

Ratings

	Standard & Poor's	Moody's	A. M. Best
Category			
Insurer Financial Strength	AA–	not rated	A+
Outlook	Negative		Negative
Counterpart Credit	AA–	not applicable	not applicable
Outlook	Negative		
Senior Unsecured Debt	AA–	Aa3	aa–
Outlook		stable	Negative
Subordinated Debt	A	A2	not rated
Outlook		stable	
Commercial Paper (Short Term)	A-1+	P-1	not rated

In the spring and summer of 2003, the Allianz Group's ratings were slightly downgraded by several rating agencies. This was a reaction to the reticent attitude of the capital markets and our weak prior-year operating result. The deterioration of our capital base in the previous year was also reflected in this evaluation.

But the rating agencies did acknowledge the substantial increase of our shareholders' equity after the capital increase in April 2003. While ratings across the insurance industry were generally declining, our ratings stabilized. Standard & Poor's, for example, attests to our "very strong" financial status and continues to maintain its "AA–" rating. A. M. Best assigns Allianz Group an "A+", the second highest rating. But Standard & Poor's still links this evaluation to a negative outlook. We are striving to change this perception through lasting improvements of our earnings performance.

Borrowing

In the reporting year, we repaid a first tranche (50 percent) of the index-linked convertible MILES bond by exchanging these bonds for shares of Munich Re. The number of shares to be repaid related to the average level of the German stock index DAX and the average share price of Munich Re during a twenty-day reference period. On August 25, 2003, 5.5 million Munich Re shares were delivered to MILES investors. This transaction lowered our interest in Munich Re by approximately 3 percent. The bonds still outstanding, were repaid in cash on March 2, 2004.

In February 2003, the Deutsche Bank convertible bond reached maturity. Since the share price of Deutsche Bank was below the striking price, the 1-billion euro bond was repaid in cash. Another 767-million euro bond, which reached maturity in May 2003, was repaid on time.

The Allianz Group still has recourse to short-term financing instruments, predominantly commercial papers. At the end of the year, these liabilities added up to approximately 3 billion euros. Interest paid on commercial papers amounted to 53.4 million euros in 2003.

Outstanding bonds of Allianz AG^{*)} – overview

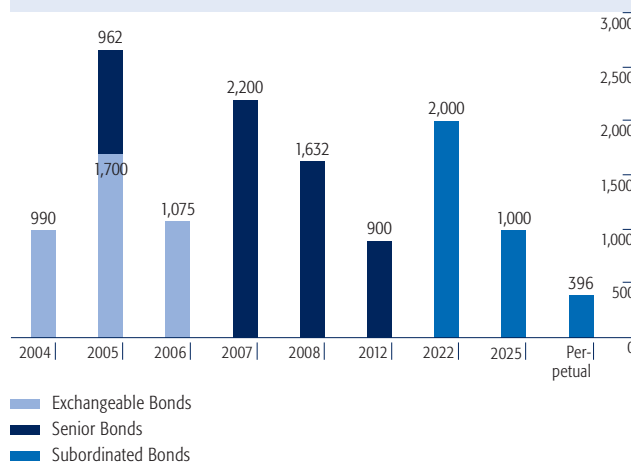
	Volume € bn	Interest paid in 2003 € mn
Senior straight bonds	5.7	303
Convertible bonds	3.8	155
Subordinated bonds	3.4	223

See table in note 32 "Interest and similar expenses", table 15 "Participation certificates and subordinated liabilities", table in note 19 "Certificated liabilities" in the Notes to the Consolidated Financial Statements.

^{*)} Bonds and convertible bonds issued or guaranteed by Allianz AG in the capital market.

Certificated liabilities by maturity

Nominal values in € mn



In February 2004 we issued a perpetual subordinated bond with a nominal value of 1.5 billion euros. We thereby took advantage of the low interest environment and the high liquidity in the market to refinance short-term by long-term debt at attractive conditions. The bond is issued as part of the Debt Issuance Program launched in December 2003. This program provides a framework for issuing debt, and in particular long-term debt; the technical processing is considerably simplified by standardized documentation requirements.