Allianz

Allianz Aktiengesellschaft

Annual Report 2001

Allianz AG

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Allianz Aktiengesellschaft		2001	Change from previous year in %	2000	Change from previous year in %	1999	Change from previous year in %	Details on page
Gross premiums written	€ mn	5,690	– 5.8	6,040	16.6	5,180	8.8	7
Retention	in %	61.9		65.5		63.4		
Loss ratio on own account	in %	93.0		76.0		74.9		6
Gross expense ratio	in %	27.3		26.2		25.6		7
Underwriting result	€ mn	– 645		– 201		– 123		7
Non-underwriting result	€ mn	1,071	14.0	940	– 18.5	1,153	30.7	12
Earnings before tax	€ mn	426	– 42.3	739	– 28.3	1,030	10.0	12
Taxes	€ mn	119		126		– 321		12
Net income	€ mn	545	– 36.9	865	22.1	709	1.6	12
Investments under management	€ mn	60,489	51.6	39,913	13.6	35,129	10.0	10
Shareholders' equity	€ mn	18,335	61.1	11,383	7.0	10,640	5.2	33
as percent of net premium income	in %	520.8		287.6		324.1		
Insurance reserves	€ mn	19,062	10.8	17,211	7.6	15,991	7.2	29
Dividend per share	€	1.50		1.50		1.25		12
Total dividend	€ mn	362		369		307		
Allianz share price at 12/31	€	266		399		334		
Market capitalization of Allianz shares at 12/31	€ bn	70.9		98.0		81.8		

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ALLIANZ AG ANNUAL REPORT 2001

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Ladies and Gentlemen,

We monitored the activities of the Board of Management in accordance with the responsibilities assigned to us by legal regulations and the company's articles of association. The Supervisory Board met five times in the course of fiscal 2001. The Board of Management kept us informed of important developments between meetings in writing. In addition, the Board of Management notified the Chairman of the Supervisory Board of major developments and decisions on an ongoing basis.

The Supervisory Board received regular reports on business developments and the economic situation of the Allianz Group, Allianz AG and major affiliates. Reports of the Board of Management submitted to the Supervisory Board included the consolidated financial statements and interim reports of the Allianz Group, which were prepared in compliance with IAS accounting rules. We also received in-depth information on corporate planning for fiscal 2002.

Acquisition and integration of Dresdner Bank The acquisition of Dresdner Bank was the major topic of discussion on the agenda at the meetings of the Supervisory Board in the course of the year. This extremely complex transaction, which took the form of a public takeover offer, was completed as planned on July 23, 2001. Expeditious integration of Dresdner Bank and its subsidiaries into the Allianz Group now numbers among the company's most urgent priorities. As a result, we dealt intensively with the measures involved in the integration process. The Board of Management kept us informed on the current situation, and we were able to ascertain that rapid progress is being made.

In particular, we received a detailed presentation of the new organization of the asset management division and the model for a single integrated marketing strategy in Germany. We were also provided with in-depth information on activities involved in restructuring of divisions of Dresdner Bank and measures taken to improve earning performance. We received a separate report on the newly formed Corporates & Markets division, which regroups the corporate client and investment banking activities of Dresdner Bank.

At the level of Allianz AG, a Group Center was set up to provide the Board of Management of the holding company with support to facilitate management and control of the entire group. The Group Center's chief activities include definition of strategic goals and operational guidelines for the group.

Other topics of discussion The Board of Management reported to us on the ramifications of the terrorist attacks of September 11, 2001, for the Allianz Group. These events represent a financial burden for us, but we were above all relieved to hear that all Allianz employees working in the World Trade Center were able to leave the buildings in time and unharmed.

We also discussed the creation of Allianz Global Risks Rückversicherungs-AG. This company will assume responsibility for centralized coordination of international industrial insurance for major customers of the Allianz Group. Considerable effort will be required to enhance the earnings performance of these activities. We will closely follow further developments in this area.

The Supervisory Board was able to ascertain that Allianz is extremely well prepared for the German pension reform, which went into effect at the beginning of 2002. The company has a broad marketing platform and a comprehensive range of offerings that meet all needs in the area of private retirement insurance and company pension plans.

We unanimously approved the Board of Management's decision to offer employees in more than 20 countries Allianz shares at special conditions. For the first time, employees of Dresdner Bank were also eligible to participate in this share plan. The Long-Term Incentive Plan, which allows senior Group management to participate in the long-term performance of Allianz Aktiengesellschaft, was also expanded to include top-tier management of Dresdner Bank.

Corporate Governance The Supervisory Board welcomed the German Corporate Governance Code that was recently adopted. Many of the standards for the proper and responsible management and supervision of a company set forth in this code have long been part of everyday business practice at Allianz. We will consider additional recommendations that concern the Supervisory Board in the near future. However, we reserve the right not to implement certain recommendations if there are good reasons not to do so.

Committee meetings The members of the Supervisory Board formed a Standing Committee, an Executive Committee and a Mediation Committee in compliance with the German Codetermination Act. At a total of four meetings were held in the course of the year under review, the members of the Standing Committee dealt primarily with capital measures taken by the company, other projects requiring approval and appointment of the auditors for the annual financial statements. The Executive Committee, which is responsible for human resources issues, met three times in the course of the year. There was no need for the Mediation Committee to meet.

Annual accounts and consolidated financial statements KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual accounts of Allianz AG and the consolidated financial statements of the Group as of December 31, 2001, as well as the management reports of Allianz AG and the Group and issued its certification without any reservations.

The annual accounts and the consolidated financial statements, managements reports, the recommendation of the Board of Management concerning the appropriation of earnings and the audit reports submitted by KPMG were distributed to all the members of the Supervisory Board and were discussed in detail in the presence of the independent auditors at the meeting of the Supervisory Board held for this purpose on April 17, 2002. No objections arose in the course of our review of the documents presented by the Board of Management and the independent auditors, and we concur with the findings of the audit by KPMG. We approved the appropriation of earnings as proposed by the Board of Management. The Supervisory Board approved, and thereby adopted, the annual accounts prepared by the Board of Management.

Members of the Supervisory Board and the Board of Management Several changes occurred in the composition of the Supervisory Board, partially as a result of the integration of Dresdner Bank into the Allianz Group. Employee representatives Karl Miller, Klaus Carlin, Reiner Lembke and Gerhard Renner resigned from the Supervisory Board. Mr. Miller was succeeded by Mr. Horst Meyer as his elected substitute. Mr. Frank Ley was elected as the new Deputy Chairman of the Supervisory Board. Messrs. Hinrich Feddersen, Peter Haimerl and Uwe Plucinski were appointed by the court to replace Messrs. Carlin, Lembke and Renner on the Supervisory Board. On the shareholder side, Dr. Karl-Herrmann Baumann left the Supervisory Board on September 30, 2001. The Court of Registry appointed Dr. Gerhard Cromme as his successor. This appointment is to be confirmed by the Annual General Meeting on June 12, 2002.

Dr. Alfons Titzrath and Dr. Albrecht Schmidt resigned from their positions as shareholder representatives on the Supervisory with effect as of the end of the Annual General Meeting on June 12, 2002. The Supervisory Boards proposes that the Annual General Meeting elect Dr. Bernd W. Voss to succeed Dr. Alfons Titzrath. Dr. Schmidt will be succeeded by Dr. Uwe Haasen as elected substitute member.

We have expressed our thanks to the former members of the Supervisory Board for their valuable contribution to our work.

Mr. Herbert Hansmeyer, who was responsible for North and South America, retired from the Board of Management on December 31, 2001, and Mr. Michael Diekmann has assumed his functions. We have expressed our thanks to Mr. Hansmeyer for his many years of successful service. Dr. Werner Zedelius was appointed to the Board of Management with effect January 1, 2002, and is now responsible for Growth Markets.

The Supervisory Board would like to take this opportunity to express its gratitude to all the employees of the individual Group companies for their efforts and motivation. The continued success of the Allianz Group is attributable to a large extent to their commitment.

Munich, April 17, 2002
For the Supervisory Board

Dr. Klaus Liesen
Chairman

SUPERVISORY BOARD

Dr. Klaus Liesen
Chairman of the Supervisory Board
Ruhrgas AG,
Chairman

Frank Ley
Employee,
Allianz Lebensversicherungs-AG,
Deputy Chairman

Dr. Alfons Titzrath
Member of the Supervisory Board
Dresdner Bank AG,
Deputy Chairman
until June 12, 2002

Dr. Karl-Hermann Baumann
Chairman of the Supervisory Board
Siemens AG
until September 30, 2001

Norbert Blix
Employee,
Allianz Versicherungs-AG

Dr. Diethart Breipohl
Former member of the Board
of Management
Allianz Aktiengesellschaft

Klaus Carlin
Consultant/Trainer
until July 11, 2001

Bertrand Collomb
Président Directeur Général
Lafarge

Dr. Gerhard Cromme
Chairman of the Supervisory Board
ThyssenKrupp AG
since October 18, 2001

Jürgen Dormann
Chairman of the Board of Management
Aventis S. A.

Hinrich Feddersen
Member of the Federal Steering
Committee
ver.di – Vereinte Dienstleistungs-
gewerkschaft
since August 20, 2001

Peter Haimerl
Employee,
Dresdner Bank AG
since September 6, 2001

Professor Dr. Rudolf Hickel
University Professor

Reiner Lembke
Employee,
Allianz Versicherungs-AG
until September 1, 2001

Horst Meyer
Employee,
Hermes Kreditversicherungs-AG
since July 12, 2001

Karl Miller
Employee,
Frankfurter Versicherungs-AG
until July 11, 2001

Uwe Plucinski
Employee,
Dresdner Bank AG
since August 20, 2001

Reinhold Pohl
Janitor,
Allianz Immobilien GmbH

Gerhard Renner
Member of the Board of Management
Deutsche Angestellten-Wohnungs-
bau-AG (DAWAG)
until July 11, 2001

Roswitha Schiemann
Branch Manager,
Allianz Versicherungs-AG

Dr. Albrecht Schmidt
Spokesman of the Board
of Management
Bayerische Hypo- und Vereinsbank AG
until June 12, 2002

Dr. Manfred Schneider
Chairman of the Board of Management
Bayer AG

Dr. Hermann Scholl
Managing Director
Robert Bosch GmbH

Jürgen E. Schrempp
Chairman of the Board of Management
DaimlerChrysler AG

Jörg Thau
Employee,
Vereinte Krankenversicherung AG

BOARD OF MANAGEMENT

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

Dr. Paul Achleitner
Group Finance

Detlev Bremkamp
Europe I

Michael Diekmann
Americas, Group Human Resources

Dr. Joachim Faber
Allianz Dresdner Asset Management

Dr. Bernd Fahrholz
Allianz Dresdner Financial Services
since July 20, 2001

Leonhard H. Fischer
Dresdner Corporates & Markets
since July 20, 2001

Dr. Reiner Hagemann
Europe II
Director responsible for
Labor Relations

Herbert Hansmeyer
until December 31, 2001

Dr. Horst Müller
Group Financial Risk Management
since July 20, 2001

Dr. Helmut Perlet
Group Controlling, Accounting,
Taxes, Compliance

Dr. Gerhard Rupprecht
Group Information Technology

Dr. Werner Zedelius
Growth Markets
since January 1, 2002

REINSURANCE

In addition to acting as the Group's management holding, Allianz AG also operates as a reinsurer. Most of its premium income derives from Allianz subsidiaries and affiliates.

Gross premium income in fiscal 2001 fell by 5.8 percent to 5.7 (6.0) billion euros. Net premium income decreased by 11.0 percent to 3.5 (4.0) billion euros.

This reduction of premium income was primarily due to a change in accounting policy in the preceding year. Previously, reinsurance business assumed was reported in arrears in a number of segments and regions. In fiscal 2000, these items were recognized in the current year for the first time. This non-recurring effect produced additional (gross) income of 451 million euros in 2000 and distorts comparisons of 2001 figures with those of the previous year in all reinsurance lines. Therefore, we make no further reference to this effect in our comments on the respective premium and earnings developments.

Disregarding this special effect, premiums grew by 1.8 percent in fiscal 2001. This increase was due to two opposite trends:

- on the one hand, the Allianz Property and Casualty Group Germany increased its retention, which reduced the overall volume of business for which it contracted reinsurance. This had an effect on all reinsurance lines, with the exception of credit reinsurance. On the whole, premium income of Allianz AG fell by approximately 204 million euros.

- on the other hand, premium income from reinsurance of other Group companies registered such strong growth that premium losses in Germany were clearly compensated. This increase was produced by a higher share of reinsured business and better contractual conditions.

The proportion of total premium income contributed by companies outside Germany expanded to 26.1 (23.9) percent.

Before allocations to the claims equalization reserve, the underwriting result deteriorated substantially to – 737.6 (– 203.8) million euros. This negative result was primarily due to the financial impact of the terrorists attacks on New York and Washington. These attacks alone accounted for 497 million euros. Hardest hit by the losses were the insurance lines fire reinsurance and other property and casualty reinsurance. In accordance with the indications provided by American primary insurers, business interruption losses were also systematically allocated to these lines.

The claims ratio for own account (excluding redemptions and premium refunds) rose to 87.4 (72.0) percent.

The expense ratio was 27.3 (26.2) percent. It is primarily determined by reinsurance commissions.

The extraordinarily high loss expenses increased withdrawals from the claims equalization reserve to 93.0 (2.9) million euros. The underwriting result after allocations to the claims equalization reserve was – 644.6 (– 200.9) million euros.

Gross premiums written and results by insurance line in 2001

	Gross premiums written		Net underwriting result	
	2001 € mn	Change in %	2001 € mn	Change € mn
Automobile	1,310.7	– 6.6	– 97.6	3.7
Fire	747.2	3.1	– 455.2	– 424.6
Liability	534.6	– 4.7	– 26.9	14.6
Personal accident	418.0	– 11.2	46.6	31.9
Engineering	318.3	– 5.6	– 22.6	14.8
Homeowners	135.2	– 8.2	5.0	– 3.8
Household effects	96.5	– 12.5	6.4	– 4.4
Business interruption	58.5	– 7.6	– 11.7	– 8.5
Marine	182.6	3.8	– 13.5	– 4.0
Legal expenses	131.6	– 13.9	– 6.4	– 8.6
Life	891.7	– 7.9	33.0	9.5
Health	166.0	6.9	– 13.0	– 14.3
Other	698.9	– 9.2	– 88.7	– 50.0
Total	5,689.8	– 5.8	– 644.6	– 443.7

“Other” reinsurance lines include:

- emergency assistance,
- burglary, theft and robbery,
- omnium (comprehensive cover for goods during the manufacturing process),
- extended coverage,
- glass,
- hail,
- credit and bond,
- water damage,
- aviation,
- aircraft and spacecraft liability,
- storm,
- animal (livestock),
- other property and casualty business.

The following report provides an overview of the specific developments affecting the various reinsurance lines.

Premium income from **automobile reinsurance** fell to 1,311 (1,403) million euros. This was mainly due to the special effect described above. The increase in premiums deriving from the Central and Eastern European markets continued its rise. The underwriting result (before allocation to the claims equalization reserve) improved significantly. The most important reason for this is the adjustment of rates to loss expenses, which our German business partners were able to obtain. After statutory allocation of 20.2 million euros to the claims equalization reserve (after a withdrawal of 6.6 million euros in the previous year), a loss of 97.6 (101.3) million euros was reported.

Premium income from **fire reinsurance** increased by 3.1 percent to 747.2 million euros. This growth was primarily produced by Great Britain, Spain, the NAFTA region and the Asia-Pacific region. In addition, fire reinsurance benefited from the fact that primary insurers adjusted their rates to loss expenses. This has a direct effect on proportional reinsurance. More than any other reinsurance line, fire reinsurance was affected by the attack on the World Trade Center. After allocation to the claims equalization reserve, it reported a loss of 455.2 (30.6) million euros.

Premium income from **liability reinsurance** decreased to 534.6 (560.8) million euros. After allocation to the claims equalization reserve, the underwriting result improved to – 26.9 (– 41.5) million euros. Major losses prevented this reinsurance line from returning to profitability in fiscal 2001.

Premium income from **personal accident reinsurance** fell to 418.0 (470.5) million euros. 18.7 million euros had to be withdrawn from the claims equalization reserve (in the previous year, it was increased by 29.5 million euros). After allocation to the claims equalization reserve, this reinsurance line reported a clearly improved result. Earnings increased to 46.6 (14.7) million euros.

In **reinsurance of engineering business,** premium income fell to 318.3 (337.3) million euros. Disregarding the special accounting effect cited above, premium income would have shown a slight increase. The underwriting result after allocation to the claims equalization reserve improved considerably. Although 19.1 (3.2) million euros had to be allocated to the claims equalization reserve, the loss could be reduced to 22.6 (37.4) million euros.

Premium income from **homeowners' reinsurance** and **household effects reinsurance** amounted to 231.7 (257.6) million euros. Earnings after allocation to the claims equalization reserve amounted to 11.4 (19.6) million euros.

In **business interruption reinsurance,** premium income fell to 58.5 (63.3) million euros. The reported loss increased substantially to 11.7 (3.2) million euros.

Revenue in **marine reinsurance** climbed to 182.6 (175.9) million euros. The increase in premium income originated primarily from Germany. After allocation of 7.1 (0.5) million euros to the claims equalization reserve, marine reinsurance reported a loss of 13.5 million euros, substantially higher than the loss of 9.5 million euros in the preceding year.

The accounting changes also reduced premium income from **legal expenses reinsurance**. Total premiums came to 131.6 (152.8) million euros. After allocation to the claims equalization reserve, a loss of 6.4 million euros was reported, following earnings of 2.2 million euros in the preceding year.

Premium income from **life reinsurance** dropped to 891.7 (968.3) million euros. There were three reasons for this decline: in Mexico, the primary insurer changed the reinsurance program from proportional coverage to excess coverage, which reduced our revenue. In addition, a reinsurance contract in the U.S. was terminated. And finally, certain German pension rates were no longer reinsured. Earnings increased to 33.0 (23.5) million euros.

In **health reinsurance**, revenue increased to 166.0 (155.3) million euros. This growth was primarily generated by the expansion of the business activities of Allianz AG Reinsurance Branch in Singapore. After allocation to the claims equalization reserve, this reinsurance line reported a loss of 13.0 million euros, compared to earnings of 1.3 million euros in the previous year. This downturn was caused by unusually high loss expenses in the U.S. health insurance business.

Premium income of **other reinsurance lines** fell to 698.8 (770.0) million euros. With 133.2 million euros, extended coverage contributed the biggest share of revenue, followed by credit reinsurance with 120.6 million euros. Other property and casualty reinsurance generated premiums in the amount of 369.0 million euros. The underwriting loss (after allocation to the claims equalization reserve) was considerably higher than in the preceding year. It amounted to 88.7 (38.7) million euros, although 78.4 million euros had to be withdrawn from the claims equalization reserve (in the preceding year, it was increased by 11.2 million euros). This loss resulted from the substantially lower premium income in credit reinsurance and the negative result of other property and casualty reinsurance, which was strongly impacted by the attack on the World Trade Center.

INVESTMENTS

The **book value of the investments** of Allianz AG increased by 51.6 percent to 60.5 (39.9) billion euros.

Real estate accounted for 274 (369) million euros in the year under review.

The net book value of **investments in affiliated and associated companies** increased by 17.0 billion euros to 45.0 billion euros.

The most important transactions were the following:

- In connection with the takeover offer to the shareholders of Dresdner Bank, we acquired Dresdner Bank shares with a total value of 13.6 billion euros.
- We acquired 100% of the U.S. fund management company Nicholas Applegate.
- We submitted a compensation offer to the minority shareholders of Berner Versicherungs AG and now fully own this company.
- We increased the share capital of a number of subsidiaries in Australia, Great Britain and Asia, among others.

Other investments rose to 5.4 (2.2) billion euros, primarily due to higher bank deposits of 2.1 (0.0) billion euros. Our holdings of stocks and investment certificates amounted to 2.1 (1.2) billion euros. Our fixed-interest securities portfolio grew considerably less, from 0.9 to 1.2 billion euros.

The market value of real estate holdings, dividend-bearing securities (investments in affiliated and associated companies, stocks and investment certificates) and bearer bonds rose by 16.3 percent to 84.9 (73.0) billion euros as of December 31, 2000. This increase was primarily to the acquisition of Dresdner Bank. The corresponding balance sheet value was 44.9 (28.1) billion euros. Falling stock market prices caused the valuation reserves of these investment items to drop by 4.9 billion euros.

Funds held by others under reinsurance business assumed increased to 9.8 (9.3) billion euros.

Realized investment gains increased significantly by 651.0 to 3,674.2 million euros. This was primarily due to two reasons:

- Income from equity holdings increased by 172.5 million euros to 857.0 million euros, which was in part attributable to the distribution of retained earnings from investment holdings.

- In addition, gains on sales of equity investments rose substantially to 1,228.9 (931.2) million euros. This increase was primarily due to the restructuring of equity investment companies in the Netherlands and in Germany.

- Income from other investments rose by 102.5 to 1,071.2 million euros.

Realized investment losses fell to 27.2 (96.0) million euros.

Depreciation and write-downs amounted to 159.4 (344.7) million euros. This amount included:

- 124.3 million euros on real estate (including 117.4 million euros in accordance with German income tax law - § 6b EStG)

- 31.0 million euros on Allianz Bauspar AG.

Since 1999, the restatement of the original value of investments is required by law. In the year under review, this regulation necessitated write-ups for securities amounting to 30.4 (4.0) million euros.

Overall **net income from investments** rose to 2,175.0 (1,807.9) million euros. This amount is the net result after deduction of:

- investment management expenses amounting to 210.5 (165.4) million euros,

- interest expenses amounting to 847.8 (542.9) million euros as well as

- loss transfers in the amount of 219.2 (0.0) million euros. The biggest loss transfers originated from Allianz Finanzbeteiligungs GmbH (81.5 million euros), Allianz Globus MAT Versicherungs-AG (68.6 million euros) and ADVANCE Holding AG (65.1 million euros).

Of the net income, 563.8 (577.5) million euros were credited to the underwriting account as allocated interest return.

TOTAL EARNINGS

Non-underwriting activities produced total earnings of 1,071.0 (939.6) million euros. Added to the underwriting loss of 644.6 (200.9) million euros, earnings before taxes came to 426.4 (738.7) million euros. Tax income of 119.1 (126.5) million euros was received during fiscal 2001.

Net income for the year amounted to 545.5 (865.2) million euros. Of this amount, 136.5 million euros were transferred to the reserve for other appropriated retained earnings, leaving 410.0 million euros in unappropriated net income. This figure includes earnings of 1.0 million euros carried forward from the previous year. At the Annual General Meeting to be held on June 12, 2002, shareholders will be asked to approve an additional appropriation of 48.2 (64.1) million euros from net income to retained earnings. The dividend to be paid on each share qualifying for dividends is to remain unchanged at 1.50 euros.

RISK REPORT

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 on equity and risk criteria. These objectives are implemented by the Allianz Group Center and 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 a cumulus of global risks which can considerably increase potential risk exposure. As a result, central controls are essential.

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 it has developed are adhered to and remain transparent. Risk management activities are supervised by both internal and independent auditors.

Risk Categories

The total risk exposure of the Allianz Group can be subdivided into individual risk categories:

Actuarial risks These risks are evaluated by using techniques developed by 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 the area of **property and casualty insurance,** actuarial risks arise when:

- 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 the area of **life insurance,** actuarial risks arise because we are committed to making guaranteed long-term payments in return for 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 that a counterparty, an issuer or another contracting party is incapable or unwilling to meet contractual obligations. If the creditworthiness of a business partner deteriorates, the concomitant danger is part of the **credit** and **counterparty risks.** These risks also include **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 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. Volatility is another factor, and is encountered, for example, in listed securities.

In the banking area, the volatility risk primarily 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 to some extent funded by short-term deposits. In addition, loans and deposits in foreign currencies are exposed to **currency 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 at lower 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-oriented 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. We also use the risk capital models of Standard & Poor's rating agency. When measuring and analyzing risks, we distinguish between the various risk-relevant factors in a given situation. This enables us to appraise specific risks exist at various levels:

- at that of the Group as a whole and
- at that of our operational units and their business activities.

We back our risk capital calculations with a certain level of statistical security to validate their reliability and permit comparison. The security level of our internal models is sufficiently high to ensure that Group controlling meets Standard & Poor's requirements to obtain an AAA rating for the Allianz Group.

In the insurance area, 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, which in the area of property and casualty insurance include the premium and reserve risks for each insurance line. Reinsurance plays a very important role here. 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. Credit and counterparty risks are assessed on the basis of the debtor's creditworthiness or rating class.

- Credit and counterparty risks in connection with receivables in the insurance business. These risks are primarily evaluated on the basis of the financial strength or rating class of our reinsurance partners.

Following the Dresdner Bank takeover, it was agreed that our Group Risk Controlling Center and Dresdner Bank's Corporate Risk Controlling Center would closely cooperate with one another. The Dresdner Bank's Risk Controlling Center is the competence center that sets risk standards and evaluates banking risks within the Allianz Group. Accordingly it lends its support to the Allianz Group Center.

Risk controlling in the insurance business

To control risks in the insurance business, we focus 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, we issue guidelines for concluding insurance contracts and assuming insurance risks. In the case of life insurance, we essentially concentrate on biometric risks – e.g., life expectancy, disability, illness and long-term care requirements. We also focus on risks that could arise from future policy cancellations.

Risk management also includes participation in scientific and technical loss prevention. We regularly carry out studies of the manufacturing and car industries, for example. The sole 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 are far more extensive when, for example, entire regions are devastated. We make use of 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 We have to 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. We also limit risks by constantly monitoring the development of these provisions and use the information we obtain 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.

Credit and counterparty risks To limit its liability, the Group cedes part of the risks it assumes to the international reinsurance market when necessary. When selecting our reinsurance partners, we consider only companies that offer excellent security. Our 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 our ability to meet the payment commitments we make in our insurance contracts. The tight link between insurance obligations and investment of the capital tied to these obligations is investigated by using specific models. This also enables us to manage risks arising from interest guarantees provided to our customers.

We monitor market risks by means of sensitivity analyses and stress testing. Exchange rate fluctuations represent a risk that can essentially be disregarded because our insurance commitments are to a very large extent backed by funds in the same currency.

We limit credit risks by making exacting demands on the financial soundness of our debtors and by spreading the risk. We coordinate our exposure with every single debtor in all different investment categories and use limit lists to monitor exposure.

We selectively use derivative financial instruments such as swaps, options and futures to hedge against changes in prices or interest rates. Group companies are end-users of derivatives and are not involving in trading these instruments. Our internal investment and monitoring rules are considerably 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 gross 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.

We limit liquidity risks by reconciling our investment portfolio with our insurance commitments. In addition, we plan our current cash flow.

Asset structure and diversification are other elements in our management of investment risk.

Organizational risk controlling In terms of organization, we limit our investment risks through a clear separation of management and controlling functions. Within the Group, risk management is implemented in cooperation with the local units through the use of a top-down bottom-up process. The Allianz Finance Committee, which is made up of members of the Allianz Board of Management, delegates far-reaching 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 controlling in the banking business

In this business segment, different types of risks are controlled separately. These include primarily credit and counterparty risks, counterparty risks from trading activities, country risks, market risks, interest rate risks, currency risks and liquidity risks.

Credit and counterparty risks When granting credits in the banking business, we pay particular attention to counterparty risks. The bank controls these risks through guidelines and credit risk committees. The ratings of our customers and their credit management system 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.

The results of these ratings are reflected in rates applied in the case of new business. This ensures that when we formulate the conditions for contracts, the probability of a loss due to default on the part of the counterparty and the interest on the capital we have to set aside for such potential losses can be taken into account.

Counterparty risks from trading activities We limit these risks through very conservative selection of our trading partners and deal only with counterparties with top-quality credit ratings.

Potential risks in the **lending business** are contained by limit systems and closely monitored on a day-to-day basis.

Country risks We control 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.

Market risks At the global level, Dresdner Bank controls the risks of its trading units by using the value-at-risk method. Value-at-risk is defined as the potential loss which may occur during a specific period of time and with a given confidence level. This statistical valuation tool can be applied to a range of different financial instruments such as stocks, foreign exchange instruments or interest rate instruments.

Trading is controlled by using market risk limits. Current limit utilization is determined and monitored on a daily basis. Limit breaches are immediately corrected.

Limits are periodically revised and adapted to take into account changes in business structures, market situations or risk profiles. To make sure that the data used meet the required quality and consistency criteria, they are subjected to stringent controls.

Currency risks Dresdner Bank limits these risks in the non-trading portfolio by applying a principle that involves refinancing or reinvesting all loans and deposits in foreign currencies in the same currency with matching maturities.

Liquidity risks A guideline applying to the entire Dresdner Bank Group governs liquidity management. This guideline establishes basic principles as well as emergency procedures. In addition to satisfying legal requirements, it sets an even stricter internal standard, which provides for liquidity risk limits and other control tools.

Organizational risk controlling At the organizational level, risk 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 Board of Management.

Risk control in asset management

Risk control in the area of asset management is an integral part of the processes of the local units or the investment platform. The Corporate Center ensures that Group-wide standards for asset management are applied at the local level. The individual asset management companies have the possibility of assessing the portfolio risks of the customer assets they manage at all times by using analytical tools specifically adapted to the risk profile of the instruments concerned. At the same time, the performance of the various product lines is periodically monitored and analyzed at Group level.

Operational risks

Operational risks are risks that arise in connection with the internal processes of an organization. These may result from inadequacies or faults in business processes, projects or controls, technical problems or employees, operational structures or external influences. We intend 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 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 network against external interference along with complex 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 result from contractual agreements or the overall legal situation. 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 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.

Outlook

We are continually enhancing our risk control models at the Group level and across all risk categories by systematically evaluating our internal data. Two years ago, we launched a comprehensive project to expand the scope of internal risk analysis in the insurance business. In the course of 2002, this project will be concluded by a period of thorough testing. Upon implementation of the new procedures, risk control will have an ever broader base within the Group. In addition, we continue to expand our aggregate risk control and limit systems while at the same time extending them to our banking activities. In the context of this process, we are systematically evaluating the experience of our various Group companies in the aftermath of the events of September 11, 2001.

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 international level. Rating agencies determine the relationship between a company's risk exposure and the precautions it has taken. The internationally respected rating agencies Standard & Poor's and A. M. Best have given the Allianz Group the ratings AA+ and A++ respectively.

OUTLOOK

As the Group's reinsurer, Allianz AG participates in the premium income and earnings performance of the Group's subsidiaries and affiliates. Gross premium income is likely to be lower in 2002. This is primarily due to the fact that a part of the international industrial reinsurance business, which was previously reinsured by Allianz AG, is covered centrally by Allianz Global Risks Rückversicherungs-AG since January 2002. The latter is a newly founded subsidiary of Allianz AG. However, we have increased the retention of Allianz AG. As a result, net premium income (after reinsurance) will not drop at the same rate as when stated as gross income.

For fiscal 2002, we expect a considerable improvement of our underwriting result. This applies especially to proportional reinsurance. The higher earnings expectations of the primary insurers, strengthened by rate adjustments in our reinsurance contracts, will be directly reflected in our bottom line. We were also able to negotiate better conditions for non-proportional reinsurance contracts. These adjustments will increase our earnings.

In the current year, realized gains from investments will be substantially higher than in 2001. This is due in part to a number of transactions previously, including the forward sale of shares of Münchener Rückversicherungs-Gesellschaft AG as well as the Group-internal sale of Hermes Kreditversicherungs-AG to EULER S. A.

These realized gains, net investment income at the same level as in the year under review and a higher underwriting result lead us to predict that net income for fiscal 2002 will be substantially higher than in the preceding year. This projection is subject to the condition that net income will not be adversely affected by extraordinary major-claim losses, natural disasters and turmoil in the capital markets.

Events after the balance sheet date

Monachia Grundstücks-AG On January 15, 2002, Allianz AG sold 46.2 percent of the share capital of Monachia Grundstücks-AG, Munich, to Bayerische Städte- und Wohnungsbau GmbH at a price of 187 million euros.

On February 28, 2002, Arber Baubetreuungs-GmbH exercised its call option and acquired 2.5 percent of the share capital of Monachia from Allianz AG at a price of 10 million euros.

Restructuring of other participations In connection with a public takeover offer by Munich Re to the shareholders of ERGO, Allianz Group has agreed to the forward sale of 6.3 percent of the shares of Munich Re. In turn, Munich Re, in connection with the public takeover offer of Allianz to the shareholders of Dresdner Bank, has agreed to the forward sale of 3.7 percent of the shares of Allianz. In addition, Munich Re and Allianz agreed that Allianz will sell its 13.5 percent stake in HypoVereinsbank AG to Munich Re in 2002. These transactions were completed on January 15, 2002.

Under the terms of an agreement between Allianz and Munich Re of April 2001, Allianz acquired Munich Re's 40.6 percent stake in Allianz Lebensversicherungs-AG on January 15, 2002.

On July 1, 2002, Allianz will acquire the 45.0 percent interest of Munich Re in Bayerischen Versicherungsbank and its 50,0 percent stake in Frankfurter Versicherung. In return, Munich Re will acquire Allianz Group's 36.1 percent stake in Karlsruher Lebensversicherung.

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) interest rate levels, (vii) currency exchange rates including the Euro – U.S. dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and / or foreign governments, (xi) the impact of acquisitions (e.g., Dresdner Bank), including related integration issues, and (xii) 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 the events on, and following, September 11th.

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

RECOMMENDATION FOR APPROPRIATION OF PROFIT

The Board of Management and the Supervisory Board propose that the available unappropriated earnings of 410,000,000 euros be appropriated as follows:

- Distribution of a dividend of 1.50 euros per eligible share
- Allocation of 48,215,697.50 euros to other appropriated retained earnings.

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 § 71b 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, March 25, 2002
Allianz Aktiengesellschaft

The Board of Management

Dr. Schulte-Noelle	Dr. Fahrholz
Dr. Achleitner	Bremkamp
Diekmann	Dr. Faber
Fischer	Dr. Hagemann
Dr. Müller	Dr. Perlet
Dr. Rupprecht	Dr. Zedelius

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on the headline or the page number.

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Balance Sheet as of December 31

ASSETS	➤➤ Note	2001 € thou	2001 € thou	2000 € thou
A. Intangible assets	1		981	89
B. Investments	1 - 4			
I. Real estate		273,514		369,277
II. Investments in affiliated and associated enterprises		45,032,471		28,015,205
III. Other investments		5,364,495		2,179,915
IV. Funds held by others under reinsurance business assumed		9,818,259		9,348,248
			60,488,739	39,912,645
C. Receivables				
I. Accounts receivable on reinsurance business		967,523		654,766
including				
from affiliated enterprises: 386,524 (194,330) € thou				
from other enterprises in which long-term equity investments are held: 379,931 (327,219) € thou				
II. Other receivables		2,437,590		1,880,019
including				
from affiliated enterprises: 571,452 (922,471) € thou				
from other enterprises in which long-term equity investments are held: 1,303 (654) € thou				
			3,405,113	2,534,785
D. Other assets				
I. Tangible fixed assets and inventories		1,140		1,087
II. Cash with banks, checks and cash on hand		83,948		60,781
III. Own shares		209,103		–
mathematical 2,012 € thou				
IV. Miscellaneous assets	5	114,785		47,801
			408,976	109,669
E. Prepaid expenses	6			
I. Accrued interest and rents		36,509		25,367
II. Other prepaid expenses		419,270		194,164
			455,779	219,531
Total assets			64,759,588	42,776,719

EQUITY AND LIABILITIES

	Note	2001 € thou	2001 € thou	2001 € thou	2000 € thou
A. Shareholders' equity	7				
I. Capital stock			682,056		629,120
II. Additional paid-in capital			14,086,998		7,365,326
III. Appropriated retained earnings					
1. required by law		1,229			1,229
2. for own shares		209,103			–
3. other		2,945,609			2,954,143
			3,155,941		2,955,372
IV. Unappropriated retained earnings			410,000		432,725
				18,334,995	11,382,543
B. Participation certificates	8			449,519	449,519
C. Special untaxed reserve	9			89,770	207,566
D. Insurance reserves					
I. Unearned premiums					
1. Gross		961,641			909,801
2. less: amounts ceded		354,727			323,906
			606,914		585,895
II. Aggregate reserve					
1. Gross		9,232,728			8,832,110
2. less: amounts ceded		1,080,110			1,028,879
			8,152,618		7,803,231
III. Reserve for loss and loss adjustment expenses					
1. Gross		7,981,514			6,503,552
2. less: amounts ceded		3,491,873			2,683,303
			4,489,641		3,820,249
IV. Reserve for non-experience-rated premium refunds					
1. Gross		121,283			123,402
2. less: amounts ceded		57,455			54,914
			63,828		68,488
V. Claims equalization and similar reserves			511,495		604,530
VI. Other insurance reserves					
1. Gross		253,006			237,906
2. less: amounts ceded		25,252			23,343
			227,754		214,563
				14,052,250	13,096,956

	Note	2001 € thou	2001 € thou	2001 € thou	2000 € thou
E. Other accrued liabilities	10			2,932,591	2,764,910
F. Funds held under reinsurance business ceded				1,288,025	1,165,436
G. Other liabilities	11				
I. Accounts payable on reinsurance business			666,591		551,210
including					
to affiliated enterprises: 544,905 (457,585) € thou					
to other enterprises in which long-term equity investments are held: 18,294 (5,017) € thou					
II. Liabilities to banks			3,079,220		0
III. Miscellaneous liabilities			23,866,605		13,158,562
including taxes of: 19,614 (1,956) € thou					
including 20,956,470 (12,266,504) € thou due to affiliated enterprises					
including 44,098 (115,512) € thou due to other enterprises in which long-term equity investments are held					
				27,612,416	13,709,772
H. Deferred income				21	17
Total equity and liabilities				64,759,588	42,776,719

Income Statement for the Year Ended December 31

	Note	2001 € thou	2001 € thou	2001 € thou	2000 € thou
I. Underwriting account					
1. Premiums earned – net					
a) Gross premiums written	12	5,689,769			6,039,543
b) Premiums ceded		– 2,169,349			– 2,082,035
			3,520,420		3,957,508
c) Change in unearned premiums – gross		– 47,742			– 77,405
d) Change in unearned premiums ceded		29,414			27,480
			– 18,328		– 49,925
				3,502,092	3,907,583
2. Allocated interest return – net	13			501,654	511,499
3. Other underwriting income – net				25,357	17,607
4. Loss and loss adjustment expenses – net					
a) Claims paid:					
aa) Gross		– 4,163,062			– 4,166,124
bb) Amounts ceded in reinsurance		1,553,642			1,563,794
			– 2,609,420		– 2,602,330
b) Change in reserve for loss and loss adjustment expenses					
aa) Gross		– 1,438,462			– 516,322
bb) Amounts ceded in reinsurance		789,730			149,412
			– 648,732		– 366,910
				– 3,258,152	– 2,969,240
5. Change in other insurance reserves – net	14			– 278,381	– 347,157
6. Expenses for non-experience-rated premium refunds – net				– 29,348	– 36,888
7. Underwriting expenses – net	15			– 936,826	– 997,445
8. Other underwriting expenses – net				– 263,998	– 289,805
9. Subtotal				– 737,602	– 203,846
10. Change in claims equalization and similar reserves				93,035	2,970
11. Underwriting result – net				– 644,567	– 200,876

	Note	2001 € thou	2001 € thou	2001 € thou	2000 € thou
II. Non-underwriting account					
1. Investment income	16		3,674,159		3,023,181
2. Investment expenses	17-18		– 1,499,124		– 1,215,301
			2,175,035		1,807,880
3. Allocated interest return			– 563,758		– 577,499
				1,611,277	1,230,381
4. Other income	19		314,067		289,590
5. Other expenses	20		– 854,331		– 580,398
				– 540,264	– 290,808
6. Non-underwriting result				1,071,013	939,573
7. Earnings from ordinary activities before taxation				426,446	738,697
8. Income taxes	21	– 17,827			– 74,738
less amounts charged to other companies in the Group		138,619			203,253
			120,792		128,515
9. Other taxes		– 1,694			– 2,301
less amounts charged to other companies in the Group		–			314
			– 1,694		– 1,987
				119,098	126,528
10. Net income	22			545,544	865,225

LEGAL REGULATIONS

The financial statements and Management Report have been prepared in accordance with the regulations contained in the German Commercial Code (HGB), the Corporation Law (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

The above-mentioned regulations for the company as a reinsurance company not only address the special contents of the financial statements and Management Report but also the extended deadlines for their preparation. All amounts in the financial statements are stated in and rounded out to euro thousands (€ thou). The rate of exchange is DM 1.95583 for 1 €.

ACCOUNTING, VALUATION AND CALCULATION METHODS

Requirement to restate original values, revaluations and special untaxed reserve

The requirement to restate original values was applied for the first time in fiscal year 1999. This requirement involves amounts being written up on assets, which have been written down to a lower market value in previous years, if a higher market value is attributed to them on the balance sheet date. Assets were written up either to the amount of the amortized cost or to a lower market value or stock-market value. They were reported as income. 25.0 % of the special untaxed reserve formed in fiscal year 1999 from revaluations on assets was released according to schedule during the year under review, provided that the release did not have to be undertaken through asset disposals in full or by the written-down value if assets had to be written down to the lower market value.

Real estate (i.e. real property and equivalent rights and buildings including buildings on leased land)

is recorded at cost less accumulated depreciation. Depreciation has been calculated at the highest rates allowable for tax purposes using the straight-line or declining balance methods.

Investments in affiliated and associated enterprises and other long-term equity investments

are recorded at cost and written down to fair market value in accordance with the German Commercial Code (clause § 253(2) HGB).

Stocks, bearer bonds and other fixed and variable income securities, miscellaneous investments

are valued at whichever is lower, the acquisition cost or fair market value on the balance sheet date in accordance with the German Commercial Code (clause § 341b(2) in conjunction with clause § 253(1) and (3) HGB). An average cost has been established where securities of the same kind were purchased at different cost.

Investment fund units

are valued at the acquisition cost in accordance with the valid regulations for fixed assets as defined in the German Commercial Code (clause § 341 b (2) HGB). Assets are only written down if diminution in value is permanent.

Tangible and intangible fixed assets and inventories, miscellaneous assets

are recorded at cost less tax-allowable depreciation or amortization. Assets of low value are written off immediately in full.

Receivables

have been recorded at face value less repayments. They consist of the following:

- loans to affiliated enterprises,
- debentures and loans,
- bank deposits,
- funds held by others under reinsurance business assumed,
- accounts receivable on reinsurance business,
- other receivables,
- cash with banks, checks and cash on hand,
- accrued interest and rents.

Insurance reserves consist of the following:

- unearned premiums,
- aggregate policy reserve,
- reserve for loss and loss adjustment expenses,
- reserve for premium refunds (non-experience-rated),
- other insurance reserves.

These reserves were set up according to information provided by the ceding insurers, estimated to a certain extent.

The reinsurers' shares were calculated in accordance with the reinsurance contracts.

The claims equalization reserve, the reserve for nuclear plants and the product liability reserve for major pharmaceutical risks were calculated for the net retention portion according to clause § 341h of the German Commercial Code in conjunction with clauses § 29 and § 30 of the Government Order on the External Accounting Requirements of Insurance Enterprises.

Other accrued liabilities

The pension accruals are calculated actuarially based on the updated 1998 mortality tables of Prof. Dr. K. Heubeck. The full amount of the liability calculated in this way has been recorded in the financial statements. Miscellaneous accrued liabilities have been recorded as projected. The accrued liabilities for early retirement benefits, employee long-service awards and phased-in retirement have been calculated using actuarial principles.

Liabilities consist of:

- participation certificates,
- funds held under reinsurance business ceded,
- accounts payable on reinsurance business,
- liabilities to banks,
- other liabilities.

These liabilities are recorded at the amounts payable on maturity. Annuities are recorded at present value.

Deferred income

Premiums and discounts carried forward as prepaid expenses are spread over the remaining life of the related loans outstanding.

Foreign currency translation

Investments denominated in foreign currencies are stated at an amount based on the local currency and the exchange rate on the balance sheet date. The modified or strict lower of either cost or market principles is used. The other balance sheet items are valued in accordance with established principles for currency translation for open and – where applicable – closed positions.

SUPPLEMENTARY INFORMATION ON ASSETS

Changes under asset headings A., B.I. through B.III in fiscal year 2001

		Values stated 12/31/2000		Additions
		€ thou	%	€ thou
A.	**Intangible assets**			
	Other intangible assets	89		1,227
B.I.	**Real estate**	369,277	1.2	38,065
B.II.	**Investments in affiliated and associated enterprises**			
	1. Investments in affiliated enterprises	25,255,604	82.7	21,425,134
	2. Loans to affiliated enterprises	2,449,256	8.0	2,124,151
	3. Investments in other enterprises	310,345	1.0	1,679,090
	4. Loans to other enterprises in which long-term equity investments are held	–	–	253
	Subtotal B.II.	28,015,205	91.7	25,228,628
B.III.	**Other investments**			
	1. Stocks, investment fund units and other variable income securities	1,232,741	4.0	3,527,197
	2. Bearer bonds and other fixed-income securities	918,235	3.0	582,345
	3. Other loans			
	Debentures and loans	12,000	0.0	–
	4. Bank deposits	16,934	0.1	2,111,131
	5. Miscellaneous investments	5	0.0	–
	Subtotal B.III.	2,179,915	7.1	6,220,673
Subtotal B.I. through B.III.		30,564,397	100.0	31,487,366
Total		30,564,486		31,488,593

2 Market value of investments

The market value of real estate holdings, dividend-bearing stocks (investments in affiliated and associated enterprises, other shares and investment fund units) and bearer bonds as of December 31, 2001 amounted to € 84.9 bn. The corresponding balance sheet valuation of these investments was € 44.9 bn.

The values are subdivided into individual asset categories as follows:

	Book value 12/31/2001 € bn	Market value 12/31/2001 € bn	Valuation reserve 12/31/2001 € bn
Real estate	0.3	1.0	0.7
Dividend-bearing stocks	43.4	82.7	39.3
Bearer bonds	1.2	1.2	0.0
Total	44.9	84.9	40.0

Transfers € thou	Disposals € thou	Revaluation € thou	Depreciation € thou	Net Additions (+) Net Disposals (–) € thou	Values stated 12/31/2001 € thou	%
–	–	–	335	+ 892	981	
–	9,494	–	124,334	–95,763	273,514	0.5
215,892	6,103,104	–	31,000	+ 15,506,922	40,762,526	80.5
16,546	969,918	26,183	–	+ 1,196,962	3,646,218	7.2
– 2,888	1,362,817	–	3	+ 313,382	623,727	1.2
–	253	–	–	–	–	–
229,550	8,436,092	26,183	31,003	+ 17,017,266	45,032,471	88.9
– 213,004	2,489,299	648	0	+ 825,542	2,058,283	4.1
– 16,546	317,321	3,540	4,111	+ 247,907	1,166,142	2.3
–	–	–	–	–	12,000	0.0
–	–	–	–	+ 2,111,131	2,128,065	4.2
–	–	–	–	–	5	0.0
– 229,550	2,806,620	4,188	4,111	+ 3,184,580	5,364,495	10.6
–	11,252,206	30,371	159,448	+ 20,106,083	50,670,480	100.0
–	11,252,206	30,371	159,783	+ 20,106,975	50,671,461	

The following valuation methods have been used to arrive at market value:

Real estate
– Land and buildings as a rule at capitalized earnings value, new buildings at cost, in each case as at December 31, 2001.

Dividend-bearing stocks
– Quoted companies at the stock exchange price quoted on the last trading day of 2001. Non-quoted companies at their net worth calculated by the DVFA method or at acquisition cost.

Bearer bonds and other fixed income securities
– At the stock exchange value quoted on the last trading day of 2001.

3 Miscellaneous investments (Assets B.III.5.)

These consist entirely of holdings in private limited liability companies.

4 Disclosure of equity investments

The information required by the German Commercial Code (clause § 285 no. 11 HGB) is filed with the Commercial Register at the Municipal Court (Amtsgericht) in Munich.

5 Other assets (Assets D.IV.)

This heading consists primarily of options on own shares that are used to hedge risks of the Allianz Group under the Long-term Incentive Plan.

6 Other prepaid expenses (Assets E.II.)

This heading includes € 18,935 (23,105) thou in respect of repayment premiums on loans to affiliated enterprises and € 396,268 (167,467) thou in respect of debt discount on miscellaneous liabilities.

Collateral

Assets included in the balance sheet totaling € 1,612,704 (119,670) thou are subject to restricted usage through collateral.

Beyond the balance sheet date, assets with a balance sheet value of € 38,471 thou were loaned in the securities lending business and reported as under the heading stocks, investment fund units, and variable income securities.

SUPPLEMENTARY INFORMATION ON LIABILITIES

7 Shareholder's Equity (Liabilities A.I.)

In July 2001, the capital stock of the company was increased by € 51,129,187.84 to € 680,249,187.84 through the issue of 19,972,339 new registered no par value shares with a proportionate share in the capital stock of € 2.56 each for a non-cash consideration. DAD Transaktionsgesellschaft mbH, Frankfurt/Main was exclusively authorized to take up the new shares. The non-cash consideration was provided by the transfer of claims of DAD Transaktionsgesellschaft mbH totaling € 6,595,932,860.70 against Allianz Finanzbeteiligungs GmbH.

In September 2001, 705,661 shares with a notional principal amount of € 1,806,492.16 (0.3 %) as a proportion of the **issued capital** were issued at a price of € 253.20 each, enabling employees of Allianz Group enterprises in Germany and abroad to take up 361,235 employee shares at prices between € 177.24 and € 215.22. The remaining 344,426 shares with a notional principal amount of € 881,730.56 as a proportion of the issued capital were sold on the stock exchange at an average price of € 259.41.

In May 2001, the company acquired 786,100 of its own shares at an average price of € 314.48 on the stock market. These shares were written down to the lower market value on December 31, 2001, in order to reflect the performance of the stock-market price. At year-end the company held 786,100 treasury stock with a notional principal amount of € 2,012,416.00 (0.3 %) as a proportion of the issued capital. Dresdner Bank AG also held around 24.5 mn shares with a notional principal amount of € 62.6 mn (9.2 %) as a proportion of the issued capital. Allianz has had a majority shareholding in Dresdner Bank AG since July 2001.

The issued capital as of December 31, 2001, amounted to € 682,055,680.00, divided into 266,428,000 registered shares. The shares have no par value as such but have a mathematical value of € 2.56 each as a proportion of the issued capital.

Performance of issued shares

	Number
As of 1/1/2001	245,750,000
Additions	20,678,000
Treasury stock Allianz AG	– 786,100
Allianz AG shares with Dresdner Bank	– 24,452,365
As of 12/31/2001	241,189,535

At the end of the year under review, there was **authorized unissued capital** 2001/I with a notional principal amount of € 300,000,000.00 (117,187,500 shares), which can be issued at any time up to July 10, 2006. If shares are issued against a non-cash consideration, the pre-emptive rights of shareholders can be excluded. In the case of capital increases against a cash consideration, shareholders have to be granted a pre-emptive right. However, the pre-emptive rights of shareholders to use fractions can be excluded. If capital is increased against a cash consideration the pre-emptive rights of shareholders can also be excluded if the issue price is not significantly less than the stock-market price. Authorized unissued capital 2001/II can be used at any time up to July 10, 2006 to issue shares with a notional principal amount of € 8,193,507.84 (3,200,589 shares) against a cash contribution. Pre-emptive rights of shareholders are excluded, in order to issue the new shares to employees of Allianz AG and of other companies in the Group. Authorized unissued capital 1998 of € 2,556,459.41 (998,617 shares) is available for issue up to July 7, 2003 and can be used to protect the holders of conversion or subscription rights from dilution, in the event of future capital increases for cash by granting them a pre-emptive right to subscribe for new shares. To that extent the pre-emptive rights of shareholders are excluded.

The company had **conditionally authorized capital** 2001 amounting to €50,000,000.00 (19,531,250 shares) on which subscription or conversion rights, with pre-emptive rights for shares, can be issued up to July 10, 2006 provided the company's own shares are not used to service the issue.

The company has a cross-holding with Münchener Rückversicherungs-Gesellschaft AG in Munich. Allianz AG has a shareholding of 22.6% in Münchener Rückversicherungs-Gesellschaft AG and Munich Re in turn holds 23.0% in Allianz AG.

Additional paid-in capital (Liabilities A.II.)

	€ thou
12/31/2000	7,365,326
+ Transfer from capital increases 2001	6,721,672
12/31/2001	14,086,998

Appropriated retained earnings (Liabilities A.III.)

	12/31/2000 € thou	From unappropriated retained earnings 2000 € thou	From 2001 net income € thou	Transfer for own interests € thou	12/31/2001 € thou
1. Required by law	1,229	–	–	–	1,229
2. For own shares	–	–	–	209,103	209,103
3. Other	2,954,143	64,100	136,469	– 209,103	2,945,609
Total	2,955,372	64,100	136,469	–	3,155,941

8 Participation certificates (Liabilities B.)

The heading participation certificates shows the guaranteed total redemption price that Allianz AG has to pay if the holders of the certificates give notice on the total number of certificates issued amounting to 5,723,512. The portions of profit for the year under review that are attributable to participation certificates are reported under other liabilities.

Allianz AG issued a total of 5,559,983 participation certificates in the period from October 1986 to 1995. The last issue was made in March 1998 when a further 163,529 participation certificates were issued. There were no further issues of participation certificates in the years 1999, 2000 and 2001.

The terms and conditions for participation certificates provide for an annual distribution amounting to 240.0% of the dividend paid by the company in respect of one Allianz no-par-value share. In addition, under certain conditions, certificate holders are granted the right to subscribe to new participation certificates; the pre-emptive rights of shareholders are excluded. Participation certificates do not confer any voting rights, any rights to conversion into Allianz shares or any rights to liquidation proceeds to their holders. They are unsecured and of equal rank to other receivables of unsecured creditors.

Participation certificates are redeemable at the option of their holders every five years, and for the first time as of December 31, 2001, by giving 12 months notice. This right of redemption was exercised for 358 participation certificates. For this eventuality, the conditions guarantee a redemption price equal to the weighted average of the issue price of all the previous issues of participation certificates. The current redemption price per certificate is based on the last issue date of March 1998 and is equal to € 78.54.

The participation certificates are redeemable at the company's option as of the end of 2006 and notice of redemption may be served annually by giving a period of 6 months notice. In that case each participation certificate is redeemable at a redemption price equal to 122.9 % of the price of the Allianz share. Alternatively the company can offer to exchange 8 participation certificates for 10 Allianz shares. Allianz AG has consistently stated at Annual General Meetings that the company is not under any legal obligation in relation to notice and does not intend to serve notice on the participation certificates and redeem them in cash or by converting them into shares. There are currently no considerations being given to any change in this position. A lawsuit against Allianz AG regarding compensation for profit participation certificates based on the price of Allianz ordinary shares was rejected in a judgment handed down by the Munich district court (Landgericht) on July 5, 2001.

9 Special untaxed reserve (Liabilities C.)

	12/31/2000 € thou	Allocated/ Transferred € thou	Released € thou	12/31/2001 € thou
Reserve according to clause § 6 b EStG	134,300	14,592	112,061	36,831
Reserve according to clause § 52 (16) EStG	73,266	6,332	26,659	52,939
Total	207,566	20,924	138,720	89,770

10 Other accrued liabilities (Liabilities E.)

The pension obligations of the companies in Allianz Sachversicherungsgruppe Deutschland (Allianz's Property and Casualty Insurance Group in Germany) Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG, Vereinte Lebensversicherung AG, Vereinte Versicherung AG and Vereinte Rechtsschutzversicherung AG are accrued in the financial statements of Allianz AG because the company has assumed joint liability for the pension obligations and undertaken to fulfil them. In addition to **pension and similar reserves** of € 2,712,927 (2,555,997) thou and **accrued taxes** of € 173,694 (146,719) thou , the company has **miscellaneous accrued liabilities** of € 45,970 (62,194) thou, including € 10,607 thou for costs of the early retirement scheme and employee long-service awards, which are shared throughout the Group, and € 3,561 thou for contingencies.

11 Long-term and secured liabilities

Miscellaneous liabilities amounting to € 15,089,336 thou have a period to maturity of more than 5 years. € 2,178 thou of the miscellaneous liabilities are secured by mortgages, annuity charges and ship mortgages.

SUPPLEMENTARY INFORMATION TO THE INCOME STATEMENT

12 Gross premiums written (Income Statement I.1.a)

	2001 € thou	2000 € thou
Property and casualty insurance	4,798,112	5,071,193
Life insurance	891,657	968,350
Total	5,689,769	6,039,543

13 Allocated interest return – net (Income Statement I.1.2.)

The amount of investment income transferred under this heading from the non-underwriting section to the underwriting section of the income statement is calculated in accordance with clause § 38 RechVersV (the Government Order on the External Accounting Requirements of Insurance Enterprises).

14 Change in other insurance reserves – net (Income Statement I.1.5.)

This heading comprises € 263,321 (323,263) thou added to the net aggregate reserve and € 15,060 (23,894) thou added to miscellaneous net insurance reserves.

15 Underwriting expenses – net (Income Statement I.1.7.)

Gross underwriting expenses of € 1,553,249 (1,582,513) thou are shown net of commissions and profit-sharing on reinsurance ceded amounting to € 616,423 (585,068) thou.

16 Investment income (Income Statement II.1.)

	2001 € thou	2001 € thou	2000 € thou
a. Income from long-term equity investments including from affiliated enterprises: € 662,934 (661,493) thou		857,042	684,476
b. Income from other investments including from affiliated enterprises: € 650,677 (565,972) thou			
aa. Income from real estate	64,076		57,894
bb. Income from other investments	1,071,245		968,701
		1,135,321	1,026,595
c. Income from revaluations		30,371	4,005
d. Realized investment gains		1,228,893	931,208
e. Income from profit pooling and profit transfer agreements		283,812	303,249
f. Income from the release of special untaxed reserve		138,720	73,648
Total		3,674,159	3,023,181

17 Investment expenses (Income Statement II.2.)

	2001 € thou	2000 € thou
a. Investment management, interest charges and other investment expenses	1,078,715	744,931
b. Depreciation and write-downs on investments	159,448	344,667
c. Realized investment losses	27,201	96,028
d. Expenses for losses assumed	219,168	–
e. Allocation to special untaxed reserve	14,592	29,675
Total	1,499,124	1,215,301

18 Depreciation and write-downs on investments

Write-downs under this heading include an extraordinary charge of € 31,000 thou in accordance with the German Commercial Code (clause § 253 (2), sentence 3, HGB). Real estate has been written down by € 117,397 thou in accordance with the German Income Tax Law (clause § 6b EStG).

19 Other income (Income Statement II.4.)

The most important items under this heading are € 229,572 thou refunded by domestic Group companies in respect of pension costs for their employees accrued in the financial statements of Allianz AG, and foreign currency gains of € 11,818 thou.

20 Other expenses (Income Statement II.5.)

This heading comprises mainly pension costs for the employees of domestic Group companies € 229,572 thou, interest and similar expenses € 206,280 thou, amounts added to non-underwriting reserves € 14,144 thou and foreign currency losses € 200,070 thou.

21 Taxes (Income Statement II.8. and II.9.)

The company has elected not to carry forward any deferred tax on the assets side of the balance sheet, as allowed under the German Commercial Code (clause § 274(2) HGB). For calculating deferred taxation the company has netted future tax benefits against future tax liabilities.

Since the company files a consolidated tax return with most of its German subsidiaries, Allianz AG is liable for a material portion of the taxes attributable to the Sachversicherungsgruppe Deutschland.

22 Net income (Income Statement GuV II.10.)

	2001 € thou	2000 € thou
Net income	545,544	865,225
Earnings carried forward from previous year	926	–
Transfer to appropriated retained earnings:		
Other appropriated retained earnings	136,470	432,500
Unappropriated retained earnings	410,000	432,725

MISCELLANEOUS

Contingent liabilities and other financial commitments

As of December 31, 2001, the company had contingent liabilities under guarantees amounting to € 7 561 thou, matched by rights of relief for the same amount.

Guarantee declarations have been given for

- the bonds issued in 1996 for € 767 mn by Allianz Finance B.V., Amsterdam,
- the bonds issued in 1997 and increased in 2000 for € 1.1 bn by Allianz Finance B.V., Amsterdam,
- the debenture bonds issued in 1998 for € 1.632 bn nominal by Allianz Finance B.V., Amsterdam,
- the bonds issued in 1998 for € 1.02 bn by Allianz Finance B.V., Amsterdam, exchangeable into shares of Deutsche Bank AG,
- the bonds issued in 1999 by Allianz Finance B.V., Amsterdam for CHF 1.5 bn and a swap deal in which the bonds payable are exchanged for an equivalent euro commitment,
- the bonds issued in 2000 by Allianz Finance B.V., Amsterdam, for € 1.7 bn exchangeable into shares of Siemens AG.
- the bonds issued by Allianz Finance II B.V., Amsterdam in 2001. The amount repayable on redemption is linked to the performance of the German DAX share index. The issue volume is € 1.979 bn.
- the bonds issued in 2001 by Allianz Finance II B.V., Amsterdam, for € 1.075 bn exchangeable into shares of RWE AG,
- the loans totaling USD 820 mn issued in 2001 by Fireman's Fund Insurance Corp, Novato, to five Group companies
- the commercial paper issued in 2001 by Allianz of America Inc., Wilmington, for a maximum volume of USD 580 mn.

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

A guarantee declaration has also been given for Allianz of America Inc., Wilmington, in respect of commitments relating to the acquisition of PIMCO Advisors L.P. Allianz acquired a holding of 70 % in PIMCO and the minority shareholders have the option of selling their 30 % holding to Allianz.

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 associates with either a standard indemnity guarantee or such guarantee as is required by the supervisory authorities, which cannot be quantified in figures.

Legal obligations to assume any losses arise on account of management control agreements with companies of Sachversicherungsgruppe Deutschland, Allianz Lebensversicherungs-AG, Allianz Private Equity Partners GmbH, AFIN GmbH, Allianz Global Risks Rückversicherungs-AG, Allianz-Pensions-Management AG, ADVANCE Holding AG and Allianz Finanzbeteiligungs GmbH.

There are financial commitments in connection with the promise of compensation to holders of rights under stock option programs of Assurances Générales de France.

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 performance of income growth:

- The maximum earn-out payment will be USD 1.09 bn if average income rises by at least 25 % over this period. There will also be incentive and retention payments totaling USD 150 mn.
- Earn-out payments will be incremental if average income increases between 10 and 25 %.
- No earn-out payments will be made if average income increases by less than 10 %.

Obligations arise from financial contracts for the purchase of securities for a notional principal amount of € 766 mn.

Potential liabilities amounting to € 383.5 mn were outstanding at the balance sheet date for calls on equity stocks not fully paid up. These are exclusively in respect of affiliated enterprises.

Effects of adjustments for tax purposes

After taking into account special tax-allowable depreciation charges, amounts transferred to special untaxed reserves under clause § 6b and clause § 52 (16) EStG (German Income Tax Law), the overall effect on net income for the year was no more than marginal. The future effects on earnings of valuation adjustments made for tax purposes will be spread over several years and will not be material for any one year.

Long-term Incentive Plan

The Long-term Incentive Plans (LIP) were set up in 1999 for senior management, in order to reward the contribution by this level of management towards increasing corporate value and to promote the long-term success of the company.

These plans entailed that Stock Appreciation Rights (SAR) were allocated to each manager on April 1. Restrictions are applicable for a period of two years and the rights lapse at the end of seven years.

After the period of restrictions has come to an end, SAR may only be exercised if

- during the period over which rights can be exercised, the price of shares in Allianz AG has outperformed the Dow Jones Europe STOXX Price Index (600) at least once during a period of five consecutive stock exchange days and
- the price of Allianz shares outperforms the reference price by at least 20.0 % at the time when the rights are exercised.

Under the conditions of the LIP, Group companies are obligated to pay the difference between the stock-market price of Allianz shares on the day the rights are exercised and the reference price in cash.

No rights were exercised for any LIP up to December 31, 2001. The two-year period of restriction had not yet expired on December 31, 2001, for the Incentive Plans covering the years 2001 and 2000. The LIP for the year 1999 did not fulfill the second, above-mentioned condition (share outperformed reference price by 20 %).

A reserve amounting to € 2,854 thou was formed in 2000 and reported under the heading "Miscellaneous accrued liabilities". It was valued from the intrinsic value of the SARs. The intrinsic value corresponds to the difference between the current share price on the balance sheet date and the reference price of the relevant plan. Because the intrinsic value of all SARs issued at the balance sheet date was zero, the reserve formed in the course of the previous year was released. Purchase options were concluded to hedge future obligations.

Personnel expenses

Provided that the Annual General Meeting of shareholders approves payment of the dividend proposed, the compensation paid by Allianz AG and its affiliated enterprises to the Board of Management for the year under review is € 10,978 (7,126) thou. The number of members of the Board of Management increased from 9 to 12.

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

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

	€ thou	Share
Fixed remuneration	3,401	31.0 %
Variable remuneration	7,577	69.0 %
Total	10,978	

The variable component includes expenses for the bonus of fiscal year 2000 and for allocation to the reserve for the performance-related 3-year bonus. Payments from this reserve can only be made to members of the Board of Management from 2004.

Under the LIP 2001, a total of 39,815 Stock Appreciation Rights (SARs) were issued to members of the Board of Management during the year under review. Based on standard option valuation methods (Black-Scholes or Binomial Method), the value of these rights at the point of their issue on April 1, 2001 was € 4.5 mn. The value of these rights at the end of the fiscal year is € 3.4 mn. At an intrinsic value of € 0, the value specified amounts to the full market value.

On December 31, 2001 the members of the Board of Management held a total of 86,479 SARs issued from 1999 to 2001. Based on standard option valuation methods (Black-Scholes or Binomial Method) these rights had a value of € 6.9 mn on the balance sheet date. None of the SARs has an intrinsic value at December 31, 2001, so that this value amounts to the full market value.

The following table includes key information on current LIPs in favor of active members of the Board of Management:

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

In the year 2001 pensions and other benefits for former members of the Board of Management amount to € 2,832 (2,741) thou. € 21,693 (22,403) thou has been set aside for current and future pension benefits of former members of the Board of Management and their beneficiaries.

Including fees becoming payable after the 2001 Annual General Meeting, the total remuneration for members of the Supervisory Board was € 1,606 (1,573) thou.

The names of all members of the Supervisory Board and of the Board of Management are listed on page 5, and information regarding their membership in other supervisory and comparable management bodies is shown on pages 44 to 48.

Number of employees as at December 31, 2001*)

(excluding members of the Board of Management, trainees, interns and employees on maternity/paternity leave or basic military training/community service)

Full-time office staff	453
Part-time office staff	48
Total	501

*) Presentation as at the balance sheet date on December 31, 2001 and not the annual average, because the employees only received employment contracts from Allianz AG in the 4th quarter 2001 within the scope of formation of the Allianz Group Center. The majority of these employees were previously employed by Allianz Versicherungs-AG.

Personnel expenses

	2001 € thou
1. Wages and salaries	25,627
2. Social security contributions and employee assistance	1,716
3. Expenses for pensions and other post-retirement benefits	9,135
4. Total expenses	36,478

Munich, March 11, 2002
Allianz Aktiengesellschaft

The Board of Management

Dr. Schulte-Noelle	Dr. Fahrholz
Dr. Achleitner	Bremkamp
Diekmann	Dr. Faber
Fischer	Dr. Hagemann
Dr. Müller	Dr. Perlet
Dr. Rupprecht	Dr. Zedelius

INDEPENDENT AUDITOR'S REPORT

We have audited the Annual Financial Statements, including the accounting records and Management Report, of Allianz AG for the fiscal year from January 1 to December 31, 2001. The Board of Management of the company is responsible for the accounting policies and the preparation of the Annual Financial Statements and Management Report in accordance with German commercial law and the supplementary provisions laid down in the company's statutes. It is our responsibility to form an independent opinion, based on the audit carried out by us, on the Annual Financial Statements, including the accounting records, and on the Management Report.

We conducted our audit of the Annual Financial Statements in accordance with clause § 317 HGB (German Commercial Code) and with the generally accepted German auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Those standards require that we plan and perform our audit so as to obtain all the information and explanations necessary in order to provide us with sufficient evidence to give reasonable assurance that misstatements and irregularities materially affecting the presentation of the net worth, financial position and the results presented in the Annual Financial Statements in accordance with generally accepted accounting principles and in the Management Report are identified. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible errors are taken into account in the determination of audit procedures.

The audit includes an examination, on a test basis, of the effectiveness of the internal control system for rendering accounts and the evidence supporting the disclosures in the accounting records, the Annual Financial Statements and Management Report. The audit also includes an assessment of the significant estimates and judgements made by the Board of Management of the company, and whether the accounting policies are appropriate to the Group's circumstances. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Financial Statements and Management Report. We believe that the audit we have conducted provides an adequate basis for the formation of our opinion.

We are satisfied that our audit has revealed no grounds for objection.

In our opinion, the Annual Financial Statements present a true and fair view of the net worth, financial position and results of the company, in compliance with German principles of proper accounting. The Management Report gives a true and fair view of the state of affairs of the company and of the presentation of the risks of future development.

Munich, March 15, 2002

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gerd Geib
Independent Auditor

Dr. Frank Ellenbürger
Independent Auditor

MEMBERSHIP OF SUPERVISORY BOARD MEMBERS IN OTHER CORPORATE MANAGEMENT BODIES

Dr. Klaus Liesen

Membership in other statutory supervisory boards in Germany

E.ON AG (Chairman)

Preussag AG

Ruhrgas AG (Chairman)

Volkswagen AG (Chairman)

Membership in comparable*) management bodies

Beck GmbH & Co. KG

Frank Ley

Dr. Alfons Titzrath

until June 12, 2002

Membership in other statutory supervisory boards in Germany

Celanese AG

Deutsche Lufthansa AG

Dresdner Bank AG

Münchener Rückversicherungs-Gesellschaft AG

RWE AG

VAW aluminium AG (until March 15, 2002)

Dr. Karl-Hermann Baumann

until September 30, 2001

Membership in other statutory supervisory boards in Germany

Deutsche Bank AG

E.ON AG

Linde AG

mg technologies ag

Schering AG

Siemens AG (Chairman)

ThyssenKrupp AG

Wilhelm von Finck AG

Norbert Blix

Membership in other statutory supervisory boards in Germany

Allianz Versorgungskasse VVaG

Dr. Diethart Breipohl

Membership in other statutory supervisory boards in Germany

Bayerische Hypo- und Vereinsbank AG (until May 23, 2002)

Beiersdorf AG

Continental AG

Karstadt Quelle AG

KM Europa Metal AG

mg technologies ag

Membership in comparable*) management bodies

Assurances Générales de France

Banco Popular Español

BPI Banco Português de Investimento

Crédit Lyonnais

Klaus Carlin

until July 11, 2001

Bertrand Collomb

Membership in comparable*) management bodies

ATCO

Crédit Commercial de France (CCF)

Total-Fina-Elf

Membership in Group bodies

Lafarge (Chairman)

Dr. Gerhard Cromme

since October 18, 2001

Membership in other statutory supervisory boards in Germany

Deutsche Lufthansa AG (since January 1, 2002)

E.ON AG

Ruhrgas AG

ThyssenKrupp AG (Chairman)

Volkswagen AG

Membership in comparable*) management bodies

ABB AG (until March 12, 2002)

Suez S. A.

Thales S. A.

Jürgen Dormann

Membership in comparable*) management bodies

ABB Ltd. (Chairman)

IBM Corporation

(As of December 31, 2001)

*) We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

Hinrich Feddersen
since August 20, 2001

Membership in other statutory supervisory boards in Germany

Basler Versicherung Beteiligungsgesellschaft mbH (Deputy Chairman)

Deutscher Ring Lebensversicherungs-AG (Deputy Chairman)

Peter Haimerl
since September 6, 2001

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG

Professor Dr. Rudolf Hickel

Membership in other statutory supervisory boards in Germany

GEWOBA AG Wohnen und Bauen in Bremen

Salzgitter AG Stahl und Technologie

Reiner Lembke
until September 1, 2001

Membership in other statutory supervisory boards in Germany

Allianz Versicherungs-AG

Horst Meyer
since July 12, 2001

Membership in other statutory supervisory boards in Germany

Allianz Versorgungskasse VVaG

Hermes Kreditversicherungs-AG

Karl Miller
until July 11, 2001

Uwe Plucinski
since August 20, 2001

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG (Deputy Chairman)

Membership in comparable*) management bodies
BVV-Versicherungsverein des Bankgewerbes a. G.

Reinhold Pohl

Gerhard Renner
until July 11, 2001

Roswitha Schiemann

Dr. Albrecht Schmidt
until June 12, 2002

Membership in other statutory supervisory boards in Germany

Bayerische Börse AG (Chairman)

Münchener Rückversicherungs-Gesellschaft AG

Siemens AG

Membership in Group bodies

HVB Real Estate Bank AG (Chairman)

Vereins- und Westbank AG (Chairman)

Membership in comparable*) management bodies

Membership in Group bodies

Bank Austria AG (Chairman)

Dr. Manfred Schneider

Membership in other statutory supervisory boards in Germany

DaimlerChrysler AG

Linde AG

METRO AG

RWE AG

Dr. Hermann Scholl

Membership in other statutory supervisory boards in Germany

BASF AG

Membership in comparable*) management bodies

Membership in Group bodies

Robert Bosch Corporation

Robert Bosch Internationale Beteiligungen AG

Jürgen E. Schrempp

Membership in other statutory supervisory boards in Germany

Bayerische Hypo- und Vereinsbank AG

Membership in Group bodies

DaimlerChrysler Services AG (Chairman)

Membership in comparable*) management bodies
New York Stock Exchange (NYSE)

South African Coal, Oil and Gas Corporation (Sasol) Ltd.

Vodafone Group Plc.

Membership in Group bodies

DaimlerChrysler of South Africa (Pty) Ltd., S. A. (Chairman)

Jörg Thau

*) We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

MEMBERSHIP OF BOARD OF MANAGEMENT MEMBERS IN OTHER CORPORATE MANAGEMENT BODIES

Dr. Henning Schulte-Noelle

Membership in other statutory supervisory boards in Germany

BASF AG

E.ON AG

Linde AG (Deputy Chairman)

Münchener Rückversicherungs-Gesellschaft AG (Deputy Chairman)

Siemens AG

ThyssenKrupp AG

Membership in Group bodies

Allianz Lebensversicherungs-AG (Chairman)

Allianz Versicherungs-AG (Chairman)

Dresdner Bank AG (Chairman)

Membership in comparable*) management bodies

Membership in Group bodies

Assurances Générales de France (Vice President)

Riunione Adriatica di Sicurtà S. p. A. (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards in Germany

MAN AG

RWE AG

Membership in Group bodies

ADVANCE Holding AG (until April 16, 2002)

Membership in comparable*) management bodies

ÖIAG

Detlev Bremkamp

Membership in other statutory supervisory boards in Germany

Asea Brown Boveri AG (Germany)

Hochtief AG

Membership in Group bodies

Allianz Global Risks Rückversicherungs-AG

Membership in comparable*) management bodies

Membership in Group bodies

Allianz Compañía de Seguros y Reaseguros S. A. (Chairman)

Allianz Portugal S. A., Companhia de Seguros

Assurances Générales de France

Cornhill Insurance Plc (until March 5, 2002)

Elmonda Assistance (Chairman)

Lloyd Adriatico S. p. A.

Riunione Adriatica di Sicurtà S. p. A.

Royal Nederland Verzekeringsgroep

Zwolsche Algemeene N. V.

Michael Diekmann

Membership in comparable*) management bodies

Membership in Group bodies

Allianz Australia Ltd.

Allianz First Life (until December 31, 2001)

Allianz Insurance Company of Canada (since April 4, 2002)

Allianz Life Insurance Company of North America (since January 1, 2002)

Fireman's Fund Insurance Company (since January 1, 2002)

Allianz Hungária (until January 29, 2002)

T.U. Allianz Polska S. A. (Life) (until February 28, 2002)

T.U. Allianz Polska S. A. (Property) (until February 28, 2002)

Dr. Joachim Faber

Membership in other statutory supervisory boards in Germany

Berlinwasser Holding AG

Infineon Technologies AG

Membership in Group bodies

ADVANCE Holding AG (Deputy Chairman)

Allianz Bauspar AG (Chairman)

Allianz Vermögens-Bank AG (Chairman)

Membership in comparable*) management bodies

Società Metallurgica Italiana S. p. A.

Membership in Group bodies

RASbank S. p. A.

(As of December 31, 2001)

*) We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

Dr. Bernd Fahrholz

since July 20, 2001

Membership in other statutory supervisory boards in Germany

Bayerische Motorenwerke AG

Fresenius Medical Care AG

Heidelberger Zement AG

Membership in Group bodies

ADVANCE Holding AG (Chairman)

Membership in comparable*) management bodies

Banco General de Negocios S. A.

BNP Paribas S. A.

Membership in Group bodies

Dresdner Kleinwort Benson North America Inc.

Leonhard H. Fischer

since July 20, 2001

Membership in other statutory supervisory boards in Germany

Deutsche Börse AG (Deputy Chairman)

Eurex Clearing AG

Eurex Frankfurt AG

itelligence AG (until February 5, 2002)

K + S Aktiengesellschaft

NorCom Information Technology AG (until February 15, 2002)

Membership in Group bodies

Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH

Membership in comparable*) management bodies

Eurex Zürich AG

Membership in Group bodies

Dresdner Bank Luxembourg S. A.

Dresdner Kleinwort Wasserstein (Japan) Inc. (Chairman)

Dresdner Kleinwort Benson North America Inc. (Chairman)

Dresdner Kleinwort Wasserstein Group Inc.

Dr. Reiner Hagemann

Membership in other statutory supervisory boards in Germany

E.ON Energie AG

Schering AG

Steag AG

ThyssenKrupp Steel AG

Membership in Group bodies

ADVANCE Holding AG

Allianz Global Risks Rückversicherungs-AG

Bayerische Versicherungsbank AG (Chairman)

Frankfurter Versicherungs-AG (Chairman)

Hermes Kreditversicherungs-AG (Chairman)

Vereinte Holding AG (Chairman)

Vereinte Krankenversicherung AG (Chairman)

Vereinte Versicherung AG (Chairman)

Membership in comparable*) management bodies

Membership in Group bodies

Allianz Elementar Lebensversicherungs-AG

Allianz Elementar Versicherungs-AG

Allianz Investmentbank AG

Allianz Irish Life

Allianz Suisse Lebensversicherungs-AG

Allianz Suisse Versicherungs-AG

Cornhill Insurance Plc

EULER

*) We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

Herbert Hansmeyer

until December 31, 2001

Membership in other statutory supervisory boards in Germany

IKB Deutsche Industriebank AG

Karlsruher Lebensversicherung AG (Deputy Chairman)

Karlsruher Versicherung AG (Deputy Chairman)

VEBA OEL AG

Membership in Group bodies

Dresdner Bank Lateinamerika AG

Membership in comparable*) management bodies

Membership in Group bodies

Allianz Insurance Company of Canada (until December 31, 2001)

Allianz Life Insurance Company of North America (until December 31, 2001)

Fireman's Fund Insurance Co. (until December 31, 2001)

Dr. Horst Müller

since July 20, 2001

Membership in other statutory supervisory boards in Germany

BATIG Gesellschaft für Beteiligungen mbH

British-American Tobacco (Germany) GmbH

British-American Tobacco (Industrie) GmbH

Buderus AG

Europa Carton GmbH (Chairman)

Membership in Group bodies

DEGI Deutsche Gesellschaft für Immobilienfonds mbH (Chairman)

Hermes Kreditversicherungs-AG

Membership in comparable*) management bodies

BVV Versicherungsverein des Bankgewerbes a. G. (Deputy Chairman)

debis AirFinance B. V.

Dr. Helmut Perlet

Membership in comparable*) management bodies

Membership in Group bodies

Allianz Australia Ltd. (until December 31, 2001)

Fireman's Fund Insurance Co.

Lloyd Adriatico S. p. A.

Riunione Adriatica di Sicurtà S. p. A.

Dr. Gerhard Rupprecht

Membership in other statutory supervisory boards in Germany

Heidelberger Druckmaschinen AG

Quelle AG

ThyssenKrupp Automotive AG

Membership in Group bodies

ADVANCE Holding AG

Deutsche Hypothekenbank Frankfurt-Hamburg AG

Vereinte Holding AG (Deputy Chairman)

Vereinte Lebensversicherung AG (Chairman)

Membership in comparable*) Kontrollgremien

Membership in Group bodies

Allianz Elementar Lebensversicherungs-AG

Allianz Elementar Versicherungs-AG

Allianz First Life Insurance Co. Ltd.

Allianz Life Insurance Company of North America

Dr. Werner Zedelius

since January 1, 2002

Membership in other statutory supervisory boards in Germany

RWE Power AG

SMS AG

Membership in comparable*) Kontrollgremien

Membership in Group bodies

Allianz Australia Ltd.

Allianz First Life (Chairman)

Allianz Hungária (Chairman)

T. U. Allianz Polska S.A. (Life) (Chairman)

T. U. Allianz Polska S.A. (Property) (Chairman)

Allianz poistòvna a.s.

Ayudhya Allianz C. P. Life

Rosno

*) We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.