In 2003, the Allianz Group succeeded in strengthening its equity base with 6.9 billion euros and raising its net income to 1.6 (–1.2) billion euros. In addition, we began to reduce the complexity of our business portfolio.

- In our initiatives aimed at strengthening our competitiveness, we placed particular emphasis on restoring the solid capital base of our company and on limiting risk. For this purpose, we launched a capital increase and reduced the equity quota in our investment portfolio.
- Of equal importance to us was a speedy return to sustained profitability in the operating business.
  - The combined ratio in property and casualty insurance improved to 97.0 (105.7) percent, aided by the success of the turnaround programs at Fireman's Fund, Allianz Global Risks and AGF.
  - In life and health insurance, we improved the expense ratio and at the same time increased total premium income by 5.3 percent to 42.3 billion euros.
  - The operating loss in the banking business was reduced by 1.6 billion euros to 357 million euros.
  - In asset management, we increased the operating result by 48 percent to 733 million euros.
- At the same time, we critically examined our business portfolio and discontinued a number of supporting activities as well as activities that did not fit in with the strategic orientation of their respective parent companies.

At the beginning of 2003, we were confronted with several important challenges: we had to strengthen our capital base and restore the profitability of our operations. After a period of expansion including major acquisitions, we also decided to launch a consolidation phase. We want to rebuild the strength of the Allianz Group by concentrating on businesses in which we have reached a future-oriented market position and by streamlining overly complex organizational structures without compromise. But we do not intend to stop at consolidation. In parallel, we are launching initiatives designed to ensure the sustained, profitable growth of our Group. In that process, we capitalize on our excellent starting position in major attractive markets, while at the same time expanding our global product lines. We want to fully leverage this potential for the creation of added value.

Shareholders' equity increased by a total of 6.9 billion euros in fiscal 2003. This is primarily attributable to the capital increase in the spring of 2003. In addition, unrealized gains from our investments grew by 2.5 billion euros. The rising value of the euro, particularly with respect to the U.S. dollar, depressed our shareholders' equity by 1.7 billion euros at the end of 2003. To limit the influences of strong fluctuations in the capital markets on our shareholders' equity, we continually reduced our stock portfolio. With a cover ratio of 206.3 (152.8) percent, we clearly surpassed the legally required **solvency margin.** All entities of the Allianz Group had adequate own funds and met local solvency requirements. Our solid financial resources are also acknowledged by the ratings agencies. Standard & Poor's, for example, attests to our "very strong" financial status and continues to maintain its "AA–" rating.