risk capital in life insurance came to a total of E11.1 billion as of December 31, 2002. It is the Group's policy that, as a minimum, the capital it allocates to its local units meets the requirements for an A rating from Standard & Poor's.

Risk Controlling in the Banking Business

In this business segment, the following types of risks are controlled: credit and counterparty risks including counterparty risks from trading activities, country risks, market risks in the trading and investment portfolios, and liquidity risks. See "-- Selected Statistical Information Relating to the Group's Banking Operations" for further information concerning the Group's bank lending, investment and deposit portfolios.

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

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

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

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

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performed in cooperation with the divisions, is controlled by Risk Controlling. Its purpose is to monitor credit risks on a continuing basis and to make sure that the management's credit risk strategy is adhered to.

In the past year, the Allianz Group set up the IRU in the banking segment. The task of this unit is to free up risk capital through the reduction of risk-weighted assets by restructuring non-performing loans to strategic customers with the intent of returning such loans to the business units from

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which they originated, while maximizing the recovery from remaining non-performing loans, as well as non-strategic customer loans, through repayment, sale, hedging, securitization and other means. Loans to be bundled together in the IRU are primarily performing loans to non-strategic clients, such as small-capitalization clients in Latin America, Asia and the United States, as well as, to a lesser extent, loans to corporate and private clients that are currently non-performing.

The Group accounts for the development of risks in the lending business by making allowances for individual risks and country risks. In setting up risk provisions, it considers the creditworthiness of the borrower, the general economic environment and risk-reducing measures, for example collateral in 2002, total risk provisions in the banking business amounted to E7.6 billion.

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

Country Risks. The Group controls these risks by using internal country ratings. These ratings are based upon macroeconomic data and key qualitative indicators. The latter take into account the economic, social and political environment and focus on a country's ability to make payments in foreign currencies. At present, Dresdner Bank's country rating system includes eight risk groups. At the end of 2002, Dresdner Bank's country risk provisions totaled E367 million.

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

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

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

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

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Value-at-risk ("VaR") is only one of the instruments used to characterize the risk profile of the Dresdner Bank Group. In addition, the Bank also uses operational risk indicators and limits, which are specifically adapted to the risk situation of the trading units. Trading is controlled by

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setting value-at-risk and operational market risk limits. Current limit utilization is determined and monitored by Risk Controlling on a daily basis. Limit breaches must be immediately indicated to the management concerned so that corrective action can be taken.

The following table below shows the VaR for the trading portfolio of Dresdner Bank at and for the periods indicated (99% confidence level, 10-day holding period):

	AT DECEMBER 31, 2002	2002 ANNUAL STATISTICS			AT DECEMBER 31, 2001
	-----	----- MEAN VALUE	----- MAXIMUM	----- MINIMUM	-----
		(E IN MILLION)			
Aggregate risk.....	81	120	167	35	147
Interest rate risk.....	65	101	147	65	124
Equity risk.....	45	53	83	26	64
Currency/commodity risk.....	13	17	104	2	18
Diversification effect (1).....	(42)	(51)	--	--	(59)

(1) No diversification effect can be taken into account since the maximum values were measured at different dates.

Market risks in the non-trading portfolio: This risk mainly comprises the risk of interest changes and is analyzed on the basis of sensitivity and value-at-risk indicators (99% confidence level, ten-day holding period). As in the case of trading, the Bank controls this risk by setting value-at-risk limits. The value-at-risk for interest rate risk in the banking portfolio of Dresdner Bank Group decreased 67% to E31.9 million at the end of the year. This indicator also takes into account portfolio effects. The reduction is mainly due to the deconsolidation of Deutsche Hyp.

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

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

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

Organizational Risk Controlling. At the organizational level, risk

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

Risk Control in Asset Management

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

MARKET RISK MEASUREMENT

Sensitivity Analysis

The Group uses a risk modeling technique known as "sensitivity analysis" to show the implications of changes in market conditions on the financial instruments it holds in its trading and non-trading portfolios. This enables the Allianz Group to make comparisons across its business segments. Sensitivity analysis measures the potential loss due to changes in fair values resulting from hypothetical changes in equity prices, interest rates and foreign currency rates at a given point in time. Sensitivity analysis generates values representing the risk inherent in each

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position under given market conditions. Due to the standardization of the sensitivity analysis in this risk assessment, diversification effects are not considered.

Assumptions

In calculating equity price sensitivity, the Group assumes a 20% decrease in stock prices. This assumption has been made in conformity with applicable German risk reporting standards.

Estimates of interest rate risk sensitivity assume a 100 basis point increase in interest rates. If interest rates rise, the fair values of interest-sensitive instruments such as bonds, loans and mortgages may fall; the magnitude of this decrease depends on the maturity, coupon or other characteristics of a particular instrument. The table below shows the aggregate effect on the fair value of all of the Group's interest-sensitive investments, assuming a 100 basis point parallel shift that occurs simultaneously and instantaneously across all countries, markets and maturities. This assumption has also been made in conformity with applicable German risk reporting standards.

Foreign exchange risk is calculated in a manner similar to equity price sensitivity, by assuming a 10% decrease in all non-euro currency exchange rates against the euro. Consequently, the aggregate fair value sensitivity shown in the table below illustrates the effect on fair values if, simultaneously and uniformly, all non-euro currencies lose 10% of their value relative to the euro.

The Group believes that the scenarios used in sensitivity analysis represent reasonable assumptions based on past observations of market conditions. Although market fluctuations exceeding 20% or 100 basis points are

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possible, the Group believes that estimates based on these assumptions offer a fair view on the risk inherent in its positions. Although these assumptions are intentionally simplified (for example, they assume static portfolios and do not take into account that market prices under normal conditions change neither simultaneously nor by the same magnitude), Allianz AG believes they provide a useful framework for the Group's risk management analysis and support the Group's strategic decisions.

Limitations

While the Allianz Group believes that sensitivity analysis provides its managers with a valid estimation of market risk exposures, it recognizes that there are certain limitations to the use of this method.

Price changes in a diversified portfolio have offsetting effects, since various assets revalue in directions or in magnitudes different to overall marketplace changes. This is known as the "diversification effect" of holding a portfolio consisting of different assets. Because sensitivity analysis uses a generalized methodology, the Group's risk estimates do not take this diversification effect into account. Actual changes in the fair value of the Group's assets could be different to those shown in the table below.

Additionally, routine daily business activity entails a certain amount of change in the portfolios' composition as bonds mature or as portfolio managers buy or sell investments. As a result, the actual sensitivity of the Allianz Group's portfolio will vary at any particular moment in time, and the risk of loss from equity, interest rate, foreign exchange or other risks cannot be eliminated, although it can be quantified and monitored.

Finally, the Group's sensitivity analyses are estimates based on a fixed point in the past. Nearly all of the Group's assets and liabilities are subject to market risk from fluctuating equity, interest and foreign exchange market values. These fluctuations cannot be foreseen and can occur suddenly. The quantitative risk measurements provided by the model and reflected in the table below are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters. Although these measurements reflect reasonable possibility, they may differ considerably from actual losses that may be experienced in the future.

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ALLIANZ GROUP MARKET RISK EXPOSURE ESTIMATES

Trading Portfolios

The trading portfolios of the Group and resulting market risks relate primarily to its banking segment. In its worldwide trading activities, the Allianz Group uses financial derivatives both as non-standardized financial instruments for the individual management of market risks and as a component of structured financial transactions. The Group uses derivatives to manage its proprietary trading portfolio. The Allianz Group's derivative trading activities focus on interest bearing financial instruments, predominately interest rate swaps. The Group also uses currency and credit derivatives as well as equity/index derivatives.

Insurance Operations. The Group's insurance business does not generally engage in trading activities. With the adoption of IAS 39 (effective January 1, 2001), however, derivative instruments that do not meet IFRS hedge accounting standards are treated as trading derivatives. As a result of this new accounting rule, the trading portfolio tables below show significant impact from trading not only for the Group's banking business but also for its insurance business.

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Derivatives used in the Group's insurance operations, however, are principally used for portfolio hedging and not for trading purposes.

Banking Operations. The banking segment is active in trading equities, interest rate instruments and foreign exchange and commodities. The banking segment uses derivatives in its trading portfolios primarily to meet customer demand as well as to hedge market risk. Derivatives are also used to take advantage of market opportunities. In terms of volume, the primary derivative products the Group uses are interest rate swaps, futures and options as well as foreign exchange swaps and equity related derivatives. The primary exposures in foreign currencies are U.S. dollars and British pounds sterling.

The following table shows the sensitivity analysis of the market risk in the material trading portfolio of the Allianz Group. Certain financial instruments are included in more than one risk category because they may be affected by changes in more than one parameter. For example, equities denominated in non-euro currencies are affected by fluctuation in both stock prices and exchange rates. In 2000, prior to the adoption of IAS 39 and the acquisition of Dresdner Bank, all the Group's portfolios were considered non-trading.

SENSITIVITY ANALYSIS BY BUSINESS SEGMENT AND RISK CATEGORY: TRADING PORTFOLIOS

	AT DECEMBER 31, 2002				
	PROPERTY-CASUALTY INSURANCE	LIFE/HEALTH INSURANCE	BANKING	ASSET MANAGEMENT	TO
	(E IN MILLION)				
Equity price risk(1).....	200	500	--	--	7
Interest rate risk.....	--	--	(100)	--	(1
Foreign exchange risk(2).....	--	--	100	--	1

	AT DECEMBER 31, 2001				
	PROPERTY-CASUALTY INSURANCE	LIFE/HEALTH INSURANCE	BANKING (3)	ASSET MANAGEMENT	TO
	(E IN MILLION)				
Equity price risk(1).....	300	(200)	(200)	--	(1
Interest rate risk.....	--	--	(400)	--	(4
Foreign exchange risk(2).....	(100)	100	300	--	3

(1) Amounts do not take into account the Allianz Group's unconsolidated subsidiaries, or affiliated enterprises, joint ventures and associated enterprises.

(2) Amounts take into account financial instruments not denominated in euros.

(3) Includes Dresdner Bank.

Non-Trading Portfolios

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The Group's remaining portfolios contain all non-trading activities of the banking segment as well as the financial investments of the insurance segment. The Group holds and uses many

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different financial instruments in managing its businesses. Grouped according to risk category, the following are the most significant assets according to their fair values:

- equity price risk: common shares and preferred shares;
- interest rate risk: bonds, loans and mortgages; and
- foreign exchange rate risk: non-euro denominated equities and interest rate risk sensitive assets.

Insurance Segment. The insurance segment's non-trading portfolio is exposed to foreign exchange risk because some of its assets are denominated in currencies other than the euro. If non-euro foreign exchange rates decline against the euro, the fair values of the corresponding assets would also decline. The insurance segment's primary exposures for foreign exchange risk are for the U.S. dollar, Swiss franc and the Korean won. Local laws generally require that the insurance policy obligations of Allianz AG's subsidiaries and the investments covering them must be in the same currency. As a result, currency fluctuations in connection with foreign subsidiaries have only a minor impact on the insurance segment's risk management strategies.

The decline in the equity price risk in 2002 was due to the overall decline in stock prices. Most of the Group's insurance-related equity investments are intended to be held for the long term. The equity holdings are primarily in the euro zone equity markets of Germany, France and Italy, with significant additional exposures in the U.S., Swiss and U.K. markets.

The insurance segment is exposed to interest rate risk due to its investments in fixed-income instruments, in particular bonds, loans and mortgages. The primary exposures for interest rate sensitivity securities are for bonds, loans and mortgages held by Allianz AG's German, French, U.S., Italian and Swiss subsidiaries.

Banking Segment. The Allianz Group's banking operations are subject to currency risk on all non-euro loans and deposits. For non-trading activities, it is the Group's policy that all loans and deposits in foreign currencies be funded and reinvested in the same currency and with matching maturities. Any residual currency risk in non-trading portfolios results primarily from developments in results of affiliated companies outside of the euro-zone during the year.

The non-trading portfolio of the banking segment with respect to interest rate risk includes all loans and deposits, issued securities, interest rate-related investment securities as well as corresponding hedges of Dresdner Bank. Market risk associated with these positions is primarily interest rate risk resulting from long-term fixed rate loans, which are funded in part by short-term deposits. On the bank's non-trading books, interest rate derivatives are used to hedge risk associated with fixed rate loans. For this purpose, the bank primarily uses interest rate swaps. Futures and options are also used for asset and liability management in the non-trading activities, albeit to a significantly smaller degree. The Group also uses swaptions to hedge risk arising from a borrower's prepayment options under some loan agreements. A small volume of equity derivatives is held due to investments in shares from

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affiliated and non-affiliated companies.

Most of the Group's equity investments are intended to be held for long term. Equity holdings in the banking segment are primarily in the German market. The following table shows a sensitivity analysis of the market risk in the Group's material non-trading portfolios. Certain financial instruments are included in more than one risk category because they may be affected by changes in more than one parameter.

SENSITIVITY ANALYSIS BY BUSINESS SEGMENT AND RISK CATEGORY: NON-TRADING PORTFOLIOS

AT DECEMBER 31, 2002					
	PROPERTY-CASUALTY INSURANCE	LIFE/HEALTH INSURANCE	BANKING	ASSET MANAGEMENT	TOTAL
(E IN MILLION)					
Equity price risk(1).....	(4,400)	(5,200)	(1,000)	--	(10,600)
Interest rate risk.....	(2,500)	(9,800)	(400)	(100)	(12,800)
Foreign exchange risk(2).....	(2,700)	(3,800)	--	--	(6,500)

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AT DECEMBER 31, 2001					
	PROPERTY-CASUALTY INSURANCE	LIFE/HEALTH INSURANCE	BANKING (3)	ASSET MANAGEMENT	TOTAL
(E IN MILLION)					
Equity price risk(1).....	(5,900)	(7,600)	(2,800)	(100)	(16,400)
Interest rate risk.....	(2,400)	(8,500)	(400)	(200)	(11,500)
Foreign exchange risk(2).....	(2,600)	(2,600)	--	--	(5,200)

(1) Amounts do not take into account unconsolidated affiliated enterprises, joint ventures and associated enterprises of the Allianz Group.

(2) Amounts take into account financial instruments in foreign currency.

(3) Includes Dresdner Bank.

Operational Risks

Operational Risks. Operational risks are risks caused by inadequacies or faults in business processes or controls. These may be related to technical problems or employees, operational structures or external influences. The Allianz Group seeks to minimize such risks by installing a comprehensive system of internal controls and security systems in each operating unit. Operational risks are limited by a wide range of technical and organizational measures such as redundant hardware configurations, communications equipment and systems, back-up computing facilities, and data backups to maintain IT capability in

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emergencies. In addition, procedures are in place for safeguarding the confidentiality and integrity of stored data and information. For this purpose, high-performance firewall systems were introduced to protect the IT network against external interference along with access authorization procedures, supervision and control processes. The principle of dual control is adhered to in the case of operating procedures. The purpose of these measures is to ensure and document an adequate standard for Group-internal processes.

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

Risk Monitoring by Third Parties

Supervisory authorities and rating agencies are additional risk monitoring bodies. Supervisory authorities specify the minimum precautions that must be taken in individual countries and at the international level. Rating agencies determine the relationship between the required risk capital of a company and the available safeguards. In their evaluation of capital resources, the rating agencies include equity shown in the balance sheet, minority interests and other items representing additional securities in times of crisis. In addition to capital resources, the rating process also takes into account elements such as, the strategic position of the company in individual business areas and markets as well as its medium-term business prospects.

REGULATION AND SUPERVISION

GENERAL

The insurance, banking and asset management businesses of the Allianz Group are subject to detailed, comprehensive regulation and supervision in all the countries in which the Allianz Group does business. In addition, certain EU regulations and directives implemented through local legislation in EU member states, have had and will continue to have a significant impact on

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the regulation of the insurance, banking and asset management industries in EU member states, including those in which many of our most important flagship operations are located, such as Germany, France, Italy and the United Kingdom. The following discussion addresses significant aspects of the regulatory schemes in these countries.

ALLIANZ AG

The Allianz AG operates as a reinsurer and holding company for the Group's insurance, banking and asset management operating entities and, as such, is supervised and regulated by the BaFin. The BaFin was established on May 1, 2002. The creation of the BaFin consolidates the functions of the former offices for banking supervision (the "Bundesaufsichtsamt für das Kreditwesen"), insurance

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supervision (the Bundesaufsichtsamt für das Versicherungswesen) and securities supervision (the Bundesaufsichtsamt für den Wertpapierhandel) into a single federal regulatory authority. The BaFin monitors and enforces regulatory standards for banks, financial services institutions and insurance companies by supervising their activities in the financial markets and performing functions relating to consumer protection. The BaFin is a federal institution governed by public law that belongs to the portfolio of the German Federal Ministry of Finance.

The Allianz AG is not required to be licensed as a reinsurance company in Germany. In July 2002, the German Insurance Supervision Act (the Versicherungsaufsichtsgesetz), which used to provide only for indirect supervision of reinsurance companies, was amended to extend the BaFin's right to direct supervision. The BaFin is entitled to monitor whether the management of a reinsurance company is of good repute and meets certain standards of professional competence as well as whether the holders of qualified participating interests in the reinsurance company are of good repute. Previously, the BaFin already had the power to give orders to request information. With the amendment in July 2002, the BaFin's power has been significantly expanded. The BaFin is explicitly entitled to take administrative action to ensure that a reinsurance company operates in compliance with applicable laws and that it is able to meet its reinsurance liabilities. Beginning January 1, 2005, additional restrictions will apply to investments held to cover reinsurance reserves. Reinsurance activities continue to be regulated indirectly through the supervision of reinsurance programs submitted by direct insurers. The BaFin also reviews transactions between the Allianz AG and its subsidiaries, including reinsurance relationships and cost sharing agreements.

In addition, the Allianz AG is subject to regulation as a reinsurance company and is required to submit internal annual reports, including certain accounting documents, and internal quarterly reports regarding to its investments to the BaFin.

GROUP REGULATION

Under German law based on an EU directive on supplementary supervision of insurance groups, insurance companies that are members of an insurance group as defined by law are subject to additional regulatory requirements. The additional regulation includes the following three components: (i) the supervision of intra-group transactions, (ii) the monitoring of the adjusted solvency, i.e. on a consolidated basis, and (iii) the establishment of appropriate internal controls for providing the BaFin with information as part of its monitoring of the first two components. The most important intra-group transactions must be reported to the BaFin annually; intra-group transactions endangering the solvency of an insurance company subject to supervision must be reported immediately. The law requires that the insurance group calculate the capital needed to meet the respective solvency requirements for the insurance group on a consolidated basis. IFRS accounting may be used as a basis for the calculation. Similar group solvency requirements are required to be fulfilled by the local parent companies of insurance subsidiary groups in the different EU jurisdictions.

Regarding the banking sector, the credit institutions directive of 2000, consolidating certain older directives, and the capital adequacy directive of 1993 also provide for capital requirements on a consolidated basis. They define, among other things, the capital requirements needed to ensure sufficient capital to cover, also on a consolidated basis, the bank's market and credit risks associated with banking and trading book activities. The directives have been implemented into

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German law. With respect to the Allianz Group, Dresdner Bank is responsible for the capital requirements of the companies within the banking sector.

FINANCIAL CONGLOMERATES

In December 2002, the EU adopted a directive that provides for assessment of the capital requirements of a financial conglomerate on the group level, supervision of risk concentration and intra-group transactions and prevention of double-leveraging of the capital of the holding or parent company, i.e. once in the holding or parent company and a second time in the subsidiary ("double gearing"). The Allianz Group is a financial conglomerate within the scope of this directive. The EU member states are required to implement this directive into national law for the fiscal year beginning on or after January 1, 2005.

In the United States, the Gramm-Leach-Bliley Financial Modernization Act of 1999 substantially eliminates barriers separating the banking, insurance and securities industries in the United States. The legislation allows the formation of diversified financial services firms that can provide a broad array of financial products and services to their customers. In addition, the legislation permits insurers and other financial services companies to acquire banks.

INSURANCE

European Union

Under the Treaty of Rome of 1957, Germany and the other EU member states are required to implement EU legislation into domestic law and to take EU legislation into account in applying domestic law. EU legislation can take several forms. If legislation takes the form of a EU regulation, the regulation is directly applicable as binding law in all member states. If legislation takes the form of a EU directive, the directive creates an obligation for the member states to implement and transpose the directive into their national legal systems. In addition, certain directives include "self-executing" features that are directly binding on member states, although the directives still require formal implementation into national legislation.

Since 1973, the EU has adopted a series of insurance directives on life insurance and direct insurance other than life insurance. These directives have been implemented in Germany, France, Italy, the United Kingdom, Austria and the other EU jurisdictions through national legislation and have resulted in significant deregulation of the EU insurance markets. The directives are based on the general principles of freedom of branch operations, freedom of provision of services and home country control. Under the directives, the regulation of insurance companies, including insurance operations outside their respective home countries (whether direct or through branches), is the responsibility of the home country insurance regulatory authority. In particular, the home country insurance regulatory authority is responsible for monitoring compliance with applicable regulations, the solvency and actuarial reserves of insurers and the assets supporting those reserves.

As a result of the home country control principle, the EU insurance directives generally permit an insurance company licensed in any jurisdiction of the EU to conduct insurance activities, directly or through branches, in all other jurisdictions of the EU, without being subject to additional licensing requirements. Under the EU insurance directives, there is no authorization procedure to regulate insurance terms and conditions or tariffs. Insurers are required to submit reports to the regulatory authorities in jurisdictions outside their home country regarding the management, qualifying shareholders, and other matters such as general and specific policy terms and conditions, premiums and technical reserves.

Insurance selling activities are generally regulated by the regulatory authorities in the country in which the sale of the insurance product takes place. In December 2002 a new EU directive on insurance mediation became effective. Under this directive, insurance and reinsurance intermediaries, including ancillary intermediaries, are required to register in their home member state and to possess appropriate knowledge and ability, as determined by their home member state. Member states are required to implement this directive effective January 15, 2005. The impact of the new directive on Allianz Group companies in EU member states depends on how the directive will be implemented by the member states. Consequently, the Allianz Group cannot assess the potential impact of the directive.

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The EU insurance directives generally prohibit an insurance company from conducting both non-life and life insurance activities. However, life insurance companies that conducted non-life insurance activities in EU member states prior to March 15, 1979, including some of Allianz Group's subsidiaries, may continue to conduct these activities without restriction. In addition, member states may permit life insurance companies to write personal accident and health insurance policies, or insurance companies authorized to write personal accident and health insurance policies to write life insurance policies.

Germany

General

German insurance companies, including the companies in the Allianz' German Property-Casualty Group, the Group's credit insurance companies, life insurance companies and health insurance companies, are subject to a comprehensive system of regulation under the German Insurance Supervision Act. The BaFin monitors and enforces compliance with German insurance laws, applicable accounting standards, technical administrative regulations, and investment and solvency provisions. Any change in the articles of association (except changes regarding capital increases) and all material changes in the business plan of a German insurance company must be approved, and the books and records of German insurance companies are subject to examination at any time, by the BaFin.

Under the Insurance Supervision Act, German insurance companies are subject to detailed requirements with respect to the administration of their assets and liabilities. In general, the actuarial and claims reserves of each insurer must be adequate to allow the insurer to fulfill its contractual commitments to pay upon receipt of claims. Toward this end, insurers must maintain a solvency margin (own funds) equal to the minimum solvency margin. One third of the minimum solvency margin constitutes the guarantee fund. If the solvency margin falls below the minimum solvency margin, the BaFin may request that the company submits a plan for restoring its sound financial position; under exceptional circumstances, the BaFin may restrict or prohibit the free disposal of the assets. If the solvency margin of an insurance company falls below the guarantee fund, at the request of the BaFin, the insurance company must submit a plan detailing how the company will promptly obtain the necessary solvency margin; in this case, the BaFin may with no further requirements limit or prohibit the disposal of the insurer's assets. German property-casualty insurance companies are also required to establish claims equalization reserves according to established actuarial rules. These claims equalization reserves are intended to level out fluctuating claims requirements over the course of time. German regulation law requires that insurers maintain assets equal to the sum of technical reserves, regarding life insurers including mathematical provisions, and of liabilities and deferrals under insurance contracts ("gebundenes Vermogen") and that they invest these assets in accordance with certain

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standards. German law limits the proportion of the assets which German insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments. A regulation issued by the German Federal Government provides for detailed investment rules.

New insurance products and policies may be offered in Germany without prior approval of the BaFin. Insurers must file a description of new products and policies, and the BaFin may require the modification of terms and conditions or the withdrawal from the market or modification of any contract that does not comply with applicable laws and regulations. In addition, the terms of all health insurance policies are subject to particular consumer protection and other legislation.

Life Insurance

Under German law, German life insurance companies are required, after receiving the authorization to conduct a life insurance business, to notify the BaFin of the principles they use to set premium rates and establish actuarial provisions, and of any intention to alter or amend these principles. German life insurance companies are also required to appoint a chief actuary responsible for reviewing and ensuring the appropriateness of actuarial calculation methods. Prior to the appointment, the insurer must provide the BaFin with the name of the actuary. Before and after the appointment, the BaFin is entitled to request that the insurer appoint another

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actuary if the BaFin has doubts as to the professional qualifications of the appointed actuary. In case the second appointee does not meet the professional requirements, or the insurer does not appoint another actuary, the BaFin itself may appoint an appropriate actuary.

Additional restrictions apply to the investment of German life insurance company assets. The BaFin closely monitors the calculation of actuarial reserves and the allocation of assets covering actuarial reserves. Assets covering actuarial reserves are also monitored by an independent trustee. The rules governing the appointment of the trustee are similar to those governing the appointment of the actuary. The BaFin may issue supplemental instructions to an insurer if deemed necessary to safeguard the interests of policyholders.

Amounts payable to policyholders at the maturity of endowment policies underwritten by German life insurance companies include a "guaranteed benefit," an amount that, in practice, is equal to a legally mandated maximum rate of return on actuarial reserves. This rate is currently 3.25% per year for policies issued on or after July 1, 2000 and with euro as applicable currency. For policies issued through June 30, 2000, the maximum rate of return is 4.0% per annum. For policies issued prior to 1995, the maximum rate is 3.5% or 3.0%, depending on the generation of tariff. On policies written through 1994, German life insurance companies are obliged by regulations to allocate for the benefit of policyholders at least 90% of their annual surplus. In 1994 and 1996, the laws and the regulations, respectively, were modified, and on policies written since June 30, 1994 and thereafter, German life insurance companies are obliged by the modified regulations to allocate for the benefit of policyholders at least 90% of their net interest yield on assets corresponding to technical reserves. In addition, holders of policies written after June 30, 1994 are entitled to participate in "appropriate amounts" of profit from sources other than assets, mainly from earnings related to risk management and cost management. The amount required to be allocated to policyholders may be used to directly increase a policyholder's profit participation or to contribute to the policyholder's profit reserve. In general, the amount contributed to the policyholder's profit reserve may be used only for the policyholder's profit

participation. In the event of an overall loss and to avoid an emergency situation, the insurer may use parts of the policyholder profit reserve to cover the loss with the approval of the BaFin if doing so is in the interest of the policyholders. The profit reserve is accordingly included in the calculation of the life insurer's solvency margin. The respective determinations and calculations are based on German statutory accounting principles. These statutory accounting principles were amended on March 26, 2002, with respect to impairment charges for equity, investment funds and other fixed-interest rate and non-fixed-interest rate securities. This amendment has a stabilizing effect on statutory profits and profit participation.

The Retirement Savings Act (the Altersvermogensgesetz), which is intended to reform the pension system in Germany, took effect on January 1, 2002. This act provides for state subsidies, in the form of either direct subsidies or, under certain circumstances, tax benefits. The prerequisite for state subsidies is that the underlying products contain certain characteristics entitled to certification by the BaFin. The main characteristic is that at least the amount that has been paid in premiums is available at maturity and that life-long benefit payments be guaranteed. Administration costs of the certified products may be high due to the complex state subsidy process. The Retirement Savings Act also intends to foster company old-age provision. As of January 1, 2002, employees are entitled by law to request that parts of their compensation be converted into company old-age provision. In addition to the already existing pension schemes, ("Pensionskassen") the new law and the regulations promulgated thereunder permit the establishment of pension schemes for employees within separate legal entities ("Pensionsfonds"), as new means of company old-age provision, which are treated as life insurers under the German Insurance Supervisory Act. Both Pensionskassen and Pensionsfonds are supervised by the BaFin.

Health Insurance

The Allianz Group offers "substitutive" health insurance products in Germany designed to partially or totally replace statutory public health insurance coverage. The Allianz Group also offers products intended to supplement both the statutory and substitutive schemes. These products are subject to detailed regulations designed to protect policyholders.

In general, the core products of German health insurance companies, including comprehensive health insurance, daily sickness and hospital daily allowance insurance, are regulated by the

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BaFin. German law also requires that private health insurance companies offer certain kinds of health insurance, including private compulsory long-term care insurance, to policyholders with substitutive health insurance.

German health insurance companies are required to appoint and register a chief actuary and an independent trustee with the BaFin. Premiums are calculated in accordance with established actuarial and legal principles and are required to provide an adequate reserve for the increased likelihood of poor health in old age. Health insurance policies may provide for premium increases to cover inflation and the increased costs of medical treatment and other developments. However, any such adjustments must be approved by an independent trustee.

Since the beginning of 2000, Allianz Private Health has also been required by law to allocate to its policyholders 90% of interest surplus, which is a component of statutory profits. Like endowment and other life insurance products, health insurance products include mandatory profit-sharing features, whereby Allianz Private Health, like any other German private health insurer,

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returns 80% of the statutory profit on its health business, after the payment of claims and claims costs, the establishment of reserves, payment of taxes and other expenses, to policyholders annually, generally in the form of premium subsidies or rebates. These serve to limit premium increases for policyholders in higher age brackets. As with the Group's endowment policies in Germany, the actual level of profit sharing the Group provides its policyholders is, for competitive reasons, in excess of the statutory minimum and has been between 85% and 90% of statutory profits in recent years.

In January 2003, the specific income threshold for German statutory health insurance coverage was raised by the German legislator in order to stabilize and maintain the statutory healthcare system. As a consequence, the number of individuals who are able to choose protection under the private healthcare system may decrease. While this measure may reduce new business for full private health coverage for salaried employees, it may also create new business opportunities for supplementary insurance for individuals insured under statutory health insurance plans. Further changes to the German healthcare system are currently being considered, in particular with a view to reducing its costs. Enactment into law of any such changes may have an impact on private health insurance providers, as the amount of new business written under full private health coverage may further decrease.

France

The activities of French insurance companies including AGF are governed by the French Insurance Code and licensed and supervised by the French Ministry of the Economy and the Commission de Controle des Assurances (or the "Insurance Commission"). The Insurance Commission is an independent administrative authority that supervises the financial position and solvency of French insurance companies and their compliance with applicable insurance regulations, including statutory accounting principles and financial and technical management regulations. According to a proposed law concerning financial security, the Insurance Commission shall be replaced by the Commission de Controle des Assurances, des Mutuelles et des Institutions de Prevoyance with the same functions. French insurers are required to make periodic filings of financial, accounting and statistical statements with the Insurance Commission. Any change in the articles of association of French insurance companies must also be approved by the Insurance Commission. The Insurance Commission may examine the accounts of French insurance companies at any time. French insurance companies may not engage on an ongoing basis in any commercial activity other than that of providing insurance coverage and directly related activities.

French insurance companies are subject to a number of requirements with respect to the administration of their assets and liabilities. With respect to liabilities, actuarial and claims reserves must be adequate to allow the insurer to fulfill contractual commitments to pay claims upon receipt. French law also prescribes compliance with a minimum solvency margin and requires insurance companies to make contributions to certain state-administered guarantee funds. French insurance companies may invest assets that support actuarial and claims reserves generally only in debt securities, equity securities and shares of mutual funds, real estate, mortgage loans, certain government-guaranteed loans and certain other loans and deposits.

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French law limits the proportion of assets that French insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments.

French life insurers are obligated by law to allocate for the benefit of policyholders (other than holders of contracts supported by separate accounts

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and term policies) at least 85% of annual investment results on assets attributable to such policyholders, plus at least 90% of other profits. Amounts allocated must be credited to policyholders within eight years but otherwise can be credited at the insurer's discretion. The allocation generally takes the form of an increase in guaranteed benefits but may also take the form of a reduction of future premiums.

New insurance products and policies may be offered in France by either a French or foreign insurer without obtaining prior approval. However, the Ministry of the Economy may require submission of contracts or advertising materials relating to the insurance business. The Ministry of the Economy may also require the withdrawal from the market or the modification of any contract or advertising material which, in its judgment, does not comply with applicable laws and regulations.

Italy

Italian insurance companies including the Group's major subsidiaries RAS and Lloyd Adriatico are subject to a comprehensive regulatory scheme contained in the Supervision of Insurance Act and supplemented by numerous other regulations and ordinances. These laws and regulations regulate access to insurance activities, require the maintenance of certain solvency margins, in part through a guarantee fund, determine the form of financial statements for insurance concerns and regulate the activities of insurance intermediaries.

The activities of Italian insurance companies, insurance agents and brokers are regulated by the Institute for the Supervision of Private and Public Interest Insurance, known by its Italian acronym "ISVAP." ISVAP grants authorization to companies to conduct insurance activities. ISVAP is also responsible for the supervision of the financial management of Italian insurance companies. In addition, ISVAP has the authority to propose disciplinary measures, including the revocation of authorizations, which may ultimately be taken by the Ministry of Industry. ISVAP has the power to request information from insurance companies, conduct audits of their activities and question their legal representatives, managing directors and statutory auditors and convene shareholders, directors and statutory auditors meetings in order to propose measures necessary to conform the management of insurance companies to legal requirements. Insurance companies having their registered offices in Italy must receive prior authorization by ISVAP in order to operate life or non-life insurance activities.

All Italian insurance companies are required to maintain adequate technical reserves in respect of each insurance contract. ISVAP determines the interest rate for calculation of required life reserves. Italian law also establishes maximum limits on the amount of reserves that may be invested in any particular category of investments. ISVAP may establish stricter limits under some circumstances. In addition, ISVAP may prohibit companies that do not comply with reserve requirements from disposing of their assets located in Italy and from accepting new business.

Italian insurance companies are required to observe a minimum solvency margin calculated in accordance with a formula that varies depending on the types of insurance that they underwrite. In cases where the solvency margin is less than the guarantee fund, ISVAP may require a company to prepare and implement a short-term financing plan in order to bring it into compliance with the applicable requirements, or may prohibit a company from disposing of its assets.

In July 2000, the Italian antitrust authority imposed fines totaling E361 million on several insurance companies because of alleged coordination of activities through sharing of information in automobile liability insurance in previous years. The Italian subsidiaries of the Allianz Group have been

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assessed, and have paid, E83 million of this fine. In February 2002, the fine was upheld by the Italian State Council, the highest administrative court in Italy.

Switzerland

Swiss insurance companies including the Group's Swiss subsidiaries must be licensed by the Swiss Federal Department of Justice and Police and are subject to the supervision of the Swiss Federal Office of Private Insurance. A separate authorization is required for each separate

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line of insurance business conducted in Switzerland. Although Switzerland is not a member state of the EU and is not subject to the EU insurance directives, Swiss insurance regulation is generally consistent with regulation in the EU.

The Federal Office of Private Insurance monitors the compliance of Swiss insurance companies with requirements relating to solvency, minimum capital, reserve building and assets and may conduct audits at any time. The Federal Office of Private Insurance also fixes the interest rate for calculation of required life insurance company reserves. Swiss life and health insurance companies are required to file tariffs and contract conditions with the Federal Office of Private Insurance.

United Kingdom

Insurance companies in the United Kingdom are regulated under the Financial Services and Markets Act 2000 ("FSMA"). The FSMA provides the framework for the regulation of all business activities within the financial services sector in the United Kingdom, including life insurance and general insurance companies such as the Group's subsidiary Allianz Cornhill. The FSMA took effect on December 1, 2001 and provides that no firm may carry on a regulated activity in the United Kingdom in the insurance, securities, banking or pension sectors, unless it has been authorized to do so under the FSMA or exempted from it. The Financial Services Authority (or "FSA") has been created as a single regulator for the insurance, securities, banking and pension sectors in the United Kingdom. The FSA enforces detailed requirements that firms have to meet in order to receive authorization, including requirements relating to minimum capital, internal governance systems and risk control, and the suitability of management and controlling shareholders. A self-regulatory body known as the General Insurance Standards Council (or "GISC") has also been established to ensure compliance by general insurance companies with applicable codes of business conduct. The Treasury has announced that the FSA will assume statutory responsibility for the conduct of the sale of general insurance by intermediaries and insurance companies from October 2004. Accordingly, self regulation by the GISC will cease at that time. The FSA also establishes the conditions on which the home country principle is implemented with respect to insurance, securities and banking, granting a European financial services "passport."

All insurance companies in the United Kingdom must submit to the FSA annual and, in some cases, quarterly returns together with audited accounts. These returns must include a certificate as to whether domestic assets are sufficient to cover domestic liabilities, and are subject to examination by the FSA. An annual assessment for the protection of UK policyholders is imposed on all insurance companies underwriting life and general business.

Policyholder protection exists through two bodies, the Financial Services Compensation Scheme ("FSCS") and the Motor Insurance Bureau ("MIB"). The FSCS provides policyholders with a level of protection against insurance company

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insolvency. The protection covers all types of property and casualty insurance. The MIB provides coverage for victims of automobile accidents where there is no (or inadequate) insurance coverage. FSCS and MIB are funded by means of levies on insurance companies.

Insurance companies in the United Kingdom may only market products in conformity with classes authorized by the FSA.

In some areas, UK regulations establish customer information rights that exceed the disclosure standards mandated by the relevant EU directives. Regulations that came into effect on October 1, 1999 enable policyholders who are consumers to challenge the terms of policies which they claim are unfair or unclear. The Office of Fair Trading and certain consumer groups are empowered to enforce these regulations by requiring revised contracts when the terms of existing contracts appear to contravene the regulations.

United States

The insurance subsidiaries of the Allianz Group in the United States are subject to comprehensive and detailed regulation of their activities under U.S. state and federal laws.

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U.S. property-casualty and life insurance companies are subject to insurance regulation and supervision in the individual states in which they transact business. Supervisory agencies in various states have broad powers to grant or revoke licenses to transact business, regulate trade practices, license agents, approve insurance policy terms and certain premium rates, set standards of solvency and reserve requirements, determine the form and content of required financial reports, examine insurance companies and prescribe the type, concentration, and amount of investments permitted. Insurance companies are subject to a mandatory audit every three to five years by state regulatory authorities, depending on the state of domicile, and every year by independent auditors.

U.S. property-casualty and life insurers are also subject to risk based capital ("RBC") guidelines, which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should have for regulatory purposes, taking into account the risk characteristics of the company's investments and products. The RBC requirements establish capital requirements for four categories of risk: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to various asset, premium and reserve items, with the factors being higher for those items with greater underlying risk and lower for less risky items. An insurance company's RBC ratio will vary over time depending upon many factors, including its earnings, the mix of assets in its investment portfolio, the nature of the products it sells and its rate of sales growth, as well as changes in the RBC formulas required by regulators. The RBC guidelines are intended to be a regulatory tool only, and are not intended as a means to rank insurers generally. Each of the Group's U.S. insurance subsidiaries met its statutory minimum RBC ratios at December 31, 2002.

Although the federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways. In November 2002, the Terrorism Risk Insurance Act was signed into law. This legislation requires insurers to offer coverage for terrorist acts in their commercial property and casualty insurance policies and it establishes a federal program to reimburse insurers for a portion of losses so insured. These mandatory rules have implications for Allianz Group companies doing business in

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the United States. In addition, the U.S. subsidiaries are subject to the restrictions on fund transfers and other activities under the USA PATRIOT Act of 2001, which, although it affects primarily the banking and investment services subsidiaries, also applies to the insurance subsidiaries. On September 18, 2002, the Treasury Department issued proposed rules regarding Section 352 of the USA PATRIOT Act, requiring financial institutions to establish anti-money laundering programs. In the proposed rules, application of this provision to insurers has been limited to life insurers, annuity issuers and any other insurance product with investment features similar to life insurance. According to an interim rule released by the Treasury Department on October 25, 2002, other insurance and financial services companies are exempted from the requirement to establish anti-money laundering programs until final rules have been issued. The publication of final rules is expected in the first half of 2003. The Group's U.S. life insurance subsidiaries have implemented programs to comply with applicable Treasury rules. The Treasury Department has postponed the adoption of rules related to the customer identification provision of Section 326 of the USA PATRIOT Act. However, all financial institutions are required to scan their customers for potential matches to the list of Specially Designated Nationals issued by the Office of Foreign Assets Control.

There are a number of proposals for regulation which may significantly affect the U.S. market, such as the establishment of an optional federal charter for insurance and reinsurance companies, employee benefit regulations, establishment of a federal registry for asbestos claims subject to compensation limits, and the taxation of insurance companies and their products. These initiatives are mostly in a preliminary stage and, consequently, the Allianz Group cannot assess their potential impact at this time.

Other Countries

The insurance operations of the Allianz Group in countries other than those discussed above are also subject to detailed regulation and supervision by authorities in the relevant jurisdictions, including with respect to such matters as policy forms and rates, reserving, investment and financial practices, and marketing, distribution and sales activities.

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BANKING, ASSET MANAGEMENT AND INVESTMENT SERVICES

European Union

The supervision of banking, asset management and investment services in the member states of the European Union is the exclusive responsibility of national authorities within the individual member states. However, the rules governing the regulation and supervision of these financial services have been harmonized by a number of EU directives, which have been implemented in the member states. These directives mostly focus on establishing harmonized minimum capital requirements and the freedom to provide services within the member states. As a result of this harmonization, banking licenses granted in one EU member state are recognized in all other member states.

Under the EU investment services directive, member states have to ensure that financial institutions that are members of a securities exchange in one member state are eligible for admission to trading on the exchanges of all other member states. Moreover, the investment services directive provides for certain rules of conduct and organizational requirements for financial institutions.

Another field of harmonization which is of importance for financial institutions is securities trading. The EU directive on offering prospectuses provides for harmonized rules with respect to the contents and filing of

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prospectuses for publicly traded securities. Another directive harmonizes the rules for disclosure of financial and other information that publicly traded companies have to provide. The insider trading directive sets forth certain rules for securities trading by corporate insiders. There are also EU directives harmonizing rules governing investment fund management and investor protection.

Germany

The banking and other financial services activities of the Allianz Group in Germany are extensively supervised and regulated by the BaFin.

Banking

Engaging in the banking business requires the authorization by the BaFin. Banking activities include, among others, deposit and lending activities, safe custody activities, checking account and e-money activities as well as underwriting activities. Enterprises engaged in banking business are formally referred to as credit institutions (Kreditinstitute).

All banks in Germany, including Dresdner Bank, are subject to comprehensive governmental supervision and regulation, also on a consolidated basis, by the BaFin in accordance with the German Banking Act (Kreditwesengesetz, or the "German Banking Act"). The BaFin is authorized to issue regulations and guidelines implementing the provisions of the German Banking Act and other laws affecting German banks. The German Banking Act and the regulations issued thereunder have been amended over time to implement the recommendations on banking supervision issued by the Basle Committee on Banking Supervision and the relevant European Council Directives.

The BaFin supervises the operations of all banks, including Dresdner Bank, to ensure that they conduct their business in accordance with the provisions of the German Banking Act and other applicable German laws and regulations. To this end, the BaFin is empowered to request information and documentation on business matters from the banks. The BaFin may conduct on-site inspections without specific cause. Reports by a bank's auditors have to be submitted to the BaFin and the Deutsche Bundesbank (the "Bundesbank"), the German central bank. The contents of the reports are prescribed in a special regulation issued by the former Bundesaufsichtsamt für das Kreditwesen (the "Prüfungsberichtsverordnung"). Particular emphasis is placed on compliance with capital adequacy and liquidity requirements, lending limits and restrictions on certain activities imposed by the German Banking Act and the regulations promulgated thereunder.

Regulation by the Bundesbank

The BaFin carries out its banking supervision role in close cooperation with the Deutsche Bundesbank. Although the authority to issue administrative orders that are binding on specific

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banks is vested solely with the BaFin, the BaFin must consult with the Bundesbank before issuing general regulations and must obtain the consent of the Bundesbank if the regulations affect the Bundesbank. The Bundesbank is responsible for organizing the collection and analysis of the periodic and other reports from the banks.

Capital Adequacy Requirements

German banking regulation contains certain capital adequacy requirements. In accordance with what is known as Principle I, each bank's ratio of Liable

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Capital to risk-weighted assets and certain off-balance sheet items, as such terms are defined or described below, must be at least 8% at the end of each business day in order to cover credit risks. This ratio is known as the Solvency Ratio.

Liable Capital of a bank organized as a stock corporation consists principally of (i) paid-in share capital without preferred stock (Vorzugsaktien), (ii) capital reserves, (iii) earnings reserves which are disclosed in the bank's annual balance sheet, (iv) net profits which are shown in audited interim financial statements and which will not be used for distribution or the payment of taxes, (v) the fund for general banking risks pursuant to Section 340g of the German Commercial Code, (vi) capital paid in by silent partners which meets certain conditions set forth in the German Banking Act, including subordination to all other creditors and participation in the bank's losses, (vii) reserves for general banking risks pursuant to Section 340f of the German Commercial Code, provided that such reserves may not exceed 4% of the book value of such receivables and securities, (viii) preferred stock, (ix) capital paid in consideration of profit participation rights (Genussrechtsverbindlichkeiten) which meets certain conditions set forth in the German Banking Act, including subordination to all creditors in the case of insolvency and participation in the bank's losses, (x) long-term subordinated debt with a term of at least five years meeting certain conditions set forth in the German Banking Act, including subordination to all creditors in the case of insolvency, (xi) certain revaluation reserves and (xii) reserves pursuant to Section 6b of the German Income Tax Act (Einkommensteuergesetz) up to 45%, less certain positions that are required to be deducted. The capital components set forth in items (i) through (vi) above, less balance sheet losses, certain intangible assets (including goodwill) and certain other items, constitute the core capital. Supplementary Capital is the portion of Liable Capital referred to in items (vii) through (xii) above. The distinction between Core Capital and Supplementary Capital reflects the ability of the capital components to cover losses. Core Capital, with the highest ability to cover losses, corresponds to Tier I capital, and Supplementary Capital corresponds to Tier II capital as such terms are used in U.S. capital adequacy rules. The German Banking Act provides that the aggregate amount of Supplementary Capital must not exceed the Core Capital. In addition, the sum of long-term subordinated debt must not exceed 50% of Core Capital. The German Banking Act also requires that certain investments in banks or financial institutions and certain other items, be deducted in computing Liable Capital.

To calculate risk-weighted assets and certain off-balance sheet items, the assessment basis must first be determined. With respect to risk assets, the assessment basis is equal to the balance sheet value, adding or deducting certain items. Further, the assets of a bank are assigned to six broad categories of relative credit risk depending on the debtor or on the type of instrument or collateral securing the asset (0%, 10%, 20%, 50%, 70% and 100%), and the assessment basis of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-weighted value to be covered with Liable Capital. With respect to off-balance sheet items, such as financial guarantees and letters of credit, their value, subsequent to the determination of their assessment basis, is adjusted according to their risk classification depending on the type of instrument (20%, 50% and 100%), or, in the case of swaps and other financial derivatives, according to a "mark-to-market" method or an original exposure method. After such adjustment, they are assigned, in the same manner as on-balance sheet assets, to the credit risk categories multiplied by the applicable percentage weight.

The German Banking Act also requires market risk and counterparty risk associated with securities transactions, transactions in derivative products and foreign exchange transactions of banks to be covered by adequate capital. The German Banking Act also employs two related concepts: (i) Bank Funds (Eigenmittel) and (ii) market risk positions. Market risk positions are made up

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of overall foreign exchange positions, commodities positions and the trading book risk positions. For assessing the trading book risk positions, the distinction between trading transac-

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tions which are allocated to a bank's trading book (Handelsbuch) and transactions in commercial banking business which are allocated to a bank's investment book (Anlagebuch) is important.

Bank Funds consist of Liable Capital plus Tier III Capital. Tier III Capital consists of (i) short-term subordinated debt (with a term of at least two years) that meets certain conditions set forth in the German Banking Act and (ii) the net profits which would be realized if all positions in the trading book were matched, if all anticipated expenses and distributions on capital were deducted and if all losses that would be incurred in the investment book if the bank were liquidated were deducted. The sum of Tier III Capital plus the portion of Supplementary Capital that is not required to cover risk positions in the investment book cannot exceed 250% of the portion of Core Capital that is not required to cover risk positions in the investment book.

The trading book of a bank comprises (i) securities, money market instruments, foreign currency or units of account, derivatives and marketable claims and participations that are held by the bank for its own account for resale or trading or that are acquired by the bank with the intent of profiting in the short term from existing or expected differences between buying and selling prices or variations in prices or interest rates; (ii) instruments held and transactions entered into for the purpose of hedging the market risk of the trading book and transactions to refinance such hedging; (iii) transactions subject to the designation of the counterparty (Aufgabegeschaft); (iv) receivables for fees, commissions, interest, dividends and margin payments related to positions in the trading book; and (v) securities lending, loans or similar transactions related to positions in the trading book.

Banks must establish guidelines for the inclusion of transactions in their trading books, which must be submitted to the BaFin and the Bundesbank. The investment book of a bank consists of all transactions that are not contained in the trading book.

The sum of the risk-weighted values of market risk positions and, under certain circumstances, separately computed option positions, may not exceed the difference between Liable Capital and an amount equal to 8% of the risk-weighted assets increased by the amount of Tier III Capital. This limitation must be computed daily at the close of business. The risk-weighted values of market risk positions and option positions must be computed in accordance with rules set forth in Principle 1 or, in the case of market risk positions, in accordance with the bank's own risk computation models which have been approved by the BaFin. The positions allocated to the trading book are risk-weighted according to market risk (interest rate and equity security price related) and according to counterparty risk.

Capital adequacy rules must not only be met by a bank and its banking subsidiaries on an individual basis, but also by the entire banking group.

Liquidity Requirements

The German Banking Act and the regulations issued by the BaFin also contain liquidity requirements. Each bank must invest its funds in a manner designed to provide adequate liquidity at all times. Under what is known as Principle II, banks must compute one liquidity factor and three monitoring factors at the end of every calendar month. Each factor is the quotient of available funds to

payment obligations for one of four short-term time periods of up to one year.

Lending and Investment Limits

The lending activities of banks are restricted in order to avoid high concentrations of risk. According to the applicable law, lending includes not only bank loans in the ordinary sense but all items on the asset side of the balance sheet, derivative transactions (other than written option positions) and related guarantees and other off-balance sheet positions. A borrower is defined to include a related group of borrowers consisting of certain related natural or legal persons or partnerships of the borrower. There are exemptions, and the limitations on large credits are applied on a risk-weighted basis in a manner similar to the application of the risk-weighted capital adequacy rules.

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The German Banking Act, as it applies to Dresdner Bank as a trading book institution, distinguishes between investment book lending limits, combined investment and trading book lending limits, and trading book lending limits. The limits are as follows:

(i) A credit constitutes a "large investment book credit" if the sum of credits allocated to the investment book extended to any one borrower or related group of borrowers, in the aggregate, equals or exceeds 10% of a bank's Liabile Capital. The bank has to ensure that, without approval of the BaFin, no single large investment book credit exceeds 25% of the bank's Liabile Capital (20% in the case of a bank's unconsolidated affiliate) and that the sum of all of a bank's disbursed large investment book credits does not exceed eight times the bank's Liabile Capital.

(ii) A credit constitutes a "large combined investment and trading book credit" if the sum of credits allocated to both the investment and trading books extended to any one borrower or related group of borrowers, in the aggregate, equals or exceeds 10% of the bank's Bank Funds. The bank has to ensure that, without approval of the BaFin, no single large combined investment trading book credit exceeds 25% of the bank's Bank Funds (20% in the case of a bank's unconsolidated affiliate) and that the sum of all of a bank's disbursed large combined investment trading book credits does not exceed eight times the bank's Bank Funds.

(iii) If a single large combined investment and trading book credit exceeds the respective percentage of the bank's Bank Funds set forth in (ii) above, the sum of credits extended to any one borrower or related group of borrowers that is allocated to the trading book cannot exceed five times that portion of the bank's Bank Funds that is not required to cover risk positions in the investment book, even with approval of the BaFin.

(iv) The sum of all portions of single large combined investment and trading book credits that exceed the respective percentage of the bank's Bank Funds set forth in (ii) above for more than 10 days cannot exceed, after deducting the amounts that do not exceed this limit, six times that portion of the bank's Bank Funds that is not required to cover risk positions in the investment book.

A bank must report its large credits to the Bundesbank and must notify the BaFin and the Bundesbank if it exceeds the ceilings set forth above. With the approval of the BaFin, a bank may exceed the limits set forth in (i) and (ii). The amount exceeding these ceilings must be covered by Liabile Capital and Bank Funds, respectively. The limits set forth in (iii) and (iv) may generally not be exceeded. The excess must be reported, and the excessive amount must be covered by Liabile Capital. The amounts of Liabile Capital used to cover such excess

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amount must be disregarded when computing the adequacy of Liable Capital under the capital adequacy rules. If the respective percentage ceilings and the eight times Liable Capital ceiling or Bank Funds ceiling as mentioned in (i) and (ii) are exceeded, only the larger of both excess amounts must be covered by Liable Capital and Bank Funds, respectively.

The provisions of the German Banking Act limiting large credits by a bank apply also to the aggregate credits extended by members of a banking group. In order to determine whether members of a banking group in the aggregate have extended a large credit, all credits extended by members of the group to one borrower are consolidated and measured against the consolidated Liable Capital and Bank Funds (including the shares of other shareholders) of the banking group. Consolidation of credits to one borrower or related group of borrowers is only required if the individual total credit position from overall business of at least one member of the banking group to such borrower is equal to or exceeds 5% of such member's Liable Capital.

Bank Reporting Requirements

In order to enable the BaFin and the Bundesbank to monitor compliance with the German Banking Act and other applicable legal requirements and to obtain information on the financial position of the German banks, the BaFin and the Bundesbank require the routine periodic filing of information.

Each bank must file with the BaFin or the Bundesbank, or both, among other things, the following information: (i) immediate notice of certain personnel and organizational changes, the extension or increase of large credits, the acquisition or disposition of 10% or more of the equity

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or voting rights of another company or certain changes in the amount of such equity investment, and the commencement or termination of certain non-banking activities; (ii) monthly balance sheet and statistical information and annual audited unconsolidated and consolidated financial statements; (iii) the acquisition or disposition of a direct or indirect investment in the bank representing 10% or more of the equity or voting rights of the bank, whether held in the shareholder's own interest or in the interest of a third party, or giving the person making the investment a significant influence over the management of the bank ("Significant Shareholding"), or an increase or decrease of a Significant Shareholding which results in the investment reaching or passing the threshold of 20%, 33% or 50% of such voting rights or equity, as well as the fact that the bank became or ceased to be a subsidiary of another enterprise, as soon as the bank has knowledge of such facts; and on an annual basis, the names and addresses of holders of Significant Shareholdings in the bank and its foreign subsidiary banks, and the amount of such investment; (iv) monthly compliance statements with regard to the capital adequacy rules and the requirements on liquidity; and (v) quarterly statements listing the borrowers to whom the reporting bank has outstanding loans of E1.5 million or more and certain information about the amount and the type of the loan, including syndicated loans exceeding this amount even if the reporting bank's share does not reach E1.5 million.

If several banks report to the Bundesbank loans of E1.5 million or more to the same borrower or to a group of affiliated borrowers, the Bundesbank must inform the reporting banks of the total reported indebtedness and of the type of such indebtedness and of the number of reporting lending banks.

Sanctions for Non-Compliance

If the BaFin discovers irregularities, it has a wide range of enforcement

powers. The BaFin can exert a direct influence over the management of a bank. If the Liable Capital of a bank is not adequate or if the liquidity requirements are not met and the bank has failed to remedy the deficiency within a period determined by the BaFin, the BaFin may prohibit or restrict the bank's distribution of profits or extension of credit. These prohibitions also apply to the parent bank of a banking group if the Bank Funds of the bank members of the group do not meet the legal requirements.

If a bank is in danger of defaulting on its obligations to creditors, the BaFin may take emergency measures to avert default. In this connection, it may, among other things: (i) issue instructions relating to the management of the bank; (ii) prohibit the acceptance of deposits and the extension of credit; (iii) prohibit or restrict management of the bank from carrying on their functions; and (iv) appoint supervisors. To avoid the insolvency of a bank, the BaFin has the authority to (i) prohibit payments and disposals of assets, (ii) suspend customer services and (iii) prohibit the acceptance of payments other than in payment of debt owed to the bank. Finally, the BaFin may revoke the bank's license. In addition, violations of the German Banking Act may result in criminal and administrative penalties.

Deposit Protection

In accordance with the German Deposit Guarantee Act (the Einlagensicherungs- und Anlegerentschädigungsgesetz), the Bundesverband Deutscher Banken, the association of the German private sector commercial banks, established a company known as the Compensation Institution (Entschädigungseinrichtung deutscher Banken GmbH) to carry out and ensure the deposit guarantee scheme of the German private sector commercial banks. The Deposit Guarantee Act provides that the aggregate deposits of a given depositor at a given bank and claims resulting from securities transactions by a customer with a given bank must each be covered up to 90% of the aggregate amount or E20,000, whichever is less. Certain creditors, as defined by the German Deposit Guarantee Act, including other banks, insurance companies, the public sector and enterprises and persons related to the bank, may not claim compensation. The deposit guarantees will be funded through contributions by the private sector commercial banks to the Compensation Institution.

In addition, the banking industry has voluntarily set up various protection funds for the protection of depositors. Most private sector commercial banks, including Dresdner Bank, are members of the Einlagensicherungsfond, a deposit protection association with a fund which

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covers liabilities to each creditor up to a certain amount. Obligations vis-a-vis other banks and other persons described by the fund's articles of association are not covered. Furthermore, the articles of association provide for certain restrictions not related to specific creditors, but rather to categories of obligations. Payments from the Einlagensicherungsfond generally cover the portion of a deposit not already covered by the Compensation Institution. Members are required to provide certain information to the association and the Prüfungsverband deutscher Banken e.V., an institution for the auditing of German banks. This auditing institution conducts its own inspections of banks in order to reduce the risk of failures within the deposit protection system.

Furthermore, depositors and other creditors of German banks are protected by the arrangements in relation to Liquiditäts-Konsortialbank GmbH ("LIKO"), 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 the Bundesbank, with the rest of the shares being held by other German banks and

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banking associations. LIKO is funded by its shareholders.

Mortgage Banks

Through Dresdner Bank, the Allianz Group holds approximately 28% of the shares of Eurohypo AG, a mortgage bank. In Germany, mortgage banks are regulated by a special statute, the German Mortgage Bank Act (Hypothekbankgesetz), in addition to the German Banking Act. Under the Mortgage Bank Act, mortgage banks are authorized to finance themselves through the issuance of mortgage bonds (Hypothekpfandbriefe) and public-debt bonds (Kommunalschuldverschreibungen). These bonds are generally long-term bonds with an original maturity of four years or longer, the principal and interest of which are at all times required to be covered by a pool of specified qualifying assets. Mortgage-backed bonds are backed by mortgage loans extended by the mortgage bank that cover 60% or less of the market value of the respective real estate property, and public-debt backed bonds are backed by communal loans extended by the mortgage bank to German public authorities or entities organized under public law or to member states of the EU or to the contracting states to the agreement on the European Economic Area ("EEA"), or which are guaranteed or otherwise secured by such persons. Separate pools are maintained for the mortgage-backed bonds and for the public-debt backed bonds. The total amount of mortgage and public-debt bonds issued by the mortgage bank must be fully covered by mortgages and communal loans in at least the same total amount and with at least the same interest earnings. The qualifying assets remain on the mortgage bank's balance sheet. In case of insolvency proceedings relating to the mortgage bank, the asset pools constituting cover will be exempt from such proceedings.

Investment Companies

In Germany, investment funds are managed by investment companies. Investment companies are specialized credit institutions and are subject to the German Investment Companies Act ("Gesetz über Kapitalanlagegesellschaften"), in addition to the German Banking Act. Within the Allianz Group, DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH (dit) and dresdnerbank investment management Kapitalanlagegesellschaft mbH (dbi) are investment companies.

An investment fund must be segregated from the investment company's own assets and is not a legal entity; therefore the assets of the investment fund may either be jointly owned by the unit-holders or owned by the investment company as trustee. The German Investment Companies Act provides for specific investment restrictions for different types of investment funds, such as money-market, securities and real estate investment funds, among others. The BaFin supervises the investment company's compliance with the applicable investment restrictions.

Investment companies do not fall within the scope of the above-mentioned Principles I and II. Therefore, they are not subject to the capital and liquidity requirements provided for by these principles.

Financial Services Institutions

Financial Services Institutions are enterprises that provide certain financial services described by the German Banking Act. These financial services include investment and contract

brokering, portfolio management and own-account trading with financial instruments for third parties.

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To engage in the provision of financial services, an authorization by the BaFin is required. The supervision and regulation of financial services institutions is substantially similar to the regulation and supervision of banks. Like investment companies, certain financial services institutions are exempted from the capital and liquidity requirements described by Principles I and II.

Within the Allianz Group, Allianz Capital Managers GmbH and Allianz Dresdner Asset Management International GmbH are financial services institutions.

United Kingdom

In the United Kingdom, the FSMA also provides the framework for the regulation of activities of the financial services sector outside of the insurance business, with the FSA as the responsible supervisory authority. The FSA also prosecutes offenses involving insider dealing, market manipulation, money laundering and of market abuse.

The above requirements of the FSA with respect to the financial services sector apply to most Allianz Group entities in the United Kingdom, including the Dresdner Bank subsidiaries. The London branch of Dresdner Bank is a "passport" bank in the United Kingdom in accordance with the provisions of the EU directives as implemented in UK law. As such it is lead regulated in prudential matters by BaFin in Germany.

France

Under French law, investment and investment services companies dealing with financial instruments must be authorized by the Comite des Etablissement de Credit et des Entreprises d'Investissement (Banque de France) and by the Commission des Operations de Bourse if they act under the portfolio management status. They are subject to the supervision of the Conseil des Marches Financiers for the dealing with listed financial instruments and the Commission des Operations de Bourse for their portfolio management activity. Pursuant to the draft law concerning the financial security mentioned above in connection with the insurance business, it is intended to merge the Commission des Operations de Bourse, the Conseil de Discipline de la Gestion Financiere and the Conseil des Marches Financiers into the Autorite des Marches Financiers.

Banks in France, including the Dresdner Bank subsidiary Dresdner Bank Gestions France, must be authorized by the Comite des Etablissement de Credit et des Entreprises d'Investissement (Banque de France) and are subject to the supervision of the Commission Bancaire (Banque de France). The supervision extends to all the activities of French banks, including their capital adequacy, shareholdings in other companies and limitation of risk. The Paris branch of Dresdner Bank is a "passport" bank in France in accordance with the provisions of EU directives as implemented in French law. As such it is primarily regulated by the BaFin.

Banks are required to file monthly reports to the Commission Bancaire. Changes of shareholdings in French banks do need approval by the Comite des Etablissement de Credit et des Entreprises d'Investissement (Banque de France).

French securities regulations prescribe a minimum amount of share capital for investment and investment services companies and impose certain requirements on company management and shareholders. The companies must also submit a business plan with their application for authorization. There are also regulatory restrictions with respect to equity capital on limitation of risks, and specific disclosure rules must be observed. In addition, the Conseil des Marches Financiers and the Commission des Operations de Bourse oversee the dealings of investment and investment services companies with investors,

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including the provision of appropriate information to investors, and supervise control procedures within these companies. The Conseil des Marches Financiers supervises compliance with market rules, and the Commission des Operations de Bourse supervises the fairness of transactions.

French supervisory authorities are authorized to impose sanctions, including revocation of operating licenses, on companies that fail to comply with applicable regulations.

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Italy

Investment and investment services companies in Italy dealing with financial instruments must be licensed and are subject to regulation by both Banca d'Italia, the Italian national bank, and the Commissione Nazionale per le Societa e la Borsa ("CONSOB"). Shareholdings in excess of 5% in Italian investment and investment services companies require the authorization of Banca d'Italia.

Banks in Italy, including the Allianz Group's subsidiary Rasbank S.p.A. and the Dresdner Bank subsidiaries, must be authorized by Banca d'Italia and are subject to the supervision of both Banca d'Italia and CONSOB. The supervision of Banca d'Italia extends to all the activities of Italian banks, including their capital adequacy, shareholdings in other companies and limitation of risk. The Milan branch of Dresdner Bank is a "passported" bank in Italy in accordance with the provisions of EU directives as implemented in Italian law. As such it is lead regulated by the BaFin. The CONSOB supervises the provision of investment services by banks in Italy and rules of conduct to be followed by the banks in their dealings with the public. Banks are required to file their annual and semi-annual reports with both Banca d'Italia and the CONSOB. They also have ongoing disclosure obligations. The Milan branch of Dresdner Bank is exempt from these requirements and instead has to submit the annual financial statements of Dresdner Bank Group to the Camera di Commercio and Banca d'Italia. Changes in organizational structure of the branch have to be reported annually.

Major shareholders of banks and investment and investment services companies must be of good standing and the top managers and members of the boards of directors and boards of auditors must meet specific qualifications in terms of professionalism and good standing. With respect to banks, Italian law requires those assuming control of or a shareholding of greater than 5% in an Italian bank to obtain authorization from Banca d'Italia. Similarly, banks assuming shareholdings in any other company are required to obtain authorization from Banca d'Italia.

Italian supervisory authorities are empowered to impose sanctions, including revocation of operating licenses, on companies that fail to comply with relevant regulations.

United States

Allianz of America, Inc., Allianz Dresdner Asset Management of America L.P., Pacific Investment Management Company LLC, Oppenheimer Capital, Nicholas-Applegate, Dresdner RCM Global Investors LLC and other financial services subsidiaries of Allianz AG in the United States are registered as investment advisers under the Investment Advisers Act of 1940. Many of the investment instruments managed by these financial services subsidiaries, including a variety of mutual funds and other pooled investment vehicles, are registered with the SEC under the Investment Company Act of 1940. The investment advisory activities of these financial services subsidiaries are subject to various U.S. federal and state laws and regulations. These laws and regulations

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relate to, among other things, limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, record keeping and reporting requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, as well as general anti-fraud provisions. The failure to comply with these laws or regulations may result in possible sanctions, including the suspension of individual employees, limitations on the activities in which the investment adviser may engage, suspension or revocation of the investment adviser's registration as an adviser, censure and/or fines.

Some U.S. financial service subsidiaries of Allianz AG are also registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 and are subject to extensive regulation as such. In addition, some of these subsidiaries are members of, and subject to, regulation by self-regulatory organizations such as the National Association of Securities Dealers and, in the case of Dresdner Kleinwort Wasserstein Securities LLC, the New York Stock Exchange. The scope of broker-dealer regulation covers matters such as capital requirements, the use and safekeeping of customers' funds and securities, advertising and other communications with the public, record-keeping and reporting requirements, supervisory and organizational procedures intended to assure compliance with securities laws and rules of the self-regulatory organizations and to prevent improper trading on material non-public information, employee-related matters, limitations on extensions of credit in securities transactions, and clearance and settlement procedures.

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A particular focus of the applicable regulations concerns the relationship between broker-dealers and their customers. As a result, in some instances they may be required to make "suitability" determinations as to certain customer transactions.

Dresdner Bank provides commercial banking services in the United States through its offices in New York and Los Angeles, as well as the Miami office of its subsidiary Dresdner Bank Lateinamerika AG. Dresdner Bank is accordingly subject to regulation, supervision and examination by the Federal Reserve Board under the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA"), and the International Banking Act of 1978, as amended (the "IBA"). The New York branch of Dresdner Bank is licensed, supervised and examined by the New York State Banking Department.

The Gramm-Leach-Bliley Act of 1999 substantially eliminated barriers separating the banking, insurance and securities industries in the United States. According to this act, a bank holding company that has effectively elected to become a financial holding company may conduct business activities either directly or through its subsidiaries that were previously prohibited for bank holding companies. Dresdner Bank became a financial holding company under the Gramm-Leach-Bliley Act in 2000. To qualify as a financial holding company, a bank is required to meet the criteria of being well-managed and well-capitalized. A foreign bank that is well-capitalized has capital ratios equal to or comparable with those required for a well-capitalized U.S. bank, i.e. a Tier I capital ratio of 6% and a total capital to total risk-based assets ratio of 10%. Dresdner Bank is currently in compliance with these capital requirements. In addition, a bank holding company is required to elect to be treated as a financial holding company vis-a-vis the Federal Reserve Board. In the event of non-compliance with these criteria, a financial holding company may be required to limit previously authorized financial activities or, after a certain time period, to terminate authorized banking operations or to divest any commercial lending companies owned or controlled by the financial holding company. As a result of its ownership of Dresdner Bank, Allianz AG is also subject to the supervision of the Federal Reserve Board under the BHCA and the

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IBA and has applied to be treated as a financial holding company. The two-year transition period during which Allianz AG is still treated as a financial holding company without having been granted such status will terminate in May 2003, subject to possible extension for up to three years. Allianz AG expects that it will seek such extension.

Under the IBA, the Federal Reserve Board may terminate the activities of any U.S. office of a foreign bank if it determines that the foreign bank is not subject to comprehensive regulation on a consolidated basis in its home country or that there is reasonable cause to believe that the foreign bank or its affiliate has violated U.S. law or engaged in unsafe or unsound banking practice in the United States, and as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or the purposes of federal banking law.

Under the trade name Dresdner Kleinwort Capital, subsidiaries of Dresdner Bank are also active in the private equity business. They provide investment management services and make, manage and monitor private equity investments in unaffiliated companies and investment funds, and establish and operate investment funds in which third-party investors make private equity investments. These subsidiaries are subject to regulation by the Federal Reserve Board and the SEC. Two subsidiaries of Dresdner Bank are also active as small business investment companies and are subject to the U.S. Small Business Administration Act.

Other Countries

The financial services businesses of the Allianz Group in countries other than those discussed above are also subject to detailed regulation and supervision by authorities in the relevant jurisdictions, including with respect to such matters as capital adequacy, investment advisory and securities trading activities, and mutual fund management and distribution activities.

ACQUISITION CONTROL MATTERS

In a number of jurisdictions, the direct or indirect acquisition of "control" of companies is subject to prior regulatory approval. Under the applicable EU directives, any person acquiring shares in an insurance, bank or investment services company who would become a "qualifying

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shareholder" as a result of the acquisition is required to give prior notice of the proposed acquisition to the relevant supervisory authorities in the company's home jurisdiction. A qualifying shareholder is a shareholder that holds at least 10% of the voting rights or the capital of such a company or otherwise has the ability to exercise a significant influence over the management of the company. A qualifying shareholder must also report any increases in shareholdings by any holder to levels equal to or exceeding 20%, 33% or 50% of the voting rights or the capital. The supervisory authorities have a maximum period of three months during which to oppose an acquisition of shares if they believe that the acquisition would jeopardize the sound and prudent management of the insurance company. Reductions in ownership below the thresholds indicated above must also be notified to the supervisory authorities. These directives have been implemented in most EU jurisdictions.

Under the German Securities Trading Act (Wertpapierhandelsgesetz, or the "German Securities Trading Act"), holders of voting securities of a German company listed on a stock exchange within the European Union or within the other contracting states to the agreement on the EEA must notify the company and the BaFin in writing and without delay (at the latest, within seven calendar days)

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of the level of their holding whenever that holding reaches, exceeds or falls below 5%, 10%, 25%, 50% and 75% of the company's shares. Also, a German company receiving this notification of shareholding must generally publish these facts. Effective January 1, 2002, the provisions of the German Securities Trading Act were amended to broaden the criteria for attribution of shares.

On January 1, 2002, the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, or "WpUG") took effect. The WpUG applies to all offers to acquire securities issued by stock corporations and partnerships limited by shares (Kommanditgesellschaften auf Aktien) by shares that are domiciled in Germany and admitted to trading on an organized market in the European Economic Area ("EEA"). The WpUG provides that any shareholder obtaining direct or indirect control, which is defined as 30% or more of the voting rights, of a stock corporation or of a partnership limited by shares, is required to make a mandatory takeover offer to all other shareholders of the corporation. The law amending the WpUG also added provisions to the German Stock Corporation Act (Aktiengesetz) relating to the buyout and the compensation of minority shareholders. Upon request of a shareholder holding 95% or more of the share capital of the stock corporation, the shareholders' meeting of the stock corporation can resolve to transfer all shares held by minority shareholders to the controlling shareholder in exchange for appropriate cash compensation. The Allianz AG has made use of these new provisions to acquire the remaining minority shareholdings of Vereinte Versicherungs-AG, Dresdner Bank AG and Hermes Kreditversicherungs AG.

Similar regulations relating to acquisition of control have been established in the jurisdiction inside and outside of the EU in which the Allianz Group does business. State insurance holding company statutes in the United States applicable to Allianz AG's U.S. insurance subsidiaries generally provide that no person may acquire control of the Allianz AG, and thus indirect control of its U.S. insurance subsidiaries, without the prior approval of the appropriate insurance regulators. Generally, any person who acquires beneficial ownership of 10% or more of the outstanding ordinary shares or voting power of the Allianz AG (including ADSs) would be presumed to have acquired such control unless the appropriate insurance regulators upon application determine otherwise.

ANTITRUST REGULATION AND MERGER REVIEW

EU and national antitrust regulation affects the cooperation between insurance companies and within insurance associations. While the EC Treaty generally prohibits arrangements that restrict competition, some types of cooperation in the insurance sector are expressly exempt from this prohibition by EU regulation providing for a so-called block exemption.

In February 2003, the EU adopted a new block exemption regulation for the insurance sector to replace the existing regulation on this subject at its expiry on March 31, 2003. In particular with respect to the establishment and management of insurance and reinsurance pools, the new regulation raises the market share thresholds for insurance pools and restricts the simultaneous memberships of insurers who may exercise a determining influence on the commercial policy of pools acting on the same relevant market in these pools.

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Insurers have in the past been able to seek individual exemption under applicable antitrust laws for insurance pools that were not eligible for block exemption and other restrictions on competition. As of May 1, 2004 this procedure is no longer available.

In some business lines, the Allianz Group's market share might raise

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concerns under European merger control regulations. If the Allianz Group were to consider a substantial acquisition in these business lines, the relevant EU authorities might require divestiture of parts of the portfolio or might disapprove the transaction. Comparable legislation with respect to merger review has been enacted in many jurisdictions inside and outside the EU.

RULES OF CONDUCT FOR SECURITIES TRADING

The German Securities Trading Act prohibits insider trading with respect to securities admitted to trading or included in the over-the-counter market at a German exchange or the exchange in another EU member state or in other contracting states to the agreement on the EEA. The German Securities Trading Act also requires that the issuer of securities admitted to trading on a German stock exchange promptly publish any new fact relating to the field of the issuer's activities that is not publicly known if this fact could have a material influence on the market price of such securities due to its effects on the financial position or the overall business performance of the issuer. The BaFin carries out supervisory functions with respect to these regulations.

The German Securities Trading Act also introduced rules of conduct for banks and securities firms (the "Rules of Conduct"). The Rules of Conduct apply to all investment services firms in Germany. The BaFin has broad powers to investigate investment services firms with a view to monitoring compliance with the Rules of Conduct. The German Securities Trading Act provides for an annual examination on behalf of the BaFin of a bank's compliance with its obligations under the German Securities Trading Act.

LEGAL PROCEEDINGS

GENERAL

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurers, employers, investors, and taxpayers. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, the management does not believe that the outcome of these proceedings, including the litigation and the Holocaust-related matters discussed below, will have a material adverse effect on the financial position or result of operations of Allianz Group.

LITIGATION

In May 2001, a consolidated class action complaint, *In re Deutsche Telecom Securities Litigation*, was brought against Dresdner Bank and other defendants in the United States District Court for the Southern District of New York by purported purchasers of Deutsche Telekom American Depositary Shares (ADSs) issued pursuant to a registration statement filed with the Securities and Exchange Commission on May 22, 2000 and pursuant to a prospectus dated June 17, 2000. Dresdner Bank, which was one of the underwriting syndicate's joint global coordinators, was one of the named defendants. The complaint alleges that the offering prospectus contained material misrepresentations and/or omissions relating to Deutsche Telekom. The management of Dresdner Bank believes the complaint is without merit insofar as it relates to Dresdner Bank. In October 2002, the court has acceded to the plaintiffs' application to admit the lawsuit as a consolidated class action complaint.

In August 2001, the European Commission initiated antitrust proceedings pursuant to Article 81 of the EU Treaty against various banks, including Dresdner Bank, in connection with alleged agreements to set prices for the exchange of foreign currencies within the EU. In December 2001, pursuant to

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these proceedings, the European Commission imposed a fine of E28 million against Dresdner Bank. The management of Dresdner Bank believes these proceedings are without merit as they relate to Dresdner Bank. In February 2002, Dresdner Bank initiated proceedings against the European Commission in the Court of First Instance of the European Commu-

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nity. Due to delayed pleadings by the European Commission, Dresdner Bank requested a judgment by default on June 25, 2002.

In July 2002, the German Federal Cartel Office (Bundeskartellamt) commenced an investigation against several property-casualty insurance companies in Germany, including subsidiaries of Allianz AG, in connection with alleged coordinated behavior to increase premiums for the commercial and industrial property and liability insurance business. Also, in December 2001 the European Commission commenced a preliminary investigation against several insurance companies operating in London, including a subsidiary of Allianz AG, in connection with alleged anti-competitive behavior related to war risk coverage in the area of air traffic insurance. To date, the Allianz Group has not received any official complaint in either matter. Allianz AG cannot predict the outcome of these investigations at this time.

On November 5, 2001, a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed against certain insurers and reinsurers, including Allianz Insurance Co., in the United States District Court for the Southern District of New York seeking a determination that the terrorist attack of September 11, 2001, on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. Allianz Insurance Co. has also filed suit against Silverstein on January 2, 2002, in connection with the coverage issues arising from the September 11, 2001, attack on the World Trade Center, and these and other related suits have been consolidated for discovery and other purposes. On January 30, 2003, the court rejected a motion by Allianz Insurance Co. seeking a determination by the court itself that the terror attack of September 11, 2001, constituted a single event. The judge referred this issue to the jury. Based on the policy wording at issue, Allianz AG believes that the basis of Allianz Insurance Co.'s claim is sound, and that the Silverstein claims are without merit insofar as they relate to Allianz Insurance Co. In connection with the terrorist attack of September 11, 2001 Allianz Group recorded net claims expense of approximately E1.5 billion in 2001 for the Allianz Group on the basis of one occurrence. In the event that liability is premised under a two occurrence theory, Allianz AG estimates that the Allianz Group may have an additional net exposure of approximately E200 million.

On December 19, 2002, the insolvency administrator of KirchMedia GmbH & Co. KGaA ("KirchMedia") made a formal demand on Dresdner Bank to return a former KirchMedia shareholding to the insolvency assets (Insolvenzmasse) or to make payment to the insolvency assets to compensate for the loss of the shareholding. The shareholding, a 25% stake in the Spanish television group Telecinco, had been pledged by subsidiaries of KirchMedia to Dresdner Bank as collateral for a loan of E500 million from Dresdner Bank to KirchMedia's holding company, TaurusHolding GmbH & Co. KG ("TaurusHolding"). Following TaurusHolding's default on the loan in April 2002 and insolvency in June 2002, Dresdner Bank enforced its security interest and acquired through a subsidiary the Telecinco shareholding in a forced auction sale. The insolvency administrator contends that the pledge was created under circumstances that cause it to be invalid and/or void and may initiate legal action against Dresdner Bank. The management of Dresdner Bank believes that there is no valid basis for the insolvency administrator's demand.

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On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz AG as principal shareholder in return for payment of a cash settlement amounting to E51.50 per share. The amount of the cash settlement was established by Allianz AG on the basis of an expert opinion, and its adequacy was confirmed by a court-appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure (Spruchverfahren), which is pending with the district court (Landgericht) of Frankfurt. The outcome of this mediation procedure remains uncertain at this time. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all approximately 16 million shares which were transferred to Allianz AG.

HOLOCAUST-RELATED MATTERS

In July 2000, the governments of Germany and the United States signed an agreement (the "Executive agreement") meant to secure a comprehensive and enduring resolution with respect to Holocaust-related claims brought against German companies and their non-German subsidi-

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aries. Pursuant to the Executive agreement, after being notified that a Holocaust-related claim has been asserted in a U.S. federal or state court against a German company, the U.S. government shall inform the Court through a statement of interest that it is in the foreign policy interests of the United States for the Foundation for Remembrance, Responsibility and the Future (the "Foundation") to be the exclusive remedy and forum for resolving such claims against German companies and their subsidiaries, and that dismissal of such claims by U.S. federal and state courts is in the foreign policy interest of the United States.

The U.S. government has consented to use its best efforts to achieve similar objectives with respect to legislation that has been implemented by the states of the United States since 1998, requiring insurance companies to report the status of policies sold in Europe prior to and during World War II. Some of these statutes provide for license suspension in the event of non-compliance. This legislation has been challenged primarily on constitutional grounds in federal courts in Florida and California by individual insurance companies and in addition, in California by the American Insurance Association. On October 2, 2001, the United States Court of Appeals for the Eleventh Circuit struck down the reporting provisions of the Florida statute as unconstitutional. The period for appeal of this decision has expired. In October 2001, the United States District Court for the Eastern District of California struck down the California statute as unconstitutional. This decision was reversed by an appellate decision of the United States Court of Appeals for the Ninth Circuit on July 15, 2002. On January 10, 2003, the United States Supreme Court has accepted the suit by which the plaintiffs challenge the California law on constitutional grounds. The hearing before the Supreme Court will take place on April 23, 2003.

In August 2000, the German government enacted legislation (the "Foundation Law") implementing the Foundation, which was funded with approximately E5.1 billion in equal parts from the German government and German companies. Eligible claims, including costs, are covered under the provisions of the Foundation Law. The Foundation began to distribute funds in mid-2001.

Based on the Executive agreement and statements of interest of the U.S. government, individual actions and purported class actions previously filed in the United States against Allianz AG and its subsidiaries, including Dresdner Bank, were dismissed since 2000. On June 21, 2001, Dresdner Bank was served with process in a purported Holocaust-related action, Ungaro-Benages v. Dresdner

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Bank, filed in the United States District Court for the Southern District of Florida. On January 18, 2002, the U.S. government filed a statement of interest to the court. Upon the defendants' motion, the court rejected the action on February 14, 2003. On April 9, 2003, the plaintiff in this action filed an appeal. On May 31, 2002, Dresdner Bank was served with process in an additional Holocaust-related action, Widerynski v. Dresdner Bank, filed in the Superior Court of California, County of Los Angeles. Upon the defendant's motion, this action was rejected on January 31, 2003. On June 20, 2002, a new Holocaust-related action, Gross v. German Foundation Industrial Initiative, was filed in the United States District Court for the District of New Jersey against Allianz AG, Dresdner Bank, and other Members of the German Foundation Industrial Initiative. So far, no service of process has taken place in connection with this action.

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INFORMATION RELATING TO ALLIANZ AKTIENGESELLSCHAFT

INCORPORATION

Allianz AG was incorporated in Berlin in 1890 as "Allianz Versicherungs-Aktiengesellschaft." In 1949, Allianz AG relocated its main administration from Berlin to Munich. Based on a corresponding resolution of the general meeting dated June 27, 1985, Allianz AG was restructured into a holding company and its name was changed to "Allianz Aktiengesellschaft Holding." In accordance with a corresponding resolution of the general meeting dated October 7, 1966, the name of Allianz AG was again changed to "Allianz Aktiengesellschaft."

NAME, REGISTERED SEAT, OBJECTS AND PURPOSES OF THE COMPANY AND FISCAL YEAR

Allianz AG is registered as "Allianz Aktiengesellschaft" in the commercial register at the local court (Amtsgericht) in Munich under the entry number HRB 7158. The registered seat and business address of Allianz AG are at Koniginstrasse 28, 80802 Munich, Germany.

Pursuant to its articles of association, the object of Allianz AG is to direct an international group of companies that are active in the areas of insurance, banking, asset management and other financial, consulting, and similar services and to hold ownership interests in insurance companies, banks, industrial companies, investment companies and other companies.

As a reinsurer, Allianz AG primarily assumes insurance business from its Group companies and from other companies in which Allianz AG holds direct or indirect participations.

Allianz AG is authorized to engage in any business and to conduct any measures that seem suitable to serve the objects and purposes of the company. It may incorporate, acquire and invest in other enterprises, manage other enterprises or merely manage its participations. As part of the objects and purposes of the company, Allianz AG is entitled to take up credit and issue notes.

The fiscal year of Allianz AG is the calendar year.

TERM AND DISSOLUTION

Allianz AG has been established for an indefinite period of time. Allianz AG may be dissolved upon a resolution of the general meeting requiring a majority of at least three quarters of the share capital represented during the

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resolution. The assets of Allianz AG remaining after servicing all liabilities are distributed among the shareholders pro rata to their shareholding in Allianz AG pursuant to the provisions of the German Stock Corporation Act.

DIVIDENDS AND DIVIDEND POLICY

The New Allianz Shares are fully entitled to dividends for the fiscal year ending December 31, 2003 and all future fiscal years of Allianz AG.

The New Allianz Shares will have no entitlement to the dividend proposed for approval at the annual general meeting convened for April 29, 2003.

For each of the fiscal years 2000 and 2001, Allianz AG has distributed a dividend of E1.50 for each share entitled to participate in the profits. For the fiscal year ending December 31, 2002, the Management Board and the Supervisory Board have proposed the distribution of a dividend of E1.50 for each share entitled to participate in the profits to the ordinary general meeting convened for April 29, 2003. In addition, the Management Board and the Supervisory Board have proposed to this general meeting to amend the articles of association so as to provide for the permissibility of dividends in kind in lieu of cash dividends.

Although Allianz AG generally intends to distribute dividends to its shareholders in the future, subject to a distributable balance sheet profit, it cannot offer any assurance that a distributable balance sheet profit will actually be available in future fiscal years and/or in what amount any dividends will be paid out. Future dividend payments depend on the performance of Allianz AG, its financial position, its cash requirements, the general economic situation of the

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markets in which the Allianz Group operates as well as on the general legal, fiscal and regulatory environment and other factors.

The Management Board and the Supervisory Board jointly submit proposals for the use of any balance sheet profits to the general meeting. The ordinary general meeting following the end of the respective fiscal year resolves on the use of the profits.

If dividends are distributed, they are generally subject to capital income tax under German law. See "Taxation in Germany."

MAJOR SHAREHOLDERS

Based on Allianz AG's share register and the information provided by individual major shareholders pursuant to the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz) or other notifications, the ownership interests in Allianz AG, as of the dates indicated is as follows. Prior to the registration of the implementation of the capital increase relating to the New Allianz Shares in the commercial register as reported under the German Securities Trading Act on April 2, 2003, calculated as of 100% of the issued share capital, Munich Re holds an indirect ownership interest of 18.1% of Allianz AG's share capital and is the largest shareholder of Allianz AG. Taking into account the own shares held by the Allianz Group, this corresponds to a ownership percentage of 19.4%. See also "Related Party Transactions -- Transactions with Munich Re." As of April 10, 2003, Allianz Group held a total of 17,292,998 of its own shares or 6.5% of the share capital. See also "Information about the Share Capital of Allianz Aktiengesellschaft -- Acquisition of Own Shares in Allianz AG." In addition, based on the filings under the corresponding provisions of the German Securities

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Trading Act and the share register of Allianz AG, Allianz AG is not aware of any other shareholder who, directly or indirectly, holds more than 5% of the share capital of Allianz AG in his own name. The remaining portion of approximately 75.4% is free float. See also "Information about the Share Capital of Allianz Aktiengesellschaft -- Publication and Notification Requirements."

AUDITORS

Allianz AG has appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG"), Ganghoferstraße 29, 80339 München as auditor for the fiscal year ending December 31, 2003. The statutory financial statements of Allianz AG for the fiscal years ended December 31, 2000, 2001 and 2002 were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch or HGB) and audited by KPMG pursuant to sec. 317 HGB in accordance with generally accepted auditing standards in Germany as determined by the Institute of Accountants in Germany (Institut der Wirtschaftsprüfer in Deutschland or IDW). KPMG has issued an unqualified audit opinion in each case. The consolidated financial statements of Allianz AG for the fiscal years ended December 31, 2000 and 2001 were prepared in accordance with sec. 292a HGB and in conformity with International Accounting Standards (IAS). Since 2002, the term International Financial Reporting Standards (IFRS) applies to the overall concept of standards adopted by the International Accounting Standards Board. Standards previously adopted are still quoted as IAS. The consolidated financial statements of Allianz AG for the fiscal year ended December 31, 2002 were prepared in accordance with sec. 292a HGB in conformity with IFRS. The consolidated financial statements for the fiscal years 2000, 2001 and 2002 were audited by KPMG pursuant to the German auditing provisions and in accordance with generally accepted auditing standards in Germany as determined by IDW as well as in accordance with Generally Accepted Auditing Standards in the United States (US-GAAS). KPMG has issued an unqualified audit report in each case.

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INFORMATION ABOUT THE SHARE CAPITAL OF ALLIANZ AKTIENGESELLSCHAFT

This description is a summary of various information relating to the share capital of Allianz AG as well as various provisions set forth in its articles of association and in German stock corporation law. This summary does not purport to be complete and speaks as of the date of this Offering Circular.

SHARE CAPITAL

As of April 11, 2003, share capital of Allianz AG amounts to E682,408,000 and is divided into 266,565,625 no-par value registered shares with restricted transferability. All issued registered shares with restricted transferability have a notional nominal value (the proportional amount of the share capital attributable to each share) of E2.56 per share.

FORM AND CERTIFICATION OF THE SHARES/CONSENT TO TRANSFER

All shares of Allianz AG are issued as registered shares with restricted transferability with no par value (Stückaktien). Shareholders who are individuals are required to inform Allianz AG as to their name, maiden name and address while shareholders who are legal entities are required to inform Allianz AG as to their company name, registered office and business address as well as the number of shares held by them in either case for registration in the share register.

The shares and subscription rights to shares may only be transferred with

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the consent of Allianz AG. Allianz AG will only withhold its consent to a duly applied request if it deems this to be necessary in the interest of Allianz AG on exceptional grounds; Allianz AG will inform the applicant about the reasons leading to such refusal. Adeus Aktienregister Service-GmbH keeps the share register of Allianz AG. Registration of a shareholder in the share register is a prerequisite for the exercise of participation and voting rights during the general meeting.

Allianz AG may combine individual shares into share certificates that represent multiple shares (global shares, global certificates). Shareholders have no right to receive individual share certificates unless receipt thereof is necessary pursuant to the rules applicable to a stock exchange on which the shares are listed.

GENERAL INFORMATION ON CAPITAL MEASURES

An increase of the share capital of Allianz AG requires a resolution by the general meeting. Moreover, the general meeting may authorize the Management Board to increase the share capital of Allianz AG with the consent of the Supervisory Board within a period of five years by issuing shares for a certain total amount (authorized capital). Finally, shareholders may resolve on the creation of conditional capital, however, only to issue conversion or subscription rights to holders of convertible bonds, to prepare a merger with another company or to issue subscription rights to employees and members of the management of Allianz AG or of an affiliated company by way of a consent or authorization resolution. Each of these resolutions require a majority of three quarters of the share capital represented at the general meeting.

The nominal amount of the authorized capital created by the shareholders may not exceed one half of the share capital existing at the time of registration of the authorized capital in the commercial register.

The total amount of the conditional capital created by the shareholders, the issuance of which was authorized by the shareholders, may not exceed one half of the share capital existing at the time of the passing of the resolution relating to the conditional capital increase. The total nominal amount of the conditional capital for granting subscription rights to employees and members of the management of Allianz AG or of an affiliated company may not exceed 10% of the share capital existing at the time of the passing of the resolution relating to the conditional capital increase.

In principle, a resolution relating to the reduction of the share capital of Allianz AG requires a majority of at least three quarters of the share capital represented at the general meeting.

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CHANGE OF THE SHARE CAPITAL

The share capital of Allianz AG currently amounts to E682,408,000. During the last three years, the share capital of Allianz AG was changed as follows (the data relates to the registration of the capital measure in the commercial register of Allianz AG in each case): On November 11, 2002, the share capital was increased from E682,055,680 by E352,320 to E682,408,000. Prior thereto, the share capital of Allianz AG was increased from E680,249,187.84 by E1,806,492.16 to E682,055,680 on October 11, 2001. On July 20, 2001, the share capital of Allianz AG was increased from E629,120,000 by E51,129,187.84 to E680,249,187.84. DAD Transaktionsgesellschaft mbH, Frankfurt provided the contribution as a contribution-in-kind by contributing its claims against Allianz Finanzbeteiligungs GmbH, Munich for a total amount of E6,595,932,860.70, which were assigned to it under a takeover offer by shareholders of Dresdner Bank AG.

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On September 19, 2000, the share capital of Allianz AG was increased from E627,891,200 by E1,228,800 to E629,120,000.

AUTHORIZED CAPITAL

By resolution of the ordinary general meeting of Allianz AG of July 11, 2001, the Management Board, with the consent of the Supervisory Board, is authorized to increase the share capital of Allianz AG on one or more occasions until July 10, 2006 by issuing new registered shares with no par value against contribution in cash or in kind for an aggregate amount of up to E300,000,000 (Authorized Capital 2001/I). The Management Board, with the consent of the Supervisory Board, is authorized to exclude shareholders' subscription rights where shares are issued against contributions in kind. Whenever shares are issued against contributions in cash, the shareholders shall be granted subscription rights. However, the Management Board, with the consent of the Supervisory Board, is authorized to exclude fractional amounts from shareholders' subscription rights. The Management Board, with the consent of the Supervisory Board, is furthermore authorized to exclude shareholders' subscription rights in the case of a capital increase against contributions in cash when the issue price is not substantially lower than the market price. However, this authorization shall apply only to the extent that the aggregate number of shares issued without subscription rights -- in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act -- does not exceed 10% of the share capital, neither at the time when this authorization becomes effective nor when it is exercised. This 10% limitation shall be inclusive of the sale of treasury shares, to the extent that this sale is made pursuant to an authorization that excludes subscription rights in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act and that is either applicable at the time when this authorization becomes effective or that is replaced by a subsequent authorization. Furthermore, this 10% limitation shall be inclusive of the number of shares necessary to meet obligations arising from bonds carrying conversion and/or other option rights to the extent that these bonds have been issued pursuant to an authorization that excludes subscription rights in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act and that is either applicable at the time when this authorization becomes effective or that is replaced by a subsequent authorization. The Management Board, with the consent of the Supervisory Board, is authorized to determine additional rights of the shares as well as additional conditions for their issuance.

The Authorized Capital 2001/I is used to create the New Allianz Shares.

The Management Board and the Supervisory Board have proposed to the ordinary general meeting convened for April 29, 2003 to cancel the Authorized Capital 2001/I to the extent it has not been fully utilized after the registration in the commercial register of the implementation of the capital increase to be resolved by the Management Board by no later than April 28, 2003 utilizing the Authorized Capital 2001/I. At the same time, the Management Board and Supervisory Board have proposed to the general meeting to create a new authorized capital, by which the Management Board, with the consent of the Supervisory Board, will be authorized to increase Allianz AG's share capital on one or more occasions until April 28, 2008, by issuing new registered shares with no par value against contribution in cash or in kind by up to E300,000,000 in the aggregate (Authorized Capital 2003/II), as soon as the cancellation of the Authorized Capital 2001/I has been registered in the commercial register or the Authorized Capital 2001/I has become meaningless due to a full utilization and implementation of the capital increase. The Management Board, with the consent of the Supervisory Board, shall be authorized to exclude

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shareholders' subscription rights where shares are issued against contributions in kind. Whenever shares are issued against contributions in cash, the shareholders shall be granted subscription rights. However, the Management Board, with the consent of the Supervisory Board, shall be authorized to exclude fractional amounts from the shareholders' subscription rights. The Management Board, with the consent of the Supervisory Board, shall furthermore be authorized to exclude shareholders' subscription rights in the case of a capital increase against contributions in cash when the issue price is not substantially lower than the market price. However, this authorization shall apply only to the extent that the aggregate number of shares issued without subscription rights -- in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act -- does not exceed 10% of the share capital, neither at the time when this authorization becomes effective nor when it is exercised. This 10% limitation shall be inclusive of the sale of treasury shares, to the extent that this sale is made pursuant to an authorization that excludes subscription rights in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act and that is either applicable at the time when this authorization becomes effective or that is replaced by a subsequent authorization. Furthermore, this 10% limitation shall be inclusive of the number of shares necessary to meet obligations arising from bonds carrying conversion and/or other option rights, to the extent that these bonds have been issued pursuant to an authorization that excludes subscription rights in a manner consistent with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act and that is either applicable at the time when this authorization becomes effective or that is replaced by a subsequent authorization. The Management Board, with the consent of the Supervisory Board, is authorized to determine additional rights of the shares as well as additional conditions of their issuance.

Based on the resolution of the ordinary general meeting of Allianz AG of July 11, 2001, the Management Board, with the consent of the Supervisory Board, is furthermore authorized to increase the share capital of Allianz AG until July 10, 2006, by up to an aggregate amount of E7,841,187.84 by issuing new registered shares with no par value against contributions in cash (Authorized Capital 2001/II). The Management Board, with the consent of the Supervisory Board, is authorized to exclude shareholders' subscription rights in order to issue shares to employees of Allianz AG and its group companies. The Management Board, with the consent of the Supervisory Board, is furthermore authorized to exclude fractional amounts from the shareholders' subscription rights. The Management Board, with the consent of the Supervisory Board, is authorized to determine additional rights of the shares as well as additional conditions of their issuance.

The Management Board is also authorized, based on the resolution of the regular shareholders' meeting of July 8, 1998, to increase the share capital until July 7, 2003, by up to E2,556,459.41 by issuing registered shares. The Management Board may exclude the subscription rights of existing shareholders in order to grant holders of conversion or option rights issued by Allianz AG or its group companies a right to subscribe to such number of new shares during future capital increases against contributions in cash to the extent, to which such holders would be entitled upon exercise of their option or conversion right (Authorized Capital 1998).

The Management Board and the Supervisory Board have proposed to the ordinary general meeting convened for April 29, 2003, to increase the share capital of Allianz AG on one or more occasions until April 28, 2008, with the approval of the Supervisory Board, by issuing registered shares with no par value against contributions in kind by up to an aggregate amount of E10,000,000 (Authorized Capital 2003/I). The Management Board may exclude the subscription rights of existing shareholders in order to grant holders of conversion or option rights issued by Allianz AG or its group companies a right to subscribe to such number of new shares during future capital increases against

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contributions in cash to the extent, to which such holders would be entitled upon exercising their option or conversion right and/or after fulfilling a conversion obligation. The Management Board is also authorized, upon the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription rights and determine additional rights of the shares as well as additional conditions of their issuance. Upon effectiveness of the Authorized Capital 2003/I, the Authorized Capital 1998 will be cancelled.

CONDITIONAL CAPITAL

By resolution of the ordinary general meeting of July 11, 2001, the share capital of Allianz AG was conditionally increased by up to E50,000,000, divided into up to 19,531,250 registered shares

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with no par value and restricted transferability (Conditional Capital 2001). The conditional capital increase will be carried out only to the extent that the holders and/or creditors of conversion rights or warrants -- which were issued by Allianz AG or associated companies, which are directly or indirectly majority-owned by it, against payment in cash pursuant to an authorization resolution passed by the general meeting on July 11, 2001, for the period until July 10, 2006 -- exercise their conversion and/or option rights, or to the extent that the holders and/or creditors of mandatory convertible bonds -- which were issued by Allianz AG or associated companies, which are directly or indirectly majority-owned by it, against payment in cash pursuant to an authorization resolution passed by the general meeting on July 11, 2001, for the period until July 10, 2006 -- fulfill their conversion obligation, and in so far as treasury shares are not delivered to the holders of the bonds. The new shares are entitled to participate in the profits from the beginning of the fiscal year in which they are created by the exercise of conversion and/or option rights or the fulfillment of mandatory conversion obligations.

ACQUISITION OF OWN SHARES IN ALLIANZ AG

Pursuant to the German Stock Corporation Act, a German stock corporation may not acquire any own shares, subject to certain limited exceptions. The aggregate number of the own shares held by a German corporation may generally not exceed 10% of the share capital.

AUTHORIZATION TO ACQUIRE OWN SHARES FOR PURPOSES OF SECURITIES TRADING

By resolution of the ordinary general meeting of June 12, 2002, German or non-German banks within the meaning of sec. 71 para. 1 No. 7 of the German Stock Corporation Act, which are majority-owned by Allianz AG, are authorized until December 11, 2003, to acquire and dispose of shares in Allianz AG for purposes of securities trading. The total number of shares acquired together with other treasury shares held by Allianz AG or attributable to it pursuant to sec. sec. 71a et seq. German Stock Corporation Act may not exceed 10% of the share capital at any time. Pursuant to the resolution, shares may only be acquired if the consideration for each share does not exceed or fall below the average of the share prices (final auction price during XETRA trading and/or a comparable successor system) of Allianz AG on the three exchange business days prior to the acquisition by more than 10%. The amount of shares acquired for this purpose may not exceed 5% of the share capital of Allianz AG at the end of each day.

The Management Board and the Supervisory Board have proposed to the ordinary general meeting convened for April 29, 2003, to authorize until October 28, 2004, German or non-German banks within the meaning of sec. 71 para. 1 No. 7 of the German Stock Corporation Act, which are majority-owned by Allianz AG, to acquire and dispose of own shares of Allianz AG for purposes of securities

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trading. The total number of shares acquired together with other treasury shares held by Allianz AG or attributable to it pursuant to sec.sec. 71a et seq. German Stock Corporation Act may not exceed 10% of the share capital at any time. Pursuant to the resolution, shares may only be acquired if the consideration for each share does not exceed or fall below the average of the share prices (final auction price during XETRA trading and/or a comparable successor system) of Allianz AG on the three exchange business days prior to the acquisition by more than 10%. The amount of shares acquired for this purpose may not exceed 5% of the share capital of Allianz AG at the end of each day. Upon effectiveness of this authorization, the currently existing authorization for the acquisition of own shares for purposes of securities trading, which is limited until December 11, 2003, will be cancelled.

AUTHORIZATION TO ACQUIRE OWN SHARES FOR OTHER PURPOSES

By resolution of the ordinary general meeting of June 12, 2002, Allianz AG is authorized based on sec. 71 para. 1 No. 8 of the German Stock Corporation Act to acquire own shares until December 11, 2003, up to an aggregate amount of 10% of the share capital existing at the time of the general meeting. The total number of shares acquired together with other treasury shares held by Allianz AG or attributable to it pursuant to sec.sec. 71a et seq. German Stock Corporation Act may not exceed 10% of the share capital at any time. This authorization shall not be used for the purpose of trading in the company's own shares. Pursuant to the discretion of the Management Board, the shares may be acquired (1) on a stock exchange, or (2) by means of a public tender offer and/or a public invitation to tender shares, or (3) by means of a public offer to exchange the shares against other shares admitted to trading on the official or regulated market at a German

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stock exchange (including the Neuer Markt) or a regulated market, within the meaning of Art. 1 No. 13 of the Council Directive 93/22/ECC dated May 10, 1993, on investment services in the securities field, in another country of the European Economic Area and/or a public invitation to exchange shares. If the shares are acquired on a stock exchange, the consideration paid per share (excluding incidental costs) may not be 15% higher or lower than the opening price on the respective trading day in the XETRA trading system (or any comparable successor system). If the acquisition takes place by means of a public tender offer and/or a public invitation to tender shares, the tender price per share or the high and low ends of the price range (without incidental costs) shall not be more than 20% higher or lower than the closing price of the XETRA trading system on the third trading day prior to the public announcement of such tender offer and/or such public invitation to tender shares. If after the publication of the public tender offer and/or public invitation to tender shares, material deviations in the relevant price occur, the offer and/or invitation to tender shares may be adjusted accordingly. In this case, the price will be based on the price on the third trading day prior to the public announcement of any such adjustment. The public tender offer and/or the invitation to tender shares can stipulate further conditions. If the offer and/or invitation to tender shares is oversubscribed or, in the case of an invitation to tender shares, not all equivalent offers can be accepted, the acceptance will take place on a pro-rata basis. Preferential acceptance may be provided for small lots of up to 100 shares per shareholder. If the acquisition is based on a public offer and/or a public invitation to tender shares of Allianz AG in exchange of shares of another corporation, which are admitted to trading on the official or regulated market of a German stock exchange (including Neuer Markt) or a regulated market, within the meaning of Art. 1 No. 13 of the Council Directive 93/22/ECC dated May 10, 1993, on investment services in the securities field, in another country of the European Economic Area ("Exchange Shares"), the exchange ratio may be stipulated or may be determined

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by way of an auction. A cash consideration may either supplement the offered exchange as a purchase price payment or may be used to settle fractional amounts. In each of these procedures, the exchange price per share and/or the relevant high and low ends of the exchange price range in form of one or more Exchange Shares and calculatory fractions, including any cash or fractional amounts (excluding incidental costs), may not be more than 20% higher or lower than the relevant value of a share of Allianz AG. The value of the shares of Allianz AG and of the Exchange Shares shall be determined based on the relevant closing price in the XETRA trading system (or if the respective shares are not traded in the XETRA trading system, the trading system used in the particular market segment, which resembles the XETRA trading system most closely) on the third trading day prior to the public announcement of the exchange offer and/or the public invitation to offer shares for exchange. If after the public announcement of the public exchange offer and/or the invitation to tender shares for exchange substantial price deviations occur, the offer and/or invitation to tender shares for exchange may be adjusted. In this case, the prices on the third trading day prior to the public announcement of the adjustment shall be relevant. The exchange offer and/or invitation to tender shares for exchange may stipulate further conditions. If the exchange offer is oversubscribed and/or if in the case of an invitation to tender shares not all equivalent offers are accepted, the acceptance will take place on a pro-rata basis. Preferential acceptance may be provided for small lots of up to 100 offered shares per shareholder.

The shareholders' subscription rights to these own shares are excluded to the extent that they are used under the authorization. Furthermore, the Management Board is authorized in connection with a sale of own shares through an offer to the shareholders to grant the holders of bonds with conversion or option rights, issued by Allianz AG or its group companies, a subscription right for shares to an extent to which they would be entitled had they exercised their conversion or option right; the shareholders' subscription rights are excluded to this extent.

The Management Board and the Supervisory Board have proposed to the ordinary general meeting convened for April 29, 2003, to authorize Allianz AG to acquire own shares until October 28, 2004, up to a total of 10% of the share capital existing at the time of the general meeting. The total number of shares acquired together with other treasury shares held by Allianz AG or attributable to it pursuant to sec. sec. 71a et seq. German Stock Corporation Act may not exceed 10% of the share capital at any time. This authorization shall not be used for the purpose of trading in the company's own shares. The authorization may be exercised by Allianz AG or companies controlled or majority-owned by it or by third parties for the account of Allianz AG or companies controlled or majority-owned by it, in whole or in partial amounts, once or several times, pursuing a single or multiple goals. Pursuant to the discretion of the Management Board, the

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shares may be acquired (1) on a stock exchange, or (2) by means of a public tender offer and/or a public invitation to tender shares, or (3) by means of a public offer to exchange the shares against other shares of a company exchange-listed within the meaning of sec. 3 para. 2 German Stock Corporation Act and/or by means of a public invitation to submit such offer. In cases (2) and (3), the provisions of the German Securities Acquisition and Takeover Act shall be observed if and to the extent they apply. If the shares are acquired on a stock exchange, the consideration paid per share (excluding incidental costs) may not be more than 15% higher or lower than the opening price on the respective trading day in the XETRA trading system (or any comparable successor system). If the acquisition takes place by means of a public tender offer and/or a public invitation to tender shares, the tender price per share or the high and

low ends of the price range (without incidental costs) shall not be more than 20% higher or lower than the closing price of the XETRA trading system on the third trading day prior to the public announcement of such tender offer and/or such public invitation to tender shares. If after the publication of the public tender offer and/or public invitation to tender shares, material deviations in the relevant price occur, the offer and/or invitation to tender shares may be adjusted accordingly. In this case, the price will be based on the price on the third trading day prior to the public announcement of any such adjustment. The volume may be limited. If the offer and/or invitation to tender shares is oversubscribed or, in the case of an invitation to tender shares, not all equivalent offers can be accepted, the acceptance will take place on a pro-rata basis. Preferential acceptance may be provided for small lots of up to 100 shares per shareholder. The public tender offer and/or the invitation to tender shares can stipulate further conditions. If the acquisition is based on a public offer and/or a public invitation to tender shares of Allianz AG in exchange of shares of a company exchange-listed within the meaning of sec. 3 para. 2 German Stock Corporation Act ("Exchange Shares"), a certain exchange ratio may be stipulated or may be determined by way of an auction. A cash consideration may either supplement the offered exchange as a purchase price payment or may be used to settle fractional amounts. In each of these procedures, the exchange price per share and/or the relevant high and low ends of the exchange price range in form of one or more Exchange Shares and calculatory fractions, including any cash or fractional amounts (excluding incidental costs), may not be more than 20% higher or lower than the relevant value of a share of Allianz AG. The value of the shares of Allianz AG and of the Exchange Shares shall be determined based on the relevant closing price in the XETRA trading system (or if the respective shares are not traded in the XETRA trading system, the trading system used in the particular market segment, which resembles the XETRA trading system most closely) on the third trading day prior to the public announcement of the exchange offer and/or the public invitation to offer shares for exchange. If after the public announcement of the public exchange offer and/or the invitation to tender shares for exchange substantial price deviations occur, the offer and/or invitation to tender shares for exchange may be adjusted. In this case, the prices on the third trading day prior to the public announcement of the adjustment shall be relevant. The volume may be limited. If the exchange offer is oversubscribed and/or if in the case of an invitation to tender shares not all equivalent offers are accepted, the acceptance will take place on a pro-rata basis. Preferential acceptance may be provided for small lots of up to 100 offered shares per shareholder. The exchange offer and/or invitation to tender shares for exchange may stipulate further conditions.

The shareholders' subscription rights to these own shares as well as own shares that were acquired pursuant to previous authorizing resolutions according to sec. 71 para. 1 No. 8 of the German Stock Corporation Act are excluded to the extent that they are used under the authorization. This shall be permitted in particular in the case of a near-market sale on a stock exchange, in the case of a sale against consideration in kind, as well as for purposes of introducing shares of Allianz AG on non-German stock exchanges and to fulfill the rights of holders of bonds with conversion or option rights, issued by Allianz AG or its group companies. Furthermore, the Management Board is authorized in connection with a sale of own shares through an offer to the shareholders to grant the holders of bonds with conversion or option rights, issued by Allianz AG or its group companies, a subscription right for shares to an extent to which they would be entitled had they exercised their conversion or option right; the shareholders' subscription rights are excluded to this extent. The Management Board is furthermore authorized to redeem acquired own shares based on an authorization pursuant to sec. 71 para. 1 No. 8 of the German Stock Corporation Act, and the redemption or its completion shall not require an additional resolution by the general meeting.

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Upon effectiveness of this authorization, the currently existing authorization for the acquisition of own shares for other purposes, which is limited until December 11, 2003, will be cancelled.

As of December 31, 2002, Allianz Group held a total of 23,588,411 own shares of which 17,155,008 shares were held by Herakles Beteiligungs-Gesellschaft mbH, a wholly-owned subsidiary of Dresdner Bank AG. The inventory of own shares was reduced due to transactions in own shares in the trading portfolio and the issuance of own shares to holders of profit participation certificates who had accepted the voluntary public offer of Allianz AG, to exchange their profit participation certificates in a relation of 8:10 against shares in Allianz AG. As of April 10, 2003, the Allianz Group held 17,292,998 own shares, whereof 17,155,008 own shares are still held by Herakles Beteiligungs-Gesellschaft mbH. See also "-- Profit Participation Rights."

PROFIT PARTICIPATION RIGHTS

With the consent of the Supervisory Board, the Management Board had issued 5,723,512 profit participation certificates in the period between October 1986 until and including March 1998. No profit participation certificates were issued in the years 1999 to 2002. As of December 31, 2001, 358 profit participation certificates were terminated by their respective holders.

In November 2002, Allianz AG submitted a voluntary public offer to the holders of profit participation certificates for the exchange of their profit participation certificates against shares of Allianz AG. The voluntary exchange offer did not constitute a termination of the profit participation certificates by Allianz AG pursuant to the conditions of the profit participation certificates. Profit participation certificates for which the exchange offer was not accepted remained in effect. The exchange ratio was 10 shares for each 8 profit participation certificates. The exchange period ended after a one-time extension on January 16, 2003. A total of 4,918,488 profit participation certificates (or approximately 86% of all issued profit participation certificates) were exchanged against 6,148,110 shares. The shares for the exchange offer were taken from Allianz AG's inventory of own shares. See also " -- Acquisition of Own Shares of Allianz AG." After the exchange, 804,666 profit participation certificates currently remain outstanding. The conditions determined at their issuance still apply to these profit participation certificates.

The conditions of the profit participation certificates provide for an annual distribution in an amount of 240% of the dividend distributed by Allianz AG for one share for each profit participation certificate with a nominal amount of E5.12, however at least 5% per annum of the nominal amount of the profit participation certificate.

Their holders may terminate the profit participation certificates every five years, for the first time as of December 31, 2001, upon a prior notice period of 12 months. The terms guarantee a repayment price for this case, which corresponds to the weighted average of the issue price of all issuances of profit participation certificates. After the issuance in April 2003, it will amount to a uniform amount of E72.39. Allianz AG may terminate the profit participation certificates as of the end of each fiscal year upon a prior notice period of 6 months, however, not earlier than as of December 31, 2006. In this case, the redemption amount for each profit participation certificate would amount to 122.9% of the average standard quotation of the shares of Allianz AG based on the official price quotation at the stock exchange in Munich during the last three months prior to the end of the profit participation relationship, however, at least currently E72.39. Instead of a cash settlement, Allianz AG could offer an exchange against shares of Allianz AG in a relation of 10 shares for 8 profit participation certificates. During its annual general meetings,

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Allianz AG has always pointed out that Allianz AG is not subject to any legal obligation to terminate the profit participation certificates as of December 31, 2006, or as of any other date.

The conditions of the profit participation certificates furthermore provide that in connection with capital increases reserving shareholders' subscriptions rights to new shares of Allianz AG, the holders of profit participation certificates have a right to subscribe to additional profit participation certificates from a profit participation capital that is to be increased correspondingly. By resolution of Allianz AG's ordinary general meeting on July 12, 2000, the Management Board received its latest authorization in this respect to issue profit participation certificates in an aggregate net amount of up to E10,000,000 upon the Supervisory Board's consent in order to secure subscription rights of holders of profit participation certificates at terms and conditions

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corresponding to those of the previously issued profit participation certificates. The holders of profit participation certificates receive a subscription right for new profit participation certificates at conditions that are comparable to the subscription conditions for shareholders during the capital increase. The subscription rights of shareholders to these new profit participation certificates are excluded. Any unsubscribed profit participation certificates shall be realized on a best efforts basis.

On April 7, 2003, the Management Board of Allianz AG decided to issue profit participation certificates in an aggregate nominal amount of E13,674,521.60, thereby increasing the profit participation capital from E29,302,548.48 to E42,977,070.08. The increase will be implemented by issuing 2,670,805 profit participation certificates with a nominal amount of E5.12 each, of which 2,295,294 are attributable to Allianz AG. The remaining 375,511 new profit participation certificates are subject to a separate subscription offer that does not require a prospectus. The new profit participation certificates are bearer certificates and are entitled to distributions from January 1, 2003. The claims arising from the profit participation certificates are based on the conditions of the profit participation certificates, which correspond to the conditions underlying the first issuance of profit participation certificates in October 1986, as last amended in April 2003.

NOTIFICATION AND DISCLOSURE OBLIGATIONS

The German Securities Trading Act requires every shareholder whose participation in a company with registered office in Germany, which is listed for trading on an organized market in a member state of the European Union or any other country that is a party to the Treaty on the European Economic Area, reaches, exceeds, or falls below thresholds of 5%, 10%, 25%, 50%, or 75% of the voting rights of such company to inform the company and the German Federal Financial Supervisory Agency without undue delay but in any case no later than after seven days thereof in writing. In the context of this requirement, the German Securities Trading Act contains various rules that are meant to ensure the allocation of share ownership to the person that actually controls the voting rights arising from such shares. As long as he fails to make such notification, the shareholder may generally not exercise rights arising from such shares (including voting and dividend rights).

On April 2, 2003, Munich Re notified Allianz AG pursuant to the requirements of the German Securities Trading Act that it indirectly held a participation of 18.1% of the voting rights in Allianz AG. See "Related Party Transactions -- Transaction with Munich Re." On June 27, 2002, Bayerische Hypo- und Vereinsbank AG notified Allianz AG that its participation in Allianz AG had fallen below the threshold of 5% of the voting rights and amounted to 4.61%. On

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April 8, 2002, Deutsche Bank AG notified Allianz AG that it held an aggregate direct and indirect participation of 3.66% of the voting rights in Allianz AG. On April 5, 2002, Allianz Finanzbeteiligungs GmbH, Dresdner Bank AG, and Herakles Beteiligungs-Gesellschaft mbH informed Allianz AG that they held 6.44% of the voting rights in Allianz AG.

GERMAN FOREIGN EXCHANGE CONTROL

Germany does not generally restrict capital movements between Germany and other countries, institutions or persons. Restrictions currently exist with respect to Iraq and the Taliban, among others, as a result of UN resolutions and EU rules.

For statistical purposes, subject to certain exceptions, each company or person domiciled in Germany is required to report to the German Bundesbank each payment received from or made to a company or person not domiciled in Germany in excess of E12,500 (or an equivalent amount in a foreign currency). Moreover, all claims and liabilities of a company or person domiciled in Germany against or towards a company or person not domiciled in Germany in excess of E5 million (or an equivalent amount in a foreign currency) are required to be reported monthly to the German Bundesbank.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

On December 31, 2002, Allianz AG had contingent liabilities under sureties in an amount of E7,561 million, matched by rights of recourse for the same amount.

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Guarantee declarations have been given for:

- the bonds issued in 1996 by Allianz Finance B.V., Amsterdam, for E767 million,
- the bonds issued in 1997 and increased in 2000 by Allianz Finance B.V., Amsterdam, for E1.1 billion,
- the debenture bonds issued in 1998 by Allianz Finance B.V., Amsterdam, for E1.632 billion,
- the bonds issued in 1998 for E1.02 billion by Alliance Finance B.V., Amsterdam, exchangeable into shares of Deutsche Bank AG,
- the bonds issued by Allianz Finance B.V., Amsterdam, in 1999 and increased in 2000 for CHF 1.5 billion and a swap deal in which the bonds payable are exchanged for an equivalent commitment in euro or US Dollar,
- the bonds issued in 2000 by Allianz Finance B.V., Amsterdam, for E1.7 billion, exchangeable into shares of Siemens AG,
- the bonds issued in 2001 by Allianz Finance II B.V., Amsterdam, for E1.979 billion; the amount repayable on redemption is linked to the performance of the German DAX share index,
- the bonds issued in 2001 by Allianz Finance II B.V., Amsterdam, for E1.075 billion, exchangeable into shares of RWE AG,
- the loans totaling US\$820 million issued in 2001 by Fireman's Fund Insurance Corp., Novato, to five group companies,

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- the bonds issued in 2002 by Allianz Finance II B.V., Amsterdam, for E2 billion,
- the subordinated bonds issued in 2002 by Allianz Finance II B.V., Amsterdam, for E2 billion,
- the subordinated bonds issued in 2002 by Allianz Finance II B.V., Amsterdam, for E1 billion,
- the subordinated bonds issued in 2002 by Allianz Finance II B.V., Amsterdam, for US\$500 million,
- the loan totaling AUD100 million issued in 2002 to Allianz Australia Ltd., Sydney.

Allianz AG has committed to make future capital payments in favor of its 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 terrorist attack of September 11, 2001. These future capital payments are limited to US\$500 million and are secured by pledges in securities.

A commitment to make capital payments in the amount of E27 million also exists with respect to Allianz Marine & Aviation (France) S.A., Paris.

In connection with the increase of the capital of the U.S. subsidiaries Allianz Life of North America, Fireman's Fund Insurance Corp. and Allianz Insurance Company, a conditional commitment to acquire shares of Allianz Life of North America and Allianz Insurance Company in the amount of US\$962 million was given.

A guarantee declaration was provided for Allianz of America, Inc., Wilmington, for commitments related to the acquisition of PIMCO Advisors L.P. Through its subsidiaries, Allianz AG acquired an interest of 69.5% in PIMCO, while the minority shareholders have the option of selling their 30.5% holding to Allianz of Americas, Inc. As of December 31, 2002, these commitments totaled US\$2.054 billion. In addition, on March 31, 2003, a subsidiary of Allianz AG received notice from the former parent company of the Allianz Group's asset management subsidiary PIMCO that such former parent company had exercised its right to put \$250 million of its remaining ownership interest in PIMCO to a subsidiary of Allianz AG, with payment therefor due by April 30, 2003. For additional discussion concerning these put arrangements, see "-- Consolidated Results of Operations -- Asset Management Operations -- Results of Operation -- Year Ended December 31, 2002 compared to Year Ended December 31, 2001 -- Net Income."

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In addition, a guarantee in the amount of E1.155 billion was provided to secure the obligations of Allianz BDF GmbH under a repurchase agreement related to shares in Beiersdorf AG.

Guarantee declarations have also been given for deferred annuity agreements signed by Allianz-RAS Seguros y Reaseguros S.A., Madrid.

Allianz AG has also provided several foreign subsidiaries and associated companies with either a standard indemnity guarantee or such guarantee as is required by the supervisory authorities, which cannot be quantified in figures.

As of April 7, 2003, Allianz AG had incurred, or expected to incur, the

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following additional contingent liabilities:

Allianz AG expects that it will provide keep-well undertakings with minimum terms of three years and a maximum aggregate amount of US\$1.4 billion to support the ratings of Fireman's Fund.

Allianz AG has also provided a guarantee which cannot be quantified for obligations by Allianz Marine & Aviation (France) S.A., Paris, which have been incurred since January 1, 2002.

Furthermore, guarantees were provided to secure obligations of AZ-Arges Vermögensverwaltungsgesellschaft mbH and AZ-Argos 19 Vermögensverwaltungsgesellschaft mbH resulting from derivative transactions entered into with a view to reducing the valuation risk related to equity holdings of the Allianz Group. "Business -- Strategy -- Capital and Portfolio Management."

Legal obligations to assume any losses arise on account of agreements for the transfer of control and distribution of profits/losses with the companies of

- ACM Compagnie Mercur AG
- Advance Holding Aktiengesellschaft (1) (2)
- AFIN GmbH
- Allianz Autowelt GmbH (1) (4)
- Allianz Dresdner Pension Consult GmbH
- Allianz Dresdner Pensionsfonds AG
- Allianz Far East Holding GmbH (1) (3)
- Allianz Finanzbeteiligungs GmbH
- Allianz Global Risks Ruckversicherungs-AG
- Allianz Immobilien GmbH
- Allianz Lebensversicherungs-AG
- Allianz Marine & Aviation Versicherungs-AG
- Allianz Osteuropa Vermögensverwaltungsgesellschaft mbH (1) (3)
- Allianz Private Equity Holding GmbH (1) (3)
- Allianz ProzessFinanz GmbH (1) (5)
- Allianz Versicherungs-AG
- AZ-Arges Vermögensverwaltungsgesellschaft mbH (1) (6)
- AZ-Argos 3 Vermögensverwaltungsgesellschaft mbH (1) (7)
- AZ-Argos 10 Vermögensverwaltungsgesellschaft mbH (1) (8)
- AZ-Argos 15 Vermögensverwaltungsgesellschaft mbH (1) (9)
- AZ-Argos 19 Vermögensverwaltungsgesellschaft mbH (1) (10)

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- AZ-BDF Vermögensverwaltungsgesellschaft mbH(1) (6)
- Bayerische Versicherungsbank AG

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- Frankfurter Versicherungs-AG (cancelled effective December 31, 2002)
 - IDS GmbH-Analysis and Reporting Services
 - Kraft Versicherungs-AG
 - META Finanz-Informationssysteme GmbH
 - Orpheus Vermögensverwaltungsgesellschaft mbH(1) (3).
-

- (1) The Management Board and Supervisory Board of Allianz AG have proposed to the ordinary general meeting convened for April 29, 2003, to consent to this agreement for the transfer of control and distribution of profits/losses.
- (2) The intercompany agreement previously existing between Allianz AG and Advance Holding Aktiengesellschaft was rescinded as of December 31, 2002. The new agreement for the transfer of control and distribution of profits/losses commenced on January 1, 2003.
- (3) This agreement for the transfer of control and distribution of profits/losses commenced on January 1, 2002.
- (4) This agreement for the transfer of control and distribution of profits/losses commenced on March 21, 2002.
- (5) This agreement for the transfer of control and distribution of profits/losses commenced on March 20, 2002.
- (6) This agreement for the transfer of control and distribution of profits/losses commenced on August 12, 2002.
- (7) This agreement for the transfer of control and distribution of profits/losses commenced on August 22, 2002.
- (8) This agreement for the transfer of control and distribution of profits/losses commenced on August 23, 2002.
- (9) This agreement for the transfer of control and distribution of profits/losses commenced on September 21, 2002.
- (10) This agreement for the transfer of control and distribution of profits/losses commenced on September 2, 2002.

Financial commitments also result in connection with the promise of compensation to holders of rights under stock option programs of AGF.

The acquisition of Nicholas-Applegate included an agreement for contingent earn-out payments falling due in 2005. The amount of these payments will depend on the income growth of Nicholas-Applegate:

- The maximum earn-out payment will be US\$ 1.09 billion if average income rises by 25% or more over this period; this is in addition to incentive and retention payments totaling US\$150 million.

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- Earn-out payments will be incremental if average income increases between more than 10% but less than 25%.
- No earn-out payments will be made if average income increases by less than 10%.

Advertising contracts resulted in financial commitments amounting to E17,080,000 for 2003.

Outstanding contribution obligations for shares that were not fully paid in existed in an amount of E426.5 million on December 31, 2002, E385.6 million thereof in relation to affiliated companies.

Allianz AG cannot exclude that payment obligations may result from these or similar transactions at a later time, which would have an adverse effect on the financial position and results of operations of Allianz AG.

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DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The corporate bodies of Allianz AG are the Management Board (Vorstand), the Supervisory Board (Aufsichtsrat) and the general meeting (Hauptversammlung). The Management Board and the Supervisory Board are separate and no individual may serve simultaneously as a member of both boards.

The Management Board is responsible for managing the day-to-day business of Allianz AG in accordance with the German Stock Corporation Act (Aktiengesetz) and the articles of association of Allianz AG. The Management Board is bound by applicable German law, the articles of association of Allianz AG as well as its internal rules of procedure (Geschäftsordnung). It represents Allianz AG in its dealings with third parties. The Supervisory Board oversees the management of Allianz AG. It is also responsible for appointing and removing the members of the Management Board and representing Allianz AG in connection with transactions between a member of the Management Board and Allianz AG. The Supervisory Board may not make management decisions, but the Supervisory Board or the articles of association must determine that certain types of transaction require the Supervisory Board's prior consent.

In carrying out their duties, the members of the Management Board and the Supervisory Board must exercise the standard of care of a diligent and prudent businessperson. In complying with this standard of care, the members of both boards must take into account a broad range of considerations in their decisions, including the interests of Allianz AG, its shareholders, employees and creditors. The Management Board is additionally required to respect the rights of shareholders to equal treatment and equal information.

Members of either board who violate their duties may be personally liable for damages to Allianz AG. Allianz AG may only waive these damages or settle these claims if at least three years have passed from the date of their origination, and if the general meeting approves the waiver or settlement with a simple majority. No approval of a waiver or settlement by the general meeting will be effective if opposing shareholders who hold, in the aggregate, one-tenth or more of the share capital of Allianz AG have their opposition formally noted in the minutes recorded by a German notary. As a general rule under German law, a shareholder has no direct recourse against the members of the Management Board or the Supervisory Board in the event that they are believed to have breached a duty to Allianz AG.

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The Supervisory Board has comprehensive monitoring functions. To ensure that these functions are carried out properly, the Management Board must regularly report to the Supervisory Board with regard to current business operations and future business planning (including financial, investment and personnel planning). The Supervisory Board is also entitled to request at any time special reports regarding the affairs of Allianz AG, the legal or business relations of Allianz AG to its subsidiaries and the affairs of any of its subsidiaries to the extent that the affairs of such subsidiary may have a significant impact on Allianz AG.

The Management Board is required to ensure that adequate risk management and internal monitoring systems exist within Allianz AG to detect risks relating to the Group's business activities at the earliest possible stage.

Pursuant to sec. 161 of the German Stock Corporation Act, which was introduced into the Stock Corporation Act by the Transparency and Publicity Act (Transparenz- und Publizitätsgesetz) which became effective on July 26, 2002, the Management Board and the Supervisory Board shall declare annually that Allianz AG has complied or will comply with the recommendations set forth in the "Corporate Governance Code" published by the German Ministry of Justice (Bundesministerium der Justiz). In addition, the Management Board and the Supervisory Board shall disclose any specific recommendation with which they have failed or will fail to comply. The Corporate Governance Code contains provisions for corporate governance (with respect to shareholders and general meetings, Management Board, Supervisory Board, cooperation between Management Board and Supervisory Board, transparency, reporting and audit of the annual financial statements). On December 18, 2002, the Management Board and Supervisory Board declared for the first time the first compliance declaration, confirming that Allianz AG complies with all recommendations of the Corporate Governance Code. However, the members

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of Allianz AG's Management Board reserve the right to exceed the maximum number of mandates held outside the Group (section 5.4.3 of the Code) as appropriate, as the acceptance of supervisory board mandates in companies in which Allianz AG has substantial holdings forms an essential part of the duties of members of the Management Board.

MANAGEMENT BOARD

The Management Board of Allianz AG currently consists of eleven members. Under the articles of association of Allianz AG, the Supervisory Board determines the size of the Management Board, although it must have at least two members. Under the articles of association, Allianz AG may be legally represented by two members of the Management Board or by one member of the Management Board and the holder of a general commercial power of attorney (Prokura), which entitles its holders to carry out all legal acts and transactions on behalf of Allianz AG. In addition, pursuant to a filing with the commercial register in Munich, Allianz AG may also be represented by two holders of a general commercial power of attorney. The Supervisory Board represents Allianz AG in connection with transactions between a member of the Management Board and Allianz AG. To the extent that a Supervisory Board committee is entitled to decide on a specific matter in lieu of the Supervisory Board, the right of representing Allianz AG vis-a-vis the Management Board in that matter can be transferred to the relevant Supervisory Board committee.

The Supervisory Board appoints the members of the Management Board. The initial term of the members of the Management Board is generally limited to three years. Each member may be reappointed or have his term extended by the

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Supervisory Board for one or more terms of up to five years each. The initial appointment or reappointments of members of the Management Board attaining the age of 60, is generally limited to terms of one year. Members of the Management Board must resign from office at the end of the fiscal year in which they attain the age of 65. The Supervisory Board may remove a member of the Management Board prior to the expiration of his term for good cause, for example in the case of a serious breach of duty or a bona fide vote of no confidence by the general meeting. A member of the Management Board may not deal with, or vote on, matters relating to proposals, arrangements or contractual agreements between himself and Allianz AG and may be liable to Allianz AG if he has a material interest in any contractual agreement between Allianz AG and a third party which was not disclosed to, and approved by, the Supervisory Board. The Management Board has adopted its own internal rules of procedure.

The Management Board regularly reports to the Supervisory Board on the business of Allianz AG. See "-- General." According to the internal rules of procedure of the Supervisory Board, the Management Board requires the consent of the Supervisory Board for certain transactions, primarily, share capital measures and acquisitions or divestitures of companies or shareholdings in companies of a significant volume. In addition, under the articles of association of Allianz AG, unless the acquirer belongs to the Allianz Group companies, the Management Board may not dispose of shares held by Allianz AG in Allianz Versicherungs AG or grant subscription rights pertaining to such shares without the approval of the general meeting of Allianz AG.

The current members of the Management Board, their areas of responsibility, the year in which each member was first appointed, the year in which the term of each member expires, and the membership in statutory supervisory boards in Germany or abroad of each member outside the Allianz Group (as of April 7, 2003), respectively, are as follows:

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NAME	YEAR OF FIRST APPOINTMENT	EXPIRATION OF TERM	AREAS OF RESPONSIBILITY	MEMBERSHIP IN STATUTORY SUPERVISORY BOARDS IN GERMANY OR ABROAD OF EACH MEMBER OUTSIDE THE ALLIANZ GROUP
Dr. Henning Schulte-Noelle(1).....	1991	2003	Member and chairman of Management Board	Deputy chairman of supervisory board of Allianz AG, member of boards of Siemens AG
Dr. Paul Achleitner.....	2000	2004	Group Finance	Member of boards of Allianz AG and RWE AG
Detlev Bremkamp.....	1991	2004	Europa II	Member of boards of Allianz AG and Hochtief AG
Michael Diekmann(2).....	1998	2006	North- and Southamerica; Group Human Resources	--
Dr. Joachim Faber.....	2000	2004	Allianz Dresdner Asset Management (ADAM)	Member of boards of Allianz AG and Infineon AG
Dr. Reiner Hagemann.....	1995	2004	Europa I	Member of boards of Allianz AG

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Dr. Horst Muller.....	2001	2003	Group Financial Risk Management	Schering A Chairman o boards of and Smurfi tungsgesel of the sup BATIG Gese Beteiligun British-Am (Germany) American T GmbH and B
Dr. Helmut Perlet.....	1997	2004	Group Controlling, Accounting, Tax, Compliance	--
Dr. Gerhard Rupprecht.....	1991	2005	Group Information Technology, Life Insurance Germany	Member of boards of Druckmasch and Thyse AG
Dr. Herbert Walter.....	2003	2007	Allianz Dresdner Banking	--
Dr. Werner Zedelius.....	2002	2004	Growth Markets	Member of board of S

- (1) Dr. Schulte-Noelle will cease to be a member and chairman of the Management Board as of the end of the April 29, 2003 general meeting.
- (2) The Supervisory Board has appointed Michael Diekmann chairman of the Management Board effective as of the end of the April 29, 2003 general meeting.

Dr. Henning Schulte-Noelle: Joined the Allianz Group in 1975. He was a member of the management board of Allianz Versicherung and Allianz Leben from 1988 to 1990. In 1991 he was

appointed chairman of the management board of Allianz Leben and member of the Management Board of Allianz AG. When he was appointed chairman of the Management Board of Allianz AG in October 1991, he ceased to be chairman of the management board of Allianz Leben.

Dr. Paul Achleitner: Joined the Management Board of Allianz AG in January 2000. He was previously Chairman of Goldman, Sachs & Co. oHG, Frankfurt, Germany and a partner of Goldman Sachs Group from 1994 to 1999.

Detlev Bremkamp: Joined the Allianz Group in 1963. He was a deputy member of the management board of Allianz Versicherung from 1981 to 1982 and a full member from 1983 to 1987, managing director and general manager of Allianz Europe Ltd. in Amsterdam from 1987 to 1990, and became a member of the Management Board of Allianz AG in 1991.

Michael Diekmann: Joined the Allianz Group in 1988. From 1996 to 1998 he was chief executive officer of Allianz Insurance Management Asia-Pacific Pte. Ltd., Singapore. He became a deputy member in October 1998 and a full member of the Management Board of Allianz AG in March 2000.

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Dr. Joachim Faber: Joined the Allianz Group in 1997 after holding various positions at Citibank AG, Frankfurt, Germany (1984 -- 1992), including chairman of the management board, and Citibank International PLC, London (1992 -- 1997), including head of capital markets. He was a member of the management board of Allianz Versicherung from 1997 to 1999 and became a member of the Management Board of Allianz AG in January 2000.

Dr. Reiner Hagemann: Joined the Allianz Group in 1977. In 1987, he became a deputy member, in 1990 a full member and in 1995 was made chairman of the management board of Allianz Versicherung. He became a member of the Management Board of Allianz AG in 1995.

Dr. Horst Muller: Joined Dresdner Bank in 1970. He became a deputy member of the management board of Dresdner Bank in 1992, and a full member in 1994. With the acquisition of Dresdner Bank in July 2001, he became a member of the Management Board of Allianz AG.

Dr. Helmut Perlet: Joined the Allianz Group in 1973. He has been head of the foreign tax department since 1981, head of corporate finance since 1990 and head of accounting and controlling since 1992. He became a deputy member in July 1997 and a full member of the Management Board of Allianz AG in January 2000.

Dr. Gerhard Rupprecht: Joined the Allianz Group in 1979. In January 1989, he became a deputy member, and in January 1991 a full member, and in October 1991 was appointed chairman, of the management board of Allianz Leben. He became a member of the Management Board of Allianz AG in October 1991.

Dr. Herbert Walter: Held various positions at Deutsche Bank AG since 1983, including chairman of the business segment Private & Business Clients and speaker of the management board of Deutsche Bank 24. Since 2002, he was a member of the Group Executive Committee of Deutsche Bank group as well as Global Head of Private & Business Clients. He became a member of the Management Board of Allianz AG on March 19, 2003, and became the Chairman of the management board of Dresdner Bank AG effective March 25, 2003.

Dr. Werner Zedelius: Joined the Allianz Group in 1987. After various positions in branch offices and in the headquarters of Allianz AG, he was General Manager Finance and member of the board of directors of Cornhill Insurance PLC in London from 1996 until 1999. Dr. Zedelius became a member of the Management Board of Allianz AG on January 1, 2002.

The members of the Management Board may be contacted at the address of Allianz AG.

SUPERVISORY BOARD

In accordance with the articles of association of Allianz AG and the German Codetermination Act (Mitbestimmungsgesetz), the Supervisory Board of Allianz AG consists of 20 members, ten of whom are elected by the shareholders and ten of whom are elected by the employees of the German companies of the Allianz Group. Three of the current employee representatives were appointed by court pursuant to the German Stock Corporation Act. Three of the employee representatives are representatives of the trade unions represented in the Allianz Group in Germany. The general meeting may remove any Supervisory Board member it has elected by a

simple majority of the votes cast. The employee representatives may be removed with a majority of three-quarters of the votes cast by those employees who elected them. In addition, any member of the Supervisory Board may resign by written notice to the Management Board.

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The Supervisory Board has a quorum when all members of the Supervisory Board were invited or requested to participate in a decision and either ten or more members, including the chairman of the Supervisory Board, or, when the chairman of the Supervisory Board is not present, fifteen or more members must participate in any decision before the Supervisory Board. Except where a different majority is required by law or the articles of association of Allianz AG, the Supervisory Board acts by simple majority of the votes cast. In the case of any deadlock, the chairman has the deciding vote. The Supervisory Board meets at least twice each half-year. Its main functions are:

- to monitor the management of Allianz AG;
- to appoint the members of the Management Board; and
- to approve matters in areas where such approval is required by German law or which the Supervisory Board has made generally or in the individual case subject to its approval. (See "-- Management Board").

In addition, supervisory boards of German insurance companies are tasked with the appointment of the auditors.

The Supervisory Board has established a Standing Committee, an Audit Committee, a Compensation Committee and a Conciliation Committee.

Standing Committee. The Standing Committee, which comprises the chairman of the Supervisory Board and his representatives and two additional members elected by the Supervisory Board, may approve or disapprove certain transactions of Allianz AG to the extent that such matter does not fall under the competency of any other committee or must be decided by plenary meeting of the Supervisory Board. The Standing Committee examines the corporate governance of Allianz AG, assigns the mandate to the auditor for the annual financial statements, drafts the declaration of compliance and examines the efficiency of the work of the Supervisory Board. In addition, it determines the guest status of non-members who wish to attend Supervisory Board meetings as well as changes in form to the articles of association. The Standing Committee held four meetings in 2002. The members of the Standing Committee are Dr. Klaus Liesen as chairman, Frank Ley, Bernd W. Voss, Norbert Blix and Dr. Manfred Schneider.

Audit Committee. The Audit Committee, established for the first time in September 2002, comprises five members elected by the Supervisory Board. The Audit Committee prepares the decisions of the Supervisory Board about the Group's annual financial statements, the consolidated financial statements and about the appointment of the auditors and ascertains the independence of the auditors. In the future, the Audit Committee will select and appoint the auditors, set priorities for the audit and determine the compensation of the auditors. In addition, it examines the quarterly reports. After the end of the fiscal year, the Audit Committee examines the Group's annual financial statements and the consolidated financial statements, examines the risk monitoring system and discusses the auditor's report with the auditors. The Audit Committee held one meeting in 2002. The members of the Audit Committee are Dr. Klaus Liesen as chairman, Dr. Diethart Breipohl, Dr. Gerhard Cromme, Prof. Rudolf Hickel and Horst Meyer.

Compensation Committee. The Compensation Committee consists of the chairman of the Supervisory Board and two other members elected by the Supervisory Board. It prepares the appointment of members of the Management Board. In addition, it tends to on-going personnel matters of the members of the Management Board including their membership on boards of other companies. The Compensation Committee decides about bonus payments and the structure of long-term incentive programs. (See "Business -- Long-term Incentive Plans and Employee Stock Ownership Arrangements -- Long-term Incentive Plans"). The

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Compensation Committee held six meetings in 2002. The members of the Compensation Committee are Dr. Klaus Liesen as chairman, Frank Ley and Bernd W. Voss.

Conciliation Committee. The Conciliation Committee consists of the chairman of the Supervisory Board and his representative elected according to the rules of the German Codetermination Act of 1976, one member elected by the employees and one member elected by the

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shareholders. Under sec. 27 (3) of the German Codetermination Act the Conciliation Committee is charged with the solution of conflicts in the appointment of members of the Management Board. If the Supervisory Board in a vote on the appointment or recall of a member of the Management Board fails to obtain the required majority, the Conciliation Committee has to present a proposal to the Supervisory Board. There arose no need for the Conciliation Committee to meet in 2002. The members of the Conciliation Committee are Dr. Klaus Liesen as chairman, Frank Ley, Gerhard Cromme and Prof. Dr. Rudolf Hickl.

Each member of the Supervisory Board is generally elected for a fixed term, which expires at the end of the general meeting at which the shareholders discharge the members of the Supervisory Board in respect of the fourth fiscal year after the beginning of the term. The fiscal year in which the members of the Supervisory Board are first elected is not considered. Supervisory Board members may be reelected.

The current members of the Supervisory Board of Allianz AG, their principal occupations, the year in which each member first served on the Supervisory Board, the year in which the term of each member expires and memberships in statutory Supervisory Boards in Germany of each member outside the Allianz Group (as of April 7, 2003), respectively, are as follows:

NAME	YEAR OF FIRST ELECTION	EXPIRATION OF TERM	PRINCIPAL OCCUPATION AND MEMBERSHIP OF STATUTORY SUPERVISORY BOARDS IN GERMANY OUTSIDE THE ALLIANZ GROUP
Dr. Klaus Liesen, Chairman(1).....	1983	2003	Chairman of the supervisory board of Allianz AG and member of the supervisory boards of TUI AG and Volkswagen AG
Frank Ley, Deputy chairman(2).....	1993	2003	Employee of Allianz Lebensversicherungs-AG
Dr. Bernd W. Voss, Deputy chairman(1).....	2002	2003	Former member of the management boards of Dresdner Bank AG, member of the supervisory boards of Continental AG, Dresdner Bank AG, E.ON AG, KarstadtQuelle AG, Quelle AG, TUI AG and Wacker Chemie AG
Norbert Blix(2).....	1997	2003	Employee of Allianz Versicherung AG, deputy chairman of the supervisory board of Allianz Versorgungskasse VVaG
Dr. Diethart Breipohl(1).....	2000	2003	Former member of the management boards of Allianz AG, member of the supervisory boards of Beiersdorf AG, Contintex AG, KarstadtQuelle AG, KM Europa Metallgesellschaft AG (chairman) and mg technologies AG
Bertrand Collomb(1).....	1998	2003	President Directeur General Lafarge
Dr. Gerhard Cromme(1).....	2001	2003	Chairman of the supervisory board of Allianz AG

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			ThyssenKrupp AG, member of the supervisory boards of Axel Springer Verlag Aktiengesellschaft, Deutsche Lufthansa AG, E.ON AG, Ruhrgas AG, Volkswagen AG and Siemens AG (since January 23, 2003)
Jurgen Dormann(1).....	1998	2003	Chairman and CEO ABB Ltd. and Chairman of the supervisory board of LION BROSSE AG
Hinrich Feddersen(3).....	2001	2003	Member of federal steering committee ver.di, member of the supervisory board of Basler Versicherungsbeteiligungsgesellschaft mbH and Deutscher Ring Lebensversicherung
Dr. Uwe Haasen(1).....	2002	2003	Former member of the management board of Allianz AG

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NAME	YEAR OF FIRST ELECTION	EXPIRATION OF TERM	PRINCIPAL OCCUPATION AND MEMBERSHIP OF STATUTORY SUPERVISORY BOARDS IN GERMANY OUTSIDE THE ALLIANZ GROUP
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Peter Haimerl(3).....	2001	2003	Employee of Dresdner Bank AG, member of the supervisory board of Dresdner Bank AG
Prof. Dr. Rudolf Hickel(2).....	1999	2003	Professor of Finance Bremen University, member of the supervisory boards of GEWOBA AG Wohnen and Bauen in Bremen, Howaldtswerke Deutsche Werft AG, Salzgitter AG Stahl and Technology
Horst Meyer(2).....	2001	2003	Employee of Hermes Kreditversicherungs-AG, deputy chairman of the supervisory board of Hermes Kreditversicherungs-AG and member of the supervisory board of Allianz Versorgungskasse VVaG
Uwe Plucinski(3).....	2001	2003	Employee of Dresdner Bank AG, member of the supervisory board of BVV Versicherungsverein des Bankgewerbes
Reinhold Pohl(2).....	1993	2003	Employee of Allianz Immobilien GmbH
Roswitha Schieman(2).....	1998	2003	Branch manager Allianz Versicherung
Dr. Manfred Schneider(1).....	1998	2003	Chairman of the supervisory board of Bayer AG, member of the supervisory boards of DaimlerChrysler AG, Linde AG, RWE AG and TUI AG
Dr. Hermann Scholl(1).....	1998	2003	Chairman of the management board of Robert Bosch GmbH, member of the supervisory board of BASF AG
Jurgen E. Schrempp(1).....	1998	2003	Chairman of the management board of DaimlerChrysler AG, Chairman of the supervisory board of DaimlerChrysler Services AG
Jorg Thau(2).....	2000	2003	Employee of Allianz Private Krankenversicherungs-AG

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- (1) Representative of shareholders.
- (2) Representative of employees.
- (3) Appointed by court.

The members of the Supervisory Board may be contacted at the address of Allianz AG.

The term of the present members of the Supervisory Board ends as of the general meeting convened for April 29, 2003 and a new Supervisory Board will be elected.

The employee representatives of the new Supervisory Board were elected on March 17, 2003 by the employees of the German Allianz Group companies. The names of the elected members are published in the Federal Gazette and the Internet at the Allianz website. The shareholder representatives will be elected by the general meeting convened for April 29, 2003. The Supervisory Board proposes to resolve, that the following members be elected as shareholder representatives in the Supervisory Board for five years until the end of the 2008 general meeting:

- Dr. Wulf H. Bernotat, Essen, chairman of the management board of E.ON AG (since May 1, 2003)
- Dr. Diethart Breipohl, Icking, former member of the Management Board of Allianz AG
- Bertrand Collomb, Paris, President Directeur General Lafarge

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- Dr. Gerhard Cromme, Essen, chairman of the supervisory board of ThyssenKrupp AG
- Jurgen Dormann, Zurich, chairman of the administrative board (Verwaltungsrat) and chairman of group management (Konzernleitung) ABB Ltd. and chairman of the supervisory board of LION bioscience AG
- Dr. Renate Kocher, Konstanz, managing director Institut fur Demoskopie Allensbach
- Dr. Manfred Schneider, Leverkusen, chairman of supervisory board of Bayer AG
- Dr. Hermann Scholl, Stuttgart, chairman of the management board of Robert Bosch GmbH
- Jurgen E. Schrempp, Stuttgart, chairman of the management board of DaimlerChrysler AG
- Dr. Henning Schulte-Noelle, Munchen, chairman of the Management Board of Allianz AG (until April 29, 2003)

The Supervisory Board also proposes to elect the following persons as deputy members in respect of the aforementioned shareholder representatives:

- Dr. Albrecht Schafer, Munchen, in-house counsel of Siemens AG
- Dr. Jurgen Than, Hofheim am Taunus, in-house counsel of Dresdner Bank AG

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COMPENSATION OF DIRECTORS AND OFFICERS

Management Board. Total compensation for members of the Management Board includes a fixed component (the basic salary) and a variable component. The compensation paid by the Allianz Group to the Management Board for 2002 was approximately E17.4 million. As of November 1, 2002, the number of members of the Management Board decreased from twelve to eleven. The compensation allocated to the Management Board in 2002 consists of variable remuneration of approximately E9.5 million and fixed remuneration of approximately E7.9 million. From 2002 on, the variable component consists of the annual bonus which includes an individual element and an element based on company performance, and a three-year bonus, from which payments to members of the Management Board can be made for the first time in 2004. If the objective-linked bonus is attained, the variable compensation amounts to 65% of the total compensation of board members.

In addition to these amounts, in 2002 the Allianz Group paid an amount of approximately E9 million to increase pension reserves and reserves for similar obligations in favor of active members of the Management Board.

In addition, under the Long-term Incentive Plan, a total of 47,200 stock appreciation rights were issued to members of the Management Board during the fiscal year 2002. Based on standard option valuation methods (Black-Scholes or Binomial Method), these rights had a value of E5.2 million at the time of their issue. The value of these rights at the end of the fiscal year 2002 was E0.3 million. At an intrinsic value of E0, the full amountsspecified are time values.

At December 31, 2002, members of the Management Board held a total of 119,739 stock appreciation rights issued from 1999 through 2002 under the Long-term Incentive Plans. Based on standard option valuation methods (Black-Scholes or Binomial Method), these rights had a value of E0.5 million at December 31, 2002. None of the appreciation rights had an intrinsic value at December 31, 2002, so that the full amount specified is a time value. See "Business -- Long-term Incentive Plans and Employee Stock Ownership Arrangements."

In the fiscal year 2002, pensions and other benefits for former members of the Management Board as well as payments to compensate the claims of former members of the Management Board amount to approximately E13 million. Furthermore, E7 million were set aside in the fiscal year 2002 for compensating the claims of former members of the Management Board. An amount of E29 million was set aside for current and future pension benefits of former members of the Management Board and their beneficiaries.

Supervisory Board. The articles of association provide that the annual compensation for each Supervisory Board member is E4,000, plus E500 for every cent by which the dividend per share declared for the relevant year exceeds 15 cents. The chairman of the Supervisory Board

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receives twice that amount, and each member of any Supervisory Board committee (except of the Conciliation Committee) receives one and one half times that amount. Allianz AG reimburses all Supervisory Board members for their out-of-pocket expenses and the value-added tax on this compensation. In addition, Allianz AG provides members of the Supervisory Board with insurance coverage and technical support to the extent necessary for the members of the Supervisory Board to carry out their functions. The aggregate amount of compensation of the members of the Supervisory Board for the fiscal year 2002 amounts to E2 million, including fees becoming payable after the 2003 general meeting.

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The Management Board and the Supervisory Board have proposed to the 2003 ordinary general meeting of Allianz AG convened for April 29, 2003, to change the compensation of the Supervisory Board as follows: The annual fixed compensation of each Supervisory Board member is E4,000, plus E500 for every cent by which the dividend per share declared for the relevant year exceeds 15 cents. The chairman of the Supervisory Board receives twice that amount, and each deputy chairman receives one and one half times that amount. Members of any Supervisory Board committee (except of the Conciliation Committee and the Audit Committee) receive a bonus of 25% on these amounts and the committee chairman receives a bonus of 50% on these amounts. Members of the Audit Committee receive an additional annual fixed compensation of E30,000 and the chairman receives an additional annual fixed compensation of E45,000. Members of the Supervisory Board, who carried out this function only during a portion of the fiscal year, receive one twelfth of the compensation for each month (whether completed or not) in which they carried out their function. The same applies with regard to the membership in any committees of the Supervisory Board. The aggregate annual compensation of the members of the Supervisory Board may not exceed twice, and in the case of the chairman of the Supervisory Board three times, the sum of the annual fixed compensation and the additional dividend-related compensation. Allianz AG reimburses all Supervisory Board members for their out-of-pocket expenses and the value-added tax on this compensation. In addition, Allianz AG provides members of the Supervisory Board with insurance coverage and technical support to the extent necessary for the members of the Supervisory Board to carry out their functions.

GENERAL MEETING

In accordance with the German law governing the supervision of insurance companies (Versicherungsaufsichtsgesetz), the ordinary general meeting of Allianz AG must take place within the first 14 months after the end of each fiscal year. As a general rule, the Management Board convenes the general meeting; the Supervisory Board is required to convene a general meeting if this is in the best interest of Allianz AG. Among other things, the general meeting decides on the following issues: the use of the annual surplus; ratification of the actions of the Management Board and the Supervisory Board; capital increases and/or decreases; and the appointment of the members of the Supervisory Board, provided that no rights to nominate members of the Supervisory Board exist and not including those members of the Supervisory Board who are to be elected in accordance with the German Codetermination Act. In addition, the general meeting of Allianz AG, in accordance with the articles of association, decides on the inclusion of third-party (i.e., non-Group) shareholders into Allianz Versicherungs-AG. An extraordinary general meeting may be convened by either the Management Board or the Supervisory Board. A shareholder or group of shareholders who, individually or as a group, owns or own at least 5% of the share capital may also demand that the Management Board convene an extraordinary general meeting. Should the Management Board refuse to satisfy this demand, the(se) shareholder(s) may convene the meeting themselves, provided they receive authorization to do so from a competent court. A shareholder or group of shareholders who, individually or as a group, owns or own at least 5% or E500,000 of the share capital of Allianz AG may require that modified or additional topics be added to the agenda of the general meeting and that these topics be published before the general meeting takes place. The agenda of the general meeting must be published at the time of convening of the meeting in the electronic version of the German Federal Gazette (elektronischer Bundesanzeiger). Along with its publication, the agenda must be communicated to those shareholders who either have been registered in the share register (Aktienregister) of Allianz AG at least two weeks before the day of the general meeting or who have deposited at least one share with Allianz AG or who have requested the communication of the agenda after the publication of the convening of the general meeting in the Federal Gazette. Shareholder motions or proposals for voting that have been made in accordance with

applicable law must be made available to authorized persons. Allianz AG satisfies this requirement by publication on the Internet.

Shareholders of Allianz AG whose names are registered in the share register and who have registered for the meeting in a timely fashion will be entitled to attend and to vote at the general meeting. The registration deadline for attending each general meeting is published concurrently with the notice convening the meeting in the electronic version of the Federal Gazette. Proxies require written authorization, which can be given electronically, as per further determination by Allianz AG. Details regarding the granting of proxies are published alongside the notice convening the general meeting in the electronic version of the Federal Gazette. In his role as chairman of the general meeting, the chairman of the Supervisory Board, or, in his absence, another member of the Supervisory Board appointed by the board, may permit the audio-visual transmission of the general meeting via electronic media by a method to be determined by him, provided that this possibility was announced in the invitation to the general meeting.

VOTING RIGHTS AND RESOLUTIONS OF THE GENERAL MEETING

In principle, each share entitles the shareholder whose name is registered in the share register to one vote at the general meeting. Neither the German Stock Corporation Act nor the articles of association provide for a minimum quorum requirement for shareholders at the general meeting. A resolution is validly passed with the majority of votes cast (simple majority), unless German stock corporation law or the articles of association require a larger majority or stipulate any further requirements. The dismissal of members of the Supervisory Board, for example, requires a super-majority of three quarters of the votes cast. Furthermore, the German Stock Corporation Act and the German law on the transformation of companies (Umwandlungsgesetz) require a super-majority of three quarters of the share capital represented at the general meeting, in addition to a simple majority of votes cast, for the following decisions, among others: the creation of authorized and conditional capital; capital decreases; the dissolution of Allianz AG; a merger or combination of Allianz AG with another corporate entity or a divestiture; an obligation to transfer all or substantially all of the assets of Allianz AG; entering into agreements between business enterprises; any change in the corporate form or corporate purpose of Allianz AG; and the exclusion of subscription rights in connection with a capital increase. To the extent that the law requires a majority of the capital in addition to the majority of votes cast, a simple majority of the share capital represented at the time of the passing of the resolution is sufficient, according to the articles of association and provided that the law does not require otherwise. At a parity of votes, a resolution shall be considered rejected.

RELATED PARTY TRANSACTIONS

Related parties to the Allianz Group are associated companies and enterprises in which the Allianz Group holds an interest of between 10% and 20% or which hold such interest in Allianz AG, and closely associated persons.

TRANSACTIONS WITH MUNICH RE

Until March 31, 2003, Munich Re was an associated company of the Allianz Group. The relationship between Allianz AG and Munich Re is set forth in the

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so-called "Principles of Cooperation" of May 20, 2000, which mainly govern the reinsurance relationships between the two companies. Among other things, the Principles of Cooperation determine that Munich Re shall provide reinsurance for 14% of the gross self-retention of the insurance business of the companies of the Allianz Group's German Property-Casualty Group via Allianz AG. Due to the merger of Vereinte Versicherung AG with Allianz Versicherung, the share of the reinsurance business of the German Property-Casualty Group to be assumed by Munich Re was reduced from 14% to 10.5% in an agreement of August 2, 2002, effective retroactively as of January 1, 2002. Under the terms of the Principles of Cooperation, Munich Re is the principal reinsurer of Allianz AG and Allianz AG cedes the majority of its externally ceded reinsurance to Munich Re. Notwithstanding its right to freely choose its reinsurer, Allianz AG will give Munich Re the first opportunity to submit bids.

The Principles of Cooperation were amended in December 2001 by a supplementary agreement, under the terms of which the mutually ceded reinsurance volume is to be adjusted on a step-by-step basis by 2008. The supplementary agreement is effective through December 31, 2010.

The Principles of Cooperation of May 2000 can be terminated as of December 31, 2005. On December 19, 2002, this termination agreement was amended by a supplementary agreement which stipulates the terms of termination of the Principles of Cooperation to be ineffective until December 31, 2003 and shortens the termination notice set forth therein from three to two years. This means that the Principles of Cooperation will be automatically renewed for another ten years only if they are not terminated prior to December 31, 2003.

Other reinsurance and retrocession agreements with individual Group companies govern the reinsurance business, which Munich Re will assume from or cede to Allianz Group.

The Allianz Group assumed from Munich Re gross premiums written amounting to approximately E600 million, E850 million and E900 million in 2002, 2001 and 2000, respectively. Allianz Group ceded approximately E2.3 billion, E2.4 billion and E2.3 billion gross premiums written to Munich Re in 2002, 2001 and 2000, respectively. These amounts represent 31.3%, 30.6% and 30.2% of the Allianz Group's total third-party reinsurance premiums ceded in 2002, 2001 and 2000, respectively, and a share of 4.0%, 4.0% and 4.0% of the total gross premiums written by the Allianz Group in 2002, 2001 and 2000, respectively.

Allianz AG believes that the reinsurance business it cedes to and assumes from Munich Re is on terms that are comparable to those that could be obtained from unrelated third parties.

On May 4, 2000, Allianz AG and Munich Re signed a letter of intent, which, among other things, provides for a reduction of their shareholdings in each other to approximately 20% to be achieved or initiated by December 31, 2003. As of December 31, 2002, Allianz Group held 22.4% of the shares of Munich Re. Munich Re informed Allianz AG that on December 31, 2002, it held 21.2% of the outstanding shares of Allianz AG (as of December 31, 2002). Taking into account the treasury shares held by the Allianz Group companies on February 28, 2003, whose number was reduced in January 2003 after fulfilling the exchange offer for participation certificates of Allianz AG, the registered ownership interest of Munich Re in Allianz AG amounted to 20.7% as of February 28, 2003. See "Information about the share capital of Allianz AG -- Acquisition of Own Shares in Allianz AG."

In connection with the acquisition of Dresdner Bank, Allianz AG pledged to the European Commission 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 includes the 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. The commitment also does not affect the exercise of voting rights on behalf of clients or voting rights of ordinary shares held in the ordinary course of business for the account of third parties.

The Principles of Cooperation further provide that upon termination of the Principles of Cooperation, a mutual obligation of the parties will continue to exist for a period of two years, in accordance with which 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. These provisions also apply to the disposition of ownership interests in majority jointly held companies.

Upon termination of the Principles of Cooperation, the existing reinsurance arrangements between Allianz AG and Munich Re will remain in force but may be terminated at any time pursuant to the provisions of the relevant reinsurance agreements. The reinsurance arrangements with respect to majority jointly held entities will remain in effect. Munich Re and Allianz AG have agreed that all disputes arising from the Principles of Cooperation are to be resolved through binding arbitration.

On January 15, 2002, Munich Re transferred its ownership interest of 40.5% in Allianz Life to Allianz AG. The reinsurance arrangements between Allianz Life and Munich Re remain in force until 2010 based on the existing agreements. Furthermore, Munich Re transferred, with effect from June 30, 2002, its ownership interest of 50.0% in Frankfurter Versicherungs-AG and 45.0% in Bayerische Versicherungsbank AG to Allianz Versicherung. Allianz AG transferred its ownership interest of 36.1% in Karlsruher Lebensversicherung AG, a subsidiary of Munich Re, to Munich Re. The transfers were made in completion of the arrangements made in the letter of intent of May 4, 2000 between Allianz AG and Munich Re.

In connection with the capital increase of Allianz AG as resolved on April 7, 2003 by the Management Board with the approval of the Supervisory Board given on April 8, 2003, Munich Re and Allianz AG reached an understanding to reduce their ownership interests in each other. Munich Re has indicated its intention to reduce its ownership interest in Allianz AG to approximately 15%. In return, Allianz AG intends to reduce the Group's ownership interest in Munich Re to 16% to 18% by the end of 2003 and to approximately 15% in the course of 2004. The understanding does not relate to ordinary shares that are held as part of the trading portfolio in the ordinary course of business or to ordinary shares held in the ordinary course of business for the account of third parties. As of March 31, 2003, the Allianz Group's interest in Munich Re was reduced to slightly less than 20%. Munich Re reduced its interest in Allianz AG to less than 20% as of March 31, 2003 and Munich Re's interest will be reduced to approximately 15% as a result of the Offering.

EXERCISE OF MANDATES

On April 7, 2003, no member of the Management Board or the Supervisory Board of Allianz AG held any seat on the Management Board or the Supervisory Board of Munich Re.

RELATIONSHIPS WITH MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF

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ALLIANZ AG

SHAREHOLDING

On April 7, 2003, the members of the Management Board and the Supervisory Board of Allianz AG altogether held less than 1% of the share capital of Allianz AG. According to the share register the members of the Management Board and the Supervisory Board held at that date altogether 4,336 shares of Allianz AG.

LOANS

In the normal course of business and subject to applicable legal restrictions, members of the Management Board and the Supervisory Board may be granted loans by Dresdner Bank, which are subject to the usual conditions in the industry. No additional loans were granted in the last

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fiscal year. On December 31, 2002, loans to board members granted in previous years and amounting to E0.5 million were still outstanding, including E0.5 million to board members of subsidiaries.

OTHER RELATED PARTIES

Allianz AG has a number of other associated companies in which Allianz AG holds interests of between 10% and 20%. Companies of the Allianz Group have various types of business relations with the companies (particularly in the area of insurance, banking and asset management). These relations are subject to ordinary market conditions. In particular, the business relations with associated companies in the insurance business take on various forms and may also include special service, reinsurance, cost-sharing and asset management agreements whose terms Allianz AG and Allianz Group deem to be appropriate.

TERROR RISK INSURANCE COMPANIES

In the aftermath of the terrorist attacks of September 11, 2001, terror risk insurance companies were founded in Germany and Luxembourg to address the existing shortage of direct insurance and reinsurance coverage for major risks in the international markets. The shareholders of these companies are a number of direct insurers and reinsurers, including companies of the Allianz Group. Allianz Versicherungs-AG holds a 16% interest in Deutsche EXTREMUS Versicherungs-AG ("EXTREMUS"), which was registered on October 22, 2002 and has an equity capital of E50 million. Munich Re also holds a 16% interest in EXTREMUS. On the basis of the E10 billion state guarantee granted by the Federal Republic of Germany, EXTREMUS is able to provide excess coverage of up to E13 billion for terror risks encountered in Germany. Allianz AG also holds an 18.2% interest in Special Risk Insurance and Reinsurance Luxembourg S.A. ("SRIR"), which was registered on April 4, 2002 and has an equity capital of E300 million. SRIR's new business was discontinued in March 2003 due to a lack of demand.

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UNDERWRITING

Citigroup Global Markets Limited, Deutsche Bank AG, Goldman Sachs International and UBS Limited are the Global Coordinators and Underwriters for the subscription offer and the private placements. The subscription of the shares will be effected through the German affiliates of the Underwriters, as required by German law.

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Pursuant to the terms of the Underwriting Agreement, the Underwriters will agree, severally and not jointly, to subscribe the number of shares set forth below and to offer them for subscription to the shareholders of Allianz AG (except for a residual amount representing approximately 860,275 shares as to which subscription rights have been excluded); Allianz AG will agree to issue the number of shares as set forth below.

UNDERWRITERS	NUMBER OF SHARES
-----	-----
Citigroup Global Markets Limited.....	29,296,875
Deutsche Bank Aktiengesellschaft.....	29,296,875
Goldman Sachs International.....	29,296,875
UBS Limited.....	29,296,875

TOTAL.....	117,187,500
	=====

The subscription price per share in the subscription offer is E38.00.

Shares as to which subscription rights have been excluded and shares, if any, that have not been subscribed in the subscription offer will be offered through the Underwriters to institutional investors, in private placements.

Pursuant to the Underwriting Agreement, the Underwriters will pay to Allianz AG at least the subscription price for the New Allianz Shares not subscribed for by April 29, 2003. In relation to sales of such shares by the Underwriters that are settled on or before May 5, 2003, the Underwriters will pay to Allianz AG the entire proceeds realized in such sales. In relation to sales of such shares by the Underwriters settled after May 5, 2003, until the expiration of a period of 20 trading days commencing on May 2, 2003, the Underwriters will pay to Allianz AG the amount, if any, by which the price at which the sales were made exceeds E42.00, provided that the average market price of Allianz shares exceeds E42.00 on each day in that 20 trading day period.

Pursuant to the Underwriting Agreement, Allianz AG will pay to the Underwriters an aggregate commission of approximately E170 million. Furthermore, Allianz AG may, in its sole discretion, pay to the Underwriters a further commission of up to E22 million. In the Underwriting Agreement Allianz AG will agree to indemnify the Underwriters against certain liabilities.

The Underwriters and certain of their affiliates have entered into and may, from time to time, enter into commercial and investment banking arrangements with the Allianz Group and its subsidiaries, including significant lending arrangements, for which they receive customary fees and expenses.

LOCK-UP

Allianz AG will agree with the Underwriters that, until October 31, 2003, to the extent legally permitted, it will not issue new shares or sell own shares outside the Allianz Group or issue securities which are convertible into or exchangeable for or which carry the right to acquire any new shares of Allianz AG, except for shares or other securities offered to senior executives or employees of Allianz AG or its affiliates, and shares issued in connection with a capital increase from retained earnings (stock dividends) or in connection with an acquisition or a joint venture directly to the partner of such acquisition or joint venture, provided that the acquiror agrees to such lock-up.

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TERMINATION OF UNDERWRITING AGREEMENT

The Underwriters reserve the right to terminate the Underwriting Agreement for certain reasons or to delay the completion of the subscription offer by up to one week. These reasons include, without limitation, significant adverse changes in the financial position or results of operations of shareholders' equity of the Group, to the extent not discussed in this Offering

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Circular, material restrictions of exchange trading or of the banking business, the eruption or escalation of hostilities, which have, or can be expected to have, a material adverse effect on the financial markets, and the failure to register the implementation of the capital increase in the commercial register by April 28, 2003. As to the consequences of a termination in relation to the subscription offer and the first stock exchange trades see "The Offering -- Subscription Offer -- Important Notices" and "The Offering -- Additional Important Notices."

STABILIZATION

An Underwriter, as principal, may perform measures that enable it to keep the market price of the shares and the subscription rights at a level that differs from the level that may otherwise exist. Stabilization measures, if any, may be discontinued at any time; any stabilization measures will be conducted in Germany or elsewhere in accordance with applicable laws and regulations.

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TAXATION IN GERMANY

The following section "Taxation in Germany" contains a brief summary of several important taxation principles that are or may become important for the acquisition, holding, or the disposal of shares. This section is not meant to be a comprehensive and complete representation of all German tax aspects possibly relevant for shareholders. This summary is based upon German tax law applicable as of the date of this Offering Circular and upon provisions of double taxation treaties entered into between Germany and other countries. In both areas, the law may change and such changes may have retroactive effect.

Potential purchasers of shares are urged to consult their tax advisers about the tax consequences of the purchase, holding, disposal, gratuitous transfer of shares and the procedures for obtaining a possible refund of German withholding tax paid. Only such tax advisors are in a position to take into account adequately the special tax situation of the individual shareholder.

TAXATION OF ALLIANZ AG

German corporations are generally subject to German corporate income tax at a uniform rate of 25% on retained earnings as well as distributed profits plus solidarity surcharge on the corporate income tax liability (in sum: approx. 26.38%). Solely for the year 2003, the uniform corporate income tax rate amounts to 26.5% plus solidarity surcharge of 5.5% on the corporate income tax liability (in sum: approx. 27.96%).

In addition, German corporations are subject to trade income tax. The rate of trade income tax depends on the municipality in which the corporation has permanent establishments. Generally, the trade income tax rate ranges between 15% and 25% of the income assessed for trade income tax purposes, depending on the rate of the municipality. In determining the income relevant for corporate

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income tax purposes, the trade income tax is deductible as a business expense.

As of the abolition of the corporate income tax imputation system (Korperschaftsteueranrechnungsverfahren) in connection with the introduction of the so-called half income system (Halbeinkunftsverfahren), dividend distributions by German resident corporations to Allianz AG are generally exempt from corporate income tax. Dividend distributions are generally exempt from trade income tax, if Allianz AG holds, as of the beginning of the relevant assessment period, at least 10% of the share capital of the distributing corporation.

TAXATION OF DIVIDENDS

WITHHOLDING TAX

Generally, Allianz AG has, on account of its shareholders, to withhold from its dividend distributions withholding tax at a rate of 20% plus solidarity surcharge on such withholding tax at a rate of 5.5% (in sum: 21.1%) and to pay such amount over to the tax authorities. The tax basis for such withholding tax is the amount of the dividend distribution resolved by the shareholders' assembly.

Such withholding tax will generally be withheld irrespective of whether and to which extent the dividend distribution is exempt at the level of the shareholder and whether the shareholder resides inside or outside Germany.

For dividends distributed to a company residing in a member state of the European Community within the meaning of art. 2 of the so-called EC parent-subsidiary directive (directive no. 90/435/EWG, July 23, 1990), withholding tax is, in case further requirements are fulfilled, not required to be withheld.

In case of shareholders (individuals and corporations) being subject to unlimited German tax liability as well as shareholders holding their shares as part of a permanent establishment or a fixed base in Germany or as part of business assets attributable to a permanent representative in Germany, the withheld and paid withholding tax (including solidarity surcharge) will be credited on their individual income or corporate income tax liability, or with respect to the exceeding amount, be refunded.

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For dividend distributions to shareholders residing outside Germany, the withholding tax rate will be further reduced in case Germany and the country in which the shareholder resides have entered into a double taxation treaty and the shareholder holds the shares neither as assets attributable to a permanent establishment in Germany nor as part of business assets attributable to a permanent representative. The reduction will be granted by way of a refund of the difference between the amount of dividend withholding tax withheld at the statutory rate plus solidarity surcharge and the applicable treaty rate (in general: 15%) upon application to the German tax authorities (Bundesamt für Finanzen, Friedhofstraße 1, 53225 Bonn, Germany). Refund forms can be obtained from the German Federal Tax Authority (Bundesamt für Finanzen) as well as at German embassies and consulates.

SHAREHOLDERS WITH RESIDENCE IN GERMANY

For individuals being resident in Germany and holding their shares as private assets, only half of the dividends will be subject to individual income tax (so-called half income system; Halbeinkunftsverfahren). Such dividends are subject to individual income tax at a progressive rate (up to the highest rate

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of 48.5% in 2003 and, pursuant to present law, of 47% in 2004 and 42% as of 2005) plus 5.5% solidarity surcharge thereon (with respect to the highest tax rate of 48.5%, an overall tax burden in the amount of approx. 51.17% would result). Only half of the expenses economically related to the dividends are deductible for tax purposes.

Individuals holding the shares as private assets are entitled to an annual tax-exempt allowance for investment income (so-called Sparerfreibetrag) in the amount of E1,550 (for singles) or E3,100 (for married couples assessed jointly). In addition, a shareholder is also entitled to a lump sum deduction for investment income related expenses (Werbungskostenpauschale) in the amount of E51 and E102 respectively, unless a higher amount of expenses can be established. Only to the extent half of the dividends and other investment income, after having deducted half of the actually incurred expenses or the lump sum expenses, exceeds the tax-exempt allowance for investment income, such dividends are taxable.

In case the shares are held as business assets of an individual entrepreneur or partnership held by individuals, half of the dividends are taken into account as business income for purposes of the individual taxation. Only half of the expenses being economically related to such dividends are deductible for tax purposes. Such dividends are also subject to trade income tax, unless the shareholder holds, as of the beginning of the relevant assessment period, at least 10% of the share capital of Allianz AG. However, trade income tax is generally credited against the individual income tax of the shareholder by way of a lump sum imputation system.

Dividends to German resident corporations are, subject to certain exceptions for banks, financial services institutions and financial institutions, generally exempt from corporate income tax and solidarity surcharge. A minimum shareholding or a holding period is not required. According to the German Tax Authorities, expenses directly economically related with the tax exempt dividends are not deductible for tax purposes. Dividends are subject to trade income tax, unless the corporate shareholder holds at least 10% of the share capital of Allianz AG as of the beginning of the relevant assessment period.

SHAREHOLDERS WITH RESIDENCE OUTSIDE GERMANY

For individuals not residing in Germany and corporations without permanent establishment, fixed base or permanent representative in Germany, the tax liability is deemed to be fulfilled with the withholding of the withholding tax (possibly reduced under a double taxation treaty).

In case the shareholder is an individual and the shares are attributable to a permanent establishment or fixed base in Germany or the shares are held through a permanent representative in Germany, only half of the dividends are subject to German income tax plus 5.5% solidarity surcharge thereon. In case the shares are attributable to a permanent establishment in Germany or are held through a permanent representative in Germany, half of the dividend distributions are also generally subject to trade income tax, unless the shareholder holds as of the beginning of the assessment period at least 10% of the share capital of Allianz AG. Please note that the trade income tax liability can generally be credited against the individual income tax liability of the individual shareholder by way of a lump sum imputation system.

Dividend distributions to corporations not residing in Germany are, subject to certain exceptions for banks, financial services institutions and financial institutions, generally exempt from corporate income tax and solidarity

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surcharge. To the extent the shares are attributable to a permanent establishment in Germany, the dividends are also subject to trade income tax, unless the corporation held as of the beginning of the assessment period at least 10% of the share capital of Allianz AG.

TAXATION OF CAPITAL GAINS

SHAREHOLDERS WITH RESIDENCE IN GERMANY

Half of the profits resulting from the disposal of shares held as private assets by a German resident individual are generally subject to individual income tax and solidarity surcharge if the disposal takes place within twelve months after the acquisition of the shares. In such case the profits resulting from the disposal of a subscription right are also subject to individual income tax and solidarity surcharge if the disposal takes place within twelve months after the acquisition of the shares to which the subscription rights belong; there exists a risk that all of the generated profits are subject to individual income tax and solidarity surcharge. If the profit resulting from all private capital gains (including half of the profits resulting from the disposal of shares) per year and person is below E512, such profit is not subject to tax.

Half of the profits resulting from the disposal of shares held as private assets by a resident individual shareholder are subject to individual income tax at the individual tax rate plus solidarity surcharge of 5.5% on the income tax liability also after the above-mentioned one-year period, if the individual shareholder or, in case of a gratuitous acquisition, the predecessor held at any time during the five years preceding the disposal, directly or indirectly, at least 1% of the share capital of Allianz AG. In such case profits resulting from the disposal of a subscription right are also subject to individual income tax and solidarity surcharge; there exists a risk that all of the generated profits are subject to individual income tax and solidarity surcharge.

Half of the profits from the disposal of shares held by a German resident individual as business assets are subject to individual income tax at the individual tax rate plus solidarity surcharge of 5.5% on the income tax liability, plus trade income tax. In such case profits resulting from the disposal of a subscription right are also subject to individual income tax and solidarity surcharge as well as trade income tax; there exists a risk that all of the generated profits are subject to individual income tax and solidarity surcharge as well as trade income tax. However, the trade income tax is generally credited against the individual income tax liability by way of a lump sum imputation system.

Only half of the losses resulting from the disposal of shares and half of the expenses economically related with the disposal are deductible for tax purposes to the extent they are generally deductible for tax purposes.

Profits from the disposal of shares held by corporations are, subject to certain exceptions for banks, financial services institutions and financial institutions, generally exempt from trade income tax and corporate income tax including solidarity surcharge. Correspondingly, according to the German Tax Authorities, losses resulting from the disposal of shares and expenses directly economically related to the disposal are not deductible for tax purposes. In such case there exists significant risk, however, that all of the generated profits resulting from the disposal of a subscription right are subject to corporate income tax, solidarity surcharge and trade income tax.

SHAREHOLDERS WITH RESIDENCE OUTSIDE GERMANY

Half of the profits from the disposal of shares held by a non-resident individual are subject to German individual income tax plus 5.5% solidarity surcharge on the income tax liability, if (i) the shares are held as assets

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attributable to a permanent establishment or to a permanent representative in Germany, or (ii) the individual held, directly or indirectly at any time during the five years preceding the disposal at least 1% of the share capital of Allianz AG. Most double taxation treaties, however, provide complete exemption from German taxation in this respect, if the shares are not held as assets attributable to a permanent establishment or fixed base in Germany. In the above-stated cases profits resulting from the disposal of a subscription right are

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also subject to individual income tax and solidarity surcharge; there exists a risk that all of the generated profits are subject to individual income tax and solidarity surcharge.

Profits from the disposal of shares held by a non-resident corporation holding the shares as assets attributable to a permanent establishment are generally exempt from trade income tax and corporate income tax. Correspondingly, according to the German Tax Authorities, losses resulting from the disposal and expenses directly economically related to the disposal are not deductible for tax purposes. In such case there exists significant risk that all of the generated profits resulting from the disposal of a subscription right are subject to corporate income tax, solidarity surcharge and trade income tax.

SPECIAL RULES FOR BANKS, FINANCIAL SERVICES INSTITUTIONS AND FINANCIAL INSTITUTIONS

To the extent banks and financial services institutions hold shares or subscription rights, which are, pursuant to sec. 1 para. 12 of the German Banking Act (Gesetz über das Kreditwesen -- KWG), attributable to the trading book (Handelsbuch) the so-called half income system (Halbeinkunftsverfahren) or the tax exemption do not apply to dividends received nor to profits from the disposal. The same applies to shares, which were acquired by financial institutions within the meaning of the German Banking Act in order to realize a short-term trading gain. This also applies to banks, financial services institutions and financial institutions with their seat in another member state of the European Community or another member state of the European Economic Area Treaty.

INHERITANCE AND GIFT TAX

The transfer of shares to other persons by way of gift or inheritance is only subject to German inheritance and gift tax, if

(1) the testator, donor, heir, donee or any other beneficiary had his domicile or residence in Germany or has not been living abroad as a German citizen for more than five years without having a domicile in Germany;

(2) except as provided under (1) the testator's or donor's shares belong to a business asset attributable to a permanent establishment or a permanent representative in Germany; or

(3) the testator or donor, either alone or with other closely related persons, held at the time of the inheritance or donation, directly or indirectly at least 10% of the share capital of Allianz AG.

The few presently applicable inheritance and gift taxation treaties Germany is a party to generally provide that German inheritance or gift tax is levied in case (1) and, with certain restrictions, in case (2).

OTHER TAXES

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On the acquisition, the sale or other disposal of shares, no German stock exchange transfer tax, value added tax, stamp duty or other tax will be levied. Under special circumstances it is possible that entrepreneurs elect for a value added tax duty of otherwise value added tax exempt turnovers. Net wealth tax is, at present, not be levied in Germany.

CHANGES IN TAX LAWS

The Draft Bill on the Reduction of Tax Privileges (Steuervergünstigungsabbaugesetz) proposed by the German government provided, among other things, for changes in the taxation of private capital gains. After the draft act was passed by the German First Chamber (Bundestag) and rejected by the Second Chamber (Bundesrat), on April 9, 2003, the Mediation Committee (Vermittlungsausschuss) of the Bundestag and Bundesrat proposed a compromise, pursuant to which the proposals relating to the proposed aggravation of the taxation of private capital gains would be dropped. It cannot be ruled out, however, that these or similar proposals may be taken up again in the future.

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ALLIANZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT 2002

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THE WORLD ECONOMY FAILED TO REGAIN ITS FOOTING IN 2002, DISAPPOINTING MANY WHO HAD HOPED IT WOULD. The going remained rough since virtually all regions fell short of growth expectations. The optimistic mood at the beginning of the year, which actually could have laid the groundwork for general upward momentum, had already fizzled out by mid-2002. Anxiety about a war against Iraq, deep-seated uncertainty on the capital markets and the fear of terrorist attacks combined to smother the economy and prevented any noticeable rebound.

PARALYZING UNCERTAINTY

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

Economic performance in regions with emerging markets varied considerably. The Latin American economies were down from the previous year, primarily due to the deep-rooted crisis in Argentina and its impact on neighboring countries. On the other hand, the situation in Asia, with the exception of Japan, turned out

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to be surprisingly positive. This region for the most part lived up to expectations, and the gross domestic product of these countries rose by an average of approximately 5.5 percent. Economic expansion in eastern Europe slowed down, dropping roughly one percentage point to approximately 3 percent.

REAL GDP GROWTH in %

(GRAPH)

ROUGH GOING FOR FINANCIAL SERVICES PROVIDERS

Property & casualty insurance This area of business, and especially industrial insurance, continued to suffer from the effects of September 11, 2001, in the course of the reporting period. Terrorism risks have been reassessed and claims estimates adjusted to take into account the new situation. Premium income from industrial clients continued to increase. In the U.S.A., the world's largest insurance market, this trend persisted throughout the entire year 2002. In preceding years, excess capacity had combined with intense competition to make it essentially impossible to generate risk-adequate premium income. The return to reality with respect to pricing resulted from the financial difficulties of various reinsurers following the terrorist attack in 2001. More than a few found themselves compelled to limit the underwriting capacity made available to primary insurers. This was reflected in a decrease in the availability of insurance for industrial clients. In addition, the disappointing development on the capital market forced property and casualty insurers to calculate more conservatively. Claims ratios showed improvement over the previous year, which was overshadowed by the largest insurance claim ever, the suicide attack on the World Trade Center.

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

NEW AUTOMOBILE REGISTRATIONS Change over previous year in %

(GRAPH)

Life and health insurance The unsolved problems confronting many governmental retirement systems continue to lend fresh impetus to the insurance business. Demographic aberrations in the U.S.A. and Europe and the resultant burden on pay-as-you-go retirement systems have enhanced the image of private retirement insurance. Germany's so-called "Riester" pension plan is a good example. It combines private insurance with governmental support. However, sales of Riester products fell considerably short of industry expectations in their first year on the market. Nevertheless, premium growth in the German life insurance sector did double to approximately 4.5 percent for the year although consumer spending slackened off. This shows that people are concerned about retirement security and are tending to opt for private life and retirement insurance. Life insurance sales in other EU countries were also generally up, but there were exceptions. Although premium income in France rose 2 percent, income from the sale of insurance declined significantly in Spain. In the countries of central and eastern Europe as well as in Asia, newfound prosperity is also fueling the life insurance business, which is of course driven by the demand for private retirement security. The world's life insurance companies were faced with a special challenge in 2002 since they have to maintain the guaranteed returns of their products despite weak stock markets and persistently low interest rates.

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

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

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

The unfavorable capital market development in 2002 proved an obstacle to these essentially positive conditions underlying Asset Management. Very weak stock markets in the second half of the year intimidated investors and resulted in a change in investment priorities. The trend favored funds which for the most part invest in fixed-interest securities and money market products. On the other hand, stock funds in 2002 once again failed to repeat the very successful performance of the '90s. However, this change in investor preferences is hardly likely to have an unfavorable effect on future growth prospects for asset management business over the long term and will prove temporary. The mere fact that asset managers were on balance still able to record an inflow of funds in a year like 2002 that was so weak in terms of stock performance speaks in favor of this.

Banks In 2002, this sector experienced considerable difficulties. Defaults on loans and, as a result, higher write-offs due to the lackluster economy took their toll on lending institutions. The downturn had a serious impact on the earnings of the banking industry. The nose dive on the stock markets exacerbated the situation since commission surpluses and trading income dwindled. In particular, business in the area of new issues and merger and acquisition consulting for corporate clients disappeared virtually completely. All this

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reduced earnings and many financial institutions intensified their cost cutting efforts. Newspapers were full of reports of layoffs and branch office closures in many countries. Germany was especially hard hit by this situation.

CAPITAL MARKETS

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

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

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The losses suffered by the broad-based U.S. Standard & Poor's 500 index in the U.S.A. pointed in the same direction: this barometer was down 20 percent for the year.

STOCK MARKET PERFORMANCE 2002 December 31, 2001 = 100

[GRAPH]

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

PERFORMANCE OF FIXED INCOME INDEXES December 31, 2001 = 100

[GRAPH]

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Currencies In the course of the reporting period, the euro rebounded

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

DEVELOPMENT OF FOREIGN EXCHANGE MARKETS IN 2002 December 31, 2001 = 100

(LINE GRAPH)

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OVERALL BUSINESS DEVELOPMENT

CONSOLIDATED BALANCE SHEET (SHORT VERSION)

	2002	2001
	-----	-----
	E BN	E 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 risk 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	2001
	-----	-----
	E BN	E BN

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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 E.....	- 4.81	6.66

-- IN FISCAL 2002, TOTAL PREMIUM INCOME INCREASED 9.9 PERCENT TO 82.6 BILLION EUROS.

-- THE GROUP FINISHED THE YEAR WITH A LOSS OF 1.2 BILLION EUROS.

-- THIS UNSATISFACTORY RESULT WAS ESSENTIALLY DETERMINED BY THE DIFFICULT ECONOMIC CLIMATE AND THE WEAKNESS IN THE CAPITAL MARKETS, THE LOSS AT DRESDNER BANK AND BY A NUMBER OF SPECIAL INFLUENCES, IN PARTICULAR CLAIMS FROM THE FLOOD DISASTER, WHICH TOTALED 710 MILLION EUROS. WE ALSO DECIDED TO INCREASE THE RESERVES FOR ASBESTOS AND ENVIRONMENTAL (A&E) EXPOSURE IN THE U.S. BY 762 MILLION EUROS.

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-- THE DETERIORATION OF EARNINGS OVERSHADOWED SIGNIFICANT IMPROVEMENTS IN OUR OPERATING PERFORMANCE. IN ADDITION TO SUBSTANTIALLY HIGHER REVENUES, THE MAJOR ACHIEVEMENTS WERE A CLEARLY IMPROVED COMBINED RATIO IN PROPERTY AND CASUALTY INSURANCE, THE TRIMMING OF DRESDNER BANK'S ADMINISTRATIVE EXPENSES BY 12.3 PERCENT AND THE GROWTH OF NET INFLOWS IN ASSET MANAGEMENT BY 43 BILLION EUROS.

EARNINGS PER SHARE
in E

(GRAPH)

TOTAL PREMIUM INCOME
BY BUSINESS SEGMENTS
(E82.6 bn)

(GRAPH)

TOTAL PREMIUM INCOME
BY REGIONS
(E82.6 bn)

(GRAPH)

ASSETS UNDER MANAGEMENT
in E bn

(GRAPH)

REVENUES FROM BANKING
BY CATEGORY
(E7.6 bn)

(GRAPH)

RETURN ON EQUITY AFTER TAX
in %

(GRAPH)

-- ALLIANZ HAD TO REPORT A LOSS OF JUST UNDER 1.2 BILLION EUROS IN 2002. A MAJOR

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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

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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.....	E bn	82.6	75.1
Net revenues from banking.....	E bn	7.6	3.9

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Net revenues from asset management.....	E bn	2.3	2.0
Total revenues.....	E bn	92.5	81.0
Earnings before taxes and amortization of goodwill.....	E bn	- 0.1	2.6
Net income.....	E bn	- 1.2	1.6
Earnings per share.....	E	- 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.

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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

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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.

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RECOMMENDATION FOR APPROPRIATION OF PROFIT

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

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

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

Munich, February 27, 2003
Allianz Aktiengesellschaft

The Board of Management

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

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PROPERTY AND CASUALTY INSURANCE

		2002	2001	2000
		-----	-----	-----
Gross premiums.....	E 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.....	E mn	11,734	7,325	8,393
Net income.....	E mn	7,207	2,364	3,262
Investments.....	E mn	137,113	141,388	125,626
Insurance reserves.....	E mn	87,557	90,432	81,046

GROSS PREMIUMS (1)

		2002	2001	2000
		-----	-----	-----
		E MN	E MN	E MN
Germany.....		12,314	12,644	11,948
France.....		4,941	5,392	4,745
Italy.....		4,938	4,585	4,264
Great Britain.....		2,699	2,492	2,104
Switzerland.....		1,235	1,244	1,160
Spain.....		1,490	1,278	1,073
Netherlands.....		1,023	873	557
Ireland.....		860	738	563
Austria.....		852	844	831
Rest of Europe.....		2,099	1,801	1,675
NAFTA Region.....		5,992	6,822	6,300

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Asia-Pacific Region.....	1,599	1,344	781
South America.....	768	962	891
Allianz Global Risks Re.....	1,136		
Credit insurance.....	1,579	1,589	1,611
Travel insurance and assistance services.....	808	732	656
Allianz Marine & Aviation.....	1,424		

(1) Before cross-border consolidation

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

-- PREMIUM INCOME FROM PROPERTY AND CASUALTY INSURANCE WAS UP 2.7 PERCENT TO 43.3 BILLION EUROS.

-- THE COMBINED RATIO DECREASED 3.1 PERCENTAGE POINTS TO 105.7 PERCENT. RESTATED TO ELIMINATE ONE-TIME CHARGES IN CONNECTION WITH THE SEVERE FLOODING IN CENTRAL AND EASTERN EUROPE AND THE INCREASE IN RESERVES TO COVER ASBESTOS-RELATED AND ENVIRONMENTAL RISKS, THE COMBINED RATIO AMOUNTED TO 101.7 PERCENT.

-- NET INVESTMENT INCOME IMPROVED 60 PERCENT TO 11.7 BILLION EUROS, PRIMARILY DUE TO INTERCOMPANY TRANSACTIONS. NET INCOME CAME TO 7.2 BILLION EUROS. AFTER RESTATEMENT TO ELIMINATE INTERCOMPANY TRANSACTIONS, NET INCOME AMOUNTED TO 3.4 BILLION EUROS.

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EARNINGS AFTER TAXES (2)

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

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

INVESTMENTS (3)

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

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

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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

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taking into account the extraordinary impact of the attack on the World Trade Center, also shows significant operational improvement. This improvement resulted from premium adjustments, especially in the area of automobile insurance, and the fact that the claims frequency (average number of claims per policy) remains favorable in many markets.

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

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

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

GERMANY

-- WE SERVE THIS MARKET THROUGH THE COMPANIES OF ALLIANZ SACHGRUPPE DEUTSCHLAND (SGD). WITH REVENUES OF 9.8 BILLION EUROS, SGD IS THE LEADING PROVIDER OF PROPERTY AND CASUALTY INSURANCE IN GERMANY.

-- ALLIANZ AG, WHICH FUNCTIONS BOTH AS THE GROUP'S MANAGEMENT HOLDING COMPANY AND AS ITS REINSURER, GENERATED PREMIUM INCOME IN THE AMOUNT OF 5.6 BILLION EUROS.

GROSS PREMIUMS

	2002 (*)	2001	2000
	E MN	E MN	E MN
Allianz Sachgruppe Deutschland.....	9,782	10,075	9,576
Allianz AG.....	5,600	5,687	5,587
Consolidation property and casualty insurance in Germany....	- 3,068	- 3,118	- 3,215
	12,314	12,644	11,948
PROPERTY AND CASUALTY INSURANCE IN GERMANY.....	12,314	12,644	11,948

(*) Excluding Allianz Marine & Aviation from 2002 on.

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

EARNINGS AFTER TAXES AND BEFORE AMORTIZATION OF GOODWILL

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	2002 (*)	2001	2000
	-----	-----	-----
	E MN	E MN	E MN
Allianz Sachgruppe Deutschland.....	1,883	1,660	835
Allianz AG.....	9,513	2,516	1,818
SUBTOTAL.....	11,396	4,176	2,653
Consolidations			
Profit transfer.....	1,373	284	303
Dividends, other.....	788	120	47
PROPERTY AND CASUALTY INSURANCE IN GERMANY.....	9,235	3,772	2,303

(*) Excluding Allianz Marine & Aviation from 2002 on.

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

SACHGRUPPE DEUTSCHLAND

		2002 (1)	2001	2000
		-----	-----	-----
Gross premiums.....	E mn	9,782	10,075	9,577
Claims ratio.....	%	73.5	70.9	72.1
Expense ratio.....	%	28.0	26.8	25.1
Earnings after taxes (2).....	E mn	1,883.5	1,659.9	835.0
Investments.....	E mn	21,298	22,007	23,477
Employees.....		32,862	31,384	29,999

(1) Excluding Allianz Marine & Aviation from 2002 on.

(2) Before profit transfer

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

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

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

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

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

PREMIUM INCOME from the reinsurance activities of ALLIANZ AG decreased to 5.6 (5.7) billion euros, primarily for two reasons:

-- On the one hand, as of January 1, 2002, new risks from business with international corporate clients, i.e., from the portfolio of major international clients, was not reinsured by Allianz AG but rather by Allianz Global Risks Ruckversicherungs-AG (AGR). This resulted in a decrease in premium volume (gross) by approximately 450 million euros. This measure primarily affected the reinsurance of industrial risks, i.e., fire, liability, transportation, technology and business interruption;

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-- On the other hand, other contracts were switched from proportional to non-proportional coverage. This decision did indeed lower premium income for 2002 but should have a noticeably positive effect on earnings in the years to come.

ALLIANZ AG

		2002 -----	2001 -----	2000 -----
Gross premiums.....	E mn	5,600	5,687	5,58
Claims ratio.....	%	75.3	86.3	75.
Expense ratio.....	%	28.8	26.9	21.
Earnings after taxes.....	E mn	9,512.9	2,516.4	1,817.
Investments.....	E mn	88,431	83,751	61,97

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

The CLAIMS RATIO dropped to 75.3 (86.3) percent. This improvement would have been considerably greater if it were not for a series of extremely severe natural catastrophes in the year 2002: storms and hail in Germany in the spring, the severe flooding in central Europe in the summer, Hurricane Isidore over Mexico in September and in October Windstorm Jeanett in western Europe. Insured losses caused by the severe flooding, Isidore and Jeanett alone totaled approximately 227 million euros. A reinsurance contract with Fireman's Fund Insurance Company calls for this company to cede reserves for asbestos-related and environmental risks in return for a portfolio entry in the amount of 1.2 billion euros. In exchange, Allianz AG extends reinsurance cover of up to a maximum 2.16 billion U.S. dollars. The reserves are determined on the basis of two external reports. Both confirmed a survival ratio of 13 years, which means that sufficient funds have been allocated to cover claims arising from these risks over this period. The survival ratio was based on payouts that have already been made, but extraordinary effects in the area of environmental liability have been eliminated.

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

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

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

We assume that SGD revenues will in the course of the CURRENT FISCAL YEAR keep pace with the market and that the claims ratio will decrease further, especially since claims arising from natural disasters are likely to decline. We also hope to push the combined ratio below 100 percent again. The elimination of further unprofitable business from our portfolios and ongoing cost-reduction measures make it reasonable to assume that this will be possible. We also want to expand the reinsurance activities of Allianz AG in 2003. Higher rates, more favorable conditions and improvement in earnings from insurance activities should generally boost this area of business although income from investment activities cannot be expected to reach the previous year's level.

FRANCE

-- STARTING IN THE 2002 FISCAL YEAR, THE FINANCIAL RESULTS OF ALLIANZ MARINE & AVIATION FRANCE WILL BE COMBINED WITH THOSE OF ALLIANZ MARINE & AVIATION DEUTSCHLAND AND INCLUDED IN A SEPARATE REPORT.

-- AGF REPORTED PREMIUM INCOME OF 4.9 (5.4) BILLION EUROS.

-- THIS ALLIANZ COMPANY RANKS THIRD AMONG FRENCH PROPERTY AND CASUALTY INSURERS.

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

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

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

The EXPENSE RATIO decreased 2.9 percentage points to 26.4 percent. This reflected the successful conclusion of the consolidation of IT systems.

NET INVESTMENT INCOME came to 701 million euros.

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

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FRANCE

		2002 (*)	2001	2000
		-----	-----	-----
Gross premiums.....	E mn	4,941	5,392	4,74
Claims ratio.....	%	84.5	83.0	85.
Expense ratio.....	%	26.4	29.3	28.
Earnings after taxes.....	E mn	383.0	30.9	439.
Investments.....	E mn	20,468	20,579	18,41
Employees.....		13,797	14,313	14,26

(*) Excluding Allianz Marine & Aviation from 2002 on.

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

ITALY

-- WE ARE REPRESENTED ON THE ITALIAN MARKET BY THE PROPERTY AND CASUALTY INSURANCE COMPANIES OF THE RAS GROUP AND LLOYD ADRIATICO.

-- THESE COMPANIES GENERATED TOTAL PREMIUM INCOME OF 4.9 BILLION EUROS.

-- THEY NOW RANK THIRD IN ITALY.

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

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

The overall CLAIMS RATIO of our Italian companies continued to improve. As a result, the risk-based underwriting policy they have been applying for years is paying off. The application of

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stringent criteria to the sale of automotive policies and the use of quality controls to manage insurance portfolios have once again resulted in a reduction in the claims frequency. Whereas Lloyd Adriatico's claims ratio neared last year's good performance of 69.3 (68.5), the claims ratio of the RAS Group decreased to 76.8 (79.7) percent.

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

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

RAS GROUP

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

LLOYD ADRIATICO

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

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

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

GREAT BRITAIN

-- OUR CORNHILL SUBSIDIARY RANKS SIXTH IN THE BRITISH PROPERTY AND CASUALTY INSURANCE MARKET.

-- THIS SUBSIDIARY ACHIEVED A SUBSTANTIAL 2.7 BILLION EUROS INCREASE IN PREMIUM

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INCOME.

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

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

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

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NET INVESTMENT INCOME came to 248 (184) million euros. This increase resulted from high capital gains.

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

CORNHILL

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

For the CURRENT FISCAL YEAR, we expect moderate premium growth and further improvement in the combined ratio.

SWITZERLAND

-- ALLIANZ SUISSE VERSICHERUNGS-GESELLSCHAFT IS OUR PROPERTY AND CASUALTY INSURER IN SWITZERLAND.

-- WITH REVENUES OF 1.2 BILLION EUROS, ALLIANZ SUISSE VERSICHERUNGS-GESELLSCHAFT RANKS THIRD IN THE SWISS MARKET.

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

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

The EXPENSE RATIO improved to 24.3 (27.2) percent, primarily due to lower commissions.

NET INVESTMENT INCOME was down. Substantial write-offs on portfolio

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holdings, namely, equities, and realized capital losses completely offset income from investments.

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

ALLIANZ SUISSE

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

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

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ALLIANZ RISK TRANSFER

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

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

The CLAIMS RATIO showed considerable improvement -- due in part to positive performance in the area of claim adjustment and settlement -- and dropped dramatically to 55.5 (77.5) percent.

The EXPENSE RATIO was down 3.6 percentage points to 22.6 percent, primarily due to lower commissions.

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

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However, we expect alternative risk solutions to produce double-digit growth for the CURRENT FISCAL YEAR, while revenues from our traditional reinsurance activities essentially stagnate.

SPAIN

-- PREMIUM INCOME OF ALLIANZ COMPANIA DE SEGUROS Y REASEGUROS, OUR PROPERTY AND CASUALTY INSURER, AND OUR DIRECT INSURER, FENIX DIRECTO, INCREASED 16.6 PERCENT TO 1.5 BILLION EUROS.

-- TOGETHER, THESE TWO COMPANY RANK SECOND IN THE SPANISH MARKET.

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

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

Tighter work processes lowered the EXPENSE RATIO further to 20.6 (21.2) percent.

NET INVESTMENT INCOME dropped to 49 (59) million euros.

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

SPAIN

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

In the CURRENT FISCAL YEAR, the turbulent growth in the area of automobile insurance can be expected to slacken somewhat. However, we expect brisk demand for other property insurance products and assistance services. Double-digit revenue growth is projected for these areas. Overall, Allianz Seguros plans to grow more strongly than the market again in 2003. We are

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counting on our brand image and further expansion of our marketing structure to achieve this. We also expect further improvement in the combined ratio.

REST OF EUROPE

-- WE ALSO MARKET PROPERTY AND CASUALTY INSURANCE IN AUSTRIA, THE NETHERLANDS, IRELAND, BELGIUM, PORTUGAL, LUXEMBOURG AND GREECE. WE ARE ALSO REPRESENTED IN HUNGARY, SLOVAKIA, THE CZECH REPUBLIC AND POLAND. IN ADDITION, WE UNDERWRITE PROPERTY AND CASUALTY INSURANCE IN CROATIA, BULGARIA, ROMANIA AND RUSSIA.

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-- OUR LOCAL COMPANIES RANK AMONG THE FIVE LEADING INSURERS IN MOST OF THESE MARKETS.

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

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

REST OF EUROPE GROSS PREMIUMS BY COUNTRY

	2002	2001	2000
	-----	-----	-----
	E MN	E MN	E MN
Netherlands.....	1,023	873	557
Ireland.....	860	738	563
Austria.....	852	844	831
Belgium.....	362	391	393
Portugal.....	263	235	242
Luxembourg.....	194	176	133
Greece.....	66	62	75
Denmark.....	--	--	41
	-----	-----	-----
SUBTOTAL WESTERN AND SOUTHERN EUROPE.....	3,620	3,319	2,835
	-----	-----	-----
Hungary.....	511	411	340
Czech Republic.....	213	173	181
Slovakia.....	158	45	47
Poland.....	128	137	116
Rumania.....	93	71	18
Bulgaria.....	56	45	39
Croatia.....	38	37	37
Russia.....	17	18	13
	-----	-----	-----
SUBTOTAL CENTRAL AND EASTERN EUROPE.....	1,214	937	791
	-----	-----	-----
TOTAL.....	4,834	4,256	3,626
	=====	=====	=====

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

We continue to expect our companies in the major markets of central and eastern Europe to achieve double-digit premium growth. Measures taken to improve

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cost efficiency can be expected to produce the desired results in the short term and contribute to earnings improvement for the CURRENT FISCAL YEAR.

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NAFTA REGION

- FIREMAN'S FUND INSURANCE COMPANY (FFIC) IS OUR MOST IMPORTANT SOURCE OF REVENUES IN THE NAFTA REGION (NORTH AMERICAN FREE TRADE AGREEMENT).
- THE ALLIANZ INSURANCE COMPANY (AIC), WHICH SERVES MAJOR INTERNATIONAL CLIENTS, RANKS AMONG THE LARGEST INSURANCE COMPANIES IN THIS REGION. IT HAS BEEN INTEGRATED INTO ALLIANZ GLOBAL RISKS.
- ALLIANZ INSURANCE COMPANY OF CANADA SERVES THE CANADIAN MARKET.
- OUR ALLIANZ MEXICO COMPANIA DE SEGUROS S. A. IS ACTIVE IN THE MEXICAN MARKET.

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

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

Setting aside the influence of stop-loss reinsurance, the combined ratio in these areas of business improved significantly from 119 to 105 percent, primarily as a result of a selective underwriting policy and rate increases. On the basis of the expertise commissioned by us, we doubled our reserves for asbestos-related and environmental risks (A&E reserves) to 1.2 billion euros. In terms of the ratio between reserves and the corresponding risks we are now one of the leading insurers in this market. As a result the CLAIMS RATIO increased to 94.1 (84.7) percent.

FIREMAN'S FUND INSURANCE COMPANY

		2002	2001	2000
		-----	-----	-----
Gross premiums.....	E mn	4,547	5,366	4,84
Claims ratio.....	%	94.1	84.7	88.
Expense ratio.....	%	34.5	29.6	30.
Earnings after taxes.....	E mn	- 666.1	- 356.7	39.
Investments.....	E mn	10,198	12,053	10,92
Employees.....		5,707	7,093	8,43

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

FFIC reduced the percentage of equities in its investment portfolio from approximately 20 to 8 percent in the spring of 2002 in order to limit trading

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losses. However, write-offs and realized capital losses totaled 496 million euros.

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

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

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

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NAFTA

		2002	2001	2000
		-----	-----	-----
Gross premiums.....	E mn	5,992	6,822	6,30
Claims ratio.....	%	94.6	99.9	87.
Expense ratio.....	%	32.9	29.2	29.
Earnings after taxes.....	E mn	- 933.1	- 1,029.9	- 86.
Investments.....	E mn	19,522	20,398	18,00
Employees.....		7,140	8,585	9,97

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

ASIA-PACIFIC REGION

-- WE ARE REPRESENTED BY SUBSIDIARIES OR JOINT VENTURES IN ALMOST ALL MARKETS IN THIS REGION, WHICH OFFERS CONSIDERABLE POTENTIAL FOR GROWTH.

-- OUR TOTAL REVENUES IN THE ASIA-PACIFIC REGION AMOUNTED TO 1.6 BILLION EUROS.

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

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

In January 2002, we acquired a 98 percent interest in Malaysia British Assurance Berhad in. This Malaysian company now operates under the name Allianz General Insurance Malaysia. With premium income in the amount of 133 million euros, it is the second largest company in its market and our second-largest

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property and casualty insurer in the region. The company's earnings after taxes came to 6 million euros. We also started to underwrite property and casualty insurance in South Korea in 2002.

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

ASIA-PACIFIC GROSS PREMIUMS BY COUNTRY

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

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

SOUTH AMERICA

-- IN SOUTH AMERICA, WE ARE PRESENT IN ARGENTINA, BRAZIL, CHILE, COLOMBIA AND VENEZUELA.

-- TOTAL PREMIUM INCOME IN THESE COUNTRIES AMOUNTED TO 768 MILLION EUROS.

SOUTH AMERICA GROSS PREMIUMS BY COUNTRY

	2002	2001	2000
	-----	-----	-----
	E MN	E MN	E MN
Brazil.....	336	355	390
Colombia.....	222	267	165
Venezuela.....	106	126	134
Chile.....	61	76	76
Argentina.....	43	138	126
	---	---	---
TOTAL.....	768	962	891

=== === ===

Brazil contributed 336 million euros in PREMIUM INCOME to rank first among our South America companies. Colombia followed with revenues of 222 million euros. Due to the economic situation in Argentina, we decided to significantly down-scale our business in that country.

The COMBINED RATIO for South America declined to 101.8 (103.4) percent. Although our company in Argentina incurred a loss in the amount of 5 million euros due to the economic crisis, our subsidiaries in the other South American countries all produced positive operating results. Earnings after taxes were up significantly to 47 (29) million euros.

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

ALLIANZ GLOBAL RISKS RUCKVERSICHERUNGS-AG

-- ALLIANZ GLOBAL RISKS RUCKVERSICHERUNGS-AG HAS BEEN IN EXISTENCE SINCE JANUARY 1, 2002. THIS COMPANY HANDLES ALL BUSINESS WITH OUR MAJOR INTERNATIONAL CLIENTS.

-- GROSS PREMIUM INCOME AMOUNTED TO 1.1 BILLION EUROS.

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

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

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

NET INVESTMENT INCOME in the first year of operation was low, as was to be expected. Allianz Global Risks Ruckversicherungs-AG recorded an after-tax LOSS in the amount of 257 million euros.

ALLIANZ GLOBAL RISKS RUCKVERSICHERUNGS-AG

		2002

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

We plan to achieve dynamic growth in premium income for the CURRENT FISCAL YEAR, to some extent through higher rates, and expect to move into the profit zone.

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CREDIT INSURANCE

-- WE PROVIDE GLOBAL CREDIT INSURANCE THROUGH EULER & HERMES S. A. IN PARIS.

-- WITH A 37 PERCENT SHARE OF THE WORLD MARKET, WE ARE THE WORLD'S LEADING CREDIT INSURER.

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

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

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

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

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

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

NET INVESTMENT INCOME dropped 60 million euros to 56 million euros.

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

CREDIT INSURANCE

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

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

TRAVEL INSURANCE AND ASSISTANCE SERVICES

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-- WITH PREMIUM INCOME TOTALING 1.0 BILLION EUROS, THE MONDIAL ASSISTANCE GROUP WAS ABLE TO REINFORCE ITS POSITION AS ONE OF THE WORLD'S LEADING PROVIDERS OF ASSISTANCE AND TRAVEL INSURANCE.

-- PREMIUM GROWTH WAS GENERATED PRIMARILY BY AN INCREASE IN TRAVEL INSURANCE BUSINESS IN GREAT BRITAIN AND THE ASIA-PACIFIC REGION.

PREMIUM GROWTH totaled 10.6 percent. Premium income from travel insurance was up 10.4 percent to 808 million euros. Revenues from assistance services increased 11.2 to 198 million euros. As a result, this company bucked the economic trend and defied the especially

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difficult situation of the travel industry in the wake of the terrorist attacks of 2001 and 2002 (among others New York, Djerba, Karachi, Bali).

The CLAIMS RATIO in the area of travel insurance decreased to 62.0 (64.4) percent. Due to more efficient workflows, the EXPENSE RATIO also improved 0.9 percentage points to 32.5 percent.

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

TRAVEL INSURANCE AND ASSISTANCE SERVICES

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

Despite the current difficult economic and political situation throughout the world, we expect to be able to maintain our dynamic growth in the CURRENT FISCAL YEAR.

ALLIANZ MARINE & AVIATION

-- ALLIANZ MARINE & AVIATION IS OUR EUROPEAN INSURER THAT SPECIALIZES IN TRANSPORTATION, SHIPPING AND AVIATION RISKS.

-- PREMIUM INCOME AMOUNTED TO 1.4 (1.3) BILLION EUROS.

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

PREMIUM INCOME rose 7.7 year-on-year primarily due to rate increases.

The CLAIMS RATIO improved by an exceptional 33 percentage points to 75.2 percent. We are therefore reaping the rewards of the thorough portfolio

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reorganization that eliminated claims-prone, unprofitable business. In addition, we were spared the major claims that exerted extreme downward pressure on our claims ratio in past years.

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

EARNINGS after taxes amounted to 17 million euros.

ALLIANZ MARINE & AVIATION

		2002

Gross premiums.....	E mn	1,424
Claims ratio (net).....	%	75.2
Expense ratio (net).....	%	21.1
Earnings after taxes.....	E mn	17
Investments.....	E mn	1,163

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

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LIFE AND HEALTH INSURANCE

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

TOTAL REVENUES (1)

		2002	2001	2000
		E MN	E MN	E MN
		-----	-----	-----
Germany.....		12,565	11,672	11,681
Italy.....		7,717	5,944	4,490
France.....		4,238	4,864	5,558
Switzerland.....		1,197	1,174	1,053
Spain.....		551	940	767
Rest of Europe.....		1,635	1,871	1,612

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U.S.A.....	9,530	4,982	3,681
Asia-Pacific Region.....	2,298	1,817	1,733
South America.....	237	356	469

(1) Before cross-border consolidation

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- TOTAL REVENUES INCREASED 18.9 PERCENT TO 40.1 BILLION EUROS.
- REVENUES FROM INVESTMENT-ORIENTED LIFE INSURANCE PRODUCTS INCLUDED IN THE TOTAL ROSE 43.3 PERCENT TO 19.4 BILLION EUROS, WHICH INCREASED THEIR SHARE OF TOTAL REVENUES TO 48.5 PERCENT.
- NET INVESTMENT INCOME FELL 13.1 PERCENT TO 7.4 BILLION EUROS.
- REPORTED NET INCOME DROPPED TO 19 (229) MILLION EUROS DESPITE CONSIDERABLE IMPROVEMENT IN THE OPERATING ACTIVITIES.

EARNINGS AFTER TAXES (2)

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

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

INVESTMENTS (3)

	2002	2001	2000
	-----	-----	-----
	E MN	E MN	E MN
Germany.....	119,786	117,199	121,260
Italy.....	17,413	15,122	14,977
France.....	40,256	43,313	43,625
Switzerland.....	8,819	8,066	8,213
Spain.....	3,956	3,564	2,776
Rest of Europe.....	10,080	9,335	9,278
U.S.A.....	15,903	11,825	8,179

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Asia-Pacific Region.....	4,675	3,945	3,241
South America.....	352	389	424

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

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TOTAL STATUTORY LIFE AND HEALTH INSURANCE PREMIUMS INCREASED 18.9 PERCENT TO 40.1 BILLION EUROS. Almost half of these premiums derived from investment-oriented products, mainly unit-linked life insurance. Despite the state of the capital markets, we were able to increase revenues from these products by 43.3 percent to 19.4 billion euros. We also improved our expense ratio, but investment income declined sharply to 7.4 billion euros, which in turn reduced net income to 19 (229) million euros.

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

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

PREMIUMS FROM INVESTMENT-ORIENTED LIFE INSURANCE PRODUCTS

	2002	2001	2000
	-----	-----	-----
	E MN	E MN	E 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

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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.

GERMANY

- IN THIS MARKET, WE OFFER LIFE INSURANCE PRODUCTS THROUGH ALLIANZ LEBENSVERSICHERUNGS-AG AND DEUTSCHE LEBENSVERSICHERUNGS-AG.
- IN NOVEMBER 2002, ALLIANZ LEBEN WAS MERGED WITH ALLIANZ LEBENSVERSICHERUNGS-AG. THE MERGER WAS RETROACTIVE AS OF JANUARY 1, 2002.
- OUR HEALTH INSURER IS ALLIANZ PRIVATE KRANKENVERSICHERUNGS-AG (FORMERLY VEREINTE KRANKENVERSICHERUNG AG).
- WE ARE THE MARKET LEADER IN LIFE INSURANCE AND NUMBER THREE IN HEALTH INSURANCE.

Total premium income breaks down as follows: life insurance business accounted for 9.7 billion euros or 77.2 percent and the sale of health insurance products contributed 2.9 billion euros

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or 22.8 percent. Total segmental revenues increased 893 million euros or 7.7 percent to 12.6 billion euros.

LIFE INSURANCE

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

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

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

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

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

The EXPENSE RATIO improved from 13.7 to 9.7 percent. Administrative costs remained at last year's level of 2.4 percent and thus continue to stay clearly below the market average.

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

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

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

ALLIANZ LEBENSVERSICHERUNGS-AG, DEUTSCHE LEBENSVERSICHERUNGS-AG(*)

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

(*) Merged with Allianz Lebensversicherungs-AG in 2002

As the deficits of the statutory retirement insurance become increasingly obvious, consumers are realizing that they need to make private or company-based arrangements for old-age provisions. We therefore expect a further increase in premium income for the CURRENT FISCAL YEAR.

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Due to our inherent strength and our position of market leadership, we should be able to outperform the market. The business potential of corporate retirement provision products is especially strong.

HEALTH INSURANCE

PREMIUM INCOME of Vereinte Krankenversicherung AG increased 6.5 percent to 2.9 billion euros. The growth in premium income from the core health insurance business resulted from new business, the legal premium supplement and premium

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adjustments reflecting higher health care costs.

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

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

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

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

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

ALLIANZ PRIVATE KRANKENVERSICHERUNGS-AG

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

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

ITALY

-- WITH THE RAS GROUP AND LLOYD ADRIATICO, WE HAVE AN EXCELLENT POSITION IN THE ITALIAN LIFE INSURANCE MARKET.

-- TOGETHER, THEY INCREASED THEIR REVENUES TO 7.7 BILLION EUROS.

-- THAT MAKES THEM NUMBER TWO IN THE ITALIAN MARKET.

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

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This growth was mainly attributable to bank-based sales of unit-linked life insurance products. A strong contributor to this success was our bancassurance partner, the Unicredito group,

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which sold contracts representing 4.4 billion euros across its counters. Antoniana Veneta Popolare Vita, a fully consolidated joint venture of Lloyd Adriatico, once again boosted its revenues by 49 percent to 808 million euros.

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

NET INVESTMENT INCOME increased to 868 (842) million euros, mainly because RAS Group disposed of most of its real estate holdings.

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

ITALY

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

We are confident that revenues from unit-linked life insurance will continue to increase in the CURRENT FISCAL YEAR, provided that there is a recovery in the capital markets. The success of sales cooperation with the Unicredito group and the dynamic development of Antoniana Veneta Popolare Vita will further strengthen our position in this growth market. On the downside, the new tax rules announced for life insurance are likely to depress growth in this industry. Nonetheless, we have reason to believe that we will once again be able to improve our earnings performance in 2003.

FRANCE

-- IN THE FRENCH LIFE INSURANCE MARKET, THE AGF GROUP RETREATED FROM SIXTH TO EIGHTH PLACE.

-- IN HEALTH INSURANCE, WE ARE NUMBER TWO IN FRANCE.

-- TOTAL LIFE INSURANCE REVENUES AMOUNTED TO 4.3 BILLION EUROS.

PREMIUM INCOME of AGF decreased 11.9 percent for various reasons.

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

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fall to 3.25 percentage points, which is below market average.

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

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

Due to high write-offs and realized capital losses, INVESTMENT INCOME declined to 0.7 (1.3) billion euros.

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

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FRANCE

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

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

SWITZERLAND

-- ALLIANZ SUISSE LEBENSVERSICHERUNGSGESELLSCHAFT REPORTED REVENUES OF 1.2 BILLION EUROS.

-- THAT PUTS THIS COMPANY AT SIXTH PLACE IN THE SWISS MARKET.

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

The EXPENSE RATIO increased slightly by 0.5 percentage points to 23.1 percent, essentially due to higher project costs.

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

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

ALLIANZ SUISSE

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

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

SPAIN

-- IN SPAIN, OUR LIFE INSURANCE ACTIVITIES ARE HANDLED BY ALLIANZ SEGUROS AND EUROVIDA, A BANCASSURANCE JOINT VENTURE.

-- TOGETHER, THEY RECORDED PREMIUM INCOME OF 551 MILLION EUROS.

-- THAT MADE THEM NUMBER FOURTEEN IN THE SPANISH MARKET.

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

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

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

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

SPAIN

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

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

REST OF EUROPE

REST OF EUROPE

TOTAL REVENUES BY COUNTRY

	2002 E MN -----	2001 E MN -----	2000 E MN -----
Belgium.....	413	421	414
Austria.....	303	282	268
Netherlands.....	247	409	270
Great Britain.....	153	337	344
Luxembourg.....	125	129	100
Greece.....	80	71	74
Portugal.....	74	69	65
SUBTOTAL WESTERN AND SOUTHERN EUROPE.....	1,395	1,718	1,535
Slovakia.....	73	16	--
Hungary.....	66	53	52
Poland.....	45	38	24
Czech Republic.....	36	35	--
Croatia.....	14	8	--
Bulgaria.....	6	3	1
SUBTOTAL CENTRAL AND EASTERN EUROPE.....	240	153	77
TOTAL.....	1,635 =====	1,871 =====	1,612 =====

Total REVENUES from life and health insurance in the other European markets came to 1.6 (1.9) billion euros. Due to the downturn in the capital markets, many customers refrained

from buying unit-linked products, particularly in the Netherlands. In Great Britain, we withdrew from the investment-oriented business and concentrated our efforts on risk life insurance. The demand for traditional life insurance increased in many countries. In IFRS accounts, premium income rose to 1.3 (1.1) billion euros.

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

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

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

U.S.A.

-- ALLIANZ LIFE OF NORTH AMERICA IS OUR LIFE INSURER IN THE UNITED STATES OF AMERICA.

-- STRONG EXPANSION OF OUR REVENUES NETWORK ENABLED US TO BOOST TOTAL PREMIUM INCOME BY 91.3 PERCENT TO 9.5 BILLION EUROS.

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

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

INVESTMENT INCOME rose to 561 (468) million euros.

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

ALLIANZ LIFE

		2002	2001	2000
		-----	-----	-----
Total revenues.....	E mn	9,530	4,982	3,681
Gross premiums.....	E mn	1,411	1,478	1,465
Expense ratio.....	%	47.0	49.2	48.2
Earnings after taxes.....	E mn	- 17.7	- 23.7	132.6

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Investments.....	E mn	15,903	11,825	8,179
Employees.....		1,997	1,750	1,435

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

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

ASIA-PACIFIC REGION

-- WE ALSO OFFER LIFE AND HEALTH INSURANCE IN ASIA AND ARE STEADILY EXPANDING OUR BUSINESS IN THE RAPIDLY DEVELOPING MARKETS OF THIS REGION.

-- TOTAL PREMIUM INCOME FROM THIS REGION AMOUNTED TO 2.3 BILLION EUROS.

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

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

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

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

TOTAL REVENUES in the Asia-Pacific region grew 26.5 percent to 2.3 billion euros.

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

ASIA-PACIFIC REGION
TOTAL REVENUES BY COUNTRY

	2002	2001	2000
	-----	-----	-----
	E MN	E MN	E MN
Korea.....	1,894	1,642	1,614

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Taiwan.....	277	127	103
Malaysia.....	54	13	--
Indonesia.....	47	25	16
China.....	16	8	--
Philippines.....	8	--	--
Pakistan.....	2	2	--
	-----	-----	-----
TOTAL.....	2,298	1,817	1,733
	=====	=====	=====

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

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

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

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SOUTH AMERICA

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

SOUTH AMERICA
TOTAL REVENUES BY COUNTRY

	2002	2001	2000
	----	----	----
	E MN	E MN	E MN
Brazil.....	122	178	208
Colombia.....	73	107	195
Chile.....	39	1	--
Argentina.....	2	61	59
Venezuela.....	1	9	7
	---	---	---
TOTAL.....	237	356	469
	===	===	===

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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.

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

BANKING OVERVIEW

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

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

Our banking business posted the following results.

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

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

Commission income suffered from the reluctant attitude of customers in the securities and issuing areas. NET COMMISSION INCOME amounted to 2.7 (1.3) billion euros.

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

ADMINISTRATIVE EXPENSES came to 7.3 billion euros.

The balance of OTHER INCOME AND EXPENSES increased to 675 (248) million euros. This amount includes a profit of 1.9 billion euros that was generated by the transfer of the activities of Dresdner Bank Asset Management to Allianz AG. This profit is consolidated at Group level. Other expenses essentially included

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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.

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

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

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

PRIVATE CUSTOMERS AND BUSINESS CUSTOMERS

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

PRIVATE CUSTOMERS AND BUSINESS CUSTOMERS

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

(*) When comparing the figures for fiscal 2002 with those for 2001, it should be noted that Dresdner Bank was consolidated as of July 23, 2001. Changes in the divisional structure and improvements in income classification have been

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taken into account in the prior-year figures stated.

CORPORATES & MARKETS

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

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CORPORATES & MARKETS

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

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

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

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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

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	CURRENT VALUES 12/31/2002	CURRENT VALUES 12/31/2001
	E BN	E 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.

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- 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.

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

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

An improved cost structure, mainly due to the restructuring of our equity investment units, improved the COST-INCOME RATIO from 84.7 to 78.5 percent.

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

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

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

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

GROUP INVESTMENT STRUCTURE

	12/31/2002	12/31/2001
	-----	-----
CURRENT		
VALUES	WEIGHTING	WEIGHTING

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	E BN	IN %	IN %
Interests in affiliated enterprises, joint ventures and associated enterprises.....	15.0	3.7	5.0
Investments.....	289.4	71.8	72.8
Securities held to maturity.....	6.5	1.6	1.6
Securities for sale.....	266.0	66.0	67.0
Real estate used by third parties.....	14.8	3.7	3.5
Funds held by others under reinsurance contracts assumed.....	2.1	0.5	0.7
Trading portfolio.....	71.3	17.7	17.4
Trading assets.....	124.8	31.0	26.7
Trading liabilities.....	- 53.5	- 13.3	- 9.3
Other investments.....	27.3	6.8	4.7
TOTAL INVESTMENTS.....	403.0	100.0	100.0
	=====	=====	=====

INVESTMENTS

The current value of GROUP INVESTMENTS was 403.0 billion euros on December 31, 2001. This amount comprises the investments from the banking business, including Dresdner Bank, which

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amounted to 99.2 billion euros. Total Group investments decreased 16.2 percent from the previous year (480.9 billion euros). This decline is primarily due to lower stock market prices.

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

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

In addition, we held SECURITIES with a current value of 289.4 billion euros. Of these, 6.5 billion euros were in SECURITIES HELD TO MATURITY and 266.0 billion euros in SECURITIES AVAILABLE FOR SALE. The latter included 18 (25) percent stocks and 82 (75) percent fixed-income securities. The difference with respect to the previous year is due to the development of the capital markets and our decision to reduce the equity allocation in our portfolios. Unrealized gains and losses from dividend-bearing equity securities decreased to - 4.9 billion euros, those from fixed income securities increased to 11.0 billion euros. A list of companies in which we hold at least 5 percent of the capital or in which our investment exceeds 100 million euros can be found on pages F-124 to F-125 of the Notes to the Consolidated Financial Statements. Also shown in this list are the percentages of our interest in each company and the market capitalization of our holdings. At the end of 2002, the market value of these holdings amounted to 27.7 billion euros.

REAL ESTATE USED BY OTHERS was valued at 14.8 billion euros in fiscal 2002,

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and FUNDS HELD BY OTHERS UNDER REINSURANCE CONTRACTS ASSUMED amounted to 2.1 billion euros.

The balance of TRADING ASSETS AND TRADING LIABILITIES amounted to 71.3 billion euros at December 31, 2002. Trading assets (124.8 billion euros) consist of fixed-income securities (74 percent), dividend-earning equity securities (7 percent) and derivatives (19 percent). Trading liabilities (53.5 billion euros) essentially include derivatives (40 percent) and obligations to deliver securities (56 percent). These items are primarily attributable to the banking business.

Other investments mainly include LOANS ADVANCED BY GROUP ENTERPRISES (18.7 billion euros) as well as BANK DEPOSITS (8.3 billion euros).

INVESTMENT STRUCTURE BY TYPE OF INVESTMENT

	12/31/2002		12/31/2001
	CURRENT	WEIGHTING	WEIGHTING
	VALUES	IN %	IN %
Real estate.....	14.8	4.5	4.2
Dividend-earning equity securities.....	63.2	19.0	26.5
Fixed-income securities.....	242.7	73.2	66.6
Other investments.....	11.0	3.3	2.7
	-----	-----	-----
SUBTOTAL.....	331.7	100.0	100.0
Trading portfolio.....	71.3		

TOTAL INVESTMENTS.....	403.0		
	=====		

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INVESTMENT STRUCTURE BY SEGMENTS AS OF DECEMBER 31, 2002
CURRENT VALUES IN E BN

	PROPERTY/CASUALTY	LIFE/HEALTH	BANKING	MANAGEMENT
	-----	-----	-----	-----
Interests in affiliated enterprises, joint ventures and associated enterprises.....	8.2	2.0	4.8	
Investments.....	73.1	190.7	24.1	
Securities held to maturity.....	0.6	5.2	0.7	
Securities for sale.....	64.7	177.3	23.0	
Real estate used by third parties.....	5.9	8.2	0.7	
Funds held by others under reinsurance contracts assumed.....	2.0	0.1	--	
Trading portfolio.....	0.9	0.3	70.0	
Trading assets.....	1.4	1.1	122.2	
Trading liabilities.....	- 0.5	- 0.8	- 52.2	
Other investments.....	7.4	19.9	--	
	-----	-----	-----	

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TOTAL INVESTMENTS.....	89.6	213.0	99.2
	=====	=====	=====

After elimination of cross-segment group-internal transactions

INVESTMENT INCOME came to 16.6 billion euros in 2002, down 1.0 billion euros from the previous year.

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

Investment from the insurance business contributed 13.8 (14.8) billion euros (also see table 38 "Supplementary information on insurance business -- Investment income" on page F-108 of the Notes to the Consolidated Financial Statement). Differences with respect to this presentation are due to the inclusion of income components from real estate owned by Allianz and used for its own activities (0.2 billion euros) as well as the exclusion of income components from trading liabilities (0.2 billion euros). An additional 2.7 (2.8) billion euros of investment income came from the banking business, including 1.1 billion euros from trading activities.

INVESTMENTS FOR UNIT-LINKED LIFE INSURANCE increased 4 percent from last year to 25.7 billion euros.

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AS PROVIDERS OF FINANCIAL SERVICES, WE CONSIDER RISK MANAGEMENT ONE OF OUR CORE COMPETENCIES. As a result, risk management is an integrated part of our controlling process, which involves identifying, measuring, aggregating and managing risks. This process is used to determine how capital is allocated to the Group's various divisions.

RESPONSIBILITIES

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

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

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

RISK CATEGORIES

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

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

In PROPERTY AND CASUALTY INSURANCE, actuarial risks arise from an unexpected variance:

- the volume of losses exceeds premiums fixed in advance (PREMIUM RISK), or
- the payout for claims made is higher than the corresponding provisions (RESERVE RISK).

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

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

- CREDIT RISKS from the lending business and credit insurance;
- COUNTERPARTY RISKS from trading activities;
- COUNTRY RISKS in connection with cross-border transactions and the local business of foreign units.

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

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

In the banking business, the volatility risk especially concerns trading activities, which are shown in the institution's trading portfolio. Unlike the latter, the non-trading portfolio, which

contains customer business and strategic investments, is exposed to long-term factors. In this case, the market risk is essentially the INTEREST RATE RISK

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resulting from granting long-term fixed-rate loans, which are funded in part by short-term deposits. In addition, loans and deposits in foreign currencies are exposed to CURRENCY RISKS.

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

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

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

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

MANAGEMENT OF THE ALLIANZ GROUP THROUGH RISK CAPITAL

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

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

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

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

In 2002, we launched a comprehensive project which substantially improved internal risk analysis in the insurance business. Our new tools enable us to systematically evaluate internal data by means of models based on the theory of probability. This process takes into account the special characteristics of our local units as well as the specific nature of their risks. It also takes into account portfolio effects. In the current year, we inte