

Fiscal Year 2001

Working together ...

... for our customers and shareholders



... for a safer world

... for profitable growth

## AT A GLANCE

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

ALLIANZ GROUP		2001	Change from previous year in %	2000	Change from previous year in %	1999 <sup>9)</sup>	More information on page
Earnings before taxes	€ mn	1,827	- 62.8	4,913	2.3	4,804	91
Property/casualty insurance	€ mn	2,409	- 38.2	3,899	7.2	3,639	98
Life/health insurance	€ mn	412	- 74.7	1,626	32.2	1,229	117
Banking	€ mn	227	83.1	124	121.4	56	127
Asset management	€ mn	- 334	-	45	- 58.3	108	130
Taxes	€ mn	840	-	- 176	- 88.4	- 1,513	61 <sup>7)</sup>
Minority interests in earnings	€ mn	- 1,044	- 18.2	- 1,277	31.1	- 974	
Net income	€ mn	1,623	- 53.1	3,460	49.3	2,317	92
Total premium income	€ bn	75.1	9.4	68.7	13.4	60.6	92
Net revenue from banking	€ bn	3.9	-	0.2	-	0.2	93
Net revenue from asset management	€ bn	2.0	81.2	1.1	126.0	0.5	93
Assets under management	€ bn	1,172	67.4	700	83.3	382	130
Shareholders' equity	€ bn	31.7	- 11.1	35.6	19.9	29.7	43 <sup>7)</sup>
Return on equity after taxes	%	4.8	- 54.5	10.6	25.2	8.5	
Earnings per share	€	6.66	- 52.8	14.10	49.0	9.46	19
Employees		179,946	50.4	119,683	5.5	113,472	147

<sup>9)</sup> Adjusted to U.S. Listing and IAS SIC 12

THE ALLIANZ SHARE		2001	Change from previous year in %	2000	Change from previous year in %	1999	More information on page
Share price at year end	€	266	- 33.3	399	19.3	334	16
Market capitalization at year end	€ bn	64.2	- 34.5	98.0	19.8	81.8	18
Dividend per share	€	1.50	-	1.50	20.0	1.25	19
Dividend paid	€ mn	362	- 2.0	369	20.2	307	95

The Allianz Group is rated A++ by A.M. Best and AA+ by Standard & Poor's.

<sup>7)</sup> See Consolidated Financial Statements 2001

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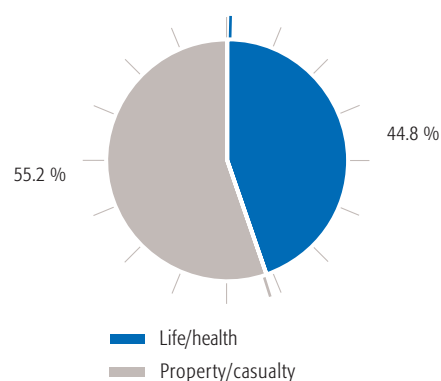
## Consolidated balance sheet (short version)

ASSETS	2001 € bn	2000 € bn	EQUITY AND LIABILITIES	2001 € bn	2000 € bn
Intangible assets	16.9	10.4	Shareholders' Equity	31.7	35.6
Investments in affiliated enterprises	10.2	11.8	Minority interests in shareholders' equity	17.3	16.2
Investments	345.3	280.8	Participation certificates and subordinated liabilities	12.2	1.3
Investments held on account and at risk of life insurance policy holders	24.7	22.8	Insurance reserves	299.5	284.8
Loans and advances to customers	239.7	28.1	Insurance reserves for life insurance where the investment risk is carried by policyholders	24.7	22.8
Loans and advances to banks	61.3	7.1	Liabilities to customers	177.3	9.7
Trading assets	128.4	0.4	Liabilities to banks	135.4	5.2
Amounts ceded to reinsurers from insurance reserves	31.0	28.5	Certificated liabilities	134.7	13.6
Other assets	85.4	50.1	Other liabilities	110.1	50.8
<b>Total assets</b>	<b>942.9</b>	<b>440.0</b>	<b>Total equity and liabilities</b>	<b>942.9</b>	<b>440.0</b>

## Consolidated income statement (short version)

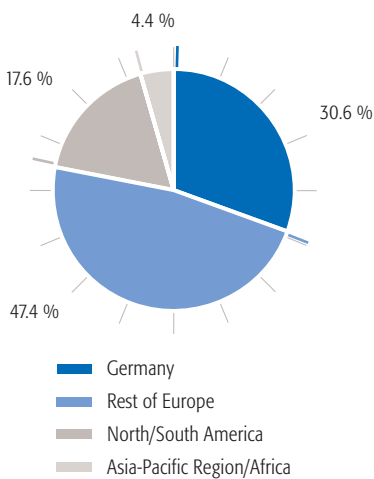
	2001 € bn	2000 € bn
Premiums earned (net)	52.7	49.9
Net interest from banking	2.4	0.2
Income from investments and affiliated enterprises	15.1	21.8
Trading income	1.6	0.0
Fee and commission income, and income resulting from service activities	4.8	2.2
Insurance benefits	- 50.2	- 51.7
Loan loss allowance	- 0.6	0.0
Acquisition costs and administrative expenses	- 19.3	- 13.7
Other income/expenses	- 3.9	- 3.2
Amortization of goodwill	- 0.8	- 0.5
Income before taxes	1.8	4.9
Taxes	0.8	- 0.2
Minority interests in earnings	- 1.0	- 1.3
Net income	1.6	3.5
Earnings per share in €	6.66	14.10

## Total premium income by business segments (€ 75.1 bn)

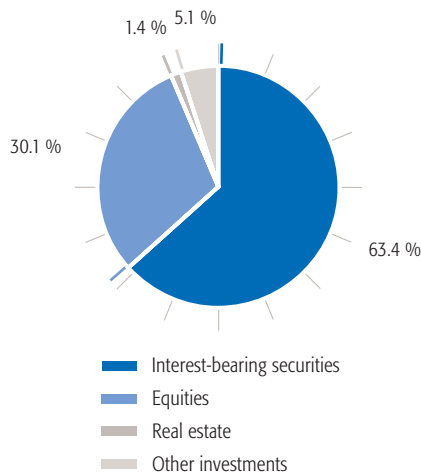


- The Dresdner Bank Group was integrated into the financial statements of Allianz Group as of July 23, 2001.
- In fiscal 2001, total premium income increased by 9.4 percent to 75.1 billion euros.
- Assets under management increased by 67 percent to 1,172 billion euros.
- Turmoil in the capital markets and the terrorist attack of September 11 on the United States had a significant impact on our earnings.
- Net income for the year amounted to 1.6 billion euros, more than 1.0 billion euros less than originally planned.

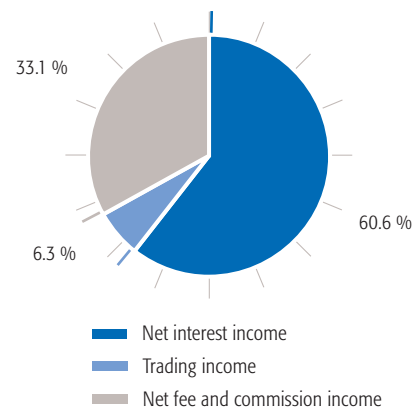
**Total premium income by regions**  
(€ 75.1 bn)



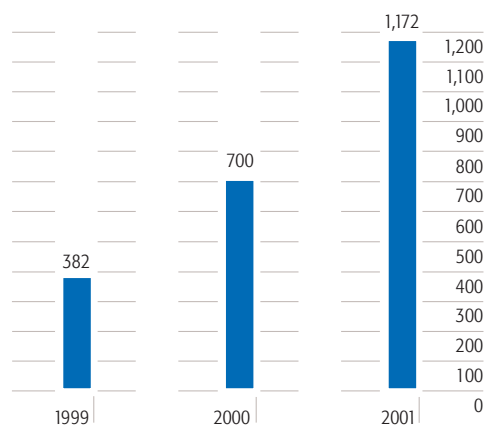
**Assets under management by categories**  
(€ 1,172 bn)



**Revenues from banking by category**  
(€ 3.9 bn)



**Development of assets under management**  
in € bn





*New Shareholder,*

Looking back upon a year that was marked by more turmoil and confronted us with greater challenges than many a year in the recent history of your company, an original remark by Konrad Adenauer, the first Chancellor of the Federal Republic of Germany came to mind. "History", he said, "is the sum of all the events that could not be prevented." How true. We could easily have done without many of the disturbances that upset the world and our industry in 2001 above all, the horrible terrorist attack on the World Trade Center, the symbol of a free and prosperous world economy.

A new dimension in destructive terrorism not only took the lives of thousands of human beings and inflicted tremendous pain and suffering on colleagues, friends and relatives of the victims; the attack also resulted in insurance losses of unprecedented magnitude and dealt the world's financial markets a severe blow. Against the background of a recessionary economic environment, these factors combined to have a devastating effect on our operating results. Despite continued intensive efforts on the part of our nearly 180,000 employees as well as our agents and cooperation partners, all of whom have earned my sincere thanks for their unremitting efforts, our net income amounted to only 1.6 billion euros – a solid billion euros less than planned. Following excellent performance in the year 2000, Allianz shares lost 33 percent of their value in the course of the reporting year.

For you, our shareholders, this is certainly every bit as disappointing as it is for my colleagues and myself. But does this mean we have to rethink the way we do business in light of recent developments? In various areas, this process is off to a good start. Examples include the creation of an early-warning system, review of our comprehensive risk controlling,



coverage for terrorist risks and discussions with government concerning the question as to how the consequences of such attacks can be insured in the future. But our business maxim of profitable growth will not be changed by the unprecedented destruction of September 11, 2001. Quite the opposite: for my colleagues and myself, subsequent developments are an additional incentive to stay our course and further increase the value of your company.

When you look at the newspapers, you are sure to find any number of reports on companies that have evidently forgotten what they stand for. Some have already disappeared, without having produced a single euro or dollar in earnings. That is not our world – Allianz stands for sustainability, continuity and predictability. Since 1992, we have improved the performance of your company year after year and thus generated the value you justifiably expect from your company. Following the setback in 2001, we have every confidence that we will be able to return to a path of growth in the current year.

You might ask yourself whether a company that is already generating revenues of over 80 billion euros, 75 billion of which derive from insurance activities alone, can continue to grow profitably? My answer is an unqualified yes. Size does not necessarily lead to inflexibility or a loss of forward momentum. We think and act in global dimensions, but we essentially work at the local level. Our companies, which operate in vastly disparate markets, know and understand their customers; they realize what they have to do to become even leaner, faster and more customer-focused and they know that they can rely on the global resources of the entire Group to support this ongoing process of improvement. This proven approach to our business will help us continue to tap many new sources of further growth and greater efficiency in the future.

We are also focusing our attention on expanding and networking our core activities to create integrated financial services. The acquisition of Dresdner Bank, the largest in the history of Allianz, was a salient example last year. This major corporate milestone not only made your company larger but also enabled Allianz to assume a new quality. Together with Dresdner Bank,



**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  
Labour 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 ZEDELIOUS**Growth Markets  
since January 1, 2002

we are poised to capitalize on the enormous opportunities in the growth market for long-term insurance and investment products in Germany. We have a diversified product portfolio that offers a complete array of solutions for insurance, retirement benefits, asset management and banking needs. Plus we are setting up a multi-channel distribution network that will make us a unique single-source provider of integrated financial services and allow us to address any and all needs that our customers might have.

In the year under review, we have come a long way, and you can read about it beginning on page 32 of this Annual Report. But we still have a lot to do. That is why the year 2002 will, more than anything else, be a year of consolidation. In this context, we will concentrate on three major projects. First of all, we will energetically pursue our efforts to integrate Dresdner Bank and take appropriate profit-driven measures to restructure its operations. Secondly, we will continue to enhance the operational efficiency of our property and casualty insurance activities, especially in the area of industrial insurance, and the same applies to our asset management business. We are making a concerted effort to accelerate growth in these segments. Thirdly, we intend to leverage our solid, broad-based platform in the areas of private retirement insurance and corporate pension plans to further strengthen our position of leadership in this growth market throughout Europe in general and in Germany in particular.

Ladies and Gentlemen, a difficult year lies behind us and, despite all optimistic forecasts at the present time, we cannot know how the world economy will develop in the future. Together with Dresdner Bank, we have set ourselves ambitious targets for the years to come. Please give us your continued trust. My colleagues and I have every confidence that we will earn this trust with reports on good entrepreneurial progress and significantly better results in a year's time.

*Yours sincerely*  
*Henning Schulte-Noelle*

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



### 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 year 2001. Between the meetings, the Board of Management kept us informed of important developments in written reports. In addition, the Board of Management notified the Chairman of the Supervisory Board of major developments and decisions as and when they occurred.

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 year 2002.

**Acquisition and integration of Dresdner Bank** The acquisition of Dresdner Bank was the major topic of discussion 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. Expedient integration of Dresdner Bank and its subsidiaries into the Allianz Group now counts among the company's most urgent priorities. As a result, we dealt in-depth 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 Dresdner Bank's corporate client and investment banking activities .

At the Allianz AG level, a Group Center was established to provide the holding company's Board of Management 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 for the Allianz Group of the terrorist attack of September 11, 2001. Notwithstanding the financial burden imposed upon us by these events, 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 Allianz Group customers. 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 very 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 Allianz shares at special conditions to employees in over 20 countries. 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 recently adopted German Corporate Governance Code. 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 Co-determination Act. A total of four meetings were held in the course of the year under review, at which 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, management 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 own 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 Board effective as of the end of the Annual General Meeting on June 12, 2002. The Supervisory Board proposes that the Annual General Meeting elect Dr. Bernd W. Voss to succeed Dr. Titzrath. Dr. Schmidt will be succeeded by Dr. Uwe Haasen as an elected substitute member.

We have expressed our thanks to the former members of the Supervisory Board members 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 effective 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 Dienstleistungsgewerkschaft, 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-Wohnungsbau-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. SCHREMPF** Chairman of the Board of Management, DaimlerChrysler AG
- JÖRG THAU** Employee, Vereinte Krankenversicherung AG

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SUMMARY OF RECENT YEARS

*International Executive Committee*

*In addition to members of Allianz AG's Board of Management, the International Executive Committee includes the heads of the major Allianz subsidiaries. Chaired by Dr. Henning Schulte-Noelle, this body discusses overall strategic issues at Group level.*

**HENNING SCHULTE-NOELLE** Allianz AG, Munich  
**JEAN-PHILIPPE THIERRY** AGF, Paris



**PAUL ACHLEITNER** Allianz AG, Munich  
**LEONHARD H. FISCHER** Dresdner Bank, Frankfurt/Main  
**GERD-UWE BADEN** Allianz Suisse, Zurich



**GERHARD RUPPRECHT** Allianz AG, Munich  
**BERND FAHRHOLZ** Dresdner Bank, Frankfurt/Main



**REINER HAGEMANN** Allianz AG, Munich  
**WILLIAM RAYMOND TREEN** Cornhill Insurance, London  
**WERNER ZEDELIOUS** Allianz AG, Munich

**VICENTE TARDÍO BARUTEL** Allianz Compañía de Seguros y Reaseguros, Barcelona

**JOACHIM FABER** Allianz AG, Munich

**WILLIAM S. THOMPSON** PIMCO, Newport Beach



**HELMUT PERLET** Allianz AG, Munich

**HORST MÜLLER** Dresdner Bank, Frankfurt/Main



**DETLEV BREMKAMP** Allianz AG, Munich

**MARIO GRECO** RAS, Milan

**WOLFRAM LITTICH** Allianz Elementar, Vienna



**JEFFERY H. POST** Fireman's Fund, Novato

**MICHAEL DIEKMANN** Allianz AG, Munich

**MARK ZESBAUGH** Allianz Life Insurance, Minneapolis



*Allianz is one of the leading global service providers in insurance, banking and asset management.*

*We serve our customers in more than 70 countries.*

*The solidity, service and competence of our Group are backed by the commitment of our 179,946 employees worldwide.*

## GERMANY

- ADVANCE Bank AG
- Allianz Dresdner Asset Management GmbH
- Allianz Dresdner Bausparkasse AG
- Allianz Dresdner Pension Consult GmbH
- Allianz Global Risks Rückversicherungs-AG
- Allianz Globus MAT Versicherungs-AG
- Allianz Lebensversicherungs-AG
- Allianz Versicherungs-AG
- Bayerische Versicherungsbank AG
- DEGI Deutsche Gesellschaft für Immobilienfonds mbH
- Deutsche Hyp Deutsche Hypothekbank Frankfurt-Hamburg AG
- Deutsche Lebensversicherungs-AG
- DEUTSCHER INVESTMENT-TRUST Gesellschaft für Wertpapieranlagen mbH
- Dresdner Asset Management (Germany) GmbH
- Dresdner Bank AG
- Dresdner Bank Lateinamerika AG
- Frankfurter Versicherungs-AG
- Hermes Kreditversicherungs-AG
- Oldenburgische Landesbank AG
- Reuschel & Co.
- Vereinte Krankenversicherung AG
- Vereinte Lebensversicherung AG
- Vereinte Rechtsschutzversicherung AG
- Vereinte Versicherung AG

# International Presence

## AMERICA

### Argentina

- AGF Allianz Argentina Compañía de Seguros Generales S. A.

### Brazil

- AGF Brasil Seguros S. A.

### Canada

- Allianz Insurance Company of Canada

### Chile

- AGF Allianz Chile Compañía de Seguros Generales S. A.

### Colombia

- Colseguros Generales Colombia

### Mexico

- AFORE Allianz Dresdner
- Allianz México S. A. Compañía de Seguros

### U.S.A.

- Allianz Insurance Company
- Allianz Life Insurance Company of North America
- Cadence Capital Management
- Dresdner Kleinwort Wasserstein Securities LLC
- Dresdner RCM Global Investors LLC
- Fireman's Fund Insurance Company
- Nicholas-Applegate
- PIMCO Advisors L.P.

### Venezuela

- Adriática de Seguros C. A.

### Selected

- Group companies
- Associated enterprises
- Joint ventures
- Regional insurance centers
- Representative offices
- Representative agencies

## EUROPE (excluding Germany)

### Austria

- Allianz Elementar Versicherungs-Aktiengesellschaft
- Allianz Elementar Lebensversicherungs-Aktiengesellschaft

### Belgium

- AGF Belgium Insurance

### Bulgaria

- Allianz Bulgaria Insurance and Reinsurance Company Ltd.
- Allianz Bulgaria Life Insurance Company Ltd.
- Commercial Bank „Bulgaria Invest“ Company Ltd.

### Croatia

- Allianz Zagreb d.d.

### Czech Republic

- Allianz pojišťovna, a.s.

### France

- AGF Asset Management
- Assurances Générales de France
- Assurances Générales de France IART
- Assurances Générales de France Vie

### Banque AGF

- EULER Group
- Les Assurances Fédérales IARD
- Mondial Assistance Group

### Great Britain

- Cornhill Insurance PLC
- Dresdner Kleinwort Wasserstein Ltd.
- Dresdner RCM Global Investors Holding (UK) Ltd.

### Greece

- Allianz General Insurance Company S. A.
- Allianz Life Insurance Company S. A.

### Hungary

- Hungária Biztosító R. t.
- Dresdner Bank (Hungária) R. t.

### Ireland

- Allianz Irish Life Holdings plc
- Allianz Re Dublin Ltd.
- Allianz Worldwide Care Ltd.
- Dresdner Bank (Ireland) plc
- Dresdner International Management Services Ltd.

### Italy

- Allianz Subalpina S. p. A.
- Lloyd Adriatico S. p. A.
- RAS ASSET MANAGEMENT SGR S. p. A.
- Riunione Adriatica di Sicurtà S. p. A.

### Luxembourg

- dresdnerbank asset management S. A.
- Dresdner Bank Luxembourg S. A.
- International Reinsurance Company S. A.

### Netherlands

- London Verzekeringen N. V.
- Royal Nederland Schade
- Royal Nederland Leven
- Zwolsche Algemeene Leven N. V.
- Zwolsche Algemeene Schadeverzekering N. V.

### Poland

- T.U. Allianz Polska S. A.
- T.U. Allianz Polska Życie S. A.

### Portugal

- Companhia de Seguros Allianz Portugal S. A.

### Romania

- Allianz Ţiriac Asigurări S. A.

### Russian Federation

- Dresdner Bank ZAO
- Ost-West Allianz Insurance Company
- Russian People's Insurance Society „Rosno“

### Slovak Republic

- Allianz poisťovňa, a.s.

### Spain

- Allianz Compañía de Seguros y Reaseguros, S. A.
- Eurovida, S. A. Compañía de Seguros y Reaseguros S. A.

### Switzerland

- Allianz Hedge Fund Partners, LP
- Allianz Risk Transfer (ART)
- Allianz Suisse Lebensversicherungs-Gesellschaft
- Allianz Suisse Versicherungs-Gesellschaft
- Dresdner Bank (Schweiz) AG
- ELVIA Reiseversicherungs-Gesellschaft AG (Elmonda)

### Turkey

- Koç Allianz Hayat Sigorta A. S.
- Koç Allianz Sigorta A. S.

## AFRICA

### Burkina Faso

- Foncias

### Egypt

- Arab International Insurance Company

### Gabon

- OGAR

### Ivory Coast

- SAFARRIV

## ASIA

### Brunei

- National Insurance Company Berhad

### China

- Allianz Asset Management (Hong Kong) Ltd.
- Allianz Dazhong Life Insurance Co. Ltd.
- Allianz Insurance Company – Guangzhou Branch
- Allianz Insurance (Hong Kong) Ltd.
- Dresdner RCM Global Investors Asia Ltd.

### Indonesia

- P. T. Asuransi Allianz Utama Indonesia
- P. T. Asuransi Allianz Life Indonesia

### Japan

- Allianz Fire and Marine Insurance Japan Ltd.
- Dresdner Kleinwort Wasserstein (Japan) Ltd., Hongkong
- MEIJI Dresdner Asset Management Co. Ltd.

### Laos

- Assurances Générales du Laos

### Malaysia

- Malaysia British Assurance, Malaysia
- Malaysia British Assurance Life

### Pakistan

- Allianz EFU Health Insurance Ltd.

### Philippines

- Pioneer Allianz Life Assurance Corporation

### Singapore

- Allianz Insurance Company of Singapore Pte. Ltd.
- Allianz Parkway Integrated Care Pte. Ltd.
- Dresdner Asset Management Ltd.

### South Korea

- Allianz General Insurance Company Ltd.
- Allianz Life Insurance Company Ltd.

### Taiwan

- Allianz President General Insurance Company Ltd.
- Allianz President Life Insurance Co., Ltd.

### Thailand

- Allianz C. P. General Insurance Co., Ltd.
- Allianz C. P. Life Assurance Co., Ltd.

### United Arab Emirates

- Allianz Versicherungs-AG (Dubai Branch)

## AUSTRALIA

- Allianz Asset Management Australia Ltd.
- Allianz Australia Ltd.

*Allianz stands for profitable growth. The global financial services market in which we operate changes with extraordinary speed. We shape this change through our strategies and our entrepreneurial decisions.*

The takeover and integration of Dresdner Bank follows our decision to enlarge the Allianz Group's scope of activities and to reorient the company accordingly. With this strategic move, we anticipate future market developments, positioning ourselves at an early stage as an integrated financial services provider. That will enable us to shape this growth market and continue our profitable growth.

Our strategic objectives and our priorities reflect our commitment to making full use of the tremendous business opportunities brought about by this profound transformation of our markets. In this process, we are guided by five long-term business principles:

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

These fundamental convictions lead us to the five strategic priorities listed below. They reflect a new strategic vision of the changing realities in the international financial services market: we see ourselves as a global financial services provider with activities in insurance, banking and asset management.

Our five strategic priorities are:

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

We are convinced that these principles and priorities will serve as a suitable compass to guide us in our efforts to cope with and fully exploit future changes in market conditions to the benefit of our clients, shareholders and employees.

*The economic downturn in the U.S. and the September 11 terrorist attack took their toll on the stock market in 2001. In this difficult environment, the Allianz share price fell by 33.3 percent – more than the DAX and Dow Jones EURO STOXX 50 indices. Although our market capitalization dropped from approximately 98 billion euros to 64 billion euros, Allianz is still one of the most highly valued corporations in Europe. We increased the free float of our shares to 64 percent. At present, Allianz has approximately 440,000 shareholders.*

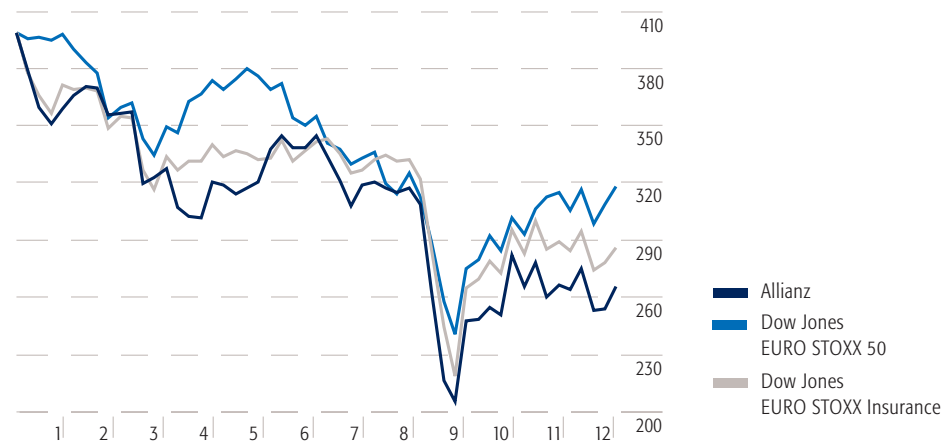
### **The aftermath of September 11**

In 2001, insurance stocks lagged behind general market indices. This is shown by the Dow Jones EURO STOXX Insurance index, which lost 28.4 percent, thus underperforming the cross-industry Dow Jones EURO STOXX 50 index by 8.2 percent. During the previous year, insurance stocks had clearly outperformed the market as a whole.

The downturn in 2001 is primarily attributable to the terrorist attack of September 11. After this attack, airline and insurance stocks in particular came under heavy pressure. The Allianz share suffered the same fate, because, as an insurer, we were directly affected by the attack on New York City. Losses amounting to 1.5 billion euros have impacted our balance sheet. Another determining factor for the Allianz share price was the traditionally high percentage of stocks in our investment portfolio. As capital markets deteriorated, the market value of these holdings depreciated considerably. The combination of these factors drove our share price down by 33.3 percent over the course of the year.

When we announced our intention of acquiring Dresdner Bank at the beginning of April, our share price dropped at first. But gradually, investors' confidence in the promising concept of an integrated financial services group started to grow. As a result, the Allianz share recovered and, by the end of the summer, its development was almost equal to that of the Dow Jones EURO STOXX 50 and Dow Jones EURO STOXX Insurance indices.

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



Source: Thomson Financial Datastream

The Allianz share remains a profitable long-term investment. Over the last ten years, the value of our share increased on average 11.7 percent per year (including dividends).

### Allianz share performance in comparison

Average annual performance in %

	1 year (2001)	5 years (1997-2001)	10 years (1992-2001)
Allianz (excl. dividends)	- 33.3	13.6	11.1
Allianz (incl. dividends)	- 33.0	14.0	11.7
DAX	- 19.8	12.4	12.6
DJ EURO STOXX 50	- 20.2	15.5	14.3
DJ EURO STOXX Insurance	- 28.4	17.4	12.9
DJ EURO STOXX Financial Services	- 22.4	12.0	9.3
DJ EURO STOXX Bank	- 18.5	15.3	10.5

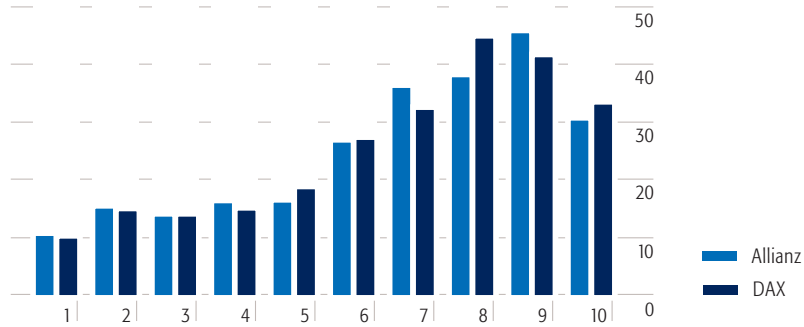
Source: Thomson Financial Datastream

As a guideline for long-term investors, we have calculated the increase in value produced by an investment in Allianz shares over different periods in the past. The starting point for these calculations is December 31, 1991. At this point, 10,000 euros are invested in Allianz shares and all dividends and subscription rights are reinvested in additional shares. As a basis for comparison, we use the performance of an investment of the same amount in DAX shares.

The following table shows that over the entire ten-year period, the value of the Allianz portfolio increased more than threefold.

**Development of an investment of 10,000 euros in Allianz shares and in the DAX**

Period of investment in years since December 31, 1991, in € 1,000



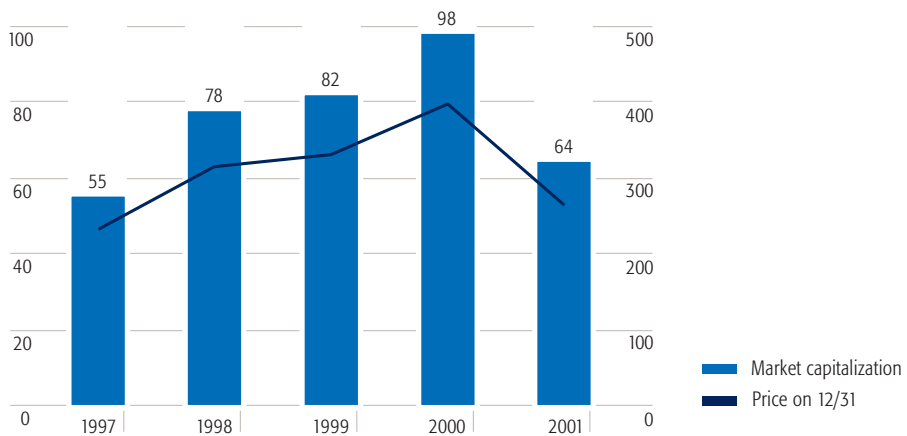
Source: Thomson Financial Datastream

With a market capitalization of 64 billion euros, Allianz is one of the most highly valued corporations in Europe. Our share is included in all the major European indices: DAX and Dow Jones EURO STOXX 50, MSCI Europe and FTSE Eurotop 100. It is also used in calculating the MSCI World Index. We were particularly pleased to have been included in the Dow Jones Sustainability Index as of September 2001. This index only lists companies that have demonstrated outstanding corporate strategy in their respective industries in regard to sustainability in economic, ecological and social parameters (see page 26 of this Annual Report for additional information).

**Market capitalization and share price on December, 31**

Market capitalization  
Xetra in € bn

Price on 12/31  
Xetra in €



Source: Thomson Financial Datastream



### Weighting of the Allianz share in European indices on December 31, 2001

in %

DAX (second-largest single share)	9.8
CDAX Insurance (largest single share)	43.1
DJ EURO STOXX 50 (15th-largest single share)	2.3
DJ EURO STOXX Insurance (largest single share)	20.9
MSCI Europe Index (22nd-largest single share)	1.0
MSCI Europe Insurance Index (largest single share)	14.8

Source: Morgan Stanley Capital International, Deutsche Börse, Stoxx Limited

### Clearly lower result per share

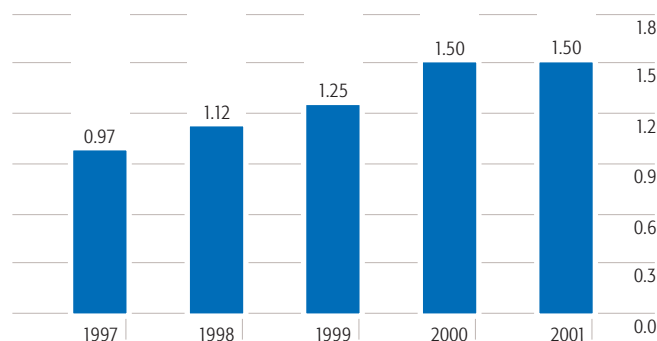
The events of September 11 have left their mark on our balance sheet. In view of these circumstances, our original earnings forecast of 2.7 billion euros could no longer be maintained. Our earnings actually amounted to 1.6 billion euros. Based on an average of 243.6 million shares (not including treasury shares), this results in earnings per share (EPS) of 6.66 euros, a decrease of 52.8 percent from the previous year. For 2002, we are striving to produce earnings exceeding 3 billion euros.

### Dividend at previous year level

Although our earnings were lower than expected because of the unforeseen terrorist attack, we propose to distribute a dividend of 1.50 euros per share to our shareholders for the year 2001. This means that the dividend remains at the same level as the previous year, after six successive increases, beginning in 1995. For the first time, the dividend paid in 2002 to shareholders taxable in Germany is taxed according to the “half-income” taxation method. This method eliminates the corporate tax credit but investors have to pay taxes only on 50 percent of the total dividend.

### Dividend per share

in €

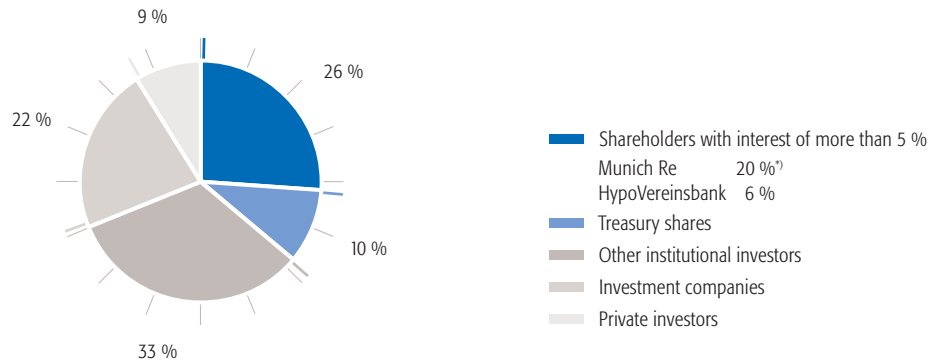


### Considerable increase of free float

In the course of the transactions resulting in the takeover of Dresdner Bank, we succeeded in considerably increasing the free float of our shares, from 58 to 64 percent. After completion of the forward sales agreed upon in this context, Munich Re – to name but one example – now only holds an interest of some 20 percent in Allianz. Prior to this transaction, its holdings had amounted to 25 percent. A higher free float percentage increases the liquidity of our share and should further increase the weighting of Allianz in major indices, which will improve our stock market performance. Allianz shares owned by Dresdner Bank are offset against the Group's retained earnings reserves.

### Shareholder structure on December 31, 2001 (including treasury shares)

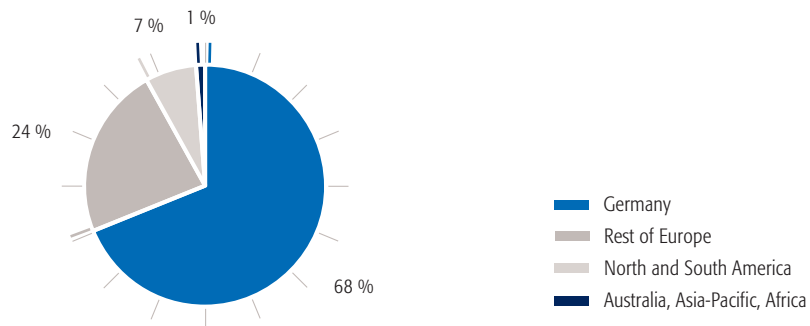
Free float: 64% Long-term investments: 36%



<sup>\*)</sup> Taking into account forward sales completed by 1/15/2002

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

### Regional distribution of share ownership on December 31, 2001



We take it as a good sign that almost all former shareholders of Dresdner Bank have accepted our exchange offer and redeemed their stock for Allianz shares. Since 94.1 percent of the shareholders addressed accepted our offer, Allianz now has 440,000 shareholders instead of the previous 265,000.

The higher free float also increased average trade volumes. Approximately 1 million Allianz shares are traded daily on the electronic trading system Xetra – an increase of 65 percent over the previous year. At present, almost one third of our share certificates are held by investors outside of Germany.

Since November 3, 2000, Allianz shares have also been traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR). Ten ADRs are the equivalent of one Allianz share.

#### Allianz share key indicators at a glance

		2001	2000	1999
Subscribed capital on 12/31	€	682,055,680	629,120,000	627,891,200
Number of shares on 12/31		266,428,000	245,750,000	245,270,000
Average number of shares in the fiscal year <sup>1)</sup>		243,585,880	245,401,507	245,013,485
Average number of shares traded per day on Xetra		1,008,085	610,611	464,375
Share price on 12/31	€	266	398.6	334
High for the year	€	399	441	347
Low for the year	€	205	316	237
Market capitalization on 12/31 <sup>1)</sup>	€ bn	64.2	98.0	81.9
Share price increase in the year (excluding dividend)	%	- 33.3	19.3	5.5
Dividend per share (excluding tax credit)	€	1.5	1.5	1.25
Earnings per share	€	6.66	14.10	9.46
Earnings per share, adjusted <sup>2)</sup>	€	6.66	9.72	8.58
Earnings per share, adjusted <sup>2)</sup> before depreciation of goodwill	€	9.98	11.74	10.56
Return on equity	%	4.8	10.6	8.5
Return on equity, adjusted <sup>2)</sup> before depreciation of goodwill	%	7.2	8.8	9.5

<sup>1)</sup> Excluding treasury shares

<sup>2)</sup> After elimination of special factors, in particular, a tax effect of € 1.1 bn in 2000

#### Value-oriented management

Our foremost objective is profitable growth. This is why we use “Economic Value Added” (EVA) as the key indicator for measuring our business success. For more information on this subject, see page 136 of this Annual Report.

#### Success-based remuneration

As an additional incentive for increasing Allianz market capitalization, our “Long-Term Incentive Plan” provides top-level management with a variable remuneration plan based on the allocation of stock appreciation rights. The amount allocated to each recipient is also linked to the EVA achieved. In addition, we consider the extent to which individual targets have been reached.

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

- outperforms the Dow Jones EURO STOXX Price Index (600) on each of at least five consecutive trading days and,
- has increased at least 20 percent since issue of the stock appreciation rights.

In 2001, a total of 500 senior managers participated in the long-term incentive plan, including top-level managers of Dresdner Bank.

#### Basic Allianz share information

Share type	Registered share
Denomination	Share with no par value
Stock exchanges	All 8 German stock exchanges, London, Paris, Zurich, New York
Security codes	WKN 840 400 ISIN DE0008404005 COMMON 001182013 CUSIP 018805 10 1
Reuters	ALVG.DE
Bloomberg	ALV GR

#### Online voting at the Annual General Meeting

For the first time, Allianz shareholders will be able to follow the entire 2002 Annual General Meeting of their corporation on the Internet. The address by Dr. Schulte-Noelle had already been transmitted live since the 1999 Annual General Meeting. Now, shareholders with Internet access can change their instructions online during the meeting, provided voting has not yet begun.

#### Recognition for the Investor Relations Team

Throughout the past year, our investor relations focused on the takeover of Dresdner Bank. We organized several road shows in the world's leading financial centers, including Frankfurt, London, Edinburgh, Paris, Zurich, Boston and New York. In addition, we informed institutional investors in numerous individual talks about the significant business opportunities resulting from the takeover of Dresdner Bank. To keep private investors informed, we set up a telephone Infoline as well as a special section of our website. Our comprehensive Infobook provides information on important details of the bank takeover.

The "Investor Relations Magazine" annually recognizes outstanding achievements in the capital market communication of European companies. This evaluation is based on the opinion of over 600 portfolio managers and analysts. In 2001, Allianz was honored twice: we were nominated in the category "Best Investor Relations During a Takeover by a Euro 100 Company". In addition, the award "Best Investor Relations Officer in the Eurozone" was conferred on the head of our team.

## Information on other issues

1. Bonds		2. Exchangeable bonds	
<b>6.0% bond issued by Allianz Finance B. V., Amsterdam</b>		<b>3.0% exchangeable bond issued by Allianz Finance B. V., Amsterdam</b>	
Volume	€ 767 m	Exchangeable for	Deutsche Bank AG shares
Year of issue	1996	Volume	€ 1.0 bn
Maturity date	5/14/2003	Year of issue	1998
Security identification no.	132 275	Maturity date	2/4/2003
		Current exchange price	€ 71.85
		Security identification no.	197 280
<b>5.75% bond issued by Allianz Finance B. V., Amsterdam</b>		<b>2.0% exchangeable bond issued by Allianz Finance B. V., Amsterdam</b>	
Volume	€ 1.1 bn	Exchangeable for	Siemens AG shares
Year of issue	1997/2000	Volume	€ 1.7 bn
Maturity date	7/30/2007	Year of issue	2000
Security identification no.	194 000	Maturity date	3/23/2005
		Current exchange price	€ 149.64
		Security identification no.	452 540
<b>5.0% bond issued by Allianz Finance B. V., Amsterdam</b>		<b>Index-linked exchangeable bond (MILES) issued by Allianz Finance II B. V., Amsterdam</b>	
Volume	€ 1.6 bn	At the issuer's discretion, exchangeable for /repayable by	E.ON AG, BASF AG, Münchener Rückversicherungs- Gesellschaft AG or certain other shares
Year of issue	1998	Volume	€ 2.0 bn
Maturity date	3/25/2008	Year of issue	2001
Security identification no.	230 600	Maturity date	2/20/2004
		Exchange ratio	Relevant DAX reference price divided by the relevant reference price of the shares selected
		Outperformance bonus	1.25% p. a. of the relevant DAX reference price
		Security identification no.	600 385
<b>3.0% bond issued by Allianz Finance B. V., Amsterdam</b>		<b>1.25% exchangeable bond issued by Allianz Finance II B. V., Amsterdam</b>	
Volume	CHF 1.5 bn	Exchangeable for	RWE AG shares
Year of issue	1999/2000	Volume	€ 1.1 bn
Maturity date	8/26/2005	Year of issue	2001
Security identification no.	830 806	Maturity date	12/20/2006
		Current exchange price	€ 50.16
		Security identification no.	825 371
		<b>3. Participation certificate</b>	
		<b>Allianz AG participation certificate</b>	
		Nominal amount	€ 29.3 m
		Payout for 2001	€ 3.6
		Current redemption price	€ 78.54
		Security identification no.	840 405

### Other issues

In January 2001, we issued an index-linked exchangeable bond with a volume of 2.0 billion euros. Its value is linked to the performance of the German stock index DAX. In addition, investors receive an annual outperformance premium amounting to 1.25 percent of the DAX level. The bond has a maturity of up to three years. It is repaid on the basis of the DAX level at the time of redemption. At the issuer's choice, repayment can be made in the form of shares in E.ON AG, BASF AG, Münchener Rückversicherungs-Gesellschaft AG or certain other shares. The issue was given the top ratings "AAA" and "Aaa" by the international rating agencies Standard & Poor's and Moody's, respectively.

In December 2001, we issued an exchangeable bond with a volume of 1.1 billion euros. This bond has a maturity of five years. At maturity, repayment can be made in the form of shares in RWE AG. The holder of the exchangeable bond receives a guaranteed interest of 1.25 percent plus the full benefit of any RWE share price increase.

## FINANCIAL CALENDAR FOR 2002 / 2003

### Important dates for shareholders and analysts

- June 12, 2002** Annual General Meeting
- August 14, 2002** Financial Report first half-year 2002
- November 14, 2002** Financial Report first three quarters of 2002
- March 20, 2003** Financial press conference for the 2002 fiscal year
- March 21, 2003** Analysts' meeting on the 2002 fiscal year in Munich
- March 24, 2003** Analysts' meeting on the 2002 fiscal year in London
- May 16, 2003** Financial Report first quarter of 2003
- May 7, 2003** Annual General Meeting
- August 14, 2003** Financial Report first half-year 2003
- November 14, 2003** Financial Report first three quarters of 2003

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

Additional information concerning Allianz and the Allianz share is available via Internet on [www.allianz.com/investor-relations](http://www.allianz.com/investor-relations). You can also download our Annual Report from that site.

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

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*We are convinced that corporate responsibility, which embodies our view of what constitutes ethical behavior, cannot be limited exclusively to economic goals. This is why we focus on the triple bottom line, which is a voluntary commitment to attach equal importance to economic, ecological and social considerations. As a result, we are committed to the advancement of sustainability, corporate citizenship and corporate governance. Similarly, we are intensely concerned with the economic and social implications of our activities, and this involvement is reflected in our perception of our purpose of business.*

These four categories – sustainability, corporate citizenship, corporate governance and purpose of business – sum up our company’s code of ethical behavior. We have already made considerable progress in these areas but are, at the same time, fully conscious of the fact that corporate responsibility is an open-ended process that gives rise to new dimensions every day.

### Sustainability

For us, sustainability involves two aspects:

- on the one hand, there is the value concept. We want to meet the expectations of our stakeholders (shareholders, customers, employees and society as a whole) in a competitive marketplace. At the same time, however, we also feel that it is important to help make the world a better place to live in the future.
- on the other hand, we consider sustainable development to be a benchmark of a company’s social commitment and sense of responsibility. Although the criteria for defining sustainable development have been the subject of dispute for quite some time, the financial market has in recent years produced a series of viable instruments for measuring sustainability.

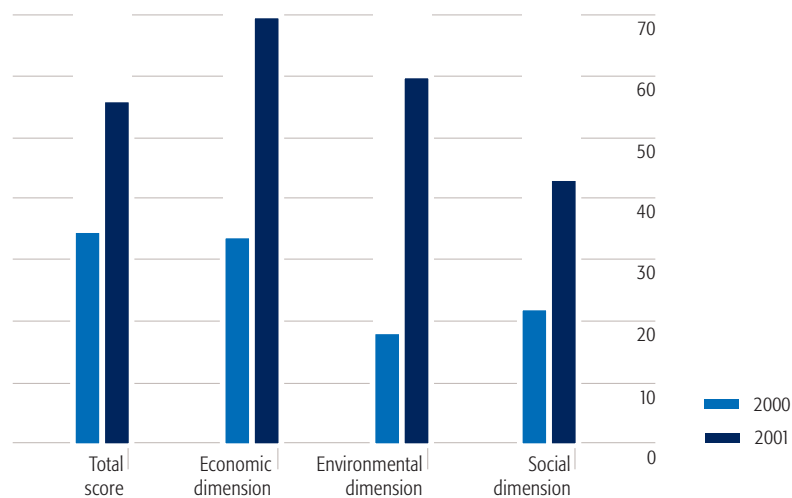
New sustainability indices permit comparison and encourage companies to make greater efforts to achieving sustainable development. Our company is also included in these indices, and we were able to celebrate several successes in the year 2001. In July, our shares were listed in the FTSE4Good Europe 50 Sustainability Index of the “Financial Times”. Additionally, Allianz shares were included in the leading Dow Jones Sustainability Group Index as of September. Shortly thereafter, our shares qualified for the Dow Jones Sustainability STOXX Index. Inclusion in these two indices is limited to the top 10 percent of the companies in a given industry rated in terms of corporate sustainability. Today, Allianz shares are held by ten different sustainability funds that manage their investments by relying on their own research. This recognition will help us convince even skeptical stakeholders that we are moving in the right direction.

What were the driving factors behind this success? Initially, a considerable number of individual initiatives had been undertaken at virtually all levels within the Allianz Group. The International Executive Committee (see page 10 of this annual report) then created a working group to prepare a company-wide report on sustainability strategy. The purpose of this project was to improve coordination of ongoing activities and encourage new initiatives. The sustainability strategy group now includes representatives of Allianz AG, AGF, Cornhill, Dresdner Bank, Fireman's Fund and RAS.

The years 2000 and 2001 witnessed impressive progress, as is shown by the performance reflected in the ratings of the Dow Jones Sustainability Group Index, which is published by Switzerland's Sustainable Asset Management rating agency.

#### Allianz Group's Rating in the Dow Jones Sustainability Group Index

In % of maximum score



Source: Sustainable Asset Management for Dow Jones Sustainability Group

We have set ourselves a series of ambitious goals for the future. The following represent a selection of our projects:

- in mid-2002, we plan to start reporting on corporate responsibility in our own magazine and on the Internet. We also intend to allow many others from outside the Group to use this forum to voice their opinions.
- Group companies such as AGF and RAS will introduce environmental management systems, as has already been done in Germany.
- we are working on an international environmental audit system to quantify the Allianz Group's progress in various areas, including power and energy consumption, use of water and paper, CO<sub>2</sub> emissions and waste as well as reductions in business travel.
- sustainability will become a permanent part of our in-house management training.
- we intend to make sustainability reporting increasingly more objective, for example, in the area of asset management.

- we will continue to improve health insurance benefits and health care within the Group.
- as members of the World Business Council for Sustainable Development of the United Nations Environmental Program and the Global Compact (United Nations) and the “Ecosense” (forum for sustainable development of the German Industry Association) initiatives, we will help to propagate the idea of sustainability.

### Corporate Citizenship

Our corporate involvement focuses on the following six areas of activity:

- education and science,
- society and the economy,
- health care,
- culture,
- social issues, and
- environmental concerns.

Our activities in these areas include active initiation of and support for future-oriented projects. We try to encourage the efforts of others, to implement promising ideas and to network with those who share our commitment. For us, it is important not only to provide financial support but also to contribute creative input and to involve our employees wherever possible. Ultimately, what we want to achieve is a cross-issue network devoted to social involvement encompassing the various initiatives that are put in place. This kind of network can provide better support for individual projects and at the same time help to advance social issues in a more efficient manner.

Various of these activities are coordinated by Allianz foundations. Two foundations are already at work with a comfortable endowment of 51 million euros each, and a third is currently being created.

Each of these foundations has been assigned to a specific area of activity. Their geographic orientation reflects the international scope of the Allianz Group. The Allianz Environment Foundation, which was created in 1990, is active in Germany. The Allianz Culture Foundation began its work in the course of the reporting period. Its activities cover all of Europe but are not limited exclusively to the EU. A third foundation, which will concern itself with social issues, will be created in North America. The one thing these foundations all have in common is that their work is based upon a philosophy of sustainability.

In addition to these foundations, broad-based projects in the six areas of activity mentioned above also reflect the social involvement of Allianz. In order to generate support for the major projects to which we have grown attached, we enter into alliances with others, for example, with the Stiftungszentrum Kinderfonds, which helps private individuals and companies to create their own foundations free of charge. As a result, this project represents a host of various types of social involvement. At the same time, it underscores the four values upon which our own involvement is based: individual initiative, individual responsibility, solidarity and sustainability.

**Allianz Environment Foundation** Since its inception 12 years ago, the Allianz Environment Foundation has supported over 50 major projects and more than 1,400 smaller undertakings. A total of nearly 31 million euros was allocated for this purpose, which means this foundation ranks among the most important private initiatives in the environmental area. Principally, the foundation supports projects that:

- feature exceptional innovative ideas,
- encourage imitation, and
- ideally, create employment.

The foundation's primary areas of activity include conservation and protection of endangered species, improvement of waterway environments and the spectrum of issues subsumed by the term "green cities". Additional mainstay activities include gardening and landscaping as well as environmental education.

In the course of the reporting period, the diverse activities of the Environment Foundation, became more closely correlated with the overall Allianz strategy for sustainable development. For example, the foundation supported a series of projects in the area of renewable energy, including one that involved providing approximately 100 schools with solar power plants. This project was, of course, intended to demonstrate the ecological and economic advantages of renewable energy. More importantly however, it provides a concrete example that makes it possible to encourage environmental awareness and responsibility in the classroom. Further information concerning the Allianz Environment Foundation is available online at [www.allianz-umweltstiftung.de](http://www.allianz-umweltstiftung.de) or by contacting the Allianz Environment Foundation at Maria-Theresia-Strasse 4a, D-81675 Munich (Phone +49 89 4107-336, Fax +49 89 4107-3370).

**Allianz Culture Foundation** The Allianz Culture Foundation has made it its purpose to encourage and support exchanges between young people and cultures as well as within Europe in general. Instead of reinforcing what already exists, it wants to kindle curiosity in experimentation. In order to achieve this goal, the criteria for receiving support are deliberately formulated vaguely. After all, we don't want the work of our foundation to be inhibited by constraining formalities such as, for example, rigid definitions of what constitutes culture or be limited to specific types of activity. The foundation focuses its support on contemporary cross-genre and cross-media projects. We invite people to open new horizons, both in terms of overcoming mental barriers and redefining the future, to support our goals and to satisfy our hopes. The following are the most important areas in which we provide assistance and support:

- music,
- theater, opera, dance,
- arts,
- cinema, new media,
- literature,
- architecture, urban planning,
- education, science, and
- discussion forums.

Our Culture Foundation also lives from the idea of networking. We want to build bridges and create cross-border contacts among young people from all over Europe who are involved in cultural activities. In addition to our projects, forums and seminars regularly bring together

former recipients of support, award winners and our participating partners. This helps to create something new, something that points to the future, something that enriches the underlying cultural substance of Europe.

Further information concerning the Allianz Culture Foundation can be found online at [www.allianz-kulturstiftung.de](http://www.allianz-kulturstiftung.de) or by contacting Allianz Culture Foundation, Maria-Theresia-Strasse 4a, D-81675 Munich (Phone +49 89 4107-303, Fax +49 89 4107-3040).

Dresdner Bank has endowed the Jürgen Ponto Foundation for the past 25 years. This sponsors highly talented young artists and was particularly active in supporting educational projects during 2001. The bank's commitment to Dresden – its founding city 130 years ago – is very high. For many years, Dresdner Bank has been active in supporting reconstruction of the Frauenkirche (Church of Our Lady), one of the masterpieces of Baroque architecture. The citizens of Dresden and institutions have now donated over 51 million euros to this project. Dresdner Bank is determined to ensure that the additional sum of 28 million euros required to complete the Frauenkirche in 2005 is collected. The Jürgen Ponto Foundation also provides support in many ways for the cultural life and cityscape of Dresden and for promoting science and arts in the capital of Saxony.

## Corporate Governance

Corporate governance encompasses issues having to do with corporate management, control and transparency. We are open to further improvements in corporate governance in Germany and are involved in the corresponding commission of the German government. As the country's largest institutional investor, we also welcome the adoption of a corporate governance code.

Corporate guidance rules will make Germany a more attractive financial marketplace for international investors. A corporate governance code, the law governing the purchase of shares and takeovers that went into effect in January 2002, and pending legislation on transparency and corporate reporting, will represent a positive achievement and help to consolidate the stock market culture in Germany.

Since 1999, Allianz has been reporting according to IAS/U.S. GAAP. Since our debut on the New York Stock Exchange, we have complied with the stringent regulations of the U.S. Securities and Exchange Commission in our financial statements and in communication with capital markets. This body of regulations is accepted worldwide as the benchmark for measuring the success and quality of companies. In this respect, we are already following all recommendations contained in the German corporate governance code.

The Supervisory Board is principally in agreement with the creation of a Governance Committee and intensification of the work of its other committees. As a result, the Annual General Meeting will be asked to ratify an increase in the remuneration of the members of these committees. To the extent that data were available, the present Annual Report already complies with the recommendations of the German Corporate Governance Code. The "statement of compliance" called for by the code will be published as soon as the legal prerequisites have been put in place and the Board of Management and the Supervisory Board make a decision as to whether or not to apply a provision in the code that allows for deviation from the recommendations of the Commission with explanation of the reasons for doing so.

In our opinion, corporate governance is not limited exclusively to compliance with the guidelines and legislation alluded to above. More than anything else, it has to do with corporate culture and the personal integrity of those who are responsible for determining the degree of transparency and accessibility of a company vis-à-vis its stakeholders.

## Purpose of Business

We consider ourselves to be worldwide providers of integrated financial services and strive to give our customers financial security.

- We provide protection against the material losses resulting from unforeseeable events that cause damage or injury to property and people.
- We help our customers maintain the standard of living to which they aspire in all phases of life. We help make sure that they and their families can lead their lives and forge plans based on a solid financial foundation.
- We cover health risks.
- We offer products that help our customers establish and increase their assets.
- We provide our customers with access to the funds they need to pursue their private and business activities. In addition, we offer our corporate and institutional customers our comprehensive knowledge of investment banking.

As a result, our activities provide people with the security and support they need in all phases of life and create the prerequisites for an independent lifestyle. Individuals and companies require a certain minimum in terms of planning security and capital to handle business risks, to invest and to make progress through innovation. They need integrated financial services to contribute to and help promote the general welfare of society. Even those who pay in more than they get out benefit from insurance protection. After all, the guarantee of security encourages entrepreneurial activity, which increases their chances of improving their income.

The economic implications of our core competency – security – determine how we perceive responsibility. We make sure that we respect the principles of the market economy and that we make no compromises in the interest of individual customer relationships. This also applies to our actions following the terrorist attack on September 11, 2001. Working together with customers and government, we must find new solutions enabling us to handle claims of this unprecedented magnitude.

Our purpose of business – security – also meets a basic human need. It ranks immediately after the need for food, clothing and shelter, according to studies by psychologist Abraham Maslow. Even if our customers are spared losses through a benevolent fate, our insurance products shoulder the burden for them. They need not worry as much about the financial implications of an insured risk, which is especially important because they are seldom in a position to influence the probability of occurrence.

## The world of Allianz

**W**hat is Allianz really like? What issues interest the Group? What are the people like who contribute to the success of one of the world's leading providers of financial services? These are questions which financial statements do not address, at least not in detail. Figures, totals, charts and comments on business developments represent important information for investors, but investors often also want to gain insight into the way a company works, how it handles challenges, how it acts, not only in terms of strategy but also at the operational level.

As a result, we have once again included a magazine section in our annual report this year. Two articles convey an impression of how Allianz and Dresdner Bank are managing after the merger, and make clear just how much business potential lies therein. Two other articles, one concerning Italy and the other Germany, describe the reforms in state pension

systems that are generating upward momentum in the markets for private retirement insurance and company pension plans. Finally, we take a look at Manhattan. The terrorist attack on the World Trade Center represents the greatest loss in the history of the insurance industry. What did we learn from this? How did our employees in New York experience this catastrophe? How is the world coming to grips with this new dimension of risk? Our closing article provides an insight into our concerns following the events of September 11, 2001.

We can't provide any conclusive answers to these questions in our magazine. But we do hope that we have managed to give our readers an idea as to what Allianz and its employees stand for.



The magazine section (pages 33 to 83)  
is contained in a separate pdf file.

*In the year 2001, the world economy exhibited the lowest growth since 1991. In the spring, major industrial countries – the United States, Japan and Germany – slipped into recession. The September 11 terrorist attack further undermined investor and consumer confidence, with the downturn accelerating in the fall. Given this situation, the central banks lowered their interest rates substantially. Stock markets recorded heavy losses. However, sentiment started to pick up again at the end of the year. The attack of September 11 represents a major setback for the insurance industry. The question as to how risks of terrorism can be insured in the future and what kind of division of labor between the private sector and government can be achieved in this respect, has triggered a new discussion of fundamental issues.*

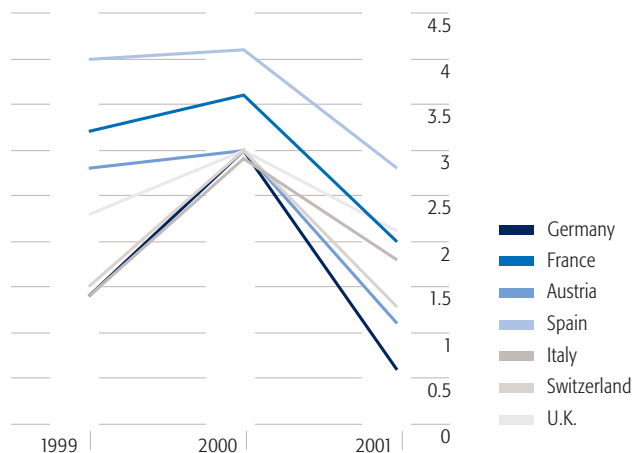
## ECONOMIC GROWTH AND FINANCIAL SERVICE PROVIDERS

### Euro zone

The Gross Domestic Product (GDP) grew a modest 1.5 percent in the euro countries in the year 2001. This growth stemmed from a fairly robust performance in the first quarter, which was followed by a period of stagnation that started in the spring. The following chart shows the widely different performance of the various Western European economies (including Switzerland and the U.K. as well as the euro zone countries).

### GDP growth rates in Western Europe

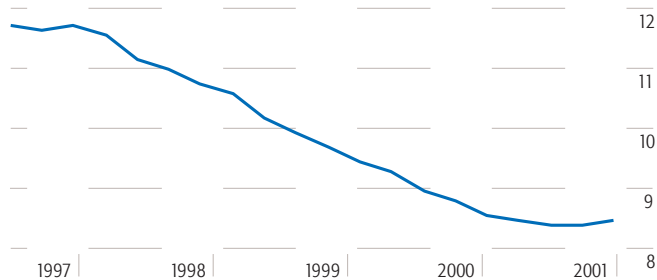
in %



The economic downturn halted the improvement on the labor market. **Unemployment** within the euro zone has been stagnating at approximately 8.5 percent since January 2001.

#### Unemployment rates in the euro zone

in %



Pressure on **consumer prices** increased, peaking in mid-year to taper in the months thereafter. For the year as a whole, the inflation rate in the euro countries was 2.5 percent, up from 2.3 percent a year earlier.

Although the economy failed to show significant signs of recovery, the situation in most Western European insurance markets improved slightly over the preceding year. **Property and casualty insurance** generated a 2.9 percent increase in premium income in Germany and an increase of nearly 5 percent in France, both of these figures are based upon market estimates. As in the preceding year, automobile insurance accounted for most of the growth in this segment. Higher premiums and an increase in new vehicle registrations contributed substantially to this improvement. Premium income in the area of industrial property insurance was also up, marking the first improvement in Germany for many years. This area of business was badly hit by the September 11 terrorist attack. U.S. insurers, as well as various European companies, bore the brunt of these events. However, the attack in the U.S. can be expected to have a lasting indirect effect on the entire European insurance market, at least as far as coverage for acts of terrorism is concerned.

Our **life insurance business** will benefit over the long term from the revamping of public pension systems (see page 56 of this Annual Report for more information). People are beginning to realize that they have to make provisions for retirement on their own. In the reporting year, the German pension reform (“Riester pension”) stimulated substantial demand for private retirement insurance although the law did not come into effect until 2002. Since many products remained uncertified for a long period during the year under review, this tended to reinforce a wait-and-see attitude on the part of consumers. On the other hand, there was a strong resurgence of interest in employment disability insurance in Germany, driven by changes in the country’s social security legislation. Due to weak stock markets, demand for unit-linked products was down in the euro zone countries, excluding Austria and Belgium.

Interest in **asset management** waned for the same reason. Negative developments on the capital market caused more customers to opt for money market products in Germany. In this area, funds exhibited the highest growth. The current trend to market funds through external financial services providers is gaining ground throughout Western Europe.

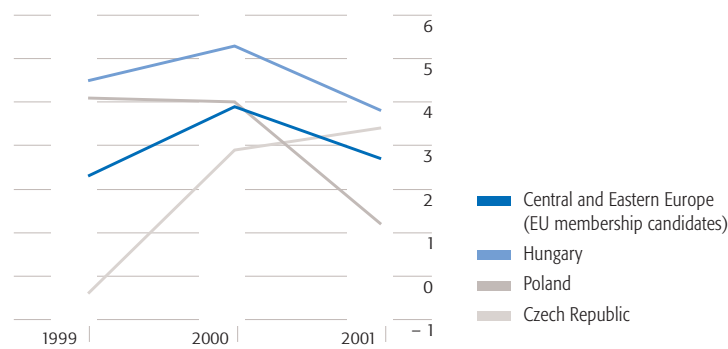
The sluggish economy, weak stock markets and delays in the implementation of cost cutting plans squeezed earnings in the **banking sector**. The reporting period saw a substantial drop in the lucrative IPO, merger and acquisition business. In Germany in particular, there was increased pressure to consolidate in the banking industry.

### Central and Eastern Europe

In the countries seeking entry to the European Union (EU), GDP growth dropped from an average of 3.9 to 2.7 percent, primarily due to the weakness of Western Europe's economy. On the other hand, domestic demand in this region increased significantly, giving the insurance industry an additional boost. This was the case in Poland, where economic performance did not keep pace with that of the other countries. The rate of inflation dropped slightly despite higher oil prices.

#### GDP growth rates in Central and Eastern Europe

in %



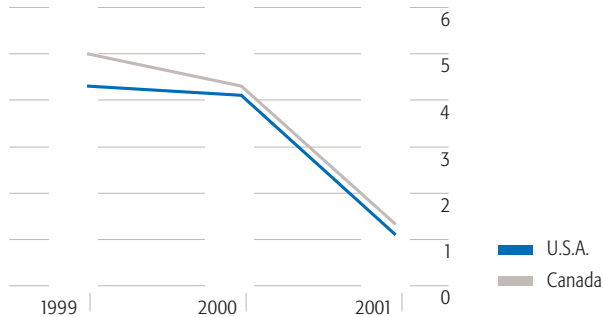
Premium income from **property and casualty insurance** continued to increase, and automobile insurance remained the mainstay source of revenues in this area. The dissolution of the monopoly in the Czech Republic has encouraged private insurers. **Life insurance business** is also picking up. These activities are being buoyed by pension reforms, most recently in Croatia, and benefited from new tax legislation in the Czech Republic in 2001. The willingness to turn to the private sector to secure retirement income is also growing in Central and Eastern Europe.

### U.S./NAFTA Region

The North Atlantic Free Trade Association (NAFTA) consists of the United States of America, Canada and Mexico. The year 2001 marked the abrupt end of a nine-year period of uninterrupted dynamic economic growth for the United States. The country's GDP grew an average of 1.2 percent for the year. In the third quarter, the U.S. economy contracted. In the aftermath of September 11, companies increased efforts to reduce their workforces. However, consumer demand remained surprisingly strong. The Canadian economy mirrored that of the U.S., as is shown by the following chart.

**GDP growth rates in North America**

in %



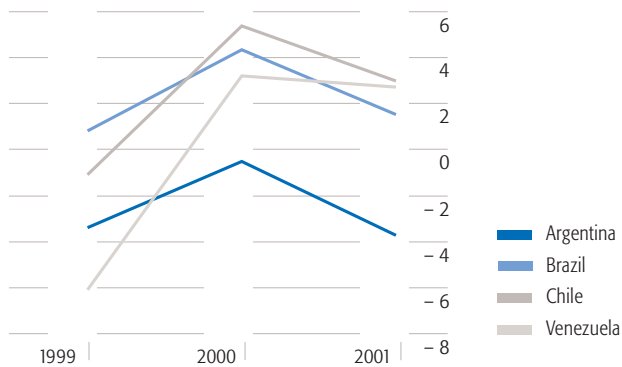
Performance in the area of **property and casualty insurance** was affected by low margins, the unfavorable situation on the labor market and the impact of the September 11 terrorist attack. With insurance claims expected to amount to 40 billion U.S. dollars or more, the attack on New York has proven to be the greatest loss ever suffered by the insurance industry by far. The market for **life insurance** and **asset management products** is largely driven by aging “baby boomers,” who are now showing great interest in retirement provision. As a result of the sharp plunge in stock market prices, roughly two-thirds of all new capital invested has been channeled into money market funds.

**South America**

As a result of various factors, such as the world economy’s failure to regain an upward momentum, growth dropped in the southern part of the American hemisphere from 4.0 to 0.4 percent. However, economic performance also suffered from the reticence of the international capital markets to grant further credits to these highly indebted countries. The fact that hardly any other South American country was infected by the crisis in Argentina represented a ray of hope. Nevertheless, most of South America’s population suffered from the recent cooling of the economy. Inflation averaged 5.4 percent for the year. The following chart provides an overview of the economies of our most important markets.

**GDP growth rates in South America**

in %



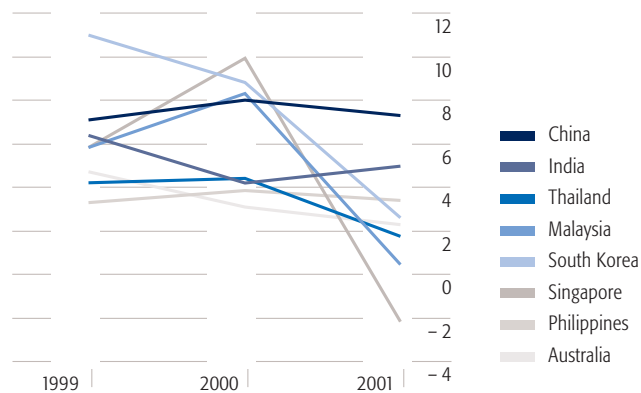
The waning economy resulted in weakness in the insurance industry markets as well. The situation in the area of **property and casualty insurance** took on dramatic proportions, especially in Argentina. Some business was abandoned. On the other hand, premium income from **life insurance** remained stable, both in Argentina and Brazil. Demand was concentrated especially on unit-linked products. The **banking sector** in this region performed better than expected, except in crisis-plagued Argentina.

### Asia-Pacific Region and Australia

Economic growth dropped by half to 3.8 percent in the Asian emerging markets. The Chinese and Indian economies performed well, but those of Taiwan and Singapore, Malaysia and Thailand were extremely weak. What these economies have in common is that they are all very dependent upon exports and high-tech industries.

#### GDP growth rates in Asia-Pacific Region and Australia

in %



Given this situation, it was not possible to maintain the earlier growth of premium income from **property and casualty insurance** activities. **Life insurance**, traditionally a source of solid growth in this part of the world, was also negatively affected by the economic downturn. The situation on the capital markets put a damper on **asset management** business as well. However, this does not in any way change the long-term prospects for growth in this region.

## CAPITAL MARKETS

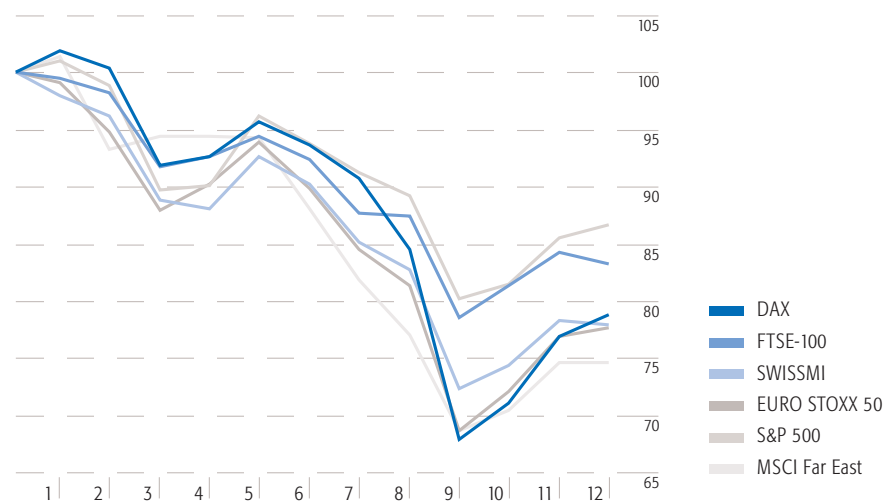
Financial market developments have a decisive impact on the insurance, banking and asset management activities that Allianz is involved in through the world. These markets determine the performance of different types of investments and change the demand patterns of our customers. In the course of the 2001 reporting period, fixed-interest securities outperformed stocks, as was the case in the previous year. But investors exhibited a clear preference for investments that were not exposed to price risks.

### Stock markets

All major international stock market indices ended the year with a loss. In particular, indices with a high percentage of telecom, media and technology stocks took a heavy knock. Germany's DAX share index closed with a loss of 20 percent for the year, as did the Dow Jones EURO STOXX 50. Against the background of these losses and given that the economic downswing was even more pronounced in the U.S., American indices performed substantially better. The Dow Jones Industrial Index was down 7 percent for the year and the Standard & Poor's 500 was down 13 percent. This can be attributed to the forceful interest rate policy of the U.S. Federal Reserve Bank.

#### Stock market development 2001

December 31, 2000 = 100



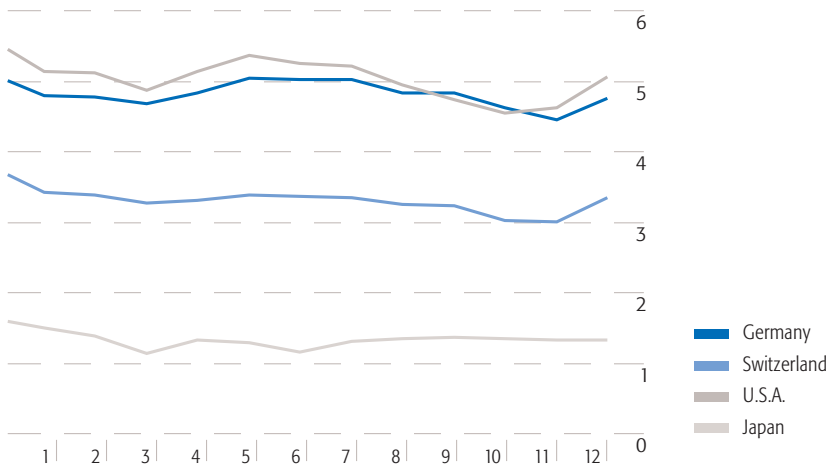
The weakness in the stock markets up to the summer of 2001 was a result of the slowdown in the economy. Investors recognized that they would have to lower their expectations of company earnings. Following the September terrorist attack, there was a general reluctance to get involved in the stock market. However, the markets recovered surprisingly quickly from their lows in late September. On December 31, 2001, most indices closed upon their September 10 level.

### Bond markets

The development of fixed-interest securities markets was much less turbulent. The return on ten-year German government bonds fluctuated between 4.2 and 5.2 percent. At 4.9 percent at the end of the year, the return was the same as it had been at the beginning of the year. The yield of ten-year U.S. government bonds followed the same pattern. However, the variations were somewhat greater, ranging between 4.2 and 5.5 percent.

#### Yield on ten-year government bonds 2001

in %

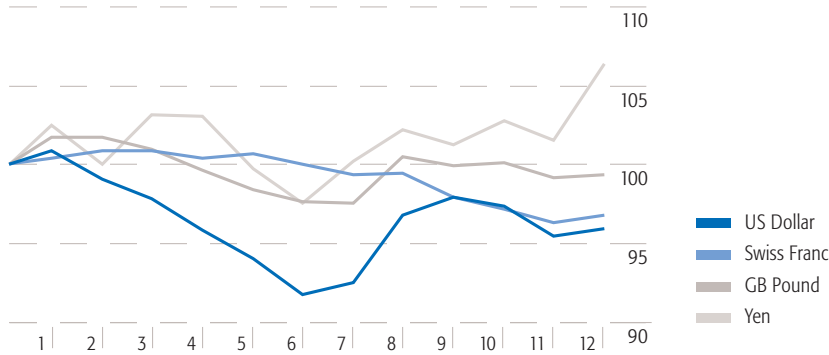


### Currencies

In the course of the year, the euro-dollar exchange rate varied less than it had during the preceding two years. The European currency traded between 0.84 and 0.95 U.S. dollars. The fact that the euro remained above the previous year's low would seem to indicate its increasing stability. The euro actually increased in value against the yen.

#### Development of exchange rates 2001

December 31, 2000 = 100





- As of July 23, 2001, the accounts of the Dresdner Bank Group have been included in the consolidated financial statements of the Allianz Group. This resulted in significant changes in both the balance sheet and the income statement. The reporting format is oriented towards international common standards.
- The turmoil in the world's capital markets and the September 11 terrorist attack in the U.S. severely impacted upon our earnings.
- Profit for the year came to 1.6 billion euros, more than 1.0 billion euros less than originally planned.
- Nevertheless, we propose to pay to our shareholders a dividend of 1.50 euros, the same amount as distributed the previous year.

## OVERVIEW

The terrorist attack in the U.S. had a substantial effect upon our earnings performance in the year 2001. The attack not only resulted in the loss of thousands of lives but also destroyed insured property of unprecedented magnitude. Estimates of the damage range between 30 and 80 billion U.S. dollars, making this event by far the most severe loss ever incurred by the insurance industry. After deduction of receivables for reinsurance, we currently expect net claims costs in the amount of 1.5 billion euros.

The downturn in the world's financial markets triggered by the September 11 attack also impacted negatively upon our activities. We were obliged to take a write-down of 1.6 billion euros on investments, which affected earnings.

### Earnings

Earnings before taxes and amortization of goodwill amounted to 2.6 billion euros, or half of the previous year's figure. The following factors had a negative effect upon earnings:

- the property and casualty segment suffered from the one-time costs incurred as a result of the terrorist attack.
- weakness in the capital markets dampened our activities in life and health insurance.
- in the area of asset management, earnings were down significantly from the preceding year. The cost of acquiring the U.S. asset management company PIMCO contributed to this decrease, as was expected. In the case of PIMCO, expenses primarily reflected bonus payments and loyalty premiums.
- the discouraging situation in the financial markets had an unusually severe impact upon our banking business, which consists almost exclusively of the activities of Dresdner Bank.

Amortization of goodwill rose by 313 million euros to 808 million euros. This increase resulted primarily from the acquisition of the Dresdner Bank Group (108 million euros), Nicholas Applegate and Zwolsche Allgemeene. In addition PIMCO was included for the first time in the financial statements for a full year and therefore also contributed to this increase. The U.S. fund manager's accounts were included in our previous years' statements only as of May.

In the area of taxation, we had a benefit of 840 million euros. Two factors accounted for a substantial tax loss:

- claims in the U.S. in connection with the terrorist attack and
- capital gains realized which have been recognized, to a great extent, as tax-free in accordance with IAS guidelines.

The resultant tax saving, which will be offset against future earnings, must be carried as an asset in our balance sheet, and this results in a net tax benefit.

Minority interests in earnings decreased by 233 million euros to 1.0 billion euros. Net income after deducting minority interests amounts to 1.6 billion euros. Compared with the previous year's figure, which was favorably impacted by special tax effects, this represents a decrease of 53 percent. Compared with adjusted net income for the preceding year, the decrease still comes to a substantial 32 percent. Earnings per share came to 6.66 euros.

	Profit for the year € mn	Earnings per share €
Fiscal 2000		
Posted	3,460	14.10
Restated to eliminate extraordinary items	2,385	9.72
Fiscal 2001	1,623	6.66
Change in % with respect to		
Posted amount FY 2000	– 53.1	– 52.8
Restated amount FY 2000	– 32.0	– 31.5

We propose that the Annual General Meeting ratify our proposal to distribute a dividend in the amount of 1.50 euros per share for the 2001 fiscal year. As a result, the dividend will remain unchanged with respect to the previous year.

### Premium income from insurance activities

Gross sales from insurance activities increased by 6.5 billion euros or 9.4 percent to 75.1 billion euros. Property and casualty insurance sales were up 9.8 percent and life and health insurance sales rose 8.6 percent. Changes in consolidation, in particular the first-time consolidation of Zwolsche Allgemeene in the Netherlands and the acquisition of the HIH portfolio in Australia, accounted for 0.8 billion euros of the above increase.

The effects of fluctuations in exchange rates, in particular changes in the value of the U.S. dollar and the pound sterling with respect to the euro, offset one another. After restatement to eliminate the effects of consolidation and translation differences, total insurance sales were up 8.2 percent.

According to IAS guidelines, which recognize only the cost and risk elements as premium income in the case of investment-oriented life insurance products, gross premiums written increased by 6.4 percent to 61.6 billion euros.

### Asset management

Assets under management with the Allianz Group increased to 1.2 trillion (0.7) euros in the reporting year. The Dresdner Bank Group contributed 414 billion euros to this sum. Investments for private and institutional investors were up 284 billion euros to 620 billion euros, of which 211 billion euros derived from the fund-management activities of Dresdner Bank and 29 billion euros from those of Nicholas Applegate. Asset management activities suffered from the depressed situation of the capital markets, which made customers uncertain and reluctant to make investments.

### Banking

This new segment in our financial statements dates from the acquisition of the Dresdner Bank Group and reflects virtually exclusively the activities of the latter. The Dresdner Bank's accounts have been included in our financial statements since July 23, 2001. Net revenues in the banking segment amounted to 3.9 billion euros. This sum includes net earnings from interest and commissions as well as trading profit. The downturn in the capital markets, especially in the third and fourth quarters, severely impacted the banking segment's earnings.

### Integration of Dresdner Bank

It is indicative of the spirit of cooperation which exists within the Allianz Group that all decisions regarding the Dresdner Bank integration were made smoothly and rapidly. Many measures have already been implemented, and others are proceeding on schedule:

- joint marketing activities, which involve the sale of banking and insurance products through both the Allianz insurance agencies and the branch locations of the Dresdner Bank, have been launched throughout Germany.
- we created ADVANCE Holding, which operates a direct bank and manages the activities of mobile financial planners. We are now in the process of building up this third, independent distribution channel for upmarket financial advising in Germany.
- worldwide consolidation of asset management activities is virtually complete. Allianz Dresdner Asset Management is now operating within this new structure.
- we are moving full speed ahead with the creation of Allianz Dresdner Bauspar AG, which will handle the home-loan banking activities of both groups.

- Dresdner Bank, Deutsche Bank and Commerzbank have grouped their mortgage banking activities under the “Eurohypo” brand to create a provider of financing for commercial real estate capable of competing throughout Europe.
- our goals in terms of synergies, which were announced in June 2001, were assigned to specific Group companies and are therefore now anchored in their respective business plans. The results of detailed planning efforts reinforce our confidence in our ability to realize the goals we have set for ourselves in terms of synergistic potential.

### Shareholders' equity

Shareholders' equity amounted to 31.7 billion euros at the end of the reporting period, which takes into account 25,238,465 treasury shares purchased for 5.8 billion euros. Shareholders' equity was down 3.9 billion euros from year-end 2000, primarily due to the fact that the net result of unrealized gains and losses on equities decreased as a result of lower stock market prices.

### Market capitalization

The price of Allianz shares was also impacted by the weakness of the capital markets. The terrorist attack on September 11 caused the stock markets to plunge. This downswing had an especially severe impact upon insurance shares, because this industry was directly affected by the events of September 11. On the final trading day of the year 2001, the market capitalization of Allianz AG amounted to 64.2 billion euros after deduction of treasury shares, which was 33.8 billion euros or 34.5 percent lower than the comparable 2000 figure. These figures are based upon the closing Xetra price on the final trading day of the year, which was 266 euros.

### Human Resources

The total number of employees worldwide increased by 60,263 to 179,946 at year-end 2001, most of which resulted from the integration of the Dresdner Bank Group.

## DISTRIBUTION 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

### Property and Casualty Insurance

*In the following breakdown by countries and regions, transactions between reporting units are not consolidated. In order to present a clear picture of our business operations, we have adjusted the results reported by eliminating the amortization of goodwill and, for fiscal 2000, extraordinary items relating primarily to tax regulations.*

## OVERVIEW

		2001	2000	1999
Gross premiums	€ mn	42,137	38,382	36,027
Claims ratio	%	81.1	77.9	77.4
Expense ratio	%	27.7	27.0	27.1
Investment income	€ mn	7,325	8,393	7,866
Net income	€ mn	2,364	3,262	2,015
Investments	€ mn	141,388	125,626	117,588
Insurance reserves	€ mn	90,432	81,046	77,056

Gross premiums <sup>*)</sup>	2001 € mn	2000 € mn	1999 € mn
Germany	12,644	11,948	11,437
France	5,392	4,745	4,585
Italy	4,585	4,264	4,071
Great Britain	2,492	2,104	1,944
Switzerland	1,244	1,160	1,101
Spain	1,278	1,073	1,058
Austria	844	831	810
Netherlands	873	557	523
Ireland	738	563	493
Rest of Europe	1,801	1,676	1,366
NAFTA Region	6,822	6,300	5,636
South America	962	891	697
Asia-Pacific Region	1,344	781	715
Credit insurance	1,589	1,611	1,534
Travel insurance and assistance services	732	656	581

<sup>\*)</sup> Before cross-border consolidation

- Premium income from property and casualty insurance was up 9.8 percent to 42.1 billion euros.
- The combined ratio increased by 3.9 percentage points to 108.8 percent.
- Net investment income decreased by 13 percent to 7.3 billion euros.
- Reported net income decreased by 0.9 billion euros to 2.4 billion euros.
- Disregarding extraordinary tax items in the preceding year, net income rose by 6.2 percent.

Earnings after taxes <sup>*)</sup>	2001 € mn	2000 € mn	1999 € mn	Investments <sup>*)</sup>	2001 € mn	2000 € mn	1999 € mn
Germany	3,773	2,303	1,588	Germany	100,600	80,269	73,958
France	31	439	382	France	20,579	18,413	18,153
Italy	395	235	170	Italy	9,985	9,873	9,065
Great Britain	69	- 11	28	Great Britain	2,753	2,376	2,450
Switzerland	121	199	113	Switzerland	3,735	4,379	3,866
Spain	32	41	- 14	Spain	1,420	1,459	1,546
Austria	16	- 50	13	Austria	1,397	1,482	1,582
Netherlands	34	89	47	Netherlands	1,851	2,032	1,510
Ireland	- 4	13	14	Ireland	1,131	1,082	1,066
Rest of Europe	66	8	19	Rest of Europe	3,836	3,670	3,147
NAFTA Region	- 1,030	- 86	343	NAFTA Region	20,398	18,000	14,555
South America	29	- 27	26	South America	652	527	482
Asia-Pacific Region	11	39	- 127	Asia-Pacific Region	1,737	1,196	1,130
Credit insurance	91	158	123	Credit insurance	2,562	2,825	2,694
Travel insurance and assistance services	3	24	23	Travel insurance and assistance services	445	416	502

<sup>\*)</sup> Earnings after taxes, before amortization of goodwill and minority interests, net of extraordinary tax items in 2000

<sup>\*)</sup> 2001: excluding own used real estate

*Premium income from property and casualty insurance rose 9.8 percent to 42.1 billion euros. The share of total sales increased slightly to 55.2 percent. Disregarding effects of consolidation and currency translation differences, internal growth came to 8.6 percent.*

Premium adjustments in the area of automobile insurance, which we were able to achieve in Germany, Great Britain, Spain and France, were primarily responsible for this improvement. We were also able to increase premiums in some areas of our industrial and commercial business. Nevertheless, premium levels here remain on the whole unsatisfactory. We continue to benefit from dynamic growth in Central and Eastern Europe as well as in the Asia-Pacific region.

The claims ratio, which was strongly impacted by the September 11 attack in New York, increased by 3.2 percentage points to 81.1 percent. Most of the losses – we are expecting total claims of 1.5 billion euros after reinsurance – involved our property and casualty lines and, in particular, business interruption insurance. We initially underestimated the magnitude of these losses, as did the industry in general. All market participants were forced to realize that traditional loss models are incapable of assessing the full financial impact that events of this dimension can have on the insurance industry. In the future, it will be necessary to find new insurance solutions for risks of this magnitude, which are to a great extent incalculable.

Disregarding the World Trade Center losses, the claims ratio improved by 1.2 percentage points to 76.7 percent. This was due to premium adjustments, lower claims frequency in many countries and the absence of major natural catastrophes. In addition, we were able to reap the initial benefits of our portfolio revitalization strategy, for example, in Great Britain, Austria and Spain. However, the claims ratio was also impacted by other major losses, primarily in connection with industrial insurance, which continued to put a considerable strain on the earnings situation in this area of activity. We are nevertheless confident that our bottom line in this area of activity will show substantial improvement in the current fiscal year as a result of efforts to regroup and centralize international industrial activities under Allianz Global Risks.

The expense ratio climbed to 27.7 percent due to expenses incurred in connection with the acquisition of Dresdner Bank and the expansion of our IT systems.

Net investment income amounted to 7.3 billion euros, which reduced this item in relation to premium income by 5.4 percentage points to 21.3 percent. Investment income was mainly affected by write-downs of our stock portfolio required by IAS due to negative market development.

Earnings before taxes and amortization of goodwill decreased by 1.4 billion euros to 2.8 billion euros. After amortization of goodwill, taxes and minority interests, net income came to 2.4 billion euros. This figure is 6.2 percent higher than that for the preceding year, in which we reported net income of 2.2 billion euros after adjustments for extraordinary tax effects.



## GERMANY

- We serve this market through the companies of the Allianz Sachgruppe Deutschland (SGD). With sales of 10.1 billion euros, SGD is the leading provider of property and casualty insurance in Germany.
- Allianz AG, which, in addition to acting as the Group's management holding, also functions as its reinsurer, generated premium income in the amount of 5.7 billion euros.

Total **premium income** rose by 696 million euros or 5.8 percent to 12.6 billion euros.

## Gross premiums

	2001 € mn	2000 € mn	1999 € mn
Allianz Sachgruppe Deutschland	10,075	9,576	9,420
Allianz AG	5,687	5,587	5,180
Consolidation property/casualty insurance in Germany	- 3,118	- 3,215	- 3,163
<b>Property/casualty insurance in Germany</b>	<b>12,644</b>	<b>11,948</b>	<b>11,437</b>

**Earnings** after taxes improved by 63.8 percent to 3.8 (2.3) billion euros.

## Earnings after taxes, before amortization of goodwill

	2001 € mn	2000 € mn	1999 € mn
Allianz Sachgruppe Deutschland	1,659.9	835.2	534.5
Allianz AG	2,516.4	1,817.5	1,389.6
<b>Subtotal</b>	<b>4,176.3</b>	<b>2,652.7</b>	<b>1,924.1</b>
Consolidations			
Profit transfer	283.8	303.3	236.3
Dividends, other	119.9	46.7	100.1
<b>Property/casualty insurance in Germany<sup>*)</sup></b>	<b>3,772.6</b>	<b>2,302.7</b>	<b>1,587.7</b>

<sup>\*)</sup> Including investment holdings

**Premium income of SGD** increased by 5.2 (1.7) percent to 10.1 billion euros. Despite a difficult market situation, the Group was able to achieve considerable improvement over last year's slight growth in income.

Automobile insurance produced especially strong growth in premium income due to the positive impact of higher premiums, and premium income was up 4.8 (1.5) percent. In the reporting year, SGD insured a total 9.17 million vehicles, down slightly from the previous year's figure.

SGD also reported growth in liability and casualty insurance, especially in the industrial and commercial areas. Our companies have been increasingly successful in their efforts to return to an earnings-driven underwriting strategy.

The **claims ratio** improved to 70.9 (72.2) percent. Claims resulting from the attack on the World Trade Center, which amounted to 67 million euros for SGD, were more than offset by the favorable development with respect to claims frequency. A decrease in the number of natural disasters was especially advantageous for us.

Substantial investments in the expansion of marketing capabilities and information technology (IT) increased the **expense ratio** to 26.8 (25.4) percent.

SGD reported **investments** in the amount of 22.0 billion euros. Net investment income rose to 1.9 billion euros, an increase of 221 million euros over the preceding year.

SGD's **earnings** after taxes improved by 825 to 1,660 million euros.

#### Allianz-Sachgruppe Deutschland

		2001	2000	1999
Gross premiums	€ mn	10,075	9,576	9,420
Claims ratio	%	70.9	72.2	72.0
Expense ratio	%	26.8	25.4	24.7
Earnings after taxes <sup>*)</sup>	€ mn	1,659.9	835.2	534.5
Investments	€ mn	22,007	23,476	23,559
Employees		31,384	29,998	28,487

<sup>\*)</sup> Before profit transfer

**Premium income** from the reinsurance activities of **Allianz AG** grew by 1.8 percent to 5.7 (5.6) billion euros. Sales outside Germany increased substantially. However, since SGD assumed a greater share of the risks underwritten for its own account and purchased less reinsurance from Allianz AG, net growth was moderate.

The **claims ratio** jumped to 86.3 (75.7) percent. This indicator was dramatically impacted not only by the attack on the World Trade Center but also by an increase in the number of major losses in the area of industrial insurance.

The **expense ratio** climbed to 26.9 (21.9) percent. This ratio is normally determined by reinsurance provisions, but expenses in connection with the acquisition and integration of Dresdner Bank contributed to this increase in fiscal 2001.

**Investments** of Allianz AG increased from 62 to 83.8 billion euros. Net investment income rose to 3.1 (2.9) billion euros, primarily due to realized capital gains.

**Earnings** after taxes improved to 2.5 (1.8) billion euros, primarily due to tax benefits of 409 million euros, after tax expenses of 176 million euros in the previous year.

## Allianz AG

		2001	2000	1999
Gross premiums	€ mn	5,687	5,587	5,180
Claims ratio	%	86.3	75.7	74.4
Expense ratio	%	26.9	21.9	23.9
Earnings after taxes	€ mn	2,516.4	1,817.5	1,389.6
Investments	€ mn	83,751	61,972	55,345

We expect further acceleration in SGD's premium growth in the **current fiscal year**. In particular, the performance of automobile insurance is expected to improve once again. Sales of commercial and corporate insurance are likely to show robust growth as well because the attack on the World Trade Center has significantly heightened risk awareness and made it possible, at least to some extent, to achieve significant premium increases. In the past, intensive competition had all but prevented this urgently needed adjustment of premiums to claim payouts.

## FRANCE

- AGF reports premium income of 5.4 (4.7) billion euros.
- This Allianz company ranks third among French property and casualty insurers.

After several years of sluggish growth, **premium income** rose a substantial 13.6 percent in 2001. Sales were driven by higher premiums in all business lines. Growth of our commercial and corporate lines received an additional boost from new contracts with major customers and a greater share of the French aviation insurance pool. The sales cooperation with Crédit Lyonnais generated further growth in business with private customers.

The **claims ratio** improved to 83.0 (85.8) percent, primarily due to a reduction in the number of claims in the area of automobile insurance. In addition, the average payout per claim decreased in the area of other private insurance. However, these positive trends were partially offset by several major industrial losses, such as the explosion at a plant in Toulouse and claims in connection with the attack on the World Trade Center.

The **expense ratio** rose to 29.3 (28.3) percent, primarily due to higher IT costs, and the introduction of the 35-hour work week required by law, which increased our personnel costs.

**Net investment income** dropped from 1.0 to 0.6 billion euros.

This reduced **earnings** after taxes to 31 (439) million euros.

## France

		2001	2000	1999
Gross premiums	€ mn	5,392	4,745	4,585
Claims ratio	%	83.0	85.8	81.4
Expense ratio	%	29.3	28.3	28.9
Earnings after taxes	€ mn	30.9	439.2	382.0
Investments	€ mn	20,579	18,413	18,153
Employees		14,313	14,260	14,276

AGF will introduce new coverage concepts in the **current fiscal year**. Adjustment of premiums to claim requirements in the commercial and corporate areas and an even more selective underwriting policy are expected to result in a reduction of the claims ratio. We also expect the expense ratio to improve, primarily due to the increased cost effectiveness of our combined IT systems.

## ITALY

- We are represented by the property and casualty insurance companies of the RAS Group and Lloyd Adriatico in the Italian market.
- These companies generated total premium income of 4.6 billion euros.
- They now rank second in Italy.

Automobile insurance generated a substantial portion of the 7.5 percent or 321 million euros increase in premium income. Like most market participants, we increased our rates in this line after the government had frozen third-party automobile insurance premiums for a year. This freeze, the legality of which was doubtful under European law, was lifted in March 2001. We were also able to increase the number of vehicles insured and our premiums for comprehensive automobile insurance. Together, automobile insurance contributed 238 million euros to premium growth in Italy. It grew by 8.8 percent.

**Premium income** of the RAS Group was up 9.1 percent to 3.4 billion euros. Lloyd Adriatico, a company that sells primarily automobile insurance, posted premium growth of 3.4 percent to 1.2 (1.1) billion euros.

Premium of Lloyd 1885, our Italian direct insurer, increased 46 percent to nearly 70 million euros. The company sells insurance policies by telephone and via the Internet. Online sales under the Genialloyd brand are progressing very well. In fiscal year 2001, premium income was up 85 percent. In the reporting year, more than 53,000 customers obtained insurance coverage through our Italian portal making Genialloyd Italy's leading online insurer.

The **claims ratio** of our Italian companies showed an overall improvement. Since we have been underwriting automotive risks very selectively in recent years, our companies were able to lower the claims frequency even further. Long-overdue premium increases also helped us to reduce the claims ratio, particularly in the case of Lloyd Adriatico, which covers primarily automotive risks. The latter's claims ratio fell to 68.5 (77.0) percent. The corresponding indicator for the RAS group was 79.7 (78.1) percent.

The **expense ratio** of the RAS Group increased to 23.7 (22.3) percent, primarily due to expenditures to improve IT systems and organizational structures. The expense ratio for Lloyd Adriatico decreased to 19.2 (19.4) percent, primarily as a result of higher sales.

**Net investment income** of the RAS Group rose to 491 (413) million euros, while that of Lloyd Adriatico was 91 (136) million euros.

#### RAS Group

		2001	2000	1999
Gross premiums	€ mn	3,396	3,114	2,958
Claims ratio	%	79.7	78.1	79.1
Expense ratio	%	23.7	22.3	24.5
Earnings after taxes	€ mn	284.9	172.9	136.1
Investments	€ mn	7,735	7,669	7,046
Employees		5,300	5,211	5,064

**Earnings after taxes** in Italy increased by 68 percent to 395 million euros. The RAS Group contributed 285 (173) million euros of the total and Lloyd Adriatico 110 (62) million euros.

#### Lloyd Adriatico

		2001	2000	1999
Gross premiums	€ mn	1,189	1,150	1,113
Claims ratio	%	68.5	77.0	83.2
Expense ratio	%	19.2	19.4	18.6
Earnings after taxes	€ mn	109.7	62.0	33.9
Investments	€ mn	2,250	2,204	2,019
Employees		1,321	1,325	1,313

We expect the growth of our Italian property and casualty insurance business to continue in the **current fiscal year**. Our companies' earnings are also expected to show further improvement.

## SWITZERLAND

- Allianz Suisse Versicherungs-Gesellschaft is our property and casualty insurer in Switzerland.
- This company resulted from the merger of our ELVIA, Berner Versicherung and Allianz Schweiz companies .
- With sales of 1.2 billion euros, Allianz Suisse Versicherungs-Gesellschaft ranks third in its market.

**Premium income** in local currency increased by 3.7 percent. This increase was primarily due to the fact that Swiss reinsurance sales in 2001 were for the first time recognized in the current fiscal year. Due to this change, our financial statements reflect reinsurance sales for two fiscal years.

Although the number and severity of natural catastrophes remained at a low level in 2001, the **claims ratio** increased to 79.8 (74.2) percent. This was primarily due to a one-time adjustment that had no effect upon earnings. An examination of cost allocations revealed that the share of expenses previously allocated for claims settlements was insufficient and had to be increased by 40 million euros. This drove up the claims ratio by 4 percentage points. In addition, claims from the collective health insurance business, which in Switzerland is carried in the property and casualty insurance segment, escalated, as did claims-related expenses in connection with the activities of what was formerly Allianz Schweiz.

This extraordinary effect in turn resulted in an improvement in the **expense ratio**, which fell to 27.2 (30.0) percent.

Due to weak stock market performance, **net investment income** fell significantly to 164 (330) million euros. This drop is also attributable to the fact that investment income in the preceding year was boosted by the divestiture of foreign shareholdings.

As a result, **earnings** after taxes deteriorated to 121 (199) million euros.

### Allianz Suisse

		2001	2000	1999
Gross premiums	€ mn	1,244	1,160	1,101
Claims ratio	%	79.8	74.2	78.5
Expense ratio	%	27.2	30.0	29.6
Earnings after taxes	€ mn	120.5	198.5	113.2
Investments	€ mn	3,735	4,379	3,866
Employees		3,186	3,243	3,105

Following the merger of our Swiss brands, the implementation of a common IT platform and substantial investment to reinforce our marketing organization, we expect sales and earnings in the **current fiscal year** to be considerably higher than in the preceding year.

Sales by our **Allianz Risk Transfer** (ART) company increased by 5.7 percent to 506 million euros. Most business volume originated from the sale of conventional reinsurance products. Income from the marketing of alternative risk transfer solutions stabilized at 102 million euros. ART provides comprehensive risk management solutions to companies in the service, financial and industrial sectors. These products combine both financial and insurance expertise. This highly profitable business segment now accounts for 20 percent of ART's total portfolio.

Total **earnings** after taxes fell to 34 (47) million euros, primarily as a result of the attack on the World Trade Center.

#### ART

		2001	2000	1999
Gross premiums	€ mn	506	479	428
Claims ratio	%	77.5	65.9	72.4
Expense ratio	%	26.2	31.4	23.0
Earnings after taxes	€ mn	34.3	47.0	29.1
Investments	€ mn	1,139	1,043	894
Employees		28	28	12

## GREAT BRITAIN

- Our Cornhill subsidiary ranks sixth in the British property and casualty insurance market.
- This subsidiary increased its premium income by a substantial 18.4 percent to 2.5 billion euros.

In local currency, we generated impressive **sales growth** of 21 percent. This growth was fueled by premium adjustments and substantial new business. We were able to achieve urgently needed premium increases in the area of automobile insurance as well as in other private and industrial lines.

In combination with our selective underwriting policy in the area of industrial insurance, this resulted in a significant improvement in the **claims ratio**, which dropped to 73.2 (83.5) percent.

The **expense ratio** also fell from 33.4 to 30.6 percent, primarily as a result of considerably higher sales.

**Net investment income** dropped to 184 (259) million euros.

Although **earnings** after taxes improved noticeably to 69 million euros after a loss of 11 million euros in the preceding year, performance in the area of industrial insurance remains unsatisfactory.

## Cornhill

		2001	2000	1999
Gross premiums	€ mn	2,492	2,104	1,944
Claims ratio	%	73.2	83.5	80.9
Expense ratio	%	30.6	33.4	33.2
Earnings after taxes	€ mn	69.0	- 11.3	27.6
Investments	€ mn	2,753	2,376	2,450
Employees		3,992	3,717	3,523

For the **current fiscal year**, we expect moderate overall premium growth, further stabilization of earnings from private and commercial insurance and substantially higher returns in the area of industrial insurance.

## SPAIN

- Allianz Compañía de Seguros y Reaseguros, our property and casualty insurer, ranks second in its market.
- This Allianz company posted premium income of 1.3 billion euros.

**Premium income** increased by a substantial 19.1 percent. After strategic reorientation and streamlining of our marketing organization in the preceding year, sales picked up considerably in 2001. With premium income growing by 21.8 percent, performance in the area of automobile insurance was particularly encouraging.

The **claims ratio** improved to 78.7 (81.1) percent. This is attributable to the risk-oriented premiums we have been able to introduce in recent years, resulting in a noticeable reduction in automobile insurance claims frequency.

Following the successful integration of our Spanish companies and the further streamlining of workflows, the **expense ratio** improved by an additional 2.6 percentage points to 21.2 percent.

## Spain

		2001	2000	1999
Gross premiums	€ mn	1,278	1,073	1,058
Claims ratio	%	78.7	81.1	89.7
Expense ratio	%	21.2	23.8	25.0
Earnings after taxes	€ mn	31.7	40.7	- 13.6
Investments	€ mn	1,420	1,459	1,546
Employees		2,030	2,159	2,102



**Net investment income** however fell to 59 (92) million euros in 2001. **Earnings** after taxes decreased to 32 (41) million euros.

In the **current fiscal year**, our Spanish insurer will not be able to maintain the high growth rate achieved in 2001. The claims and expense ratios are likely to show further improvement.

## REST OF EUROPE

- We sell property and casualty insurance in the Netherlands, Austria, Ireland, Belgium, Portugal, Luxembourg and Greece and are present in Hungary, Slovakia, the Czech Republic and Poland. In addition, we write property and casualty insurance in Croatia, Bulgaria, Rumania and Russia.
- In most of these countries, our local companies rank among the five leading insurers.

Total **premium income** in the rest of Europe amounted to 4.3 (3.6) billion euros. Our largest sales were reported by the Netherlands with 873 million euros, followed by Austria with 844 million euros.

### Rest of Europe

Gross premiums by country

	2001 € mn	2000 € mn	1999 € mn
Netherlands	873	557	523
Austria	844	831	810
Ireland	738	563	493
Belgium	391	393	373
Portugal	235	242	218
Luxembourg	176	133	119
Greece	62	75	96
Denmark	–	41	41
Subtotal Western and Southern Europe	3,319	2,835	2,673
Hungary	411	340	301
Czech Republic	173	181	88
Poland	137	116	61
Rumania	71	18	–
Slovakia	45	47	42
Bulgaria	45	39	–
Croatia	37	37	27
Russia	18	13	–
Subtotal Central and Eastern Europe	937	791	519
<b>Total</b>	<b>4,256</b>	<b>3,626</b>	<b>3,192</b>

In Central and Eastern Europe, sales were up approximately 20 percent to 937 million euros, primarily due to further expansion of our automobile insurance business in Hungary. With a total market share of 8 percent, we continue to be the leading international insurer in this emerging region.

**Earnings** after taxes improved to 112 (55) million euros. The main contributing factors were the return to profitability of our Austrian company and the strong performance of Allianz Hungária.

In Russia, we acquired a 45 percent interest in the Rosno insurance company coupled with an option to acquire a majority interest in this company in the future. This considerably strengthened our presence in this market. If the acquisition of the former government insurer in Slovakia is successful, we will move up to first place in this growth market.

In the **current fiscal year**, we are planning to further expand the reach of our sales network and to reinforce our market position. Here too, we are aiming for profitable growth, which means that we make every effort to see to it that expansion of our activities does not jeopardize our earnings targets.

## NAFTA REGION

- Our property and casualty insurance companies in the North American Free Trade Association (NAFTA) generated sales of 6.8 billion euros.
- Fireman’s Fund Insurance Company (FFIC) and Allianz Insurance Company (AIC) cover the U.S. market.
- Allianz Insurance Company of Canada serves the Canadian market.
- In Mexico, we are represented by Allianz México Compañía de Seguros S. A.

**Premium income** in the NAFTA region increased by 5.1 percent to 6.8 billion euros (in local currency), with the U.S. market accounting for 90 percent of this figure. Premium income generated in this market rose by 8.9 percent to 6.2 billion euros.

FFIC was by far the biggest source of sales in the United States, contributing 5.4 (4.8) billion euros. The growth of this company, 7.1 percent in local currency, is attributable to the following factors:

- we were able to achieve a significant increase in premiums in the areas of commercial and automobile insurance, primarily in the second half of the year. However, premiums remain less than adequate.
- we withdrew from business segments which we do not expect to produce a sustainable contribution to earnings. These divestitures involved premiums in the amount of 500 million U.S. dollars.
- new product lines in the areas of liability, marine and agricultural insurance performed very well.

FFIC's accident year's claims ratio for 2001 improved by a substantial 12.7 percentage points to 80.1 percent. However, since we had to strengthen insurance reserves for the business segments we abandoned, this progress is reflected only partially in the calendars' year claims ratio, which improved from 88.6 to 84.7 percent.

Net investment income of FFIC was depressed by substantially lower realized gains and write-offs on investments.

This increased the loss of this property and casualty insurer to 357 million euros.

FFIC's new management is making an all-out effort to bring the company back to profitability. Unprofitable product lines are being removed from the market. Further radical corrections in the company's portfolio, higher premiums and an extremely restrictive underwriting policy are expected to get this company back on track. At the same time, FFIC is expanding profitable lines such as agricultural insurance and group business. Its organizational structures are being thoroughly streamlined.

#### Fireman's Fund Insurance Company

		2001	2000	1999
Gross premiums	€ mn	5,366	4,849	4,414
Claims ratio	%	84.7	88.6	79.5
Expense ratio	%	29.6	30.3	26.9
Earnings after taxes	€ mn	- 356.7	39.5	375.6
Investments	€ mn	12,053	10,928	11,427
Employees		7,093	8,437	9,031

Premium income of AIC, a company specializing in business with high-volume customers, decreased by 1.6 percent in local currency. Converted to euros, this decline translates into a slight improvement to 687 (675) million euros. AIC felt the effect of the attack on the World Trade Center more than any other company in the Allianz Group and ended the year with a loss of 472 million euros.

Allianz Canada recorded premium income in the amount of 539 (516) million euros. Sales in Mexico stagnated at 136 million euros.

#### NAFTA Region

		2001	2000	1999
Gross premiums	€ mn	6,822	6,300	5,636
Claims ratio	%	99.9	87.9	80.5
Expense ratio	%	29.2	29.6	26.6
Earnings after taxes	€ mn	- 1,029.9	- 86.1	343.1
Investments	€ mn	20,398	18,000	14,555
Employees		8,585	9,976	10,347

The **claims ratio** for all our companies in the NAFTA region jumped to 99.9 (87.9) percent due to the fact that effects of the September 11 attack are reflected in the 2001 financial statements.

The **expense ratio** improved slightly by 0.4 percentage points to 29.2 percent.

All in all, the downturn of the financial markets and the aftermath of the attack on New York resulted in a **loss** of 1.0 billion euros for our activities in the NAFTA region.

## ASIA-PACIFIC REGION

- We are represented by subsidiaries or joints ventures in almost all markets in this region, which holds considerable potential for growth.
- Our total sales in the Asia-Pacific region amounted to 1.3 billion euros.

**Premium income** increased significantly in almost all markets in which we are active.

The sizeable jump in the premium income of our Australian company from 0.6 to 1.0 billion euros is attributable to the acquisition of an insurance portfolio from HIH. Competition in the Australian market remains intense. Nevertheless, it was possible to improve the claims ratio by 3.4 percentage points to 83.3 percent. At the same time, the expense ratio deteriorated due to high expenses for upgrading the IT system in connection with the integration of HIH. Earnings after taxes in Australia dropped to 5 (35) million euros.

In the other markets in this region, we were able to continue our success of the previous year and generated earnings after taxes of 6 million euros.

Together, our companies in the Asia-Pacific region reported **earnings** after taxes of 11 (39) million euros.

### Asia-Pacific Region

Gross premiums by country

	2001 € mn	2000 € mn	1999 € mn
Australia	1,048	557	591
Taiwan	89	83	26
Indonesia	55	40	28
Malaysia	48	–	–
Japan	46	47	39
China	35	26	18
Singapore	17	23	13
Laos	6	5	–
<b>Total</b>	<b>1,344</b>	<b>781</b>	<b>715</b>

## SOUTH AMERICA

- In South America, we are present in Argentina, Brazil, Chile, Colombia and Venezuela.
- Total premium income in these countries amounted to 962 million euros.

Brazil contributed 355 million euros in **premium income** to rank first in South America. Colombia followed, with sales of 267 million euros.

The **claims ratio** in South America improved substantially to 63.7 (70.9) percent. The primary reasons for this were the successful restructuring of our automobile insurance activities in Colombia and Venezuela as well as premium increases in all property lines in the region.

The **expense ratio** increased to 39.7 (34.8) percent, driven by restructuring expenses at our company in Chile.

In fiscal 2001, our companies in Chile and Colombia reported losses totaling 9 million euros. However, this represented a considerable improvement over the preceding year. In other countries, notably in Brazil, earnings showed substantial improvement. This put us back in the black in this region, where we showed a loss of 27 million euros the previous year. In 2001, **earnings** after taxes amounted to 29 million euros.

### South America

Gross premiums by country

	2001 € mn	2000 € mn	1999 € mn
Brazil	355	390	398
Colombia	267	165	–
Argentina	138	126	97
Venezuela	126	134	126
Chile	76	76	76
<b>Total</b>	<b>962</b>	<b>891</b>	<b>697</b>

## OTHER MARKETS

We also serve the casualty and property insurance markets in the West African countries of Benin, Burkina Faso, Ivory Coast, Gabon, Cameroon, Mali, Senegal and Togo through the companies of AGF Athena Afrique. AGF Athena Afrique ranks among the five leading providers in this region.

## CREDIT INSURANCE

- We provide global credit insurance through the companies of our EULER and Hermes groups.
- We rank either first or second in 17 of the 29 markets we serve.
- With an overall market share of 36 percent, we are the world's leading credit insurer.
- EULER concentrates its activities on France, Great Britain, Italy, Belgium, Spain, the Netherlands, Luxembourg, the U.S., Canada and Latin America.
- Hermes is the group company responsible for credit insurance in Germany, Switzerland, Austria, Scandinavia, Central and Eastern Europe, Portugal and the Asia-Pacific region.
- In addition, EULER handles our factoring activities, and Hermes is responsible for bond insurance and insurance against breaches of confidence worldwide.

**Premium income** amounted to 1.6 billion euros, down just 1.4 percent from the preceding year. This was due to the fact that in 2001 income from service contracts was no longer treated as premium income but rather as other income. Without this change, premium income would have shown a 7.6 percent increase.

This accounting change also had a considerable effect on the **claims ratio**, which deteriorated from 46.6 to 68.0 percent. Without the change, the claims ratio, which was unfavorably impacted by a large number of major losses, would have risen to 58.6 percent.

The **expense ratio** was also depressed by these accounting changes. It jumped to 44.0 percent from a very positive 35.9 percent in the preceding year. Without the changes, it would only have risen to 37.9 percent.

Losses and costs combined also to reduce **earnings** after taxes, which amounted to 90 (158) million euros.

### Credit insurance

		2001	2000	1999
Gross premiums	€ mn	1,589	1,611	1,534
Claims ratio	%	68.0	46.6	51.5
Expense ratio	%	44.0	35.9	36.7
Earnings after taxes	€ mn	90.5	157.5	122.7
Investments	€ mn	2,562	2,825	2,694
Employees		5,849	5,613	5,178

In the **current fiscal year**, we will combine the activities of our two credit insurance companies under EULER & HERMES S.A. As the leading credit insurer worldwide, this will enable us to achieve the greatest possible synergies, which, among other factors, will be generated by a uniform market presence, the pooling of administrative services and IT operations and the exchange of experience and expertise.

## TRAVEL INSURANCE AND ASSISTANCE SERVICES

- With sales of 910 million euros, the Mondial Assistance Group ranks among the leading service providers in this market segment.
- In the course of the reporting period, we strengthened our position in assistance services in the Asia-Pacific region by acquiring World Care Assist in Australia and Auto Assist in Thailand.

Sales grew by a total of 13.2 percent. In travel insurance, premiums were up 11.6 percent to 732 million euros. Fees from assistance services rose to 178 million euros, an increase of 20.1 percent. This improvement was primarily due to the first-time consolidation of our U.S. subsidiary World Access over the full fiscal year and to the integration of two newly acquired service providers, World Care Assist and Auto Assist. After restatement to exclude these one-time effects, assistance revenues were up 7.0 percent.

Together with its subsidiaries, Mondial Assistance provides assistance services in 28 countries. A tightly-knit network of partners ensures first-rate customer service around the globe. Mondial Assistance has approximately 6,500 employees. One of its strengths is its business with institutional clients, primarily travel operators and insurance companies as well as banks and carmakers. In 2001, Mondial Assistance arranged assistance for customers of these business partners in 180 countries.

The **claims ratio** in the travel insurance business rose only slightly to 64.4 (63.2) percent. The **expense ratio**, however, once again showed substantial improvement, going from 36.5 to 33.4 percent. This positive development was accelerated by the regrouping of our activities in the Mondial Assistance Group, which had already produced noticeable improvements in the preceding year.

Taken together, travel insurance and assistance services generated after-tax **earnings** of 2.7 (24) million euros. This sharp decline is attributable to lower investment income and higher expenses for assistance services.

### Travel insurance and assistance services

		2001	2000	1999
Gross premiums	€ mn	732	656	581
Claims ratio	%	64.4	63.2	63.1
Expense ratio	%	33.4	36.5	44.2
Earnings after taxes	€ mn	2.7	23.5	22.9
Investments	€ mn	445	416	502
Employees		6,498	5,456	4,006

For the **current fiscal year**, we once again expect double-digit growth in sales volumes and substantial improvement in earnings.

*Life and health insurance*

## OVERVIEW

		2001	2000	1999
Total sales	€ mn	33,687	31,025	25,248
Gross premiums	€ mn	20,145	20,239	18,473
Expense ratio	%	20.2	17.4	16.4
Investment income	€ mn	8,565	14,044	12,994
Net income	€ mn	229	625	392
Investments	€ mn	212,757	211,798	198,890
Insurance reserves	€ mn	215,217	208,829	196,071

Total sales <sup>*)</sup>	2001	2000	1999
	€ mn	€ mn	€ mn
Germany	11,672	11,681	11,429
France	4,864	5,558	4,179
Italy	5,944	4,490	2,986
Switzerland	1,174	1,053	1,127
Spain	940	767	440
Rest of Europe	1,871	1,612	1,533
U.S.A.	4,982	3,681	2,635
South America	356	469	176
Asia-Pacific Region	1,817	1,733	764

<sup>\*)</sup> Before cross-border consolidation



- Total sales increased by 8.6 percent to 33.7 billion euros.
- Sales of investment-oriented life insurance products included in the total rose to 13.5 billion euros.
- Net investment income decreased by 39 percent to 8.6 billion euros.
- Reported net income fell 63 percent to 229 million euros.

Earnings after taxes <sup>1)</sup>	2001 € mn	2000 € mn	1999 € mn
Germany	127	514	268
France	97	400	224
Italy	261	281	211
Switzerland	- 17	43	34
Spain	28	51	8
Rest of Europe	12	97	94
U.S.A.	- 24	133	- 10
South America	- 20	- 30	3
Asia-Pacific Region	- 5	- 66	29

<sup>1)</sup> Earnings after taxes, before amortization of goodwill and minority interests, net of extraordinary tax items in 2000

Investments <sup>1)</sup>	2001 € mn	2000 € mn	1999 € mn
Germany	117,199	121,260	116,131
France	43,313	43,625	41,263
Italy	15,122	14,977	14,092
Switzerland	8,066	8,213	7,408
Spain	3,564	2,776	2,473
Rest of Europe	9,335	9,278	9,021
U.S.A.	11,825	8,179	6,182
South America	389	424	262
Asia-Pacific Region	3,945	3,241	3,174

<sup>1)</sup> 2001 excluding own used real estate

*Total life and health insurance sales increased by 8.6 percent to 33.7 billion euros.*

*Over 40 percent of this total derived from investment-oriented products, mainly unit-linked life insurance. Despite the state of the capital markets, we were able to increase sales of these products by 25.6 percent to 13.5 billion euros. Disregarding effects of consolidation and currency translation, sales increased by 7.8 percent.*

In many countries – especially Italy, France and the U.S. – the sale of investment-oriented products has already surpassed that of traditional life insurance products. Although growth slowed in fiscal 2001, mainly as a result of poor stock market performance, we expect above-average growth in the fund-linked life insurance business in the years to come. The fact that the underlying funds of these products are to an increasing extent funds of our own Asset Management division will give the investment-oriented business an additional boost.

The following table shows sales generated by investment-oriented products in the various countries.

#### Sales of investment-oriented products

	2001 € mn	2000 € mn	1999 € mn
Italy	4,608	3,036	1,533
U.S.A.	3,504	2,216	1,102
France	3,308	3,261	2,721
Switzerland	590	529	497
South Korea	583	759	349
Netherlands	252	194	227
Great Britain	207	207	207
Belgium	105	115	68
Spain	61	235	19
Other countries	324	234	52
<b>Total</b>	<b>13,542</b>	<b>10,786</b>	<b>6,775</b>

In IAS accounts, which reflect sales of investment-oriented products only to a limited extent, premium income decreased slightly by 0.5 percent to 20.1 billion euros. When evaluating the stagnation of the traditional life insurance business, it should be noted that in the previous

year our French subsidiary AGF sold a group contract with a non-recurring premium of 800 million euros. Disregarding this one-time effect, growth of these products reached a satisfactory level of 3.6 percent. This increase was primarily generated by life insurance sales in the U.S. – for the most part annuity insurance – and the successful launch of new products in South Korea.

The expense ratio for total sales (including investment-oriented products) increased slightly from 11.4 to 12.1 percent. In IAS accounts, the expense ratio increased by 2.8 percentage points to 20.2 percent.

Net investment income was depressed by extremely weak capital markets and decreased substantially by 5.5 to 8.6 billion euros. For this reason, the share of profit allocated to our customers was considerably lower than in the previous year. On the whole, benefits to our customers fell from 26.4 billion euros to 22.0 billion euros, even though higher payments for maturities, surrenders and pensions were made in several countries. The lower investment income thus had a lesser impact on net income.

Earnings before taxes and amortization of goodwill fell by 68 percent to 0.6 billion euros. After amortization of goodwill, taxes and minority interests, net income amounted to 229 million euros, down 63 percent from 625 million euros a year earlier.

## GERMANY

- In this market, we offer life insurance products through Allianz Lebensversicherungs AG, Deutsche Lebensversicherungs-AG and Vereinte Lebensversicherung AG.
- Vereinte Krankenversicherung AG is our health insurer.
- Total premiums written of these companies amounted to 11.7 billion euros.
- We are the market leader in life insurance and number three in health insurance.

Total **premium income** can be divided as follows: life insurance business accounted for 9.0 billion euros or 77 percent, while the sale of health insurance products contributed 2.7 billion euros or 23 percent. Total segment sales remained at the same level as for the previous year.

## Life insurance

The **premium income** of our German life insurance companies decreased by 1.2 percent to 9.0 billion euros. This hiatus after many years of continuous growth is attributable to two factors:

- on the one hand, the number of contracts reaching maturity increased substantially.
- on the other hand, marketing capacities were to a great extent tied up by the sale of so-called “Riester products” (named after labor minister Walter Riester), which require extensive advising services. This led to the sale of over 320,000 contracts in this area of provision, most of which, however, will not generate premium income until 2002.

With a growth rate of 25.3 percent in new regular premiums, Allianz Leben clearly outperformed the market, which grew by an average of only 15.9 percent. However, due to a high-volume contract concluded in the previous year, single-payment premiums dropped by 8.2 percent. Annuity insurance now accounts for approximately two-thirds of new business with regular premium payments and over 90 percent of single-premium contracts.

The business in force – based on the amounts insured – increased by 2.8 percent to 228.4 billion euros. The number of insurance contracts decreased by 1.3 percent.

The cancellation rate was maintained at a very low level of 3.6 (3.4) percent.

Acquisition costs were inflated by the boom in new business. Since premium income dropped slightly during the same period, the **expense ratio** increased to 13.7 (11.1) percent. Administrative costs improved slightly to 2.4 percent and thus continue to stay clearly below the market average.

**Investments** fell to 106.4 billion euros in 2001. Net investment income, which was depressed by developments on the capital markets, amounted to 4.5 (8.1) billion euros.

**Earnings** after taxes dropped to 65 (467) million euros.

### Allianz Lebensversicherung AG, Vereinte Lebensversicherung AG, Deutsche Lebensversicherung-AG

		2001	2000	1999
Total sales	€ mn	8,981	9,094	8,916
Gross premiums	€ mn	8,969	9,094	8,916
Expense ratio	%	13.7	11.1	8.5
Earnings after taxes	€ mn	64.7	466.6	226.1
Investments	€ mn	106,425	111,805	106,493
Employees		6,440	6,159	6,158

In **the current fiscal year**, Allianz Leben will considerably expand its business in statutory, state-supported private and corporate retirement products. In the first months of sales, the company captured a market share of over 20 percent with these products. As the leading full-service provider of corporate retirement provision products, it intends to offer all available options. In addition to the current pension scheme, a pension fund will be introduced. Allianz scored an initial big success by assuming leadership of the consortium set up to establish the “MetallRente” pension institution for the metal-working and electrical industries.

## Health insurance

**Premium income** of Vereinte Krankenversicherung AG increased by 4.1 percent to 2.7 billion euros. The 4.8 percent growth of premium income from the core health insurance business resulted from new business and from the adjustment of premiums to reflect higher health care costs.

In mandatory care insurance, for which the same conditions apply throughout the market, premium income fell by 3.0 percent. This decrease was caused by lower rates.

The number of persons insured increased slightly by 0.4 percent to 2.27 million.

Despite enhanced claims management, payouts rose to 1.9 billion euros (plus 6.8 percent) in 2001. As a result, the **claims ratio** increased to 73.1 (71.6) percent.

The **expense ratio** increased slightly to 9.9 (9.4) percent.

Due to lower realized gains, **net investment income** fell to 275 (457) million euros.

**Earnings** after taxes rose to 48 (34) million euros. This increase is primarily due to an adjustment of deferred tax assets and liabilities to the future projected fiscal situation of Vereinte Kranken.

### Vereinte Krankenversicherung AG

		2001	2000	1999
Gross premiums	€ mn	2,691	2,587	2,513
Claims ratio	%	73.1	71.6	70.6
Expense ratio	%	9.9	9.4	10.7
Earnings after taxes	€ mn	48.0	34.1	42.2
Investments	€ mn	10,940	10,549	9,848
Employees		3,926	3,836	4,121

For the **current fiscal year**, Vereinte Krankenversicherung AG expects to increase its sales by about 6 percent. The company continues to invest in streamlining the workflow of its in-house and field services departments. Efforts to reduce the claims ratio focus on benefits and health management. For the time being, however, continued cost increases in health care are limiting the potential for further improvement.

## ITALY

- We have an excellent position in the Italian life insurance market with the RAS Group and Lloyd Adriatico.
- Together, they increased their sales to 5.9 billion euros.
- This ranks them number two in the Italian market.

Total sales increased by 32.4 percent. The RAS Group reported **premium income** of 5 billion euros and Lloyd Adriatico 0.9 billion euros. Premium income in IAS accounts, which includes only a small fraction of investment-oriented life insurance products, amounted to 1.3 billion euros. The sales successes of our companies increased our share of the Italian health insurance market from 11.1 to 13.5 percent.

This growth was mainly attributable to bank-based sales of fund-linked life insurance products (bancassurance).

- A significant share of the high sales volume came from the ongoing expansion of the cooperation agreement with the Unicredito Group. The number of branch banks selling life insurance products increased substantially. This channel enabled us to increase premium income to 3.4 billion euros.
- At the same time, Banca Antoniana Veneta Popolare Vita, a Lloyd Adriatico bancassurance joint venture, once again performed extremely well. The company boosted its sales by 53 percent to 542 million euros.

The **expense ratio** increased to 22.5 (14.8) percent.

Higher depreciation and lower realized gains reduced **net investment income** to 842 (963) million euros.

**Earnings** after taxes decreased to 261 (281) million euros.

## Italy

		2001	2000	1999
Total sales	€ mn	5,944	4,490	2,986
Gross premiums	€ mn	1,336	1,454	1,453
Expense ratio	%	22.5	14.8	16.7
Earnings after taxes	€ mn	260.7	281.4	211.2
Investments	€ mn	15,122	14,977	14,092

The demand for fund-linked life insurance products continues to increase in the **current fiscal year**. The marketing agreement with the Unicredito Group and the dynamic development of Antoniana Veneta Popolare Vita will further strengthen our position in this growth market.

## FRANCE

- The AGF Group ranks sixth in the French life insurance market.
- In health insurance, we rank second in France.
- Total life insurance sales amounted to 4.9 billion euros.

With a decline of 12.5 percent, our French companies shifted into reverse and posted a drop in sales, which is essentially attributable to two factors:

- sales of our investment-oriented products suffered from the volatility and general weakness of the capital markets, but fared better than the market as a whole.
- in fiscal 2000, we acquired a major group contract involving the off-balance sheet treatment of the pension provisions of an industrial company. This contract alone brought us 800 million euros in non-recurring income for which there is no equivalent on our books in 2001.

Premium income in IAS accounts amounted to 1.6 billion euros. Disregarding the one-time effect of the group contract in the previous year, this represents a 3.9 percent increase over fiscal 2000.

The **expense ratio** increased to 52.0 (27.6) percent, which resulted from the fact that the high premium income from the group contract in the previous year was also a non-recurring item.

**Net investment income** decreased substantially to 1.3 (2.5) billion euros.

This development also had an effect on after-tax **earnings** which, after reaching an exceptional peak of 400 million euros in the previous year, dropped to 97 million euros.

## France

		2001	2000	1999
Total sales	€ mn	4,864	5,558	4,179
Gross premiums	€ mn	1,556	2,297	1,458
Expense ratio	%	52.0	27.6	36.0
Earnings after taxes	€ mn	97.4	399.7	224.1
Investments	€ mn	43,313	43,625	41,263

In the **current fiscal year**, the demand for investment-oriented life insurance and savings products will again depend to a great extent on the development of the capital markets. Insofar as marketing and product range are concerned, we are well equipped to address our customers' needs for insurance and retirement provision.

## SWITZERLAND

- In Switzerland, our former companies were regrouped to form Allianz Suisse Lebensversicherungsgesellschaft.
- The new company ranks sixth in the Swiss market with annual sales of 1.2 billion euros.

Total **premium income** increased by 11.5 percent. This growth is primarily attributable to group business with a high percentage of single-payment premiums, while sales of individual life insurance policies continued to develop very slowly.

Since business with predominantly investment-oriented life insurance products grew disproportionately, the **expense ratio**, which is calculated exclusively on the basis of IAS sales, deteriorated to 22.6 (9.9) percent.

Since realized gains were significantly lower and **investments** (mainly stocks) had to be substantially revaluated, net investment income dropped from 424 to 220 million euros.

This resulted in an after-tax **loss** amounting to 17 million euros in our IAS accounts, after earnings of 43 million euros in the previous year.

### Allianz Suisse

		2001	2000	1999
Total sales	€ mn	1,174	1,053	1,127
Gross premiums	€ mn	584	524	630
Expense ratio	%	22.6	9.9	12.0
Earnings after taxes	€ mn	- 17.1	42.6	33.9
Investments	€ mn	8,066	8,213	7,408

The situation in Switzerland will continue to remain difficult in the **current fiscal year**. The statutory guaranteed interest of 4 percent in the group plan business cannot be generated from current investment income. Substantial capital gains can hardly be expected as long as the present situation in the capital markets remains unchanged. If there is no significant and long-term improvement of the regulatory environment for our activities in Switzerland, we may have to revise our strategy.



## SPAIN

- In Spain, our life insurance activities are handled by Allianz Seguros and Eurovida, a bancassurance joint venture.
- Together, they recorded premium income of 940 million euros.
- They rank eighth in the Spanish market.

Total sales increased by 22.6 percent. This increase would have been even more substantial were it not for the fact that Allianz Seguros sold two group contracts in the preceding year with non-recurring premiums that do not reappear in the 2001 financial statements. Private customers clearly showed growing demand for life insurance products with guaranteed interest. With these products, we achieved a growth rate of 60.3 percent, which is a result of our optimized marketing structure in Spain, as well as the measures taken to increase the productivity of our sales force. Fund-linked contracts without guaranteed interest, however, were less popular, which prevented our Eurovida bancassurance joint venture from repeating last year's rapid growth.

The **expense ratio** improved to 4.2 (8.9) percent, clearly reflecting the savings resulting from the integration of our Spanish companies and high-volume pension contracts signed in the course of the year.

**Earnings** after taxes substantially decreased to 28 (51) million euros.

### Spain

		2001	2000	1999
Total sales	€ mn	940	767	440
Gross premiums	€ mn	879	532	421
Expense ratio	%	4.2	8.9	9.3
Earnings after taxes	€ mn	27.5	50.7	8.2
Investments	€ mn	3,564	2,776	2,473

We are continuing to expand our network of financial advisors in Spain in the **current fiscal year**. In addition to funds, all types of life insurance are offered. This additional marketing channel is expected to give our business a further boost.

## REST OF EUROPE

Total **sales** of life and health insurance in the other European markets amounted to 1.9 billion euros. In many countries we once again achieved double-digit growth rates, especially through sales of investment-oriented products. Premium income in IAS accounts increased to 1,148 (971) million euros.

**Earnings** after taxes dropped substantially to 12 (97) million euros. To a great extent, this was attributable to sharply lower earnings in Belgium. Due to a substantial decrease in investment income, our Belgian company recorded a loss of 21 million euros.

### Rest of Europe

Total sales by country

	2001 € mn	2000 € mn	1999 € mn
Belgium	421	414	362
Netherlands	409	270	326
Great Britain	337	344	324
Austria	282	268	251
Luxembourg	129	100	70
Greece	71	74	82
Portugal	69	65	64
Subtotal Western and Southern Europe	1,718	1,535	1,479
Hungary	53	52	39
Poland	38	24	15
Czech Republic	35	-	-
Slovakia	16	-	-
Croatia	8	-	-
Bulgaria	3	1	-
Subtotal Central and Eastern Europe	153	77	54
<b>Total</b>	<b>1,871</b>	<b>1,612</b>	<b>1,533</b>

## U.S.A.

- Allianz Life of North America is our life insurer in the United States of America.
- Total sales increased by 35.3 percent to 5.0 billion euros.
- Appreciation of the U.S. dollar with respect to the euro contributed 4.3 percent of growth.

In original currency, total **sales** increased by 31 percent.

The most important business segment for Allianz Life, annuity insurance, continued its dynamic performance with a growth rate of 38.7 percent. Our recovery program in the fund-linked annuity business began producing results; for the first time since 1997, we expanded our portfolio, and new business is picking up. Life reinsurance is also performing very well. Premium income in this segment amounted to 424 (366) million euros.

The **expense ratio** increased slightly to 49.2 (48.2) percent, primarily as a result of our intensive efforts to stimulate sales of fund-linked annuity insurance.

Lower realized gains and considerably higher depreciation depressed net **investment** income to 468 (568) million euros.

Earnings were impacted not only by lower investment income but also by the cost of financing our substantial new business. All in all, we recorded an after-tax **loss** of 24 million euros, after earnings of 133 million euros in the previous year.

#### Allianz Life

		2001	2000	1999
Total sales	€ mn	4,982	3,681	2,635
Gross premiums	€ mn	1,478	1,465	1,533
Expense ratio	%	49.2	48.2	40.2
Earnings after taxes	€ mn	- 23.7	132.6	- 9.5
Investments	€ mn	11,825	8,179	6,182
Employees		1,750	1,435	1,083

We are continuing to expand our marketing channels and to promote sales of fund-linked life insurance in the **current fiscal year**.

## ASIA-PACIFIC REGION

### – We also supply life and health insurance in Asia and are steadily expanding our business in the rapidly developing markets of this region.

With a total sales volume of 1.6 billion euros, our biggest company in this region is Allianz First Life in South Korea. Having posted after-tax earnings of 26 million euros, this company generated a profit following a loss of 39 million euros the year before.

In Indonesia, we offer life and health insurance. In Malaysia, we sell life insurance through our subsidiary Allianz Life Insurance Malaysia Berhad. We also operate life insurance joint ventures in Taiwan, Thailand, China, the Philippines and (since 2001) India. In Singapore and Pakistan, we only underwrite health insurance.

Gross premium income in IAS accounts amounted to a total of 1.2 billion euros, of which 1.1 billion euros originated from South Korea.

**Earnings** after taxes also improved for the region as a whole. The loss of 66 million euros in the previous year was reduced to 5 million euros. Earnings were negatively impacted by our company in Taiwan, which, in an extremely difficult business climate, reduced its losses but has not yet crossed the profitability threshold.

## OTHER MARKETS

We also sell life insurance in Brazil, Colombia, Chile, Argentina and Venezuela. Total **sales** in these countries amounted to 356 million euros.

### South America

Total sales by country	2001 € mn	2000 € mn	1999 € mn
Brazil	178	208	154
Colombia	107	195	-
Chile	61	59	22
Argentina	9	7	-
Venezuela	1	-	-
<b>Total</b>	<b>356</b>	469	176

*Following the takeover of the Dresdner Bank Group, our report now also includes a “banking” segment. This segment covers all Allianz Group banking activities, including the new “mobile investment advisor” marketing channel currently being established. However, our banking business is primarily comprised of the Dresdner Bank Group, which was integrated into the financial statements of Allianz Group as of July 23, 2001. This segment does not include the Dresdner Bank Group asset management activities, which are covered by our asset management segment.*

The year 2001 was an extremely difficult year for financial institutions, and this applies both to banks operating at the national level as well as institutions operating at the global level. Worldwide recession, weak capital markets and the terrorist attack on the United States severely depressed earnings in the lending business. The banking business of Allianz also suffered from these influences.

<b>Overview</b>		2001	2000
Net interest and current income	€ mn	2,363	318
Net fee and commission income	€ mn	1,290	- 61
Trading income	€ mn	244	7
Other income/expenses	€ mn	248	- 14
Administrative expenses	€ mn	- 3,261	- 113
Cost income ratio	%	83	48
Loan loss provisions	€ mn	- 588	- 21
Net income	€ mn	- 220	101
Loans and advances to customers and banks	€ bn	277	14
Liabilities to customers and banks	€ bn	307	9

Interest-earning business suffered from persistently low interest levels and intensive competition with respect to conditions. Net interest income amounted to 2.4 billion euros.

We fully audited the loan portfolio. At year-end, total loan loss provisions amounted to 8.1 billion euros or 3.9 percent of total loans outstanding.

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

Earnings in the trading business were conditioned by two opposing trends: in the bond, currency and precious metals business, we generated positive results; this also applies to trading in other financial instruments, primarily derivatives. Stock trading, however, produced a loss. Total trading income amounted to 244 million euros.

We incurred administrative expenses of 3.3 billion euros. Above all, administrative expenses were inflated by bonus guarantees from the previous year. Although our cost-containment program began producing results, these will not be reflected in our financial statements until fiscal 2002.

The net total of other income and expenses amounts to 248 million euros. This includes income of nearly one billion euros from management of equity investments and expenses for realignment of the Dresdner Bank totaling 338 million euros.

Total earnings before taxes and amortization of goodwill amounted to 297 million euros. After amortization of goodwill, taxes and minority interests, a loss of 220 million euros was incurred. The Dresdner Bank Group accounted for 213 million euros of this loss. Given this performance, we clearly missed our original targets in the banking sector in 2001.

### Private customers

Business with private customers was depressed by weak securities markets throughout the year 2001. Particularly affected by the bear market were commission-based financial services. While our restructuring program succeeded in slowing down runaway costs, it was not possible to compensate for the significant drop in income. We set up loan loss provisions of 177 million euros. As a result, our business with private customers produced an after-tax loss of 111 million euros.

Private customers		2001	2000
Total income	€ mn	1,443	165
Loan loss provisions	€ mn	- 177	- 4
Total expenses	€ mn	- 1,400	- 136
Earnings after taxes	€ mn	- 111	25
Cost-income ratio	%	97	82

### Corporate & Markets

The results of the Corporate & Markets division were negatively impacted by the difficult situation in the capital markets. This applies especially to the stock-related activities of Global Equities and Private Equities. However, our Global Debt department and our corporate business in Germany generated significant income. Costs incurred in connection with these activities remained unsatisfactory, essentially due to bonus guarantees offered to key executives in the preceding year as an incentive to remain with the company. Loan loss provisions diminished earnings by 417 million euros. The high level of loan loss provisions was attributable not only to worldwide weak economic fundamentals, but also to our U.S. loan portfolio, which contained a significant volume of non-performing loans, for the most part loans to medium-sized companies. We have terminated our lending activities in this market segment in the year 2000. After tax loss amounted to 619 million euros.

Corporate & Markets		2001	2000
Total income	€ mn	1,864	10
Loan loss provisions	€ mn	- 417	-
Total expenses	€ mn	- 2,040	- 9
Earnings after taxes	€ mn	- 619	1
Cost-income ratio	%	109	90

- Our assets under management increased by 67 percent to 1,172 billion euros.
- The Dresdner Bank takeover contributed 414 billion euros to this total.
- This ranks Allianz among the five largest companies in this business segment.

We distinguish between two categories of **assets under management**:

- **asset management for third party investors** and other financial services.
- assets under management which include **investments** used to cover insurance provisions, equity capital and borrowed funds.

### Asset management for third parties

Over the past four years, we have expanded our asset management operations for third party investors into a core business area, mainly through acquisitions. Following the acquisition of Dresdner Bank, we now have production and distribution capacities in all essential markets, reaching 60 million customers. We have created a global platform for our asset management business, and we have significant market shares in the U.S. and in Europe.

In 2001, all operative asset management units were combined in the Allianz Dresdner Asset Management (ADAM) division. The division has uniform management and reporting structures, but each of its companies has clear competencies and its own responsibilities and decision-making powers. The internationally operating units are Global Retail, Global Equity and Global Fixed Income.

### Assets under management

	Current values 12/31/2001 € bn	Current values 12/31/2000 € bn
Group investments	527	341
Investments held on account and at risk of life-insurance policyholders	25	23
Investments for third party investors	620	336
PIMCO Group	333	297
Dresdner Bank Group	211	–
Nicholas Applegate	29	–
Other companies	47	39
<b>Assets under management</b>	<b>1,172</b>	<b>700</b>



Total assets under management amount to almost 1,200 billion euros. Approximately 53 percent or 620 billion euros are assets managed for third party investors. Two thirds of this amount are invested in fixed-income securities, one third is invested in stocks.

In terms of volume, the share of institutional investors is 75 percent. This clearly demonstrates that we are operating in a market environment with extremely high expectations regarding the quality of our products and services, which also benefits our private customers.

In terms of geographic distribution, 70 percent of our customers are based in the U.S.; approximately 25 percent live in Europe.

Fiscal 2001 was a year of integration. Although this process tied up many of our resources, we still achieved a number of outstanding successes in the course of the year.

- In Germany, we, jointly with Allianz Leben, obtained the mandate to lead the MetallRente consortium, which is projected to be the largest pension institution in this promising market. The award of this contract demonstrates that as a leading provider of know-how in the insurance, banking and asset management businesses, we can offer our customers unique service combinations that are well received in a newly opening market. This trend and the restructuring of our activities should enable us to attain above-average results in the future (see page 64 of this Annual Report for more details).
- The leading rating agency Standard & Poor's awarded its highest rating to 21 funds managed by dit (Deutscher Investment Trust) and Allianz Kapitalanlagegesellschaft in Germany.
- In the United States, we regrouped fund sales to private customers in PIMCO Advisory Services. This not only resulted in considerable cost reductions but also increased the cash inflow of our public funds by 70 percent. With total assets of 14.8 billion U.S. dollars, we improved our market position in this segment from 11th to 3rd place. In 2001, the PIMCO Total Return Fund was the best-selling fund in all investment classes in the U.S., and no competitor challenged our leading position during the first months of 2002.
- By founding Allianz Hedge Fund Partners, we considerably increased our product range for institutional investors.
- In Hong Kong, an important center for our Asian business, we received an award honoring us as the company with the best performance over a ten-year period.

We were less satisfied with the growth of our stock business. Sales of public funds, both through our own distribution channels and through third parties, also failed to meet our expectations.

Today, we are one of the world's leading fund managers in terms of assets under management. In the course of the coming years, we also want to become a leader in product quality and profitability. In order to compete in tomorrow's market place, excellent products and outstanding service will make the decisive difference. That includes the know-how allowing us to offer our customers complex solutions for their investment needs. To achieve this objective, we strictly monitor the efficiency of all stages of the value-creation process. This ensures our sustained competitiveness and builds the foundation for meeting the long-term return expectations of our customers and shareholders.

In fiscal 2001, the Asset Management segment recorded an after-tax **loss** of 348 million euros. This includes acquisition-related expenses totaling 647 million euros. Thereof amortization of goodwill amounted to 243 million euros. We amortize goodwill of the ADAM companies by the straight-line method over twenty years.

A further 188 million euros was charged as “capitalized loyalty bonuses” for the management of the PIMCO group. These loyalty bonuses were part of the price paid for the company and will be amortized over five years. Additional retention payments intended to incite management and employees to stay with the company amounted to 186 million euros. These payments were also included in the PIMCO acquisition package and will be made over the next five to seven years. Retention payments amounting to 30 million euros were granted by Dresdner RCM in connection with the takeover by Allianz.

Minority interests in earnings amounted to 182 million euros. Of this amount, PacLife received 142 million euros. The former owner of the PIMCO group still holds a 30 percent interest in the company. A purchase option for these shares takes effect in January 2003.

Disregarding these items, Asset Management generated a pre-tax operating result of 313 million euros, bearing out the fact that the cost-income ratio is still unsatisfactorily high at 84.7 percent. This indicator was weighed down by the cost of setting up and restructuring the Allianz Dresdner Asset Management Group, which came to 82 million euros.

## Investments

The current value of **Group investments** amounted to 527.4 billion euros. For the first time, this figure also includes Dresdner Bank investments in the amount of 203.1 billion euros. Altogether, Group investments grew by 11.3 percent compared to the amount established on a pro forma basis for the previous year (474 billion euros). The increase in value was weakened by lower stock market prices.

### Group Investment Structure

	Current values € bn	12/31/2001 Weighting in %	12/31/2000 Weighting in %
Real estate	16.7	3.2	5.8
Equity securities	120.5	22.8	35.5
Fixed-income securities	358.0	67.9	55.5
Other investments	32.2	6.1	3.2
<b>Investments</b>	<b>527.4</b>	<b>100.0</b>	<b>100.0</b>

The current value of **investments in affiliated enterprises, joint ventures and associated enterprises** decreased by 5.1 to 24.4 billion euros. Most of these investments are in associated enterprises (i.e. companies in which we hold a share of between 20 and 50 percent), which are valued by the equity method. Our biggest holdings were Münchener Rückversicherungs-Gesellschaft AG (Munich Re) (14.0 billion euros) and Beiersdorf AG (4.1 billion euros).

In addition, we held **investments** with a current value of 350.0 billion euros. Of these, 322.2 billion euros were in **securities available for sale**. Fixed-income securities accounted for 75 percent and equity securities for 25 percent. A list of companies in which we hold at least 5 percent of the capital or in which our investment exceeds 100 million euros can be found on pages 80 to 88 of the Notes to the Financial Statements. Also shown in this list are the percentage of our interest in each company and the individual current market capitalization of our holdings. At the end of 2001, the market value of these holdings amounted to 56.2 billion euros.

**Real estate rented to third parties** amounted to 16.7 billion euros in fiscal 2001, **securities held to maturity** to 7.7 billion euros.

**Funds held by others under reinsurance contracts** were valued at 3.4 billion euros.

Unrealized investment gains amounted to a total of 16.6 billion euros.

Investments held on account and at risk of life insurance policyholders increased in 2001 by 8 percent to 24.7 billion euros.

#### Investment structure by segments as of December 31, 2001

Current values in € bn

	Property/Casualty	Life/Health	Banking	Asset Management
Real estate	7.2	9.0	0.5	0.0
Equity securities	53.8	39.9	25.9	0.9
Fixed-income securities	46.2	149.8	159.1	2.9
Other investments	10.0	2.2	19.9	0.1
<b>Investments</b>	<b>117.2</b>	<b>200.9</b>	<b>205.4</b>	<b>3.9</b>

After elimination of cross-segment group-internal transactions

**Net investment income** fell to 17.3 (21.5) billion euros as of December 31, 2001. This reduction is mainly attributable to the negative development in the capital markets.

Investments in the insurance business contributed 14.6 (21.3) billion euros to net investment income. This reduction was in particular due to a 6.5 billion decrease of realized gains and losses, which amounted to 1.0 billion euros at year-end (also see the table "Investment income" on page 64 of the Consolidated Financial Statements).

The banking segment contributed a further 2.6 billion euros to investment income; 0.2 billion euros of this amount were generated by trading activities. In addition, current income amounted to 1.4 billion euros, realized capital gains and losses from disposal of investments to 1.1 billion euros and write-downs to 0.1 billion euros.

*The aim of Group controlling is to increase corporate value. We want to ensure that all the Allianz Group companies contribute to increasing corporate value across all our segments (insurance, asset management and banking). In this controlling process, Allianz AG acts as management holding company. The key indicator of our value-based corporate management concept is “Economic Value Added” (EVA).*

### Decentralized and centralized elements

The controlling and planning of a global, integrated financial services group must first and foremost bear in mind the fact that successful distribution and customer relations in the insurance, asset management and banking businesses, are still to a great extent determined by local conditions. This is why our Group companies are responsible for the success of their national operations.

At the same time, the Allianz Group’s controlling process must be attuned to the increasing influence of global risks on our business success. Such risks may stem from natural catastrophes or from price fluctuations in the capital markets. They may also, however, be the result of corporate insolvencies that reduce the value of financial investments and cause loan losses. Therefore we must manage and control global risks centrally, because, compared to a regional financial services provider, our international scope increases the danger of an accumulation of risks.

For these two reasons – local business and global accumulation risks – the basic principle in Allianz Group controlling is: “As decentralized as possible, as centralized as necessary.”

### Strategic Holding

Allianz AG operates as a management holding company. In exercising its control function, the Board of Management is supported by the Group Center, which provides the following assistance:

- the Group Center formulates Group objectives applicable worldwide, adapts these objectives to the various business segments and companies and coordinates any necessary changes in the management dialogue.
- it fixes the global coordinates within which the individual companies establish their planning and ensure that the business models and strategies of the Group companies are in line with overall Group objectives.
- in addition, the Group Center establishes the standards and methods of corporate governance that apply to all entities of the Group and ensures that these rules are applied worldwide.
- centers of competence and transfer of know-how contribute to the continuous identification of new added-value opportunities and their systematic utilization throughout the Group.

Allianz AG concentrates its efforts on the following tasks.

**Strategic planning and controlling** The foremost aim of this process is the sustained increase of corporate value. We therefore identify the units that increase the value of the Group, as well as those that destroy economic value, and summarize the results of this ongoing analysis in alternative action plans. In this we are supported by an internal reporting system that provides a standardized, condensed and up-to-date picture of essential business developments throughout the Group.

**Strategic portfolio management** This process leads to decisions on capital allocation and portfolio optimization. The structure and focus of the portfolio are determined on the one hand by the acquisition and divestment of companies and on the other hand by the reorganization and realignment of existing Group companies. Capital must be employed with the highest possible effectiveness, meaning we invest in business segments and company units where we can expect results to clearly exceed capital costs on a sustained basis. But in this process, we also observe market cycles and their interdependency in order to utilize them for continued value increase and to limit the fluctuation of results. All this is done in the interest of increasing shareholder value.

**Synergy management** The holding company organizes the global transfer of know-how, identifies potential synergies and makes sure that these are transformed into added value. Emphasis is placed on products, operating procedures and marketing models.

**Management deployment** Our management trainees are identified at a Group level, supported and individually prepared to take on management responsibilities within the international Group organization. Whenever possible, management positions are filled internally.

## Management dialogue

The purpose of this management instrument is to make sure that all company units contribute to sustained, profitable growth of the Group. In the management dialogue we agree on targets and discuss the concepts and activities designed to meet them. A vital ingredient of the management dialogue is the direct communication between decision-makers which unfolds in three phases.

- At the beginning of February, the holding company's Board of Management reviews the long-term strategies for increasing corporate value and updates them. On this basis, strategic measures are decided and resources are allocated. Group EVA targets are discussed and then used as a basis for defining provisional top-down objectives for the individual Group companies.
- By mid-year, the Group companies must present the strategic sub-objectives they have derived for their specific operations, the measures they intend to take and the basic plan data they have developed. These proposals are discussed with the Board in a strategic dialogue. Thereafter, the EVA target for the coming year is agreed upon in accordance with the top-down objectives specified.
- In the late fall, we hold planning discussions are held at the Group companies to ensure that the agreed targets are effectively reflected in the detailed operating plans.

## Economic Value Added

How do we benchmark the success of our strategies and the measures taken to increase corporate value? We have adopted the value added concept, which has since become familiar under the name “Economic Value Added” or EVA. This concept determines:

- our objectives,
- our risk-adjusted performance measurement and
- management remuneration.

It compares the profit generated with our capital costs. The positive or negative difference – or EVA – shows to what extent we have been able to exceed the opportunity costs of our risk capital or not. The EVA calculation process has been customized to fit in with the specific requirements of our business.

## Risk capital

We determine the amount of risk capital required for the operating units or business segments by applying the following criteria: the risk profile of the individual companies or segments (for more information about risks, see pages 137 to 146 of this Annual Report) and the security level.

## Fine-tuning

How do operating units increase their EVA? First of all, by identifying all value drivers in their business and by continually monitoring their development. Secondly, by determining where values are created or destroyed in their value added chain. For this purpose, they observe such indicators as claims development, sales and personnel costs, new business or investments. Since fiscal 2000, we have also determined the EVA of individual segments such as products, customer groups, or distribution channels. That way, we can increase the shareholder value of the Allianz Group even more purposefully.

## Management remuneration

A substantial proportion of the remuneration paid to top management and local company management is contingent on meeting EVA targets (see pages 21 to 22 of this Annual Report for more details).

## Internal reporting system

Our internal reporting system covers the main developments within the Allianz Group and its operating units. It indicates deviations from plan data and helps management develop countermeasures and alternative solutions.

For several years, our internal reporting system has been based on rules that are comparable to international accounting standards. The differences between our internal and external reporting are diminishing increasingly because our external financial statements have also been prepared in accordance with International Accounting Standards since 1998.

However, one essential difference remains: in our internal accounts, net investment income is determined by a standardized performance basis. This enables us to eliminate the effects of fluctuations in the capital markets and of profit realisation. This is important because otherwise short-term changes in the financial markets could, for example, trigger the wrong measures, which would jeopardize achievement of our core objective of steady, profitable growth.

*As providers of financial services, we consider risk management one of our core competencies. As a result, risk management is an integrated part of our controlling process, which involves identifying, measuring, aggregating and managing risks. This process is used to determine how capital is allocated to the Group's various divisions.*

### Responsibilities

In our business, successful management essentially means controlling risks in order to increase the value of the Allianz Group. This is done through risk-adequate allocation of capital resources and activities required to achieve sustainable growth. As a result, the Board of Management formulates the business objectives of the Allianz Group on the basis of return and risk criteria. These objectives are implemented by the Allianz Group Center and the local operational units. Our risk-control strategy involves assignment of responsibility for risk management to local entities, which operate within the legal frameworks applicable for their respective locations.

This decentralized approach is complemented by centralized responsibility. This is necessary because we need to deal with an accumulation of global risks which can considerably increase potential risk exposure. As a result, central controls are essential.

Group Controlling assesses the Allianz Group's risk exposure on the basis of local and global risks. The results of these analyses are then submitted to senior management. At the same time, Group Controlling ensures that the processes are transparent and comprehensive. Risk management activities are supervised by both internal and external auditors.

### Risk Categories

Total risk exposure of the Allianz Group is subdivided into individual risk categories:

**Actuarial risks** These risks are based on the technicalities of the insurance business: we have to guarantee future payment commitments, and the volume of such payments must be calculated in advance. Different actuarial risks exist in the various insurance lines.

In the area of **property and casualty insurance**, actuarial risks arise from an unexpected variance:

- the volume of losses exceeds premiums fixed in advance (premium risk), or
- the payout for claims made is higher than the corresponding provisions (reserve risk).

In 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 the inability or refusal of a counterparty, an issuer or another contracting party is incapable or unwilling to meet contractual obligations. Credit risk also includes the risk of a deterioration of a business partner’s creditworthiness. 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. Also risk relevant are changes observed in the variation behaviour (volatility) of an asset price, for example.

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 below current market prices (**market liquidity risk**).



**Health insurance risks** Health insurance risks are treated either as property and casualty insurance risks or as life and health insurance risks, depending on the segment to which the health insurance is assigned in the given market.

### Management of the Allianz Group through risk capital

We control our activities through our respective local companies. Economic Value Added (EVA) and risk capital are the most important parameters used in the context of our risk-based controlling process.

Risk capital is required to cover unexpected losses. The amount of risk capital is calculated by using internal models. These models are based on generally accepted quantification methods, which are used for purposes of group-internal risk management as well. We also use the risk capital models of the 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 at various levels: first, for the Group as a whole and on the level of our operational units and their business activities.

We back our risk capital calculations with a certain level of statistical confidence to validate their reliability and to permit comparison. The security level of our internal models is sufficiently high to ensure that Group controlling meets Standard & Poor's requirements of 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 is considered separately. In the case of life insurance, we calculate the insurance provisions required.
- investment risks, which include market and counterparty risks. The market risks are subdivided according to dividend-bearing instruments, interest-bearing instruments and real estate. 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 is the center of competence for setting risk standards and evaluating banking risks within the Allianz Group.

### 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 technical studies for the manufacturing and automobile 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 from insurance business 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 related 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 setting high requirements on the creditworthiness 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. 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 cash flow from ordinary activities.

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 capital** At the end of fiscal year 2001, risk capital before minority interests in property and casualty insurance amounted to 13.3 billion euros for actuarial risks, 1.0 billion euros for credit and counterparty risks and 5.3 billion euros for investment risks. Risk capital in the area of life insurance came to a total of 10.3 billion euros as of December 31, 2001.

### 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 the client's creditworthiness. The bank controls this risk through guidelines and credit risk committees. The ratings of our customers and their credit engagements represent the central element used in the approval, supervisory and control process in the area of credit and derivatives activities. This process involves analyzing and weighting the various creditworthiness characteristics of the customers and presenting the results in the form of rating scales. The forecasting quality, up-to-dateness and portfolio coverage of the rating methods used are controlled by periodic sampling and regular reports.

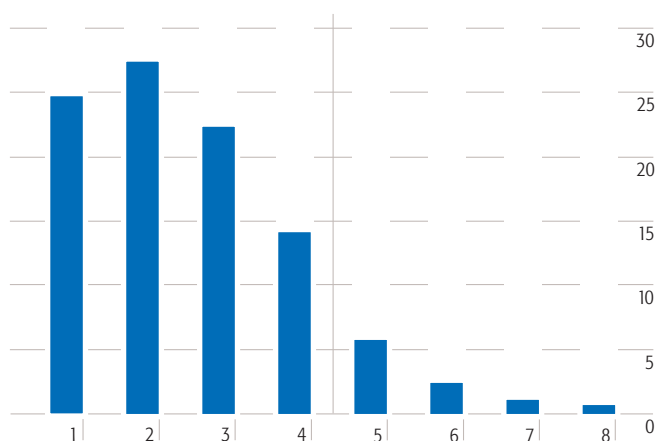
The results of these ratings are reflected in rates applied in the case of new business. That ensures, when we formulate the conditions for contracts, the probability of a loss due to default on the part of the counterparty and the interest on the capital we have to set aside for such potential losses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

If we subdivide the rated exposure of the Dresdner Bank Group according to internal rating classes, it becomes apparent that approximately 90 percent of our business volume falls into rating classes 1 to 4.

#### Rating classes

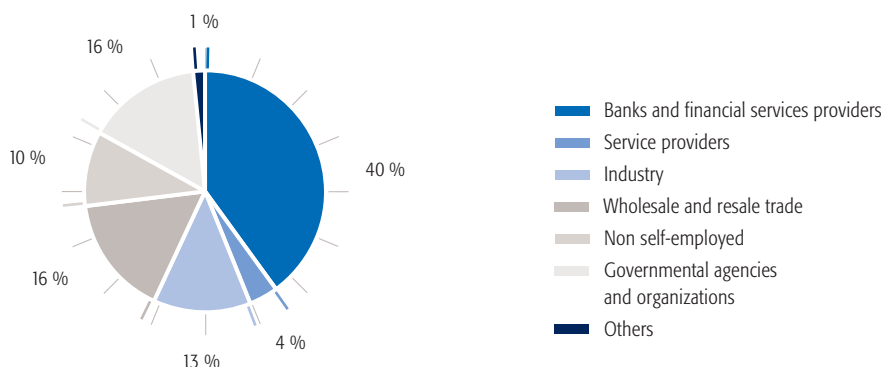
Rating 1-4: 89.4 %  
in %

Rating 5-8: 10.6 %



As a result of our trading activities, Dresdner Bank's portfolio is primarily focused on the banking and financial services sectors.

**Loans by industry sectors**



In the year 2001, we made specific loan loss allowances or set up provisions to cover counterparty risks in the lending business. In addition, we set aside general loan loss allowances for latent risks.

	Specific loan loss allowances € mn	General loan loss allowances € mn	Total € mn
As of 12/31/2001	7,387	935	8,322

**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. To further reduce counterparty risks, Dresdner Bank enters into what are called cross-product netting master agreements with its business partners. In the case of a defaulting counterparty, netting makes it possible to offset any claims and liabilities not yet due.

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. At present, Dresdner Bank's country rating system includes eight risk groups.

**Market risks** At the global level, Dresdner Bank controls the risks of its worldwide 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.

This risk quantification model was approved by the German Federal Banking Supervisory Authority (BaKred). Dresdner Bank belongs to the group of banks holding a leading position in the measurement of market risks. One of the important effects of this method was that the bank was able to substantially reduce the amount of capital it must allocate for market risks in accordance with regulatory guidelines.

The supervisory authority requires that Dresdner Bank's value-at-risk take into account potential market movements that occur within a confidence level of 99% and a holding period of ten trading days.

### Value-at-risk statistics

99% confidence level, 10-day holding period

	Year-end	Mean value	2001 annual statistics		Year-end
	2001		Maximum <sup>1)</sup>	Minimum <sup>1)</sup>	2000
	€ mn	€ mn	€ mn	€ mn	€ mn
Aggregate risk <sup>2)</sup>	147	154	252	104	114
Interest rate risk <sup>2)</sup>	124	107	179	62	73
Equity risk	64	71	173	35	72
Currency/commodity risk	18	19	67	3	10
Diversification effect	- 59	-43	-	-	- 41

<sup>1)</sup> Since maximum and minimum values were taken at different dates, no diversification effect applies.

<sup>2)</sup> At year-end 2001 for the first time including specific interest rates

As compared with the preceding year, the risks from Dresdner Bank's trading activities increased in 2001. In the second quarter, value-at-risk rose sharply. This was primarily due to increasing market volatility resulting from the interest rate decisions of the U.S. Federal Reserve Bank and the European Central Bank. In addition, value-at-risk continued to increase after the terrorist attack of September 11, since this event increased volatility even more by destabilizing the markets.

To validate the quality of the value-at-risk model, Dresdner Bank performs regular back-testing. Assuming a constant portfolio, the value-at-risk calculated for the current position of a given portfolio is compared to its actual change in value on the following day. Analyses then show whether the risk-at-value model used provides an adequate assessment of the risks.

For purposes of setting internal limits and risk determination, Dresdner Bank calculates value-at-risk with a confidence level of 95 percent and a one-day holding period. This ensures that value-at-risk data more accurately reflect current market developments. 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 ensure that the data used meet the required quality and consistency criteria, they are subjected to stringent controls.

**Interest rate risks** Interest rate risks, which represent an essential part of the market risk of the non-trading portfolio, are controlled by using sensitivity and value-at-risk indicators (99 percent confidence level, 10-day holding period). As in the case of trading risks, Dresdner Bank contains its exposure by using limits. Taking into account portfolio effects, the interest rate value-at-risk from Dresdner Bank's non-trading portfolio at year-end amounted to 95.3 million euros.

**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 was issued which 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 the Group level.

### Group 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 even 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.

The system for evaluating counterparty risks and creditworthiness as well as the authorization, supervision and control processes used in connection with the lending and trading activities of Dresdner Bank will be further improved during the current year. This will be undertaken on the basis of the second release of the Basel Capital Accord (Basel II). The new accord ushers in a fundamental reform of regulatory capital requirements for credit risks and, for the first time, includes operating risks. The objective is to bring statutory minimum equity capital requirements in line with actual risks and align the regulatory framework with best practice risk measurement methods in the banking sector. The new regulations provide for different calculation options with different levels of security for both credit and operational risks. In both cases, Dresdner Bank intends to implement the approach with the most stringent requirements. For credit risks, this is the Internal Ratings Based Advanced Approach and for operational risks the Advanced Measurement Approach. For the lending business, this means that quantitative models and their application to bank-internal processes will be further expanded.

**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.



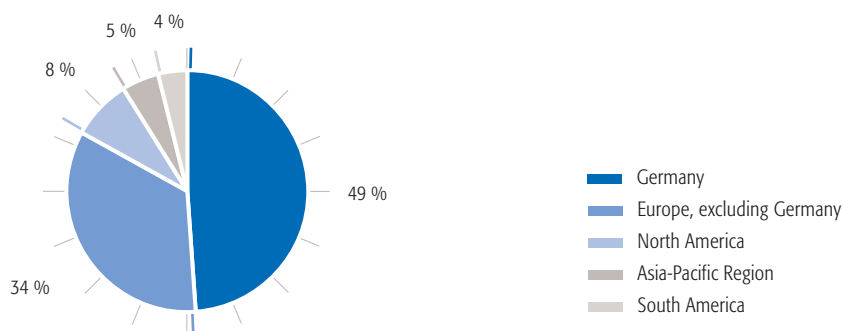
*Our employees' sense of commitment, professionalism and customer focus have helped the Allianz Group obtain the rank it holds today. The human resources policy of the Allianz Group is based on two principles: delegation of operating responsibility to the individual company units, and close global coordination in core areas. In human resources, this coordination primarily covers succession planning, management training and the transfer of know-how.*

On December 31, 2001, our Group companies had 179,946 (119,683) employees. This increase is largely due to the consolidation of Dresdner Bank. The Zwoolsche Algemeene was also included for the first time in 2001. In addition, the expanded business activities of our units in France, Rumania and Australia have contributed to increasing the number of employees. Including Dresdner Bank, we have approximately as many employees in Germany as we have in other countries. A more detailed overview is provided in the chart on the next page and the following table.

#### Employees by country

	2001	2000
Germany	87,589	43,124
France	21,069	17,530
U.S.A.	13,617	11,663
Great Britain	9,261	4,965
Italy	7,915	7,367
Switzerland	3,674	3,385
Brazil	3,412	1,920
Australia	3,082	1,610
Austria	3,079	3,506
Spain	2,534	2,590
South Korea	2,457	2,304
Netherlands	2,173	1,474
Hungary	2,166	2,188
Colombia	1,600	1,974
Others	16,318	14,083
<b>Total</b>	<b>179,946</b>	<b>119,683</b>

### Employees by region



### Recruitment of talented new staff

To further strengthen our position as a leading integrated financial service provider we are constantly searching for highly qualified young professionals with management potential who, together with us, will take on this challenging task. In this process, we are looking at recent university graduates as well as junior managers with first professional experience.

One of the venues for our recruiting efforts is the “Allianz Open Space Forum” in Berlin. In 2001, we informed more than 220 specifically selected applicants at this career fair about beginning and continuing careers within the Allianz group.

We are also present as an attractive employer at other locations. We cultivate contacts with international management recruits in the U.S., France, Switzerland, Italy as well as in Australia and South Korea, mainly at renowned universities and business schools. One example: together with our U.S. fund managers PIMCO and Oppenheimer Capital we sponsored last year’s “opening weekend” of the new curriculum at the Wharton School in Philadelphia.

### International Careers

The international exchange of employees and managers is a key program at Allianz. Why do we promote cross-border mobility?

- We want to meet our employees’ justified expectations of a global financial services provider. Intercultural experiences in foreign countries make the job more appealing and exciting and provide the qualifications for further career moves. With Dresdner Bank, we offer a wealth of additional new career opportunities.
- At the same time, staff exchanges strengthen contact and knowledge networks. This form of networking creates additional value within the Group.
- Vacant positions are to be filled primarily from an internal pool. They can only be achieved through an international policy for the advancement of our employees.

We offer our staff the possibility of working on our ever increasing number of international project groups. But there are also short-term assignments, international training programs and traditional postings to foreign countries for several years. One unique feature is the “Allianz Development Program.” A large number of junior managers from growth markets took advantage of this development path and studied the latest developments in the insurance business outside their home country.

### Allianz Management Institute

We are constantly expanding the programs offered by the Allianz Management Institute (AMI). In 2001, this corporate university inaugurated a new seminar center at Lake Starnberg on the outskirts of Munich. The aim of this facility is to foster the international exchange of knowledge and experience. In cooperation with leading business schools, AMI offers top-level management seminars which are held in the U.S., Europe and Asia. AMI also organizes a “Career Program” for highly talented junior executives and a “Campus Program”, in which international top executives discuss strategic topics with members of the Board of Management.

### New media

We use the Intranet and the Internet to bring more transparency to our human resources management. Since 2001, we have instituted a cross-border internal job market. It shows which mid-level management positions are available worldwide. Any employee can apply online, regardless of the country in which he or she is currently working.

We also receive a large number of external applications through our Internet career pages at [www.allianz.com](http://www.allianz.com).

In most Group companies, employees save time by obtaining job and career related information electronically through the Internet. For example, employees of Lloyd Adriatico, Allianz Canada and PIMCO have online access to their personal data and can perform administrative tasks on their own. Additional features of this type will be added in the near future.

Internet and Intranet are also used to a growing extent for on-the-job training and continuing education programs. Interactive learning programs offer more flexibility to the individual employee and limit costs. In 2001, more than 580 employees of Dresdner Bank in Germany passed a qualified English test online.

At Fireman’s Fund, staff members have been using the services of a new call center since 2001. This center provides them with advice on management, leadership, training and continuing education issues as well as on career possibilities.

### Compensation and performance

Total wages and salaries paid to our Group employees amounted to 6.8 (4.8) billion euros in 2001. A further 1.6 (1.6) billion euros were spent on social security contributions, pensions and other employee benefits. We are committed to performance- and result-based remuneration and our compensation systems are continually re-examined from this standpoint.

Our employee stock purchase plan was yet again expanded. In 2001, we offered Allianz shares at preferential conditions to approximately 140,000 employees in 22 (11) countries.

### Thank you!

We would like to thank the employees and representatives of our Group companies for their dedication and loyalty, which were particularly outstanding during the rough seas of the year 2001. Our thanks also go to the members of the employees' representative bodies.

*Prospects are good that the world economy will start to pick up again in the course of the current year. However, growth is likely to remain modest in most industrialized countries following a slow start at the beginning of the year. On the whole, we expect substantial improvement in the overall economic environment for our financial services activities.*

The performance of the economy in the near term will to a great extent depend upon how investors view the future. U.S. monetary and fiscal policy has played its part in building confidence in the economy. It is now critical that this confidence spread quickly and determine entrepreneurial thought and action. Of the world's major economic regions, Japan will have the hardest row to hoe. The recession is not expected to end as long as the crisis in that country's banking and financial markets continues to smoulder.

On the other hand, major economic indicators in Europe and in the U.S. point to recovery. Low interest rates and moderate oil prices contributed to this encouraging situation. In Europe, we expect a growth of 1.5 to 2 percent in 2002 and in the U.S. of 2.5 to 3 percent. International organizations and most economic research institutes concur.

This is good news for the future of our Group in terms of revenues and earnings, following a difficult year 2001. Expanding economies, and the new feeling of security that is now taking hold following the events of September 11, can be expected to stimulate business in property and casualty insurance. However, intense competition will limit the potential for an increase in premiums. Our life insurance activities will continue to benefit from demand for supplementary private and occupational retirement insurance, especially in Germany, where the population will be able to take advantage of the "Riester pension" for the first time in 2002. Reforms of the German social security system will also have a significant effect upon health insurance activities.

The various pension reforms in Europe and a stock market performance pointing towards economic recovery can be expected to lend fresh momentum to asset management activities. Improvement in the economy indicates a brighter future for banks.

In Central and Eastern Europe, growth will likely weaken. Nevertheless, the insurance business can be expected to flourish. Private providers are profiting from deregulation, by no means a completed process but one which is being given a new impetus in view of the imminent entry of these countries to the EU. In addition, domestic insurance industries will benefit from the introduction of mandatory insurance and tax-favored plans.

The prospects for sustained improvement in the economic situation of South America are rather dim. These economies are too dependent on foreign capital and the performance of the world's commodities markets. The upward potential for life insurance and funds in this part of the world is limited by the generally low household savings rate despite ongoing implementation of reforms in the social security system.

The economy in the growth markets of the Asia-Pacific region is expected to recover relatively swiftly in the year 2002. However, the household savings rate in this region is particularly high. Coupled with further liberalization of the insurance markets in India and the People's Republic of China, this will produce upward momentum for our industry.

All in all, we expect the Allianz Group's steady growth to continue throughout the current fiscal year 2002, with total premium income up a good 4 percent from the previous year. Net income should show substantial improvement and rise to a solid 3 billion euros.

#### 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 11 th.

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.

## *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<sup>9)</sup> 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<sup>9)</sup> 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<sup>9)</sup> 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<sup>9)</sup> management bodies** ABB AG (until March 12, 2002), Suez S. A., Thales S. A.

### **JÜRGEN DORMANN**

**Membership in comparable<sup>9)</sup> management bodies** ABB Ltd. (Chairman), IBM Corporation

**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)

(As of December 31, 2001)

<sup>9)</sup> We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

**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<sup>9)</sup> 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 Bank Austria AG (Chairman), HVB Real Estate Bank AG (Chairman)

Membership in comparable<sup>9)</sup> management bodies Vereins- und Westbank 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<sup>9)</sup> management bodies Membership in Group bodies Robert Bosch Corporation, Robert Bosch Internationale Beteiligungen AG

**JÜRGEN E. SCHREMPF**

Membership in other statutory supervisory boards in Germany Bayerische Hypo- und Vereinsbank AG Membership in Group bodies DaimlerChrysler Services AG (Chairman)

Membership in comparable<sup>9)</sup> 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**

<sup>9)</sup> 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<sup>9)</sup> 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<sup>9)</sup> management bodies** ÖIAG

### **DETLEV BREMKAMP**

**Membership in other statutory supervisory boards in Germany** ABB AG (Deutschland), Hochtief AG **Membership in Group bodies** Allianz Global Risks Rückversicherungs-AG **Membership in comparable<sup>9)</sup> 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<sup>9)</sup> 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<sup>9)</sup> management bodies** Società Metallurgica Italiana S. p. A. **Membership in Group bodies** RASbank S. p. A.

### **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<sup>9)</sup> 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-

(As of December 31, 2001)

<sup>9)</sup> We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.



Trust Gesellschaft für Wertpapieranlagen mbH

**Membership in comparable<sup>9)</sup> 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<sup>9)</sup> 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

#### **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<sup>9)</sup> 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<sup>9)</sup> management bodies** BVV Versicherungsverein des Bankgewerbes a. G. (Deputy Chairman), debis AirFinance B. V.

#### **DR. HELMUT PERLET**

**Membership in comparable<sup>9)</sup> 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 Hypothekbank Frankfurt-Hamburg AG, Vereinte Holding AG (Deputy Chairman), Vereinte Lebensversicherung AG (Chairman)

**Membership in comparable<sup>9)</sup> management bodies** **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 ZEDELIOUS** since January 1, 2002

**Membership in other statutory supervisory boards in Germany** RWE Power AG, SMS AG

**Membership in comparable<sup>9)</sup> management bodies** **Membership in Group bodies** Allianz Australia Ltd., Allianz First Life (Chairman), Allianz Hungária (Chairman), T. U. Allianz Polska S. A. (Leben) (Chairman), T. U. Allianz Polska S. A. (Sach) (Chairman), Allianz poistovna a.s., Ayudhya Allianz C. P. Life , Rosno

<sup>9)</sup> We regard foreign memberships as "comparable", if the foreign company is listed on the stock exchange or has more than 500 employees.

*International Advisory Board*

**DR. DR. HEINRICH VON PIERER** President and CEO Siemens AG, Chairman

**DR. UMBERTO AGNELLI** Vice Chairman and CEO IFI S. p. A.

**DONALD R. ARGUS AO** Chairman Broken Hill Proprietary Company Ltd.

**BELMIRO DE AZEVEDO** Presidente Sonae S.G.P.S., S. A.

**ANTONY BURGANS** Chairman Unilever N. V.

**ALFONSO CORTINA DE ALCOCER** Chairman and CEO Repsol S. A.

**FRANZ B. HUMER** Chairman and CEO F. Hoffmann-La Roche AG

**DR. RAHMI KOÇ** Chairman Koç Holding A. S.

**AARNOUT LOUDON** Chairman Supervisory Board Akzo Nobel N. V.

**MINORU MAKIHARA** Chairman Mitsubishi Corporation

**JACQUES A. NASSER** Retired President and CEO Ford Motor Company

**DR. MARCO TRONCHETTI PROVERA** Chairman and CEO Pirelli S. p. A.

**ANTHONY SALIM** President and CEO Salim Group

**LOUIS SCHWEITZER** Président Directeur Général de Renault

**PETER SUTHERLAND** Chairman BP Plc.

**SIR IAIN VALLANCE** Chairman Emeritus British Telecommunications Plc.

**JAVIER VALLS TABERNER** Presidente del Consejo Banco Popular Español

*Joint Advisory Council of the Allianz Companies*

- DR. KLAUS LIESEN** Chairman of the Supervisory Board, Ruhrgas AG, Chairman
- GERHARD FULL** Chairman of the Board of Management, Linde AG
- PROFESSOR DR. h.c. HANS-OLAF HENKEL** President, Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz
- DR. JÜRGEN HERAEUS** Chairman of the Supervisory Board, Heraeus Holding GmbH
- DR. DIETER HUNDT** Managing Partner, Allgaier Werke GmbH
- DR. JÜRGEN F. KAMMER** Chairman of the Board of Management, Süd-Chemie AG
- PROFESSOR DR. HUBERT S. MARKL** President, Max-Planck-Gesellschaft
- HARTMUT MEHDORN** Chairman of the Board of Management, Deutsche Bahn AG
- DR. GEORG OBERMEIER**
- DR. h.c. BERND PISCHETSRIEDER** Chairman of the Board of Management, Volkswagen AG (since April 17, 2002)
- PROFESSOR DR. KLAUS POHLE** Vice-Chairman of the Board of Management, Schering AG
- DR. h.c. RUDOLF RUPPRECHT** Chairman of the Board of Management, MAN AG
- DR. DIETER SCHADT** Former Chairman of the Board of Management, Franz Haniel & Cie. GmbH
- DR. h.c. WALTER SCHEEL** Former President of the Federal Republic of Germany
- PROFESSOR DR. EKKEHARD SCHULZ** Chairman of the Board of Management, ThyssenKrupp AG
- PROFESSOR DR. DR. h.c. HORST SIEBERT** President, Institute for World Economics, Kiel University
- DR. RON SOMMER** Chairman of the Board of Management, Deutsche Telekom AG
- HANS PETER STIHL** Former President, Deutscher Industrie- und Handelstag
- DR. h.c. HEINRICH WEISS** Chairman of the Board of Management, SMS AG
- DR. MARK WÖSSNER** Chairman, Citigroup Deutschland
- BERND WREDE** Former Chairman of the Board of Management, Hapag-Lloyd AG

**GERMANY**

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The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement.

For a comprehensive explanation of accounting terminology, please see the glossary on pages 90 to 97 of the Consolidated Financial Statements 2001.

### **Affiliated enterprises**

The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent Group holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

### **Aggregate policy reserve**

Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

### **Allowance for credit losses**

The overall volume of provisions includes allowance for credit loss – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration.

General allowances for loan losses have been established, on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of a certain country to serve its external debt. These country risk allowances are based on an internal country rating system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is first written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

### **Assets under management**

The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held for variable annuity policyholders, bank loans and advances, and investments held under management for third parties.

### **Associated enterprises**

All enterprises, other than affiliated enterprises, in which the Group has an interest of between 20 percent and 50 percent, regardless of whether a significant influence is actually exercised or not.

### **Benefits (net) payable to policyholders**

The expense of policyholder benefits (less amounts ceded in reinsurance) comprises loss and loss adjustment expenses, premium refunds, and the net change in insurance reserves.

### **Capital relating to participating certificates**

Amount payable on redemption of participating certificates issued. The participating certificates of Allianz AG carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.



### Cash flow statement

Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- normal operating activities
- investing activities
- financing activities

### Consolidated interest (%)

The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

### Credit risk

The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

### Current value

The current value of an investment is normally the same as the market value. If the market value cannot be calculated directly, fair market value is used.

### Deferred acquisition costs

Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

### Derivative financial instruments (derivatives)

Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

### Earnings from ordinary activities

Pre-tax profit or loss from activities which an enterprise undertakes in the normal course of business. This does not include extraordinary items, i.e. income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and are therefore not expected to recur frequently or regularly.

### Earnings per share (basic/diluted)

Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

### Equity consolidation

The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

**Equity method**

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets (= shareholders' equity) of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

**Expense ratio**

Underwriting costs (including change in deferred acquisition costs) as a percentage of premiums earned.

**FAS**

U.S. Financial Accounting Standards on which the details of U.S. GAAP (Generally Accepted Accounting Principles) are based.

**Futures**

Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

**Goodwill**

Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition. Minority interests are always valued at carried-forward historical cost. Goodwill is amortized over its useful life.

**Gross/Net**

In insurance terminology the terms gross and net mean before and after deduction of reinsurance respectively. (Net is also referred to as "for own account"). In connection with income from interests in affiliated enterprises, joint ventures and associated enterprises, the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted. In the context of investments the term "net" is used where the relevant expenses (e.g. for investment management or valuation write-downs) have already been deducted from the income. This means that investment income (net) from investments in affiliated enterprises, joint ventures and associated enterprises signifies the net result from these investments.

**IAS**

International Accounting Standards.

**IAS Framework**

The framework for International Accounting Standards (IAS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

**Investments held on account and at risk of life insurance policyholders**

Mainly investments funding variable annuities plus investments to cover obligations under policies where the benefits are index-linked. Policyholders are entitled to the gains recorded on these investments, but also have to carry any losses.

**Issued capital and capital reserve**

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

**Joint venture**

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

**Loss frequency**

Number of losses in relation to the number of insured risks.

**Loss ratio**

Loss and loss adjustment expenses as a percentage of premiums earned.

**Market value**

The amount obtainable from the sale of an investment in an active market.

**Minority interests in earnings**

That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

**Minority interests in shareholders' equity**

Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

**Options**

Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

**OTC derivatives**

Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

**Pension and similar reserves**

Current and future post-employment benefits payable to current and former employees under company pension schemes, accrued as a liability.

**Premiums written/earned**

Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

**Reinsurance**

Where an insurer transfers part of the risk which he has assumed to another insurer.

**Reserve for loss and loss adjustment expenses**

Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

**Reserve for premium refunds**

That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

**Revenue reserves**

In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

**Securities available for sale**

Securities available for sale are securities which are neither held with the intent that they will be held to maturity nor have been acquired for sale in the near term; securities available for sale are shown at their market value on the balance sheet date.

**Securities held to maturity**

Securities held to maturity comprise debt securities held with the intent and ability that they will be held to maturity. They are valued at amortized cost.

**Segment reporting**

Financial information based on the consolidated financial statements, reported by business segments (life/health, property/casualty, and financial services) and by regions and products.

**Swaps**

Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

**Trading assets**

Trading assets are debt issues and stocks as other financing instruments (essentially derivatives, note loans and precious metals holding) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

**Trading income**

Trading income includes all realized and unrealized profits and losses from trading assets and trading liabilities. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

**Trading liabilities**

Trading liabilities include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Short sales of securities are recorded at market value on the balance sheet date. Derivatives shown as trading liabilities are valued the same way as trading assets.

**Underwriting costs**

Commissions, salaries, general expenses and other expenses relating to the acquisition and ongoing administration of insurance policies. The net figure is after expenses recovered from reinsurers have been deducted.

**U.S. GAAP**

U.S. Generally Accepted Accounting Principles.

**Variable annuities**

The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

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# Allianz AG

To the attention of Ms Marianne Cummins

## *Your opinion*

Dear Readers,

To get some ideas on how we can make our next Annual Report even better, we would be very grateful if you could give us your reactions and let us know which additional subjects we should cover. If you reply by mail, we'll be glad to pay the postage.

– The report is organized in such a way that I easily found the topics that interested me most.

Very much so     Mostly, but not always     Not at all

– The report provides comprehensive information on all important topics of the last fiscal year. It is interesting to read and well presented.

Very much so     Mostly, but not always     Not at all

– I would additionally like to read more about the following subjects in the Annual Report 2002:

Feedback

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## SUMMARY OF RECENT YEARS

ALLIANZ GROUP		2001	2000	1999	1998	1997
Earnings before taxes <sup>1)</sup>	€ mn	1,827	4,913	4,804	4,910	3,259
Property/casualty insurance	€ mn	2,409	3,899	3,639	3,742	2,560
Life/health insurance	€ mn	412	1,626	1,229	1,137	785
Banking	€ mn	227	124	56		
Asset Management	€ mn	- 334	45	108	98 <sup>2)</sup>	112 <sup>2)</sup>
Taxes	€ mn	840	- 176	- 1,513	- 1,920	- 1,783
Minority interests in earnings	€ mn	- 1,044	- 1,277	- 974	- 814	- 469
Net income	€ mn	1,623	3,460	2,317	2,176	1,706
Gross premium income	€ bn	75.1	68.7	60.6	51.0	41.9
Net revenues from banking	€ bn	3.9	0.2	0.2	-	-
Net revenues from asset management	€ bn	2.0	1.1	0.5	-	-
Assets under management	€ bn	1,172	700	382	343	244
Investments	€ bn	345	281	271	240	170
Trading assets	€ bn	128	0	0	0	0
Receivables	€ bn	301	35	31	39	23
Shareholders' equity	€ bn	32	36	30	25	19
Minority interests in equity	€ bn	17	16	13	12	8
Participation certificates, subordinated liabilities	€ bn	12	1	1	1	1
Insurance provisions	€ bn	300	285	268	238	172
Liabilities	€ bn	313	15	14	16	3
Balance sheet total	€ bn	943	440	411	364	252
Employees		179,946	119,683	113,472	105,676	76,951
Return on equity after taxes	%	4.8	10.6	8.5	9.8	8.8
Return on equity before amortization of goodwill	%	7.2	12.1	10.2	10.9	9.6
Earnings per share	€	6.66	14.10	9.46	8.97	7.30
Earnings per share before amortization of goodwill	€	9.98	16.12	11.44	9.99	7.96
Dividend payment	€ mn	362	369	307	276	224
Share price at year end	€	266	399	334	316	238
Market capitalization at year end	€ bn	64.2	98.0	81.8	77.6	54.8

<sup>1)</sup> 1999 without IAS SIC 12 and SEC adjustment

<sup>2)</sup> Including banking

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