Allianz Group

Investor Relations Release

Allianz Group 2002:

Operative improvements not sufficient to achieve a positive result
- **Almost 10 percent premium growth**
- **1.2 billion euros loss**

Weak capital markets, natural catastrophes, the increase in reserves for asbestos claims in the USA and earnings problems at Dresdner Bank have led the Allianz Group to close the fiscal year 2002 with a loss. Significant improvements in operating insurance business - a strong rise in premium income and a consistent reduction in the combined ratio - were unable to compensate for the loss. During the course of 2003, the Allianz Group will continue to focus rigorously on its core businesses, extend its independence from capital markets and concentrate on developing organic growth and a stable capital structure.

Despite sustained and significant improvements in operating insurance business during the fiscal year 2002, the Allianz Group recorded a loss amounting to nearly 1.2 billion euros. The negative factors exerting an influence included income problems at Dresdner Bank, partly a result of the extraordinarily difficult economic and capital-market environment. Difficulties were compounded by write-downs on investments amounting to 5.5 billion euros as a result of conditions on the stock markets. “The fiscal year 2002 was a bad year for us, but by no means a wasted year: in recent months we have succeeded in making some decisive moves for increasing the value of the company,” commented Dr. Henning Schulte-Noelle, Chairman of the Board of Management.

The chain of negative influences is offset by improvements, particularly in the operating insurance business. Total premium income for insurance business rose by 9.9 percent to 82.6 billion euros. The combined ratio in property and casualty insurance business was reduced to 101.7 percent – adjusted by the special factors of the flooding catastrophe and provision for asbestos claims. Administrative expenses of Dresdner Bank were reduced by 12.3 percent. “We will continue what we started in 2002 and we will bring our strategy to a consistent conclusion. We have the right strategy and we intend to focus fully on implementing our corporate decisions,” explained Member of the Board of Management Michael Diekmann, the designated successor to Schulte-Noelle.

Fiscal year 2002

Gross premium income for insurance business at Allianz increased by 9.9 percent in the fiscal year 2002 by comparison with 2001, rising from 75.1 to 82.6 billion euros. This figure amounted to more than double the growth of 4 percent that was originally planned. The growth spurt mainly originated from life insurance business. “Particularly in uncertain times, customers are seeking refuge in companies with a strong financial base – and for many people that continues to mean Allianz,” commented Schulte-Noelle.

Nevertheless Allianz reported a **loss** amounting to nearly 1.2 billion euros. The loss was due to the exceptionally difficult economic environment and the situation in the capital market. Write-downs on investments over the year amounted to 5.5 billion euros. A series of severe natural catastrophes – including the flood of the century in Central and Eastern Europe – impacted on earnings. The result was further affected by increasing the reserve for asbestosis and environmental liability claims at US Group member Fireman's Fund Insurance Company and raising loan loss provisions in the banking segment.

The Board of Management proposes to the Annual General Meeting to pay a **dividend** of 1,50 euros, the same amount as distributed in the previous year.

In **property and casualty insurance**, premium income rose by 2.7 percent from 42.1 to 43.3 billion euros. This development was primarily due to rate increases. At the same time the Allianz Group withdrew from unprofitable customer segments and partly refrained from renewing contracts, particularly in the area of international industrial insurance business and in business contacts in the USA.

The loss ratio fell from 81.1 to 78.2 percent. Adjusted by 4 percentage points for the special factors arising from the flooding catastrophe in Central and Eastern Europe and the reserve for asbestosis and environmental liability risks in the USA, the loss ratio is 74.2 percent. The expense ratio improved slightly to 27.5 percent. Net income for the year grew to 3.4 billion euros in the segment, adjusted by internal Group transactions. The combined ratio - i.e. the ratio of claims expenses and costs to premiums earned - fell by 3.1 percentage points to 105.7 percent and came out at 101.7 percent following adjustment for the special factors referred to above.

Total sales in **life and health insurance** increased by 18.9 percent from 33.7 to 40.1 billion euros. Despite poor sentiment in the capital markets, an increase of 43.3 percent to 19.4 billion euros was achieved for investment-oriented products – primarily variable annuity insurance.

Allianz Lebensversicherung achieved a record result in Germany with a 30 percent growth in premium income for new contracts, significantly outperforming the market. Its market share in new business rose by 3.2 percentage points to 18.3 percent. A significant increase was also reported in the USA: US Group company Allianz Life of North America achieved growth in premium income of 91.3 percent to 9.5 billion euros.

The expense ratio improved overall from 12.1 to 10.0 percent. Weak capital markets reduced earnings on investments by 1.1 to 7.4 billion euros. Earnings before taxes and amortization of goodwill fell back from 558 to 83 million euros and net income fell from 229 to 19 million euros.

Banking business trailed significantly behind expectations in a year of exceptionally unfavorable market and economic developments.

The segment concluded the 2002 fiscal year with a loss of 1.4 billion euros. The first fiscal year in which Dresdner Bank was fully consolidated saw net interest income amounting to 3.8 billion euros, with net commission income totaling 2.7 billion euros. Loan loss provisions were increased to 2.2 billion euros, primarily to guard against the number of insolvencies in corporate customer business, the anticipated defaults in Latin America, and provisions against bad debt in credit business with private customers. Calculated on a comparable basis, administrative expenses at Dresdner Bank were reduced by 12.3 percent to 7.3 billion euros and risk assets were reduced significantly from 189.8 to 142.7 billion euros. "This has taken us forward in two key areas in the turnaround program at Dresdner Bank," said Dr. Helmut Perlet, member of the Board of Management. "As far as the current year is concerned, we are planning a further significant reduction in administrative expenses to 6.2 billion euros. We will continue to make significant progress in reducing risk assets by recovering and winding-up non-strategic and unprofitable loans in the Institutional Restructuring Unit."

Asset management at the Allianz Group is being operated under the roof of Allianz Dresdner Asset Management (ADAM). The year-end figure for assets under management was 989 billion euros, of which 561 billion euros, i.e. around 57 percent, were managed for third parties. Net cash inflows of 43 billion euros in this area contrast with exchange-rate losses and the loss in value of the US dollar, so that funds invested for third parties fell by 59 billion euros. Around 70 percent of ADAM customers come from the USA and around 19 percent from Germany. Although the operating result in the asset management segment went up from 313 to 495 million euros, an expected loss of 405 million euros resulted after deduction of expenses related to acquisitions, taxes and minority interests.

Net cash inflows of 56 billion euros for business with bond funds achieved a high level of growth. The PIMCO Total Return Fund increased investment volume to 68 billion US dollars by the close of the year, making it the biggest investment fund in the world. PIMCO's European counterpart also took up a strong position with the dit Euro Bond Total Return Fund "powered by PIMCO": cash inflows in excess of 1.5 billion euros recorded in the period between the start of sales in May to the close of 2002 made it one of the best sold mutual funds in Germany. A strong growth market for fund providers in China provided an opportunity for joint venture Guotai Junan Allianz Fund Management to be the first fund manager with a foreign holding to obtain a license to carry out business.

The number of employees in the Allianz Group rose slightly by 1,705 to 181,651 worldwide as of December 31, 2002. This growth was primarily due to sales expansion in Germany and first-time consolidations.

Outlook for the 2003 fiscal year

As far as the current 2003 fiscal year is concerned, Allianz is anticipating significant improvements in earnings from operating business. A further reduction in the combined ratio for insurance business and in the cost income ratio in asset management are planned, as is ongoing implementation of the "Turnaround 2003" Program at Dresdner Bank. However, if the uncertainties in the financial markets continue and the economy fails to recover significantly, write-downs on investment and loan loss provisions will continue to exert a strong negative influence.

Munich, March 20, 2003

You will find this notice together with the provisional version of the 2002 annual report in the Internet at www.allianz.com/investor-relations.

The final version of the **annual report** will be available in the Internet as a pdf file at the end of March and will be sent automatically to persons on our e-mail distribution list. It will be available in hard copy as from mid-April.

The **financial press conference** will take place today at 10 a.m. CET and will be broadcast live via the internet on www.allianz.com.

We would like to remind you that we are holding an **analysts' conference** at 11 a.m. CET on 21 March 2003 in Unterföhring near Munich. You are cordially invited to attend the conference, for which you can still register on +49 89 3800 17975, or you can follow it in our live webcast at www.allianz.com/investor-relations. The pdf file of the presentation for the analysts will be available in the Internet for download as of 10 a.m. and will be sent to the persons on our e-mail distribution list at the same time.

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

Cautionary Note Regarding Forward-Looking Statements:
Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks

and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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