Investor Relations Release

Allianz Group – Performance in the first three quarters of 2002

Unusually high quarterly loss – extraordinary burdens from extremely weak capital markets, flood catastrophe and higher loan loss provisions at the bank – but also improvements in operating business and the combined ratio – Schulte-Noelle: "The low point should be behind us, Allianz will come out of these difficult times stronger than before"

Despite significant improvements in operating business, the Allianz Group had to accept a loss of 924 million euros during the first nine months. While a net income of 1.6 billion euros was achieved during the first six months, a loss of 2.5 billion euros was incurred during the third quarter in what was a very difficult market environment. This is principally due to an accumulation of extraordinary effects. These include primarily impairments on investments amounting to 1.9 billion euros in the third quarter, provisions for asbestos and environmental claims at the US-American subsidiary Fireman's Fund, the flood catastrophe in Europe, the collapse of the capital markets, and ongoing high loan loss provisions at Dresdner Bank. Additional capital gains from the sale of shareholdings were not realized during the third quarter to improve earnings. Chairman of the Board of Management Henning Schulte-Noelle: " The low point should be behind us. The absence of one off burdens, an improved combined ratio in the insurance business and the positive returns from the initiated restructuring efforts will now again lead to an upward trend."

Allianz is preparing for a longer period of uncertainty and volatility with a view on the overall economic situation and the capital markets. As a result, the Group will align itself so that it can also operate profitably during flat capital markets. Schulte-Noelle: "The current market situation allows us to more easily implement resolute and future-oriented measures. Consequently, we see predominantly chances in this difficult phase and we have the firm goal come out of it stronger than before." Allianz has a clear strategy. Every business line, every region and every cost position will be put to the test. "We are cleaning out our portfolio and at the same time using every chance to expand our market share."

Operating business improved significantly in most business areas during the first nine months. **Total premium income** in insurance business rose worldwide by 11.9 percent to 61.5 billion euros. The combined ratio adjusted for flooding and asbestos improved to 101.5 percent. Net cash inflows in asset management were 43 billion euros adjusted for currency differences.

Earnings before taxes and amortization of goodwill amounted to minus 164 million euros during the first nine months compared with 3.3 billion euros during the reporting period in 2001. Amortization of goodwill increased by 315 to 859 million euros. The increase in the shareholding in Allianz Lebensversicherungs-AG to 91 percent, consolidation of the Dresdner Bank Group since July 23, 2001 and additional purchases all exerted an effect. Following tax charges of 205 million euros during the reporting period in 2001, the first nine months of 2002 yielded tax income of 863 million euros. After deducting minority interests amounting to 764 (reporting period 2001: 1,193) million euros the Allianz Group posted a loss of 924 million euros in the first nine months. In the first half of the year a surplus of 1.6 billion euros was achieved, which was, however, followed by a loss of 2.5 billion euros in the third quarter.

“The accumulation of negative extraordinary factors including the ongoing poor sentiment on the capital markets and the increasing risk accumulation due to natural disasters or insolvencies impacted us disproportionately hard during the third quarter. These factors distort the perspective, masking the improvements in operating business and hence the opportunities for emerging strengthened from this situation,” commented Helmut Perlet, Member of the Board of Management of Allianz AG responsible for Controlling, Accounting and Taxes.

In **property and casualty insurance** premium income increased across the Group by 4.6 percent from 32.1 to 33.6 billion euros. Double-digit growth rates at companies in France, Spain and Australia contributed significantly to this result. Successful restructuring measures for the portfolio in the USA and other markets also exerted a positive influence, and rate increases in many areas made a beneficial impact. The loss ratio was 79.3 percent in the first three quarters. The effects of the disastrous flooding principally in Germany, the Czech Republic and Austria, and provisions for asbestos and environmental claims at Fireman’s Fund exerted a disproportionately negative effect on the loss ratio at approximately 2.4 and 2.8 percentage points respectively. The sum of 550 million euros earmarked for the flood disaster was adjusted to a total of now 664 million euros. Adjusted for these factors, the loss ratio in the first three quarters was 74.1 percent and was thus 0.9 percentage points better than the ratio in the reporting period in 2001 adjusted for WTC claims. The **expense ratio** at 27.4 percent compared with 27.3 percent remained virtually identical with the level for the reporting period in 2001.

The ratio of losses and expenses to net premiums earned (**combined ratio**) was 106.7 percent during the first three quarters. It was 101.5 percent following adjustment for the above-mentioned extraordinary effects – flooding and asbestos. It improved by 0.8 percentage points compared with the combined ratio during the reporting period in 2001 adjusted for WTC claims.

“Operating business in property insurance is already profitable in many countries, i.e. our combined ratio is below 100 percent. We have come much closer to our goal of reducing the combined ratio to 100 percent for the entire segment at the latest in 2004 than expected. As a result, we are aiming to already get below 100 percent for 2003,” said Perlet.

Net income in property and casualty insurance was 5.9 billion euros in the first nine months after amortization of goodwill, taxes and minority interests. Adjusted by equity disposals within the Group, the Allianz Group achieved **net income** of 2.4 billion euros in property and casualty insurance (reporting period in 2001: 1.4 billion euros).

In **life and health insurance**, the Allianz Group increased total sales by 22.1 percent from 23.3 to 28.4 billion euros. The extremely good development of business in Germany, Italy, USA and South Korea made a substantial contribution. Despite the poor sentiment in the capital markets, the Allianz Group succeeded in increasing sales of investment oriented products from 9.4 to 13.8 billion euros. In **IAS accounts**, where only the risk and cost share is recorded for sales from investment-oriented products, premiums increased by 5.7 percent from 13.9 to 14.6 billion euros.

Life insurance business in Germany grew during the first three quarters of 2002 by 7.8 percent compared with the reporting period in 2001. Sales through the branch network of Dresdner Bank made the most substantial contribution to this success. 2.4 times as many contracts were sold through this sales channel than through the branches of HypoVereinsbank and Dresdner Bank together during the reporting period in 2001. This already gives a clear indication of the sales strengths of an integrated financial services provider.

Allianz Leben has taken the leading position in Germany in sales of state-subsidized fully-funded retirement provision with a market share of 20 percent. While the take-up of private provision remains slow, business has shown very gratifying development in corporate provision. During the first nine months of the fiscal year, the Allianz Group set up or expanded corporate pension provision programs for more than 5000 employers and concluded more than 130,000 retirement pension contracts with employees.

After amortization of goodwill, taxes and minority interests, **net income** in the life and health insurance segment was 120 million euros during the first nine months (reporting period in 2001: 271 million euros).

The income situation in **banking business** continues to be highly unsatisfactory. Business is still failing to live up to expectations in an extremely unfavorable market and economic environment. The strong decline in sales was not balanced by cost savings amounting to 10.7 percent.

Increased revaluation requirements – in particular for larger single risks in South America – lead to expenditures for loan loss provisions amounting to 1,836 million euros during the first nine months of this year.

Earnings in the banking segment are substantially determined by a capital gain of 1.9 billion euros deriving from the transfer of shareholdings in asset management companies held by Dresdner Bank. After amortization of goodwill, taxes and minority interest, this produced a result of negative 152 million euros for the first nine months. However, the capital gain is being consolidated at the level of the Allianz Group. Overall, the banking business contributed a loss of 2.1 billion euros to the result of the Allianz Group. 2.0 billion euros of this derive from Dresdner Bank, the majority from the Corporates & Markets segment.

Assets under management at the Allianz Group amounted to 1,048 billion euros as of September 30th. Compared with year-end 2001, this represents a fall of 10.6 percent or 124 billion euros – despite high net cash inflows amounting to 43 billion euros. The **Group's own investments** fell back by 14.6 percent or 77 billion euros to 450 billion euros as a result of significant share price declines on equity markets. Investments for third parties went down correspondingly by 7.4 percent or 46 billion euros to 574 billion euros.

The Allianz Group achieved very strong growth rates in the business with fixed-income securities compared with year-end 2001. This corresponds to inflows amounting to 44 billion euros. With assets under management of 64 billion US dollars, the PIMCO Total Return Fund established itself as the world's largest mutual fund for the first time. Its European counterpart – the dit EURO BOND TOTAL RETURN Fund "powered by PIMCO" – already posted net cash inflows of more than one billion euros five months after its introduction on May 2, 2002. It, consequently, ranks among the German mutual funds with the highest sales for this year.

In line with expectations, a deficit of 300 million euros was reported for **net income** in the asset management segment. This result, however, includes extraordinary acquisition based effects that are limited in time. These include loyalty bonuses and retention payments for the PIMCO Group. Adjusted for these effects and before taxes and goodwill, operating earning amounted to 369 million euros, which is 15 percent above earnings for the reporting period in 2001.

For the remainder of the business year, the Allianz Group is expecting a significant improvement in the operating result compared with the third quarter, provided that large natural disasters do not occur. If a profit can be reached in the fourth quarter depends substantially on the further development of equity markets. As a result of the high volatility and the resulting uncertainty about the total amount of necessary impairments on investments, a reliable forecast for all of 2002 can not be made.

To strengthen capital resources and for the financing of growth, Allianz is considering issuing two bonds, one of which would be subordinated. In addition, Allianz is offering the holders of profit participation certificates the voluntary exchange of the certificates into Allianz shares: 8 profit participation certificates can be tendered for 10 Allianz shares. This represents a premium of 18.5 percent on the closing price of November 13th (Allianz share: 97.10; profit participation certificate: 102.44)

Munich, 14 November 2002

The full quarterly report is available on the Internet under www.allianz.com.

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