

Fiscal Year 2000

**“Not to go forward is to go backward.”**



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## At a glance

Allianz Group		2000	Change from previous year in %	1999 <sup>1)</sup>	Change from previous year in %	1998	More on page
Total sales	€ bn	68.7	13.4	60.6	18.6	51.0	69
Gross premium income	€ bn	57.9	7.6	53.8	16.4	46.2	69
Benefits paid to customers	€ bn	51.7	7.0	48.3	20.8	40.0	49 *
Pretax result	€ mn	4,913	2.3	4,804	- 2.2	4,910	70
Taxes	€ mn	176	- 88.4	1,513	- 21.2	1,920	51 *
Minority interests in earnings	€ mn	1,277	31.1	974	19.7	814	
Net income	€ mn	3,460	49.3	2,317	6.5	2,176	70
Assets under management	€ bn	713.3	87.1	381.5	11.2	343.2	118
Shareholders' equity	€ bn	35.6	19.9	29.7	33.8	25.1	36 *
Insurance provisions	€ bn	284.8	6.2	268.1	18.3	237.7	38 *
Employees		119,683	5.5	113,472	7.4	105,676	134

<sup>1)</sup> Adjusted to US listing and IAS SIC 12

Allianz share		2000	Change from previous year in %	1999	Change from previous year in %	1998	More on page
Earnings per share	€	14.10	49.0	9.46	5.5	8.97	55 *
Dividend per share (excluding tax credit)	€	1.50	20.0	1.25	11.6	1.12	71
Dividend payment	€ mn	369	20.2	307	11.3	276	
Share price on 12/31	€	399	19.3	334	5.7	316	14
Market capitalisation on 12/31	€ bn	98.0	19.8	81.8	5.4	77.6	18

Allianz Group has been awarded the highest possible ratings A++ and AAA by A.M. Best and Standard & Poor's.

\* see also Consolidated Financial Statements 2000

*Allianz is one of the leading global service providers in the insurance and asset management fields. There is an Allianz contact for our customers in more than 70 different countries. The stability, service and expertise of our Group are attributable to the commitment of 119,683 employees all over the world.*

## GERMANY

- Allianz Versicherungs-AG
- Frankfurter Versicherungs-AG
- Bayerische Versicherungsbank AG
- Allianz Globus MAT Versicherungs-AG
- Vereinte Versicherung AG
- Vereinte Rechtsschutzversicherung AG
- Hermes Kreditversicherungs-AG
- Allianz Lebensversicherungs-AG
- Deutsche Lebensversicherungs-AG
- Vereinte Lebensversicherung AG
- Vereinte Krankenversicherung AG
- Münchener und Magdeburger Hagelversicherung AG
- Allianz Asset Management GmbH

# International presence

## AMERICA

### Argentina

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

### Brazil

- AGF Brasil Seguros

### Canada

- Allianz Insurance Company of Canada

### Chile

- AGF AZ Chile Generales
- AGF AZ Chile Vida

### Colombia

- Colseguros Generales Colombia
- Colseguros Vida Colombia

### Mexico

- Allianz México S. A. Compañía de Seguros USA
  - Fireman's Fund Insurance Company
  - Allianz Insurance Company
  - Allianz Life Insurance Company of North America
  - PIMCO Advisors L.P.
- ### Venezuela
- Adriática de Seguros C. A.

### Selected

- Group companies
- Associated companies
- Joint Regional Insurance Centers
- Representative Agencies
- Representative Offices

## 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.

## Denmark

- Allianz Nordeuropa Forsikringsaktieselskabet
- Domus-Forsikringsaktieselskabet

## France

- Assurances Générales de France
- Assurances Générales de France iART
- Banque AGF
- Les Assurances Fédérales IARD
- EULER
- Assurances Générales de France Vie

## Greece

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

## Great Britain

- Cornhill Insurance PLC

## Hungary

- Hungária Biztosító Rt.

## Ireland

- Allianz Re Dublin Ltd.
- Allianz Worldwide Care Ltd.

## Italy

- Riunione Adriatica di Sicurtà S. p. A.
- Lloyd Adriatico S. p. A.
- Allianz Subalpina Società di Assicurazioni e Riassicurazioni S. p. A.
- RASbank

## Luxembourg

- International Reinsurance Company S. A.

## Netherlands

- Royal Nederland Schade
- Royal Nederland Leven
- Allianz Nederland N.V.
- London et Lancashire
- Zwolsche Algemeene Levensverzekering 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 Romania S. A.
- Allianz Ţiriac Asigurari S. A.

## Russian Federation

- Ost-West Allianz Insurance Company Switzerland

- ELVIA Schweizerische Versicherungs-Gesellschaft

- Allianz Versicherung (Schweiz) AG
- Berner Allgemeine Versicherungs-Gesellschaft
- Alba Allgemeine Versicherungs-Gesellschaft
- ELVIA Schweizerische Lebensversicherungs-Gesellschaft

- Berner Lebensversicherungs-Gesellschaft

- Allianz Risk Transfer (ART)

- Mondial Assistance Gruppe

## Slowak Republic

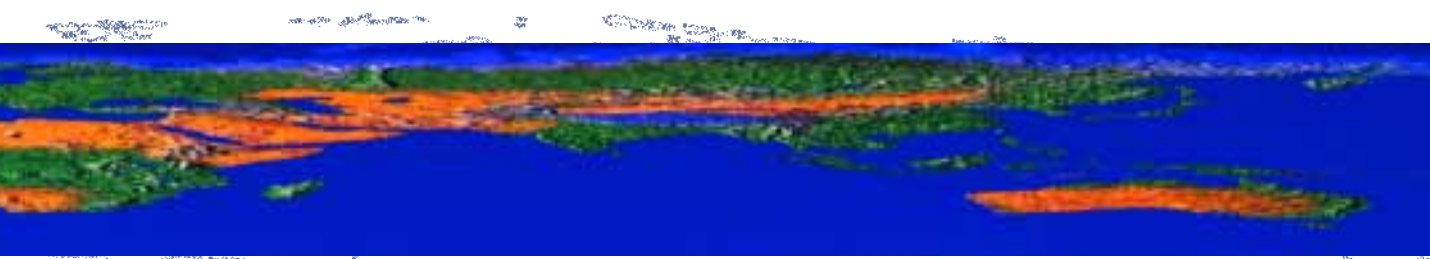
- Allianz poisťovňa, a.s.

## Spain

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

## Turkey

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



## AFRICA

### Burkina Faso

- Foncias

### Egypt

- Arab International Insurance Company

### Gabun

- OGAR

### Ivory Coast

- SAFARRIV

### Namibia

- Allianz Insurance of Namibia Ltd.

### South Africa

- Allianz Risk Transfer Ltd.

## ASIA

### Brunei

- National Insurance Company Berhad

### China

- Allianz Insurance (Hong Kong) Ltd.

### Indonesia

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

### Japan

- Allianz Fire and Marine Insurance Japan Ltd.

### Laos

- A.G.L.

### Malaysia

- Malaysia British Assurance Non-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.

### South Korea

- Allianz First Life Insurance Company Ltd.

- France Life

### Taiwan

- Allianz President General Insurance Company Ltd.

- Allianz President Life Insurance Company Ltd.

### Thailand

- Allianz C. P. General Insurance Company Ltd.

- Allianz C. P. Life Assurance Company Ltd.

### United Arab Emirates

- Allianz Versicherungs-AG (Dubai Branch)

## AUSTRALIA

- Allianz Australia Ltd.

We made excellent progress in implementing our policy of profitable growth during fiscal 2000.



- We are now one of the leading fund managers in the world following the take-over of the US asset management company PIMCO Group in May.
- In the same month, we were the first global insurance group to start an advertising partnership with the BMW-Williams-F1 team.
- The Allianz share has been traded on the New York Stock Exchange since November 3.

**Dr. Henning Schulte-Noelle**

Chairman of the Board of Management

**Dr. Paul Achleitner**

Chief Financial Officer

**Detlev Bremkamp**

Europe, Reinsurance,  
ART

**Michael Diekmann**

Asia-Pacific, Central/Eastern Europe,  
Near East, Africa

**Dr. Joachim Faber**

Asset Management  
and Other Financial Services

**Dr. Reiner Hagemann**

Property and Casualty Insurance  
Germany  
Personnel Director

**Herbert Hansmeyer**

North and South America

**Dr. Helmut Perlet**

Controlling, Accounting and Tax

**Dr. Gerhard Rupprecht**

Life and Health Insurance  
Germany

*New Shareholder,*

We have now reached a new millennium and can look back on 110 years of corporate history. Such turning-points are an appropriate time to take a somewhat closer look at both the past and the future. The fiscal year just ended brought Allianz record net income and increased the value of your Allianz share by 19.3 percent. More than 119,000 employees all over the world made sure that 2000 was a great year for the Allianz Group; I would like to express my thanks to them as well as to our agents and co-operation partners for all their hard work.

With a market capitalisation of 98 billion euros at the end of 2000, our shareholders' assets grew by 16.2 billion euros during the past fiscal year. As a result, our financial services group is one of the largest and most valuable companies in Europe. Our size and financial strength make it possible for us to generate sustained dynamic growth. The Magazine section of this Annual Report provides an insight into our achievements in this process during 2000.

Increasing size does, on the other hand, have a price. Is there any need for you to worry that your company might perhaps grow so much that it becomes too large, too unwieldy and too complex? It is not unusual for me to be asked such questions nowadays and I take them very seriously. However, as developments over the past few years have clearly demonstrated – remember, for example, the successful take-over and integration of the French AGF Group – such challenges can be tackled best if we maintain the principle of decentralised management within the Group. In view of this, we will continue to strengthen the delegation of managerial responsibility to the Group companies, while guaranteeing at the same time that joint use is also made of the global resources that are available in the Group.

Allianz will, as a result remain flexible enough to be highly successful in its next growth phase. Because markets, technologies and customers' requirements are changing constantly, our strategic planning takes these factors into account.





Demographic developments and political decisions about the future of the state pension plan will have considerable impact on the market for long-term investments. Millions of customers, especially in Germany and the rest of Europe, are suffering from a shortage of financial services; they want to be provided with convincing products by a single integrated partner whom they trust.

To enable us to give them optimum long-term service, we announced in the spring of this year that we were planning to submit a friendly takeover offer to the shareholders of Dresdner Bank. Our aim in doing this is to take a crucial step forward in our strategy of profitable growth. Sheer size is not what is driving us here; our objective is instead to combine businesses that complement each other. The two companies already serve a total of 20 million customers in Germany and reach 37 percent of private households. By joining forces we will be able to exploit this earnings potential even more effectively and collaborate in opening up new customer groups.

We are starting the new millennium with an Allianz more customer-oriented than ever before. Together with Dresdner Bank and rejuvenated by e-business, we will be making the most of all the opportunities available to us to create value for you, our shareholders. We therefore hope that you will continue to support your company in the future too.

Sincerely,

*Yours*  
*Henning Schulte-Noelle*

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



We monitored the Board of Management's conduct of the business in accordance with the responsibilities assigned to us by legal regulations and the company's articles of association. Five meetings of the Supervisory Board were held in fiscal 2000. We made sure that we were kept informed about important transactions between these meetings by requesting and receiving written reports from the Board of Management. The Chairman of the Supervisory Board was, in addition, notified by the Board of Management about major developments and decisions as and when they occurred.

**Main issues discussed** | Regular reports were presented to the Supervisory Board concerning the development of the business and the economic situation of the Allianz Group, Allianz AG, the main subsidiaries and other equity interests. We requested and received detailed explanations about corporate planning for fiscal 2001.

We closely followed the continued development of the asset management business, the new core area of company operations. The Board of Management succeeded in taking a further large step towards the achievement of its ambitious targets by acquiring the US asset management company Nicholas Applegate. The economic significance of these operations to the Allianz Group is emphasized by the current pension reform plans of the German government. Demand for insurance and fund products to cover financial needs in retirement is likely to increase sharply in connection with this reform project. In this context, the Board of Management explained its plans to us for the establishment of a separate sales organisation in the asset management field.



At an extraordinary meeting on March 31, 2001, we discussed the proposed take-over of Dresdner Bank by Allianz AG. The planned transaction will create a global financial services group with a comprehensive range of insurance, asset management and banking service products. We agree with the Board of Management that the combination of Allianz and Dresdner Bank represents an appropriate response to the challenges that will need to be faced in future and approved the project.

We were also able to satisfy ourselves that the Board of Management is giving high priority to the internationalization of the Allianz Group. A number of acquisition projects were presented to us. We noted that particularly good progress is being made in Central and Eastern Europe as well as Southeast Asia.

We received frequent reports concerning the preparations for admission of the Allianz share for trading on the New York Stock Exchange. As is generally known, Allianz reached this objective earlier than expected, in November last year.

We welcomed the decision taken by the Board of Management to offer Allianz shares on special conditions not only to staff employed in the domestic market but also – for the first time – to employees outside Germany. We are convinced that this move will help to strengthen Group identification and will therefore be supporting continued international expansion of the share program for company staff.

The Supervisory Board kept a close eye on the Allianz Group's management of its equity interests. We also followed the latest developments at Allianz Capital Partners, a company that mainly makes direct investments in companies without a stock exchange listing.

We received a special report about "alternative risk transfer." Further major issues that were discussed included the plans for rearrangement of shareholdings with Münchener Rück, the negotiations about the establishment of the German foundation and the development of an e-business strategy for the Allianz Group.

**Committee meetings** | The Supervisory Board formed the Standing Committee, the Executive Committee and the Mediation Committee required by the German Codetermination Act from among its own members. The Standing Committee held four meetings in the year under review, at which it mainly discussed capital measures taken by the company, current acquisition projects and the commissioning of auditors for the annual accounts. The Executive Committee, which is responsible for dealing with human resources issues, met twice. 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, 2000 as well as the management reports of Allianz AG and the Group and issued an unqualified certificate in both cases.

The annual accounts and the consolidated financial statements, the management reports, the recommendation made by 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 at the meeting of the Supervisory Board held for this purpose in the presence of the independent auditors on May 30, 2001. No objections arose in the course of our own review of these documents as presented by the Board of Management and the independent auditors, so that we concur with the findings of the audit by KPMG. We are in agreement with the recommendation made by the Board of Management concerning the appropriation of earnings. The Supervisory Board has approved the annual accounts prepared by the Board of Management and have therefore been adopted.

**Members of the Supervisory Board and Board of Management | Dr. Diethart**

Breipohl was elected to the Supervisory Board at the Annual General Meeting last year; he had been appointed beforehand by the court responsible to be the successor to Mr. Bernd Pischetsrieder as a member of the Supervisory Board.

The management structure of Allianz AG is to be reorganised in connection with the planned take-over of Dresdner Bank. In this context, the Supervisory Board decided at its meeting on May 30, 2001 to appoint Professor Dr. Bernd Fahrholz, Mr. Leonhard H. Fischer and Dr. Horst Müller as members of the Management Board with effect from when the take-over offer is implemented and the legal review of the transaction has been completed. Professor Dr. Bernd Fahrholz will be Deputy Chairman of the Management Board and head of the "Allianz Dresdner Financial Services" business unit, Mr. Fischer will be taking charge of the "Dresdner Kleinwort Wasserstein" (investment banking) business unit and Dr. Müller will be responsible for "Financial Risk Management."

The Supervisory Board would like to express its thanks to all the employees of the individual Group companies for their hard work and motivation. The continued success of the Allianz Group is attributable to a large extent to their commitment.

Munich, May 30, 2001

For the Supervisory Board



Dr. Klaus Liesen  
Chairman

**Dr. Klaus Liesen**

Chairman of the Supervisory Board  
Ruhrgas AG,  
Chairman

**Karl Miller**

Salaried employee,  
Frankfurter Versicherungs-AG,  
Deputy Chairman

**Dr. Alfons Titzrath**

Chairman of the Supervisory Board  
Dresdner Bank AG,  
Deputy Chairman

**Dr. Karl-Hermann Baumann**

Chairman of the Supervisory Board  
Siemens AG

**Norbert Blix**

Salaried employee,  
Allianz Versicherungs-AG

**Dr. Diethart Breipohl**

Former member of the Board of Management  
Allianz Aktiengesellschaft,  
since March 10, 2000

**Klaus Carlin**

Commerce, Bank and Insurance  
Workers' Union (HBV)

**Bertrand Collomb**

Président Directeur Général  
Lafarge

**Jürgen Dormann**

Chairman of the Board of Management  
Aventis S.A.

**Professor Dr. Rudolf Hickel**

University Professor

**Reiner Lembke**

Salaried employee,  
Allianz Versicherungs-AG

**Frank Ley**

Salaried employee,  
Allianz Lebensversicherungs-AG

**Alfred Mackert**

Salaried employee,  
Vereinte Krankenversicherung AG,  
until January 31, 2000

**Bernd Pischetsrieder**

Member of the Group Board of Management  
Volkswagen AG,  
until February 29, 2000

**Reinhold Pohl**

Custodian,  
Allianz Lebensversicherungs-AG

**Gerhard Renner**

Member of the  
Federal Executive Committee  
German Union of Commercial, Clerical  
and Technical Employees (DAG)

**Roswitha Schiemann**

Branch Manager,  
Allianz Versicherungs-AG

**Dr. Albrecht Schmidt**

Speaker of the Board of Management  
Bayerische Hypo- und Vereinsbank AG

**Dr. Manfred Schneider**

Chairman of the Board of Management  
Bayer AG

**Dr. Hermann Scholl**

Chairman of the Executive Board  
Robert Bosch GmbH

**Jürgen E. Schrempp**

Chairman of the Board of Management  
DaimlerChrysler AG

**Jörg Thau**

Salaried employee,  
Vereinte Krankenversicherung AG,  
since February 1, 2000



→ Henning Schulte-Noelle  
Chairman  
Allianz AG, Munich

← Antoine Jeancourt-Galignani  
AGF, Paris



→ Reiner Hagemann  
Allianz AG, Munich

↑ Joachim Faber  
Allianz AG, Munich

← William S. Thompson  
PIMCO, Newport Beach



→ Helmut Perlet  
Allianz AG, Munich

← William Raymond Treen  
Cornhill Insurance,  
London



→ Jeffrey H. Post  
Fireman's Fund, Novato

← Herbert Hansmeyer  
Allianz AG, Munich



→ Gerd-Uwe Baden  
ELVIA Versicherungen, Zurich

↑ Alexander Hoyos  
Allianz Elementar  
Versicherungs-AG, Vienna

← Michael Diekmann  
Allianz AG, Munich



→ Detlev Bremkamp  
Allianz AG, Munich

← Vicente Tardío Barutel  
Allianz Compañía de  
Seguros y Reaseguros,  
Madrid



→ Gerhard Rupprecht  
Allianz AG, Munich

← Robert W. McDonald  
Allianz Life Insurance,  
Minneapolis



→ Mario Greco  
RAS, Milan

← Paul Achleitner  
Allianz AG, Munich

- Total premium income in fiscal 2000 increased by 13.4 percent to 68.7 billion euros.
- Net income soared 49 percent to 3.5 billion euros. This was due in particular to a reduction in the corporation tax rate in Germany.
- Adjusted for special factors in the past two years that related primarily to tax regulations, net income improved to a somewhat larger extent than planned: by 13 percent to 2.4 billion euros.

## Consolidated income statement (abridged)

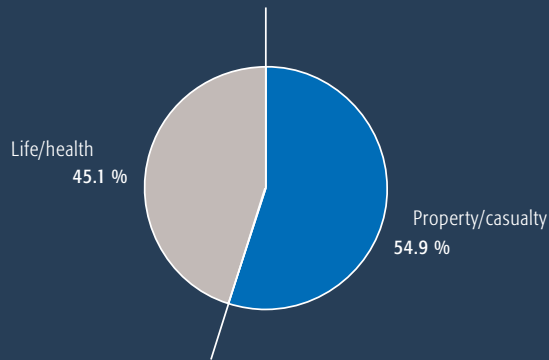
	2000	1999	Change
	€ bn	€ bn	in %
Premiums written	57.9	53.8	7.6
Premiums earned (net)	49.9	46.2	8.1
Net investment income	21.5	20.3	5.8
Benefits paid to customers	51.7	48.3	7.0
Underwriting costs	12.1	10.8	11.6
Amortisation of goodwill	0.5	0.5	2.2
Pre-tax profit	4.9	4.8	2.3
Taxes	0.2	1.5	- 88.4
Minority interests	1.2	1.0	31.1
Net income	3.5	2.3	49.3
Earnings per share in €	14.10	9.46	49.0

## Consolidated balance sheet (abridged)

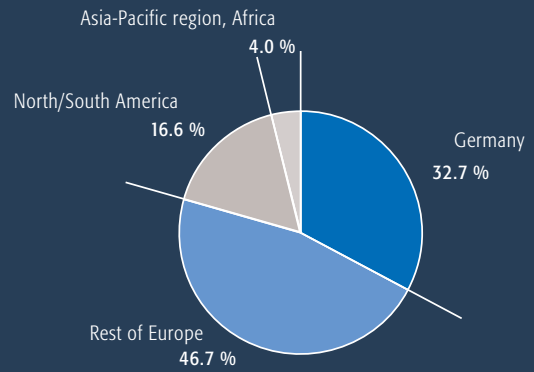
ASSETS	2000	1999	LIABILITIES	2000	1999
	€ bn	€ bn		€ bn	€ bn
Intangible assets	10.4	6.6	Shareholders' equity	35.6	29.7
Investments	318.2	302.9	Minority interests in shareholders' equity	16.2	13.1
Investments held on account and at risk of of life insurance policyholders	22.8	19.1	Participation certificates and post-ranking liabilities	1.3	0.9
Receivables	34.2	30.0	Insurance provisions	284.8	268.1
Deferred acquisition costs	10.4	9.2	Insurance provisions for life insurance where the investment risk is carried by policyholders	22.8	19.7
Reinsurers' share of the insurance provision	28.5	27.1	Other accrued liabilities	7.1	6.8
Other assets	15.5	15.8	Bonds and loans payable	15.2	11.2
Total assets	440.0	410.7	Miscellaneous liabilities	42.0	38.2
			Other liabilities	15.0	24.8
			Total liabilities	440.0	410.7



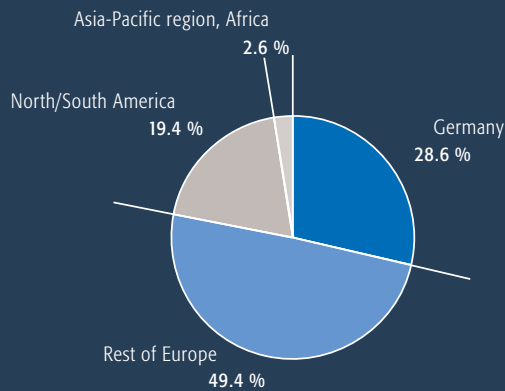
Total premium income by business segments  
(€ 68.7 bn)



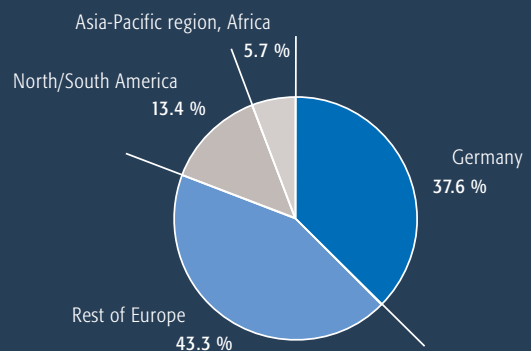
Total premium income by geographical segments  
(€ 68.7 bn)



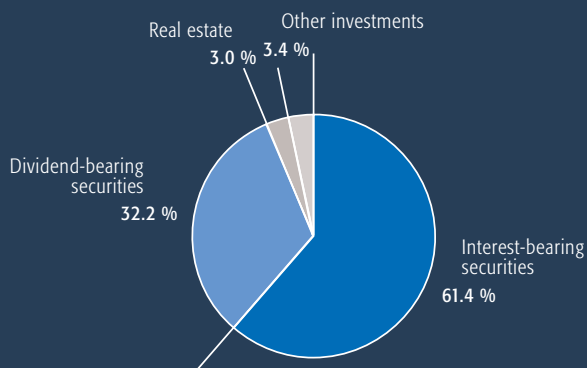
Total premium income by geographical segments – property/casualty  
(€ 37.7 bn)



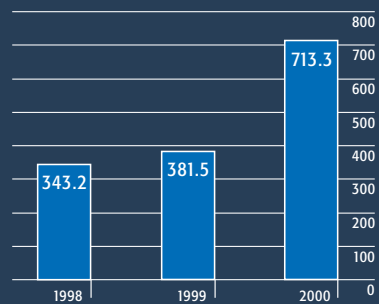
Total premium income by geographical segments – life/health  
(€ 31.0 bn)



Total assets under management  
(€ 713.3 bn)



Development of assets under management  
in € bn



*Allianz stands for profitable growth. The area in which it operates – the global financial services market – is changing at breath-taking speed. We are facilitating this process of change by the strategies we adopt and the decisions we take. We are updating our strategic objectives in order to even more effectively satisfy the requirements made by our dynamically growing markets.*

Our decision in the spring of 2001 to submit a take-over offer to the shareholders of Dresdner Bank is a response to the fact that Allianz' business range has been broadened and that the company has been realigned accordingly. This strategic move confirms that we are very aware of how our market is developing. And we do not hesitate to draw the necessary conclusions from our findings in order to make sure that we continue to grow profitably.

The profound changes in our markets and the tremendous business opportunities the transformation is creating for us have prompted us to update our strategic objectives and to set new priorities. We are guided in this 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 are based on a new mission that captures the different reality in the international financial services market: when the process of integrating Dresdner Bank has been completed, we will be a global financial services group with insurance, banking and asset management activities. The focus will continue to be on our concept of “insurance, retirement provision and asset management.”

Our five strategic priorities are:

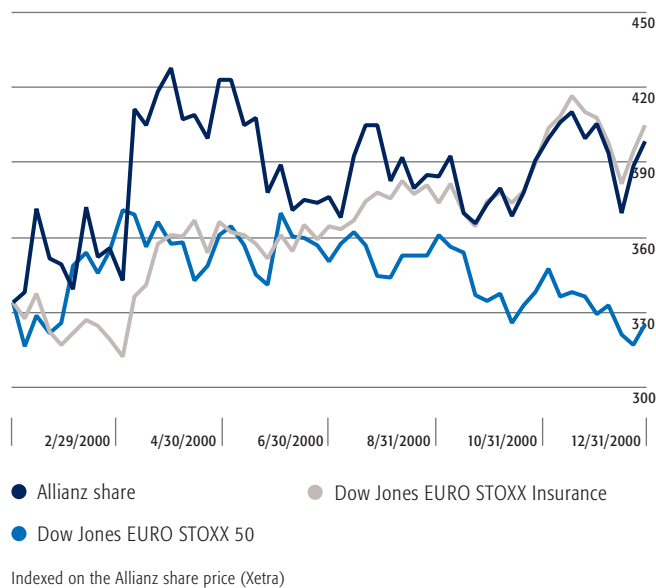
- Optimizing the Economic Value Added of our Group, based on risk-adequate capital requirements and sustainable growth targets.
- Exploiting high-growth market opportunities by leveraging our traditional risk management expertise.
- Building on our leading position in long-term savings and protection products by focusing on our clients’ old-age provision requirements.
- Increasing our asset gathering capabilities by building customer specific, multichannel distribution platforms.
- Expanding our investment and capital markets expertise.

We are convinced that these principles and priorities will act as a suitable compass to guide us in our efforts to master and exploit rapidly-changing market developments in the interests of our clients, shareholders and employees in future as well.

*The price of the Allianz share increased by 19.3 percent in the year under review and thus performed considerably better than the DAX and Dow Jones EURO STOXX 50 indices. Market capitalization rose to 98 billion euros by the end of the year. This increase made Allianz one of the most highly valued stock corporations in Europe.*

**Higher share prices for European insurance stocks** | Following a difficult year on the stock markets in 1999, European insurance shares substantially outperformed the market as a whole. The European insurance index Dow Jones EURO STOXX Insurance increased 21.2 percent. The Allianz share outperformed the market in general too, with a share price increase of 19.3 percent. As a result of this increase the Allianz share surpassed the Dow Jones EURO STOXX 50 and the DAX indices by 22.0 and 26.8 percentage points respectively.

Development of the Allianz share price versus Dow Jones EURO STOXX 50 and the Dow Jones EURO STOXX Insurance



Within the last ten years – i.e. from the beginning of 1991 to the end of 2000 – the stock market value of our share more than quadrupled, from 91 euros to 399 euros. This increase corresponds to an annual return of 16.0 percent – excluding the dividends paid.

## Allianz share performance comparison

(average annual performance in percent)

	1 year (2000)	5 years (1996-2000)	10 years (1991-2000)
Allianz AG*	19.3 %	23.1 %	16.0 %
DAX	- 7.5 %	23.3 %	16.5 %
Dow Jones EURO STOXX 50	- 2.7 %	25.9 %	18.7 %
Dow Jones EURO STOXX Insurance	21.2 %	26.3 %	17.5 %
MSCI EMU	- 3.6 %	24.2 %	15.8 %
FTSE 100	- 10.2 %	11.0 %	11.2 %
S&P 100	- 13.4 %	18.6 %	16.0 %

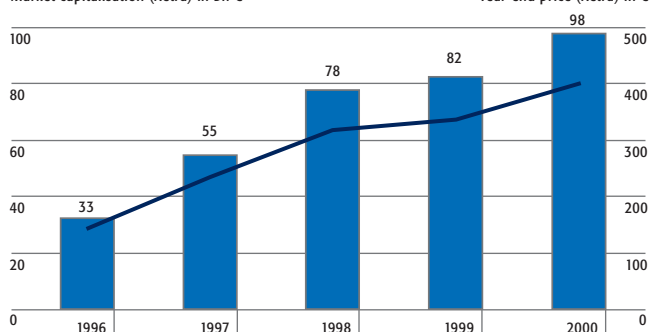
\* Excluding dividends; Xetra prices have been used for the periods of 1 year and 5 years

Source: Thomson Financial Datastream

## Year-end market capitalisation and share price

Market capitalisation (Xetra) in bn €

Year-end price (Xetra) in €



● Market capitalisation

● Year-end price

The Allianz share is included in all the major European indices, such as the DAX, the Dow Jones EURO STOXX 50, the MSCI EMU and the FTSE 100. Since January 2001, Allianz has also been one of the 100 shares comprising the new Standard & Poor's Global 100 index.

## Weighting of the Allianz share in European indices on April 30, 2001

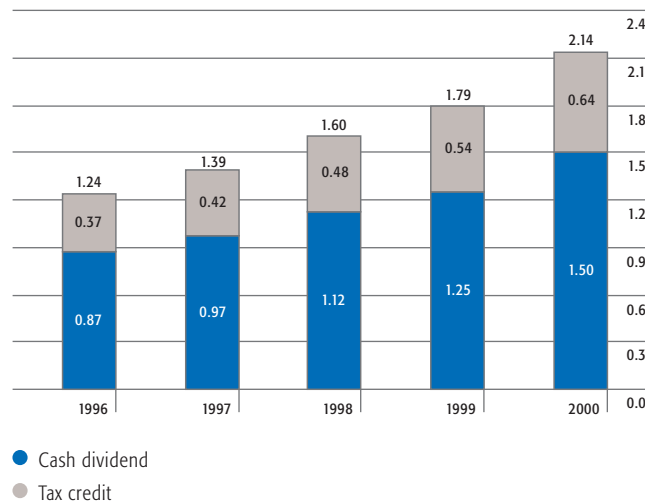
In the DAX (second-biggest single share)	9.1 %
In the DAX Insurance (biggest single share)	49.9 %
In the DJ EURO STOXX 50 (eleventh-biggest single share)	2.3 %
In the DJ EURO STOXX Insurance (biggest single share)	19.3 %
In the MSCI EMU (eighth-biggest single share)	2.2 %
In the MSCI EMU Insurance (biggest single share)	25.4 %

Source: Bloomberg, Standard &amp; Poor's, Thomson Financial Datastream

**Further improvement in earnings per share** | The consolidated earnings per share in 2000 increased by 49.0 percent to 14.10 (9.46) euros. After adjustment for special factors (mainly tax-related) in both years, earnings per share improved by 13.3 percent, from 8.58 euros to 9.72 euros.

**Another large dividend increase** | Allianz has raised its dividend payments every year since 1995. We are also proposing a large increase from 1.25 euros to 1.50 euros per share to our shareholders for fiscal year 2000. This represents an increase of 20 percent. Shareholders who are taxpayers in Germany will also receive a corporate tax credit of 0.64 euros per share, increasing their gross dividend up to 2.14 euros. The current system of tax credits under German tax law has been replaced effective January 1, 2001, by what is known as the “half income system.” As a result, corporate tax credit will be eliminated but private investors will only have to pay taxes on half of the dividend payments received in the future instead.

#### Dividend per share in €



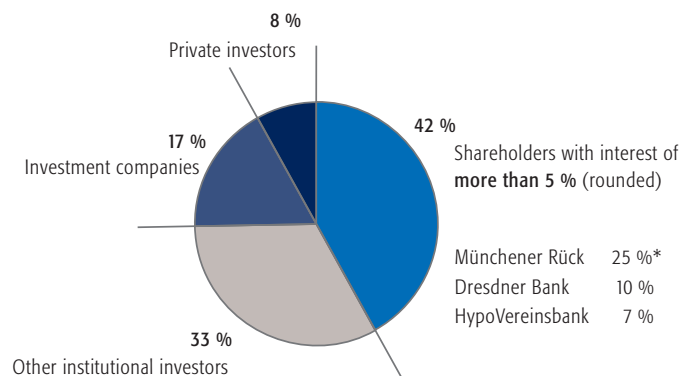
**Free float increased again** | The free float of the Allianz share had increased to 58 percent of Allianz’s total capital as of the end of the year under review. This increase was due mainly to a previously announced sale by Deutsche Bank AG of Allianz shares in an amount of approximately 3 percent of total capital. For this purpose, free float is defined as the amount of individual shareholdings of less than 5 percent of total capital. The previous year’s free float amounted to 51 percent.



Consistent with our intention to continue increasing our free float, we have agreed with Münchener Rückversicherungs-Gesellschaft AG to reduce our mutual holdings from approximately 25 percent to approximately 20 percent. This transaction will increase the weight of the Allianz share in most indices, which in turn could increase demand for our shares and push its price upwards.

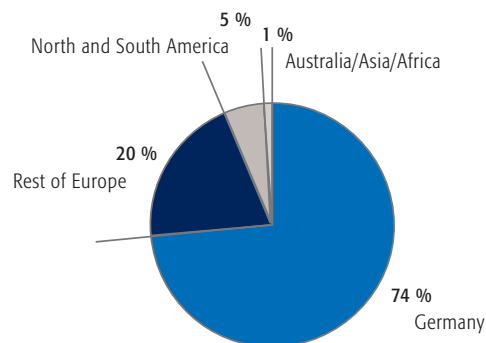
### Shareholder structure on December 31, 2000

Free float: 58 %; long-term investments: 42 %



Sources: Information provided by shareholders (long-term investments), Share register Allianz AG (free float) \* Reduction of about 5 % in the shareholding to about 20 % by 2003 at the latest

### Regional distribution of share ownership on December 31, 2000



The average volume of our shares traded in Germany increased to about 1.7 (1.6) million per day. Our company has about 265,000 shareholders. Allianz investors outside Germany now account for 26 (21) percent of our shareholders. Nearly 5 percent of our share capital is held by US investors.

Allianz share key indicators at a glance		2000	1999	1998
Subscribed capital on December 31	€	629,120,000	627,891,200	626,112,699
Number of shares on December 31		245,750,000	245,270,000	244,914,000
Average number of shares in the fiscal year		245,401,507	245,013,485	242,540,278
Average number of shares traded per day in Germany		1,691,012	1,597,565	1,768,871
Share price on December 31	€	399	334	316
High for the year	€	441	347	349
Low for the year	€	316	237	217
Market capitalisation on December 31	€ bn	98.0	81.8	77.6
Share price increase in the year (excluding dividend)	%	19.3	5.5	35.8
Dividend per share (excluding tax credit)	€	1.50	1.25	1.12
Tax credit	€	0.64	0.54	0.48
Earnings per share	€	14.10	9.46	8.97
Earnings per share, adjusted *	€	9.72	8.58	8.97
Earnings per share, adjusted * before goodwill depreciation	€	11.74	10.56	9.99
ROE = Return on Equity	%	10.6	8.5	9.8
ROE, adjusted *	%	7.3	7.7	9.8
ROE, adjusted * before goodwill depreciation	%	10.7	11.0	12.4

\* Elimination of special factors, tax effect in 2000 amounting to 1.1 billion Euro

**Value-oriented management** | Profitable growth is our primary target. We use “Economic Value Added” (EVA) as the main tool through which we control our business. See page 128 of this Annual Report for more details on the subject.

**Success-based remuneration** | Our “Long-Term Incentive Plan” for the top management of all the large Group companies provides – as the name suggests – an additional incentive to increase Allianz market capitalization. This variable remuneration plan involves the allocation of stock appreciation rights. The amount allocated to each management member depends first and foremost on the improvement made in the EVA. The extent to which individual targets have been reached is also taken into account.

The stock appreciation rights are exercisable for a period of seven years. They can be exercised for the first time after a period of two years, but only if our share price:

- outperforms the Dow Jones EURO STOXX price index (600) on each of at least five consecutive trading days and
- increases by at least 20 percent over the base price of the stock appreciation rights.

274,000 stock appreciation rights were issued to 430 managers in the year under review.

We have also introduced a bonus system for our local management. Most of the maximum bonus is also linked to the achievement of EVA targets.

#### 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

**US Listing** | Allianz shares have been listed on the New York Stock Exchange since November 3, 2000. Our listing in New York is strategic and important business move. There are four main reasons for this step:

- **Access to the US capital market.** As a financial services provider with global operations, we want to be represented in the most important capital market in the world. We are now in direct contact with US investors.
- **Maximum transparency.** As a result of our listing on the New York Stock Exchange, we must now comply with the strict requirements imposed by the US securities laws and enforced by the US Securities and Exchange Commission, SEC, for the presentation of our accounts and the disclosure of our activities to the capital markets.

The standards to be fulfilled are accepted all over the world as a sound basis for evaluating corporate success and quality. Our shareholders and customers are guaranteed maximum transparency as a result.

- **International remuneration instrument.** Now that we have a listing in the US, we are in a position to offer our North-American staff Allianz shares as part of their remuneration package.
- **Acquisition currency.** We have more options when making acquisitions, because we can now finance the take-over of a US company by issuing shares of our own. This improves our chances of considerably expanding our presence in the most important market in the world.

As many other non-US companies, our shares are traded on the New York Stock Exchange in the form of American Depositary Receipts (ADRs). Additional information on our ADR program is available from our Web site [www.allianz.com/investor-relations](http://www.allianz.com/investor-relations), as well as on JP Morgan's specialized Web site, [www.adr.com](http://www.adr.com).

**Online registration for the Annual General Meeting** | German legislation has been changed, and it is now possible for our shareholders to register for the 2001 Annual General Meeting online. Our articles of association were adjusted accordingly as early as last year. In addition, proxies to exercise voting rights can be commissioned via the Internet to representatives of our company.

**Further expansion of investor relations activities** | We are steadily increasing the range of information and services we provide to shareholders and financial analysts.

- Our shareholder hot line (+49 (0) 18 02.2 55 42 69) is available around the clock, seven days a week, and is proving to be very popular.
- The Shareholder Letter provides a brief summary of the information contained in the Annual Report and interim reports.
- Our Web site was redesigned and relaunched on November 1, 2000 with improved navigation facilities and additional information. Investors can obtain detailed information concerning Allianz and its share by visiting [www.allianz.com/ir](http://www.allianz.com/ir) (German) or [www.allianz.com/investor-relations](http://www.allianz.com/investor-relations) (English). The Annual Report and other publications are available for downloading.
- We held road shows in the most important financial centers around the world last year to present our business development and our strategy to investors and analysts. These road shows took place in New York, Boston, London, Edinburgh, Paris, Zurich and Milan.

## Information on other issues

## 1. Bonds

**6.0% bond issued by Allianz Finance B.V., Amsterdam**

Volume	767 million €
Year of issue	1996
Maturity date	5/14/2003
Security identification no.	132 275

**5.75% bond issued by Allied Finance B.V., Amsterdam**

Volume	1.1 billion €
Year of issue	1997 / 2000
Maturity date	7/30/2007
Security identification no.	194 000

**5% bond issued by Allianz Finance B.V., Amsterdam**

Volume	1.6 billion €
Year of issue	1998
Maturity date	3/25/2008
Security identification no.	230 600

**3% bond issued by Allianz Finance B.V., Amsterdam**

Volume	CHF 1.5 billion
Year of issue	1999 / 2000
Maturity date	8/26/2005
Security identification no.	830 806

## 2. Exchangeable bonds

**3% exchangeable bond issued by Allianz Finance B.V., Amsterdam**

Exchangeable for	Deutsche Bank AG shares
Volume	1.0 billion €
Year of issue	1998
Maturity date	2/4/2003
Current exchange price	71.85 €
Security identification no.	197 280

**2% exchangeable bond issued by Allianz Finance B.V., Amsterdam**

Exchangeable for	Siemens AG shares
Volume	1.7 billion €
Year of issue	2000
Maturity date	3/23/2005
Current exchange price	149.64 €
Security identification no.	452 540

**Index-linked exchangeable bond (DAX® MILES) issued by Allianz Finance B.V., Amsterdam**

At the issuer's discretion, exchangeable for /repayable by	E.ON AG, BASF AG, Münchener Rückversicherungs-Gesellschaft AG or certain other shares
Volume	2.0 billion €
Year of issue	2001
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

## 3. Participation certificate

**Allianz AG participation certificate**

Nominal amount	29.3 million €
Payout for 2000	3.6 €
Current redemption price	78.54 €
Security identification no.	840 405

All bonds and exchangeable bonds are guaranteed by Allianz AG.

**Innovative finance market products** | We issued an exchangeable bond with a volume of 1.7 billion euros in March 2000. The bond matures in five years. The bond is exchangeable into Siemens AG shares. The owner of the exchangeable bond receives a coupon of 2 percent, and also benefits from possible increases in the price of the Siemens share.

We issued an index-linked exchangeable bond with a volume of 2.0 billion euros in January 2001. The bond's value is linked to the performance of the German share index DAX. The investor also receives an annual outperformance bonus amounting to 1.25 percent of the prevailing DAX level. The final maturity of the bond is February 2004. Repayment is determined by the DAX-level at the time and takes the form of shares in E.ON AG, BASF AG, Münchener Rückversicherungs-Gesellschaft AG or certain other shares, at Allianz's choice. The issue has received the highest possible ratings AAA or Aaa by the international ratings agencies Standard & Poor's and Moody's, respectively.

## FINANCIAL CALENDAR FOR 2001 / 2002

### Important dates for shareholders and analysts

- July 11, 2001** Annual General Meeting
- August 14, 2001** Financial Report first half-year 2001
- November 14, 2001** Financial Report first three quarters of 2001
- February 7, 2002** Press release on the preliminary results for 2001
- April 18, 2002** Financial press conference for the 2001 fiscal year
- May 16, 2002** Financial Report first quarter of 2002
- June 12, 2002** Annual General Meeting
- August 14, 2002** Financial Report first half-year 2002 (interim financial report)
- November 14, 2002** Financial Report first three quarters of 2002



We provide a comprehensive service so that you can keep abreast of the latest news. Give us a call or write us a note. Our investor relations team will be delighted to answer your questions.

You will find current information and our Annual Report on the Internet ([www.allianz.com/investor-relations](http://www.allianz.com/investor-relations)). We will also be glad to send you our interim reports and other Allianz Group publications.

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# Spotlight on the Czech Republic

Allianz – building bridges to new markets.



**Allianz is expanding rapidly in growth markets** | If asked why Allianz is so successful in the Czech Republic, Thomal Münkel has a spontaneous explanation: “We put our principles into practice.” He is referring to the Allianz style of decentralized corporate management – a successful model. It has proved effective in the Czech Republic too, right from the start. Allianz began to operations in Prague in January 1993. Thomas Münkel, 33 years old, psychology graduate, was one of the members of the management team back then. He stayed until the end of 2000. Münkel found an apartment in the middle of the city, learned the Czech language – and made all the important decisions locally, in agreement with his Czech staff. “We adopted our own individual approach and were fully supported by headquarters in Munich.”


# growth markets





Comprehensive car insurance was the first challenge. “As a rule, only new vehicles made by certain manufacturers were insured in the Czech Republic in the early and mid-90s.” This was the situation in other Central and Eastern European countries too, and insurance companies in the Czech Republic accepted the status quo. Is this the right way to do business if you want to grow in a promising growth market? The Czech colleagues submitted a well-reasoned and thoroughly costed proposal: “We will insure all cars, with no exceptions.” Munich supported the suggestion.

**“This is no place for the hesitant”** | From the very start, this new Allianz company had to make courageous decisions, especially if they were to compete in the Czech Republic with an all-powerful, state-owned insurance company that had enjoyed a monopoly. These circumstances alone made it essential to be bold, and many of the subsequent decisions that were taken had to be just as daring if customers were to be convinced.



# Success was the reward for this daring move.

Action had to be taken, for example, in 1997, when the Morava River flooded worse than at any other time in the century, causing havoc in large areas of the Czech Republic. Allianz could have decided to ignore the situation. After all, flood damage was not covered by house contents or building insurance, either in the Czech Republic or in Germany. “We in Prague nevertheless decided to come to our customers’ assistance,” remembers Thomas Münkel. Headquarters in Munich were quick to provide approval with no strings attached, “but it was a tough decision to take. We could only make an approximate estimate of the size of the risk, but we wanted to prove to our customers that we were not willing to leave them to their own devices at the very time they faced an emergency.”

Success was the reward for this daring move. The total claims were manageable at about 2 million euros. But the best news came later: Allianz was able to double its new business in this market!

**Mixed teams, local staff in key positions** | The team in Prague generated premiums of 1.2 million euros in its very first year of operation. The company was in the black after three years. By the end of 2000, Allianz was reporting premiums of 128 million euros in the Czech Republic and was serving more than one million customers. “We have Czech know-how and skilled Czech personnel to thank for that too,” stresses Thomas Münkel and names some names – Jirí Charypar, for example, the member of the Board of Management responsible for car insurance, and Miroslav Tacl, Sales Director and – since January 2001 – Board Chairman. Tacl: “The fact that the market here is new and is changing all the time makes the work particularly exciting.”

The success that has been achieved is, however, attributable to a not inconsiderable extent to insurance agents such as Jaroslav Venc, 52, the most successful Allianz salesman in the Czech Republic. Venc has to smile when he recalls his first contact with Allianz, at the regional office in Brno. “They were very skeptical,” he confesses. “It took a while before they gave me their training material and I was allowed to look after customers.”

The man with the short-cropped hair and stubbly beard did not evidently correspond to the company picture of an ideal insurance representative. However, the economics graduate soon turned out to be a natural businessman. He now works in a smart office in Brno with ten employees, looks after 12,000 customers and has sales revenues of 3 million euros a year.

**Franz Kafka and his hopes** | Nothing like the desperate times when Mr Venc was short of money and found himself dreaming the same dreams Kafka had before him. The writer Franz Kafka even shared the same profession as his fellow countryman Venc – although separated by almost a century (in 1908, Kafka took over a job at the Institute for Workers' Accident Insurance run by the Kingdom of Bohemia in Prague). Like Venc, he too longed to travel. In a letter to a friend, he wrote about how he hoped “one day to sit myself on chairs in remote countries, looking out from office windows to see fields of sugar cane or Muslim cemeteries ...”

Kafka's hopes were never fulfilled. He had to work every day from eight in the morning to half-past eight in the evening, had only seven days' holiday a year and was paid a pitifully small monthly salary. “Curious parallels, to some extent at any rate,” says Venc, grinning. He himself had earned very little money selling policies for the state-owned company that held the insurance monopoly before the historical sea-change around 1990.

After the collapse of communism, Venc knew what he had to do. He tells the story himself: “I looked for the biggest and best international insurance company in the Czech Republic. It was Allianz. I applied for a job with them.” He set to work soon afterwards. Without any money and without an office; all he had was a bag full of information material and contract forms. Ten customers a day, from eight until ten o'clock in the evening, seven days a week. A hard life, but he enjoyed it. “At long last I was able to do something for other people and I was running my own business.”

**Passion for cars at a time of radical change** | It was not an easy job. He had to persuade his compatriots that it was necessary for them to obtain their own insurance coverage from now on. The ubiquitous state that controlled everything and looked after everything did not exist any more. Venc knew when he needed to talk and when it was better to listen. And he knew all about his compatriots' passionate love affairs: “Cars. We all love cars.”

10 million Czechs own 6 million vehicles in the meantime. The state insurance company now controls only 43 percent of the car insurance market and 38 percent of the market as a whole. Allianz ranks third among the 43 insurance companies in the Czech Republic. This is a success in itself, because, up until January 1, 2000, the private insurance companies were only allowed to sell comprehensive insurance. It was not until after this date that the state monopoly on third party car insurance was lifted.



No need to be sad when monopolies end ... | Münkkel and his team were ready and waiting when the law changed. The company's share of the third-party car insurance market rocketed from zero to 15 percent. Allianz worked with 1,500 full-time representatives and also mobilised 38,000 part-time staff as well as service station managers, travel agency employees and car dealers. By the end of 2000, Allianz had 650,000 third-party car policies in its portfolio with a premium volume of 51 million euros. The number of customer centers had doubled to 36, nine claims offices had been established and 50 loss adjusters recruited.

Everything had to go quickly and smoothly. "When you are working with so many different agents, commission needs to be paid fast. That motivates people. The situation at some other companies was catastrophic," remembers Münkkel. Application forms with bar code stickers were used; this simplified and accelerated the process tremendously. The result: customers received confirmation of their insurance policy as soon as the contract had been signed. "The paperless processing system worked like clock-work." This is important, because a strategic edge can very easily be lost if a large project such as this suffers from bugs during the initial stages.


**"Providing for your own retirement needs is a strong trend here too."**





A year like no other | “2000 was our most successful year so far, with premium income growth of ninety-three percent,” points out Miroslav Tacl, Münkkel’s successor as the Allianz Chief Executive in Prague since the beginning of 2001, with obvious satisfaction. The main sources of business were third-party car insurance and life insurance. The increase in life insurance premium income was 65 percent. “Providing for your own retirement needs is a strong trend here too. We concluded group insurance contracts with large companies too,” explains Tacl.

Growth rates of this size cannot be maintained indefinitely. But there are many other growth markets where Allianz is waiting for the right opportunity. Not just in Central, Eastern and South-eastern Europe. There are excellent business prospects in the Asia-Pacific region and Latin America too. Allianz already operates in all of these places.



“All you have to do is be in the market at the right time and make the pioneer phase a success story while other market players are still waiting on the sidelines.”

**Huge potential for cross selling** | Jaroslav Venc is, in the meantime, preparing to make the most of the exceptional market situation in the Czech Republic by taking advantage of the cross-selling potential offered by his customer database. If he gets his way, all of his clients will eventually buy their complete insurance coverage from him. Knowing exactly when to broach the subject is vital: when has the time come to talk to the customer about taking out life insurance in addition to discussing his car policy? And what about property finance? When is he interested in asset management via Allianz PIMCO funds? “Plenty of scope for growth,” says Venc with confidence.

**A success story with further chapters** | Thomas Münkel and Miroslav Tacl agree. Business prospects in the Czech Republic are as good as in all other growth markets. Thomas Münkel: “There is immense pent-up demand in these markets; the economic upswing and problems in connection with old-age pensions are also helping us to maintain our growth pattern. All you have to do is be in the market at the right time and make the pioneer phase a success story while other market players are still waiting on the sidelines. That is already half the battle.”

Customers become partners and long-term business relationships develop. “Allianz has demonstrated in the Czech Republic how impressively it can perform. It has the right strategy, gives its local management plenty of freedom to take its own decisions and recruits the right people,” summarizes Tacl. “And that is another of our recipes for success in the many other growth markets around the world too,” concludes Münkel – and is already thinking about yet another new idea.



# Finding out what opportunities globalization has to offer



Sitting in on the international Allianz programs.



It is almost midnight and twenty managers from ten different countries are still sitting in front of an open fire, continuing their discussion. It is a stimulating setting: wood-panelled walls and book shelves, a glass door leading to the terrace with its view of the lake – Starnberger See.

# human resources

An excellent place to relax, listen and think things over. The century-old villa in Kempfenhausen is the ideal location for the Allianz Group Management Institute known by its abbreviation AMI. About 1,500 top Allianz managers come here every year – people from seventy countries with different geographical backgrounds, languages and mentalities. Despite all the differences between them, the visitors to Kempfenhausen have one thing in common: “We are not interested in copying each other; we want to learn from each other.” The man saying this is Detlev Bremkamp, the Board of Management member responsible for part of Europe as well as for reinsurance and international industrial risk insurance. He stresses: “We are committed to a decentralized system, but there has to be a proper flow of information.”

**“The world is my home”** | The colleague sitting next to him in the discussion group nods. Ger J.M. Kock comes from the Netherlands and works for Royal Nederland, an AGF life insurance company. “I didn’t know beforehand that Allianz has such a decentralized organisation,” he notes. A pleasant discovery, because independence is one of the consequences of this management structure. Which does not, however, mean that everyone is left to his own devices. On the contrary: “Exchanging information and experience within the Group encourages you to tackle exciting new challenges.”

**Good people  
at Allianz do  
not have to  
leave the  
company to  
get on in  
their careers.**

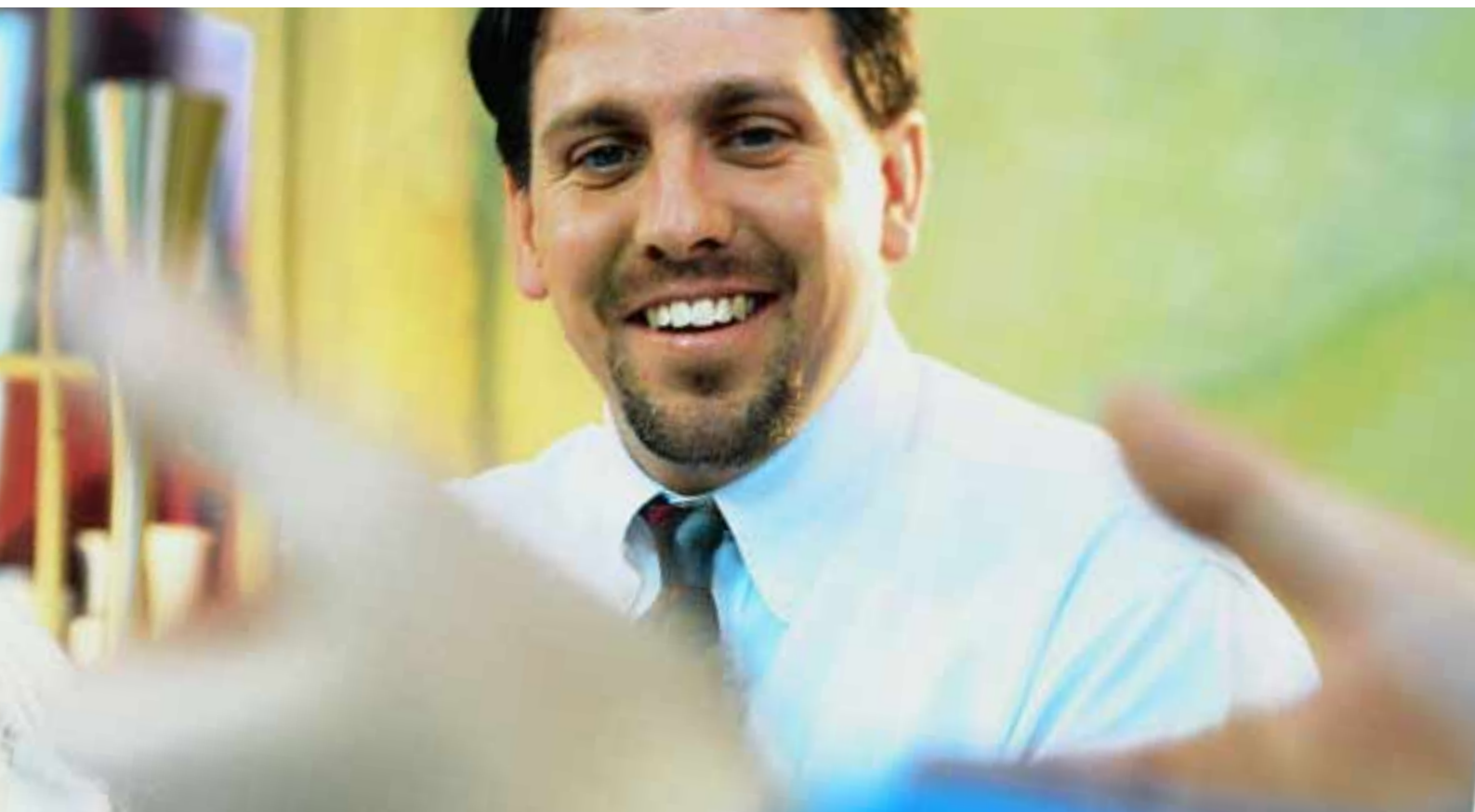




Murmurs of agreement. The group is made up of a special kind of new recruit: managers who gave up a well-paid position elsewhere to join Allianz in 2000. Each of them has his own particular reasons for making the move. The explanation given by Wilfried Blackburn, 34, from the UK: "I wanted to work for a genuinely global company."

Blackburn aims to work all over the world in the course of his career. Asia, Australia, America, Africa, Europe – this is where he can imagine going in future positions. "I am in Singapore at the moment, a good city to start off in. The market there is changing very fast. I would like to work on all continents in the next ten to fifteen years." His wife and his four children between the ages of one and seven are accompanying him on his global career. "I want my children to grow up with a flexible and international outlook. They will benefit from it all their lives."

What does Blackburn have to say about the AMI seminar in Kempfenhausen? "Simply fantastic. We are finding out everything about the company philosophy here." The cosmopolitan Briton now knows: good people at Allianz do not have to leave the company to advance in their careers. "This international financial services provider offers you the opportunity to develop in any way you want."



# It is good to learn from what others have done right, but it is better to learn from their mistakes.

**International center and corporate university** | The AMI, in existence for two years now, was established by Daniel Dirks. The first four international seminars were held in 2000. This year there will be more than twenty of them. Kempfenhausen, only a half-hour drive away from Munich, is a good place to find out how the central Allianz Group clock ticks. Dirks: “There are many different Allianz cultures around the world and our managers want to know how the headquarters in Munich operate. We are in the process of developing common corporate culture and these seminars constitute an important stage in this process.”

Dirks and his team of eight have also developed what they call career programs for young trainees. They are co-operating with some of the best business schools on this project. There are courses in business administration for newcomers. And a general management program is offered which every manager should attend in order to broaden his horizons. It is an opportunity to familiarize themselves with issues outside their own particular area of specialization.

Also offered by AMI is the campus program. This involves managers and “high potentials” in strategic issues. Reiner Hagemann, the Board of Management member responsible – among other things – for the German property and casualty insurance business says: “The participants from the different companies in the Group are informed about the progress made with the issue. It is then discussed and afterwards the managers go back and implement the strategies in their home markets.” The main topics covered in the recent past have been personnel development, e-business and value-oriented management, but there are many more subjects than just these.







“Our ambitions are to offer the best management qualification program and to promote the development of a joint corporate identity,” explains Daniel Dirks. “We are relying on our top managers to act as multipliers.” Henning Schulte-Noelle draws attention to two specific aspects of the varied AMI program. First of all, he considers it important to increase the size of the pool of internationally oriented staff, meaning staff “who are familiar with different markets and business cultures and can thus help to give Allianz a competitive culture.” He also thinks that the program will contribute to “the creation of a sound corporate identity that complements our local identities without replacing them.”

**Knowledge transfer is value management** | Change of scene. We are now observing a workshop at which Allianz staff from Italy, Spain, Germany, Hungary and the US are engaged in a lively discussion about call centers. Knowledge is being transferred from one market to another here – a process that suffers from typical teething troubles. After all, “who likes talking about mistakes?” asks Johann Beginn, responsible for knowledge management. The principle is that it is good to learn from what others have done right, but it is better to learn from their mistakes. Easier said than done.

Come to Munich to talk about failures, flops and fiascos? Joe Maher from San Francisco, 30, is aware of the problem. The Allianz Exchange program brought him to Munich for two years at the end of 2000. It is his opinion that “to lose these inhibitions, we need to make sure that there is an atmosphere of mutual trust.” This is done very successfully by holding workshops with an international mix of participants. Specialists from a wide range of different markets meet ten times a year to exchange notes about specialized topics. “The smaller the groups at such workshops, the more honest the personal reports and the more committed the suggestions that are made for possible improvements.” The cultural diversity within the Allianz Group then suddenly becomes a valuable resource.



**“We are not interested in copying each other; we want to learn from one another.”**

**A strategic instrument** | There are not only workshops, however. International working groups meet four times a year and confer on the formulation of recommendations about issues of strategic importance. Allianz also sets up “centers of best practice” at companies that have developed special skills. At Allianz Irish Life Holdings, for example, that is one of the top sources of know-how concerning direct insurance in the Group. The transfer process works. Fifty years of experience with car insurance services at Allianz in Germany have proved invaluable for the Group company in Poland. “They learned how to run the business from their German colleagues and developed an effective system of car insurance sales via dealers’ networks in Poland,” Johann Beginn is pleased to report.

**Melting-pot of different temperaments** | Such success is achieved by staff who communicate with each other worldwide and who are open to learning from the specific capabilities and culture of their colleagues. “Take me as an example,” says Joe Maher. He originally sold Fireman’s Fund insurance between San Diego and Los Angeles. “We Americans love to make plans” – “and our strength is talking to each other,” adds Rossella Visconti from Milan. She has been with the Italian company RAS since 1989 and is currently working in Munich. She prepares international workshops with Joe Maher.

California meets Northern Italy. People with different temperaments realize their limitations and explore new possibilities. The international Allianz program provides an opportunity to do this for two years. Young staff can establish contact with colleagues from all over the world in Munich and learn from them. They work with each other and with their local colleagues, meet at weekends to do things together – and automatically share what each of them knows. This is another form of transfer that makes Allianz more imaginative, more spontaneous and more innovative.

“Allianz has so much potential. Everyone should take his own personal chance to grow internationally with us,” says Michael Diekmann, the Board of Management member responsible for international human resources. “We open doors and we pave the way, but the motivation has to come from the staff themselves.” Grist to the mill for Wilfried Blackburn, the manager who still has at least three continents ahead of him. And what about Joe Maher and Rossella Visconti? They recommend that their example be followed and that more advantage be taken of the international Allianz atmosphere: “The world is here. Starting in the office next door.”



# Visiting bond-guru Bill Gross



From blackjack to a “limited-risk approach to investment.”



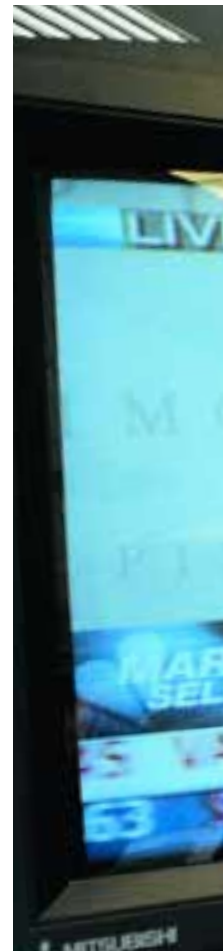
Spectacular is the word for the panoramic view from the 30-meter expanse of window encircling the PIMCO trading floor: Snow-capped mountains near Palm Springs, the Newport Beach marina spread out in the foreground, and even the fantasy of Catalina Island basking in the Pacific Ocean. Legendary film star John Wayne was just one of the many movie stars and financial tycoons to settle in this idyllic region nestled midway between Los Angeles and San Diego. But the 50 professionals on the trading floor of the asset management company PIMCO rarely glance out at the breathtaking view or even think about the little airport nearby in Orange County named for late actor. Instead, they gaze intently at their computer monitors as stock exchange news streams non-stop on the biggest indoor ticker system in the world.

Spectacular might also be the word to describe Managing Director Bill Gross, 56, a tall thin man with mid-length hair, a mustache and a loosened tie. He sits in the center of his team, the windows behind him, facing five screens on a U-shaped desk and holding a telephone receiver to his ear.

“I am here to work.” With this simple explanation Bill Gross quickly dismisses visitors who might prevent him from turning time into money. And rightly so, because otherwise he would constantly be beset by hordes of journalists. Bill Gross is, after all, the best manager of fixed-income securities in the world, a title twice conferred on him by the highly-respected rating agency Morningstar – in 1998 and 2000. No one had ever before achieved that two-year distinction. His latest laurels honored his foresight in January of last year when Gross instructed his team to buy long-term US bonds on a large scale. Shortly afterwards, bond prices skyrocketed, proving yet again that Bill Gross delivers results. As a result, the financial world hangs on his every word. Twice a week he reveals tips and trends on CNN in a TV studio specially set up at his own PIMCO office building just for this purpose, because Gross has no time to waste on non-essential travel.

## Bill Gross delivers results. Twice a week he reveals tips and trends on CNN.

One of the biggest global fund managers | Allianz succeeded in making a genuine strategic breakthrough in its third core business of asset management when it acquired the PIMCO Group in May 2000: Allianz is now one of the 10 leading fund managers in the world. The assets under Allianz management were worth approximately 713 billion euros at the end of 2000. PIMCO itself and its almost 1,000 employees manage assets of about 297 billion euros, mainly for institutional investors. The money is invested in 55 stock and bond funds, making Allianz the third-largest US asset manager and the biggest trader on the US bond market. The best-known PIMCO fund personally managed by Bill Gross is the Total Return Fund worth a total of 32 billion euros. Its value has developed better. This fund has outperformed all other US bond funds over the last decade.







The everyday working action at PIMCO headquarters typifies the profound changes brought by computer exchanges in recent years at many stock exchange floors around the world. Things are quieter on the floor now. Gone are the days when success depended on the rapid establishment of a telephone connection and when arbitrage dealers in London or Paris would bribe switchboard operators with chocolate in return for a quick call. Indeed, to an observer, the work almost seems to take place in total silence. Thick carpeting deadens the sound of foot traffic, there are no wild gesticulations from the floor and rarely is a word heard from the intent financial analysts across the room. These analysts, most of them young and all graduates of the best business schools, quietly murmur into the phones with their eyes fixed on their computer screens. Even messages from their boss arrive without a sound. Bill Gross communicates by e-mail, although the recipient may be seated only a few meters away.

**Peace and quiet - and enough time** | “I need time, peace and quiet – to read, to think, to work,” says Gross. This is why PIMCO is situated in the appealing little California coastal town of Newport Beach instead of at ground-zero in New York's chaotic metropolis. Being a world away from Wall Street is

all for the better. “We can do without the same old discussions with the same old business colleagues at the same old lunches every day. Anyway, I dislike all that hubbub and hectic atmosphere. Newport Beach offers instead a geographic isolation from the traditional world of finance. We work like a community in a quiet oasis of serenity.”

Even with that isolation and peace, Bill Gross is up before dawn, rising at 4 AM to descend into his home computer room to check how Europe is trading. Two hours later he is at the office working the trading floor. At 10 AM he takes his first break at a fitness center of a neighboring hotel. By 6 PM he’s driving home to Laguna Beach. At 10 PM he checks in again at his home computer to see how Japan closed before returning upstairs to his wife and son. Then finally it’s off to bed.

Bill Gross sits before a computer screen 16 hours a day, constantly doing calculations and monitoring fund performance. “That’s too long, of course. Some people might think I am obsessed,” he says with a smile and a shrug. “But my family – and yoga – keep me sane and balanced. And, contrary to rumor, I do not work every hour of the day. So I can take time to draw inspiration from music” – and occasionally he thinks about the great old Austrian economist Joseph Schumpeter ...

Quite a character, this Professor Schumpeter who, back at the beginning of the 20th Century, touted himself as the best lover in Vienna, the best horseman in Austria and the best economist in the world. Bill Gross expresses himself more modestly, but possesses the same high level of self-confidence. Self-confidence is essential when managing \$200 billion. “I would feel just as responsible for a million as I do for many billions, because basically it’s the same game,” he says. Fear inhibits clear thought, and is just as destructive as euphoria. Simply put, emotions are bad for business.

**Ideas are what count** | Bill Gross did not master emotional and psychological self-discipline in dry seminars or musty university lecture halls. He learned the game of risk by playing blackjack in Las Vegas after graduating from university. He played strict odds, and only bet two percent of his capital at any one time. In this way he transformed his \$200 stake into \$10,000 during just a few weeks in Las Vegas. Then he took a job with Pacific Life Insurance in Newport Beach, where the task of cutting out coupons for bonds gave him the idea of trading bonds himself. With that, his days at the card table ended as he realized that what really counted would be his ability to pinpoint long-term trends, to patiently wait and then to capitalize decisively on opportunity. But he still keeps a set of dice on his desk as a reminder of those lessons learned decades ago in a casino.

The flat hierarchy is one of the main success factors at PIMCO. “Ideas – and not titles – are what count with me. We have creative people who will only get us anywhere if we listen to them. Decisions are not just taken here by one person on his own; we get together and discuss. When I was twenty-eight and started in this business, there were people who trusted me and gave me a chance. I haven’t forgotten that.



**“It won’t be long before Europe catches up. Here in the USA, I can already see the trends that will soon be dominating the fund market there.”**



We pay people according to how they perform, irrespective of how long they have been with the company.” Almost ten years ago he recruited Bill Thompson, who is responsible for corporate management so that head dealer Gross can devote himself exclusively to the job that is his passion.

Dirk Klee, 36, who used to work at Allianz Asset Management GmbH (AAM), has been working in Newport Beach since June 2000. In Germany, he was responsible for institutional customers. When he returns to Europe in one or two years’ time, there is one main thing he wants to take back with him: know-how. The joint AAM and PIMCO corporate culture is important to him. And he admires the excellent service the Americans provide their customers. “They are five to ten years ahead of us in asset management, so their product depth and breadth is completely different. The market is more mature and the customers are more demanding.”

PIMCO's major customers include AT&T, UPS and Xerox. They are advised by a highly-qualified team, the members of which all have Master of Business Administration degrees – “that is essential here.” Dirk Klee is convinced that “it won't be long before Europe catches up. Here in the USA, I can already see the trends that will soon be dominating the fund market there.”

**Successful integration** | As far as Joachim Faber, the Allianz Group Board of Management member responsible for asset management, is concerned, the initial phase of co-operation has already confirmed that the Group is on the right track with this partner. “PIMCO had a tremendous fiscal year, even though 2000 was dominated by the integration process.” Six PIMCO employees have gone to AAM in Munich for two years. “It is enjoyable working with them, and the integration process is going well.” Faber emphasizes what the companies have in common, “such as the disregard for hierarchies, while there are many different ways in which we complement each other.” Taken together, both these facts make him confident about their joint future. “The American success story will soon be followed by others. PIMCO's know-how and our market penetration will provide us a significant strategic edge in Europe and soon in Asia as well.”

Bill Thompson, CEO of the PIMCO Group, specifies the skills and objectives from the American partner's point of view: “No one knows as much about bonds as we do; we have the experience, the best staff, the most advanced computer programs and a massive volume of assets under management.” Together with Allianz, the Group is in a position to aim for the top and at the same time obtain access to the biggest capital market in the world.

**“The strategic deal between Allianz and PIMCO will be taking both partners a lot further.”**



PIMCO is benefitting from the merger too. “We are a familiar name in the USA, while Allianz is well-known all over the world,” says Thompson, “We will be covering the Asian-Pacific bond market together.” PIMCO is allowed to operate on a largely independent basis; that independence is in the contract, which gives the Americans maximum freedom because this is the only way to make a dynamic partnership work. Joachim Faber confirms that the experts in California are supposed to concentrate on what they do best – performing well and satisfying customers as a result.

**Comprehensive portfolio** | Allianz is making a safe bet by co-operating with Gross, the former card player, on asset management. His style of investment is considered to be low-risk. In addition to the PIMCO product range, Allianz also has US mutual funds with higher growth rates for investors who are willing to accept higher risks. In October 2000, Allianz bought the investment company Nicholas Applegate located in San Diego for this purpose. The fund manager specializes in technology shares and adopts a style of investment that gives the rate of return (and the risk) high priority.

PIMCO, on the other hand, does not buy high-risk bonds that offer better returns. Bill Gross’ cautious style of investment has proven to be successful in the trading of government bonds, as PIMCO’s track record proves. Gross himself calls it “a limited-risk approach.”

Whether he is talking about the relationship between risk and return or is dealing with other investment issues – when Bill Gross appears on television, US investors send their children out to play all the better to absorb Gross’ interpretations and recommendations undisturbed. Bonds are his favourite subject on these occasions too, although this does not mean he fails to appreciate the professional qualities of share fund managers. Their investment strategy is, after all, completely different from the behavior of the gamblers Gross likes to make fun of. “They act like someone who has fallen in love for the first time and thinks that life will now go on like this for ever.”

It is not just family men who watch Bill Gross on television; even Alan Greenspan, the head of the US Federal Reserve, listens to what “The Beach” has to say. This is what PIMCO is called on the stock exchange, because the company is only a few hundred meters away from the beach – in exactly the same place where Bill Gross founded it in 1971. His summary of the last 30 years reveals that “There have been two really exciting moments in my investment life. One of them was the first bond when we were starting up; it was issued by our Californian electricity company. It was my first proper deal – so it was a wonderful feeling.”

The second exciting experience was the merger with Allianz, a real highlight. There is no doubt about it for Bill Gross, who is used to planning his moves with foresight and circumspection: “The strategic deal between Allianz and PIMCO will be taking both partners a lot further.”





# Pole position at the beginning of the new millennium



Allianz has committed itself to motor racing and is continuing the international expansion of its brand.



Allianz secured itself pole position last year to guarantee a powerful start to the new millennium. In May 2000, the Allianz Group signed a partnership contract with the BMW-Williams-F1 team. This makes it the first global insurance company to participate in the champion league of motor racing.

Why is Allianz expecting its involvement in Formula 1 motor racing to produce impressive results? "We are living in an 'attention economy,'" said Dr Henning Schulte-Noelle, chairman of the Board of Management at the Allianz AG financial press conference in May 2000. Awareness of and familiarity with a company are increasingly important factors in determining how successfully a company operates. "At the same time it is, however, becoming increasingly difficult for companies to attract attention to their specific profile and brand."

# branding



## “We are living in an attention economy.”

“Branding” is the magic word, and branding on a global scale depends on millions of people noticing the brand. More than 300 million fans watch every Formula 1 race. Whenever they do this, their attention is drawn to Allianz too, because the company logo appears on the racing cars driven by Ralf Schumacher and Juan Pablo Montoya.

**Joining forces to increase safety** | Allianz is, however, co-operating as a safety partner too. The safety standards at Formula 1 races are to be improved even more through the joint efforts of the BMW-Williams-F1 team and the Allianz Technical Center. The general public will benefit from the results of this co-operation on research and development projects. Allianz has also concluded another agreement concerning road safety with the Fédération Internationale de l’Automobile (FIA), the world association of 150 automobile clubs in 117 different countries. “We want to prevent accidents or at least minimize their impact,” explains Schulte-Noelle. “We consider ourselves to be an able partner in the safety research field rather than an insurance company alone.”

Safety and ability – these are values customers in Germany have associated with the Allianz name for 110 years now. Others are excellent service and rapid, unbureaucratic assistance. Allianz has long been the unchallenged leader of the pack here where it was founded. Almost 99 percent of Germans know the company. “We are even believed to be the leading health insurance company, although there is no such thing as Allianz health insurance,” says Michael Maskus, Corporate Marketing Director. The explanation for this misconception: Vereinte Krankenversicherung, an Allianz subsidiary, has a separate health insurance brand of its own.





**The Power on Your Side – all over the world** | Allianz has also moved into the fast lane in the global branding contest with the image campaign “Allianz – The Power on Your Side,” and initial success has already been achieved. Awareness of the brand is increasing everywhere: brand recognition has increased from 23 to 44 percent in Great Britain, the US and Hong Kong, while it has risen from 77 to 84 percent in Italy, Poland and France.

These figures are likely to increase even more by the end of the Formula 1 season this year. Co-operation with the BMW-Williams-F1 team is paying off – as both Ralf Schumacher and Juan Pablo Montoya are very good drivers. And the company’s involvement in motor racing costs less than 5 percent of the marketing budget of the Allianz Group as a whole. “That is a very reasonable price,” Michael Diekmann, the Board of Management member responsible for emerging markets, is pleased to report. He points out that participation in motor racing can “raise brand awareness substantially in the emerging markets of significance to us in Asia and Latin America in particular.” The aim is for Allianz to be a house-hold brand name as early as 2005.

This is important in order to quickly and efficiently broaden the global customer base. The Group supplies financial products to 60 million customers from seventy countries at the present time. This makes Allianz “one of the few financial service providers in Europe with the potential of becoming a genuine global player,” says Paul Achleitner, former head of Goldman Sachs Germany and now Allianz Chief Financial Officer.

**Modern logo** | This development is already apparent in the word-picture combination used as the Allianz brand logo. The emblem has been thoroughly modernized and has been adapted to the requirements of a global brand. The heritage of the logo is still obvious in the current version, but the emphasis is no longer on the Allianz eagle. On the contrary, the bars in the circle now symbolize the three Allianz core skills: insurance, retirement provision and asset management. The new logo communicates internationality, ability, openness and friendliness to a larger extent than before and stands for an innovative and dynamic approach.

Is that enough to make headway in the international branding exercise? Michael Maskus would be delighted if this were the case, but he and his team regularly face exciting new challenges as the Allianz Group continues its worldwide growth. It is important enough to own a logo that has such positive impact on the public. But what is to be done about the more than 100 different brands that the Allianz Group has collected with the companies it has acquired? "That is too many to operate as a global player," concludes Maskus. Predictions are that there will soon be only about a dozen global brand names in the financial services sector. There is increasingly less room to maneuver at the top.

Companies that intend to play a prominent role cannot rest on their laurels. It is particularly important to avoid wasting time and effort on too many different activities. An unmistakable, uniform brand is essential in those areas of business that have already been globalized. Two examples are industrial risk insurance and asset management. Other factors are important in local insurance business with private and commercial customers: "Strong, highly respected brands that have developed steadily open doors to customers. Weak company names that have insufficient clout tend to make it more difficult for us to exploit growth and profit potential to the full," says Michael Maskus. They are being phased out in favour of the strong brands – a process that is still in full swing.

"Considerably fewer than ten brands" are to be left from the current 100 at the end of this process. It is practically impossible to expect the customer to notice the mass of products and brands that are on the market today, explains Maskus. "Over five thousand different products are advertised on German television, more than enough to confuse anybody. Particularly if people are supposed to remember each of these brands, even though we know that our vocabulary consists on average of only four thousand words."

**Only the strong brands will survive** | The brand jungle will be cleared in the future using an internally developed system called the "brand management tool kit." It helps to calculate brand values and compare the characteristics of different brands. Various scenarios for the combination of brands are then examined, with an evaluation of the monetary effects. At the end of the process, management has a clear picture of what has to be done how and when in order to increase the value of the Allianz brand.







E-business in the Allianz Group

# Faster, better, cheaper – together!



Markus Müller, responsible for global e-business co-ordination, has been with Allianz for less than a year so far. But he is already talking about the end of his time in the current job. How's that again? "The ideal solution for Allianz would be if the Internet were as much a matter of course in three to five years' time as the telephone is today. I would be dispensable by then at the latest."

# e-business



# “About 90 percent of all the Allianz companies can now be found in the World Wide Web.”



Future talk. Müller is then quick to return to the here and now, however. In the short time he has been with the Group, the e-business and information technology (IT) expert has helped Allianz make good progress on the Information Superhighway. Theoretical concepts for electronic operations in the insurance group were still thin on the ground at the beginning of 2000. Less than one-and-a-half years later, the German business publication “manager magazin” was highlighting Allianz as an e-corporation. The explanation given for this was that Allianz had developed an intelligent strategy for the rationalization of its extremely varied business and was placing priority on implementing this strategy.

**Flying start on the Information Superhighway** | Markus Müller studied mathematics and computer science and then spent five years with the management consultants McKinsey before joining Allianz. The 38-year-old has always been fascinated by the interface between business and IT. The central question he asks is “how can I use technology to optimize existing business transactions and also to create new business opportunities?” Müller established a team of five to answer this question. It consists of people who know how to write a convincing business plan but who are also familiar with the IT components needed to implement the plan.

When Müller took over his position in August 2000, some of the big Allianz companies had already made a determined start on e-business. Insurance was already being sold via the Internet in some countries, such as France (OKassurance), Italy (Genialloyd), Ireland (First Call Direct) and Spain (Fénix Directo). There were some exotic projects too. Customers of the British company Cornhill Direct can buy health insurance for their pets using the TV remote control, for example. About 30 percent of all British households are already connected to interactive television. The Italian RASbank is playing a pioneering role in online banking and asset management within the Allianz Group.

The Group’s overall Internet operations were not co-ordinated, however. While many companies had already developed sophisticated e-business projects, others had hardly started. The consequence of all this was that staff at more than 180 Allianz companies around the world were investigating similar questions, such as “how do I evaluate a partnership with an Internet portal? What services are to be offered to customers on a Web site? Is it worth connecting the Internet services to specific IT systems?”



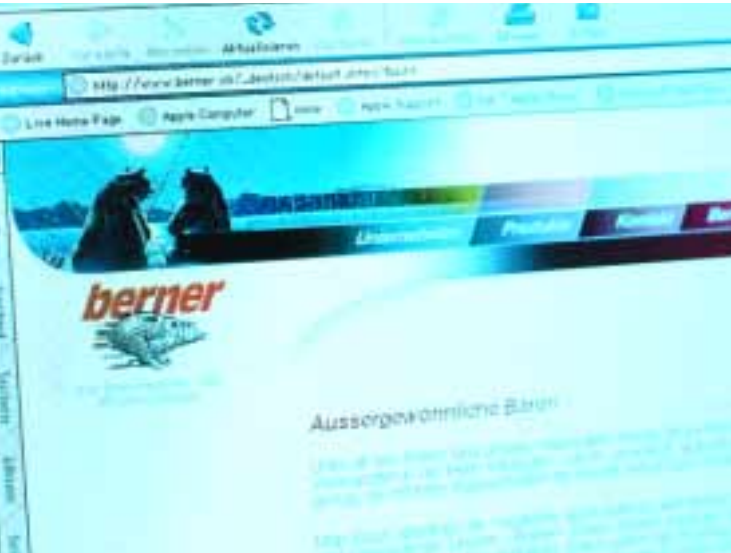
It is Müller's job to reconcile all the different answers. Priority number one for the newly-created corporate e-business unit is to set up an exchange of best practice experience and to increase the learning speed. Müller is assisted in this by 16 regional e-business co-ordinators, each of whom is closely involved in the e-business activities of individual countries or regions. The group meets six times a year, but the members also exchange ideas constantly at other times via virtual team meetings in cyberspace.

The work program Müller and his co-ordinators are carrying out is based on a jointly compiled e-business strategy. It has four medium-term goals:

- **Web-enabling:** existing areas of the business, their products and services are to be brought online in order to support the present business processes.
- **Exploitation of e-business potential:** new customer segments and business opportunities are to be opened up via the Internet.
- **Higher efficiency:** the Internet is to be used as a tool that increases the efficiency of operating procedures.
- **Provision of co-ordinated services:** by doing this, the Group helps its individual companies to reach the above-mentioned goals.

**Web-enabling** | The objective was clear. By October 2000, each of the larger Group companies was supposed to have an Internet site. About 90 per cent of all the Allianz companies can now be found in the World Wide Web – including the smaller ones. All of them comply with a consistent “e-style guide,” that was developed centrally and contains reusable elements for the establishment of a Web site. The whole concept is held together by the holding company’s address [www.Allianz.com](http://www.Allianz.com) that went online in a completely new form in October 2000.

So is Allianz soon going to be relocated entirely into the virtual world, perhaps like the online bookseller Amazon.com? “Of course not!” emphasizes Müller. “Our customers still want personal contact with their Allianz expert, for example, when they have a claim to make or need to discuss the many complicated issues that have to be considered in connection with retirement provision and asset management.”



**“We do not intend to use everything that is possible in e-business, but we do intend to make everything possible that is useful to us.”**

International statistics confirm this. Contracts concluded online accounted for only 0.02 percent of total premium volume in Europe in 2000, for example. The figure in the US amounts to 0.2 percent. Markus Müller: “The following information is much more important to us: between thirty and forty percent of all customers inform themselves via the Internet before they buy insurance or carry out a financial transaction. Then they visit their agent or financial advisor.” This explains why Allianz is giving Web-enabling such high priority. It involves close integration of the Internet services into existing sales mechanisms.

Customers expect to be provided with these services. The portal [allianz.de](http://allianz.de) will, for example, be offering all e-services on the Internet in Germany in the course of 2001. They include information, the possibility of submitting claims or concluding a contract, assistance with finding an Allianz expert and online premium calculation. Comparable projects are being carried out all over the world at the moment, so that about 60 percent of the companies in the Allianz Group can already provide e-services. Experience in banking and asset management also shows how promising it is to combine the advice provided by agents in their sales activities with Internet services. Banque AGF, which has just started operations, proved this by producing very good results in 2000.

**Exploitation of new e-business potential** | Anyone who thinks only of the Internet when he hears the word “e-business” is forgetting the millions of computer users – those who communicate via a company intranet.

Workplace marketing is being used to open up this group of potential customers. Müller: “We offer to manage company old-age pension schemes,

for example.” This saves the company work. Workplace marketing also enables employees to calculate their old-age pension rights in the intranet. “If there is an income gap, Allianz offers its services as a capable partner to close this gap.” The idea was developed in 2000 and is to be used with initial pilot customers in Germany in October 2001. A first version of the workplace marketing system – “@line” – is already in operation in Belgium.

**Higher efficiency** | The investments required for Web-enabling are high, however. Are they worthwhile? “Yes, if the project is tackled properly,” says Müller, “because other expenditure is limited as a result.” To give an example: today, contract data collected by an agent and sent to the administration department by fax will be entered again. In the future, the agent will be able to transmit customers’ application forms direct to the central main-frame computer online with the help of Internet technology.

There is similar savings potential with claim forms and address changes. Such projects have already been implemented or are in the process of being introduced at some of the major Allianz companies. A few examples are the direct input system “Verdi” for agents in Germany and the projects “Twistras” in Italy and “AGF-Net” in France.

The experience that is gained in these projects is being pooled and discussed by the e-business co-ordinators. Comparison of the most important business processes has led to the development of a tool with which the potential savings can be estimated. “The economic viability of all the e-business activities is reviewed on an ongoing basis, irrespective of whether we are talking about home pages for agents or online claims settlement,” explains Markus Müller.

**Central services** | It is often the smaller companies that benefit to a particularly large extent from the know-how of the e-business frontrunners. The holding company also compiles software packages for them. The “Virtual Online Insurer” has, for example, been developed for this purpose. Group companies can use this software to provide a comprehensive online service quickly and inexpensively, even though they only have limited resources. Duplication of new development work is avoided in this way, so that the corporate group as a whole saves costs too. The first “internal customer” is Australia. The product is now being transferred to Thailand – at low cost – after which it will move on to other countries in the Asia-Pacific region. Müller: “The project is being supervised by a center of excellence in Munich.”

The e-business brain trust will not be running out of ideas in the near future. Some of them will revolutionize the business, whereas others will land in the (virtual) waste-paper basket if they do not help to generate profitable growth. Henning Schulte-Noelle: “We do not intend to use everything that is possible in e-business, but we do intend to make everything possible that is useful to us.” It looks very much as though Müller and his work will not become dispensable that quickly after all.



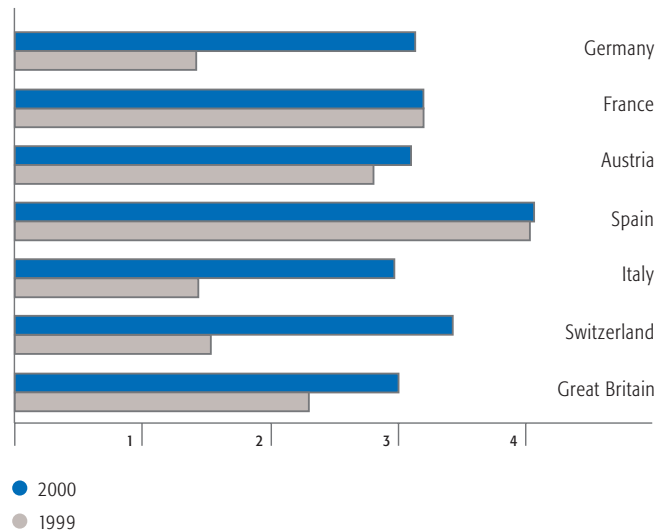
*Economy influenced by developments in the US. The global economy continued to grow fast in 2000. The output increases in the US were the main driving force behind this development. When the economic prospects there deteriorated in the second half of the year, other key national economies lost momentum too. This slowdown had an effect on the international stock markets as well. They reported a negative performance at the end of the year. Vital price increases were made in property and casualty insurance. Not only life and health insurance but also asset management will benefit from the forthcoming legislative reforms.*

## GENERAL ECONOMIC DEVELOPMENT AND INSURANCE INDUSTRY

**Western Europe** | The Gross Domestic Product (GDP) in Euroland increased by 3.4 percent. This is a very good performance by comparison with many of the previous years. Economic growth in Germany (3.1 percent) was twice as high as in the previous year. The chart below gives a breakdown of GDP growth in our main markets.

### GDP growth rates

in %

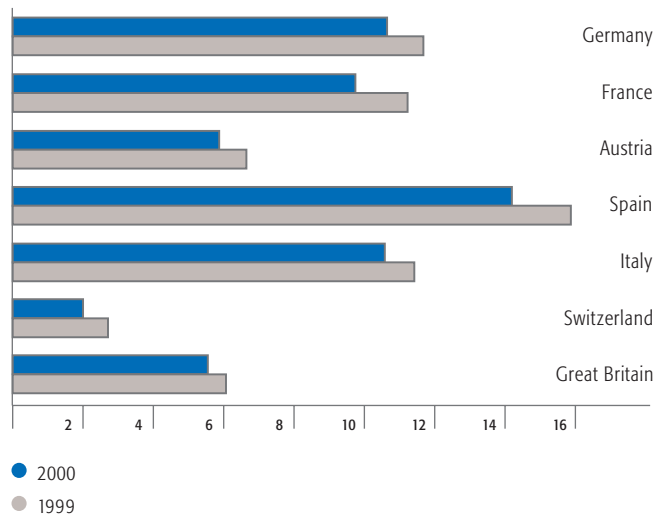


There were larger **price increases** in Euroland too, however. Inflation amounted to 2.3 (1.1) percent.

The **unemployment rate** in Euroland dropped one percentage point to 9 percent. Although this is certainly a considerable improvement, it still does not represent the breakthrough that is necessary to raise demand for insurance and investment products too.

### Unemployment rates

in %



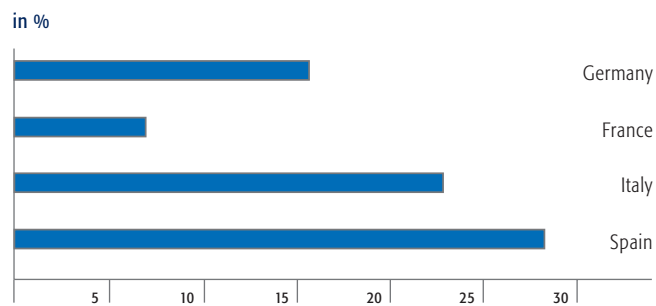
All in all, the economic upswing in Western Europe did not stimulate **property and casualty insurance** business to any decisive extent. Revenues increased by 1.5 percent in Germany. The higher premium income in Europe as a whole was attributable mainly to car insurance business. Expenditure on claims in recent years made it necessary to increase rates substantially in this strategically important field. There was an acute need to take action in Spain in particular. Car insurance companies in Germany recorded an increase in premiums for the first time since 1995. Revenue growth in car insurance in Italy was lower than in the previous year, because the government imposed a one-year price freeze. The European Commission is taking legal action against this at the European Court of Justice.

The growth trend reported in recent years continued in **life and health insurance** as well as in **asset management**. A majority of the European population is in the meantime convinced that the state old-age pension systems will not in the long run be able to cope with the demographic changes. More and more Europeans are therefore deciding to invest in supplementary private retirement provision and asset development. The reforms of state old-age pension plans initiated in 2000 – in Germany, for example – will provide these divisions of our business an additional boost in the years ahead.

The increase in life insurance revenues ranged between 10 percent (in Austria and Italy, for example) and 20 percent (France and Belgium). Demand for fund-linked life insurance was particularly high. The modest growth recorded in Germany (+ 3.5 percent) is attributable to a special factor. The debate about tax reform at the end of 1999 prompted many customers to obtain policies in advance. These contracts were not therefore included in the accounts for fiscal 2000.

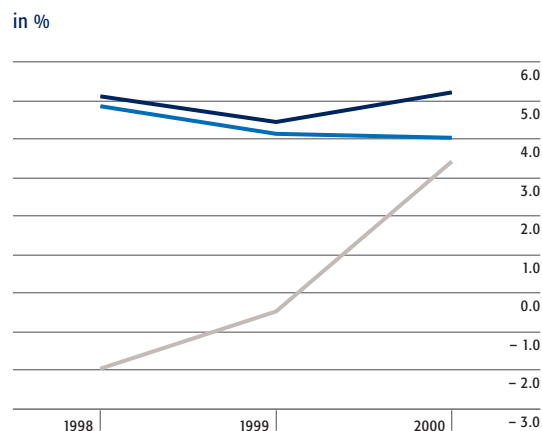
The drop in share prices on the stock markets in the second half of the year slowed developments in the **asset management** field. Despite this, willingness to invest in funds instead of saving in the traditional way increased in Western Europe. Reforms of state old-age pension plans and a desire to provide for retirement needs by buying investment products are continuing to encourage this trend, as shown in the following chart.

#### Annual growth rates forecast in asset management



**Central and Eastern Europe** | The **Gross National Product** of all the economies in this region increased in 2000, the first time this has happened since the collapse of the Communist government and economic system. Growth amounted to 4.1 percent on average. This development was, however, overshadowed by higher inflation. The insurance industry nevertheless benefitted from the recovery in Central and Eastern Europe.

#### GDP growth in Eastern Europe



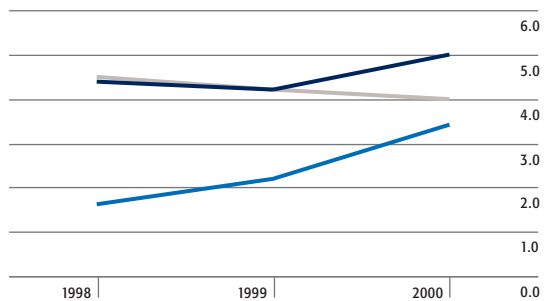
- Hungary
- Poland
- Czech Republic

Premium income in **property and casualty insurance** increased strongly, mainly in car insurance. This area of operations was able to do particularly good business due to the end of car insurance monopolies in many different countries – most recently in the Czech Republic. The growth in **life insurance** was even more dynamic, because the need to make better provision for retirement and dependants has been recognized in these countries as well.

**US and NAFTA region** | It is apparent now that the nine-year **economic upswing** in the US peaked in 2000. The US economy grew by 5 percent on the back of strong domestic demand in the first half of the year. Inflation increased substantially to 3.4 percent; the unemployment rate dropped to 4 percent. The following chart indicates how the upswing has developed.

#### GDP growth, inflation and unemployment rate in the US

in %



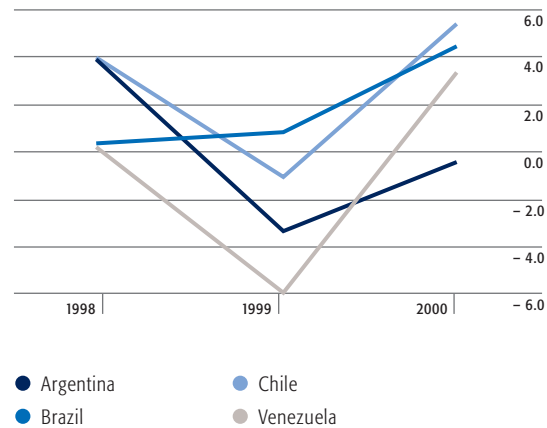
- Growth
- Unemployment
- Inflation

The Gross National Product in Canada increased by 4.7 percent. Mexico considerably improved its economic performance. Excess capacity and fierce competition depressed revenues and income on the US market for **property and casualty insurance**. The expansion of the North American **life insurance market** was attributable primarily to the demand for individually variable products and fund-linked annuity insurance policies. Business in the US with funds that are open to the general public is growing by 25 percent per year.

**South America** | Following an interruption lasting a good two years, **economic developments** in the Latin American countries were more positive again. Growth in this region amounted to 4 percent. Argentina was the only country where the recession continued in spite of initial signs of a recovery, as demonstrated by the graph below.

#### GDP growth in South America

in %



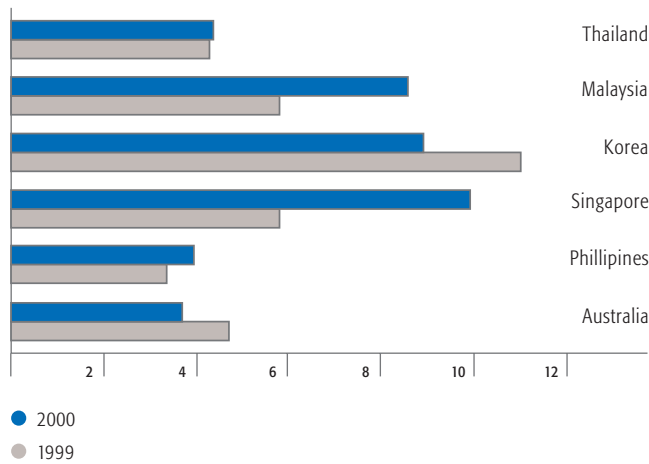
The general economic recovery did not, however, improve the standard of living for most of the population. There was little change in monetary stability in the region as a whole. The average **inflation rate** was 5.2 percent. The South American insurance markets succeeded in shaking off the previous stagnation. The results generated in **property and casualty insurance business** in Argentina and Venezuela improved. High claims expenditure in car insurance depressed profits in Brazil, Chile and Colombia. Reforms of state old-age pension plans created additional business opportunities in **life insurance**.

**Asia-Pacific region and Australia** | In this region, Indonesia failed to match the pace of global economic growth. The overall economic situation in Japan remained difficult too, as the high level of debt and the large drop in the Nikkei index at the end of the year showed. The deflationary development continued in Japan, whereas a recovery in private consumption in China brought monetary appreciation to a stop. While the process of recovery in South Korea involved large fluctuations, the economic rally in Malaysia, Singapore and China (including Hong Kong) went better than expected. These economies grew by between 8 and 9 percent. The upswing of the Australian economy continued, although growth was lower than in the previous year. The chart on the following page indicates the macroeconomic expansion recorded in Australia and the markets of importance to us in Asia.



### GDP growth in Asia

in %



This region is therefore in better overall shape as far as insurance companies are concerned. Premium income in **industrial risk and car insurance** increased substantially and **life and health insurance** companies improved their market position too. Interest in **asset management services** is increasing all the time. Annual growth of up to 40 percent is forecast for this area of operation.

### CAPITAL MARKETS

Developments on the financial markets influence insurance and fund business, changing demand patterns, for example.

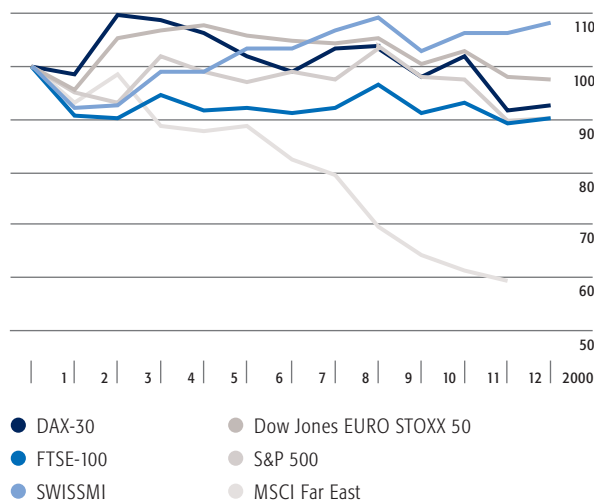
Fixed-income securities performed considerably better than shares in 2000, as a yield comparison shows. This was equally true of Euroland, the US and the Asia-Pacific region. For the first time since 1995, an investment in long-term government bonds in Germany produced a better return than a DAX portfolio. Over the year as a whole, the value of telecommunications, media and technology shares developed extremely negatively. The expectation of an economic downswing in the US sent the international stock markets plummeting in the fourth quarter.

**Stock markets** | The German share index DAX increased by 9.2 percent to 7,599 points in the course of the first quarter of 2000. This upswing was driven primarily by technology and telecommunications shares. When investors lost confidence in these shares as the year went on and their prices declined sharply, the DAX lost ground as well. It ended 2000 on 6,433 (previous year: 6,958) points, which corresponded to a loss of 7.5 percent in value.

The Dow Jones EURO STOXX 50 index did better, dropping only 2.7 percent. It tracks the performance of the biggest stock corporations in the euro currency area. The British index FTSE-100 and the US index Standard & Poor's 500 each lost more than 10 percent. The Swiss market index, on the other hand, was unimpressed by this negative environment and succeeded in growing 7.5 percent. Share prices slumped considerably on the stock markets in Asia too. The MSCI Far East index lost more than 42 percent of its value.

**Stock market development**

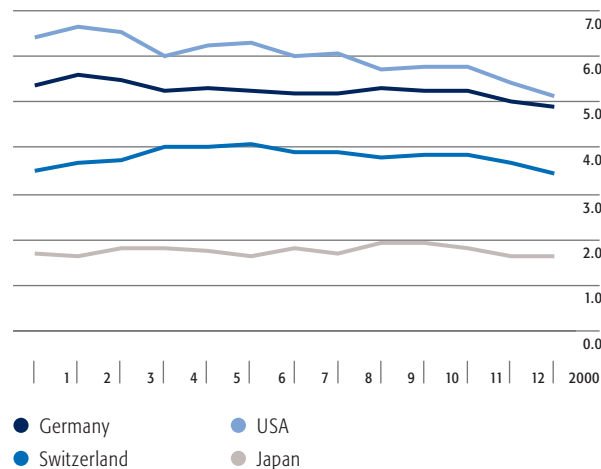
December 31, 1999 = 100



**Bonds** | In contrast to shares, the prices of fixed-income securities remained largely stable. The yield of ten-year German government bonds fell 0.4 percentage point to 4.9 percent in the course of the year. The returns generated by British and US bonds decreased more than this, i.e. by 0.6 and 1.3 percentage points respectively.

**Yields of ten-year government bonds**

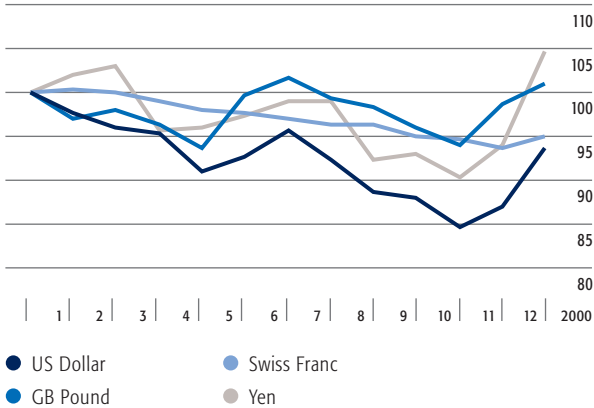
in %



**Currencies** | The euro continued to lose value against the US dollar in 2000. The loss (6.3 percent) was, however, more moderate than in the previous year. The Swiss franc appreciated 5.1 percent against the euro. The joint European currency recovered in the fourth quarter.

**Development of exchange rates**

December 31, 1999 = 100



- *We succeeded in continuing our profit-oriented growth in fiscal 2000.*
- *Total premium income increased by 13.4 percent to 68.7 billion euros.*
- *Net income soared by 49 percent to 3.5 billion euros. This was due in particular to a reduction in the corporation tax rate in Germany.*
- *Adjusted for special factors in the past two years that related primarily to tax regulations, net income improved to a somewhat larger extent than expected: by 13 percent to 2.4 billion euros.*
- *The dividend is to be increased from 1.25 euros to 1.50 euros per share.*

## OVERVIEW

**US listing** | The Allianz AG share was traded on the New York Stock Exchange for the first time on November 3, 2000. This date represents a turning-point in the 110 years of our Group's history. We are beginning to enjoy the benefits of a carefully planned strategy with the start of trading on the "Big Board." We intend to develop Allianz into a company that is represented and in demand in all the main capital markets around the world. We completed a major step towards achievement of this goal when the bell rang to start trading on the New York Stock Exchange on November 3. This highlight in fiscal 2000 had been preceded as long ago as 1998 by the conversion of external accounting to international accounting standards (IAS).

Listing our share on the New York Stock Exchange has also made it easier for us to finance acquisitions in the future. It will attract new investors and partners, which will strengthen our strategic position as well.

A new IAS standard (SIC 12) stipulates that the investment funds in which our companies hold a majority interest must be consolidated from 2000 onwards. Some disclosure and retroactive valuation changes have also been made to the pre-2000 Financial Statements in connection with the US listing and will be continued in future years as well.

The net income and shareholders' equity for 1999 changed as follows in this context.

	Net income € mn	Shareholders'- equity € mn
Original disclosure	2,233	28,789
Change due to		
SIC12	39	–
US Listing	45	887
New disclosure	2,317	29,676

The previous year's Financial Statements in this Annual Report have been restated accordingly. Further details can be found on page 14 of the Notes to the consolidated financial statements.

**Premium income** | Our global sales revenues increased by 8 billion euros or 13.4 percent to 68.7 billion euros in the fiscal year. About 79 (82) percent of these 8 billion euros were generated in our domestic market in Europe. What factors led to this growth? Here are the main reasons in their order of importance.

- Internal growth amounted to 7.9 percent or 4.8 billion euros. We increased income the most in life insurance, particularly in bancassurance business which we are continuing to rapidly expand.
- The inclusion of Allianz First Life in South Korea, LifeUSA in the US and Allianz President in Taiwan for the whole year contributed a further 2.0 billion euros in premiums. These companies were acquired in 1999 and were only included in our accounts on a pro rata basis in that year.
- Almost 0.3 billion of Group sales are attributable to consolidation for the first time of our new acquisitions in Egypt, Bulgaria, Colombia and Romania as well as to what have in the past been our minority interests Ost-West Allianz and Münchener Hagel.
- Exchange rate movements resulting primarily from an appreciation in the value of the US dollar and the British pound with respect to the euro increased our sales by a further 0.9 billion euros.

Gross premium income increased by 7.6 percent to 57.9 billion euros in IAS accounts, which only include the cost and risk elements of the premiums generated by life insurance policies that are mainly investment contracts.



**Earnings** | Earnings before taxes and goodwill amortization improved by 119 million euros to 5.4 billion euros. The goodwill amortization charges (0.5 billion euros) were at the same level as in the previous year.

Tax expenditure fell from 1.5 billion euros to 176 million euros. This is due mainly to a lower corporate tax rate in Germany, which has been reduced from 40 to 25 percent in 2001. Under IAS rules, the deferred tax liabilities and receivables therefore had to be revalued immediately in the year under review. This led to non-recurring tax income of 1.3 billion euros. The share of minority interests in earnings increased by 303 million euros; almost two thirds of this amount are attributable to the change in the tax rate.

The tax changes therefore improved overall net income by 1.1 billion euros to 3.5 billion euros. Adjusted for special factors in the past two years that related primarily to tax regulations, net income improved by 13.4 percent to 2.4 billion euros.

	2000 € mn	1999 € mn	Increase in %
Net income disclosed	3,460	2,317	49.3
Special factors	1,075	213	
Adjusted net income	2,385	2,104	13.4

Earnings per share amounted to 14.10 (9.46) euros. Adjusted to take account of the special factors, earnings per share were 9.72 (8.58) euros. The dividend for fiscal 2000 is to be increased from 1.25 euros to 1.50 euros per share.

**Employees** | We had 119,683 employees around the world at the end of fiscal 2000, 6,211 more than the year before. Almost two thirds of the increase are attributable to the first-time consolidation of the PIMCO Group and our new acquisitions in Colombia and Bulgaria. Additional jobs were created in connection with the expansion of assistance services.

## RECOMMENDATION FOR APPROPRIATION OF EARNINGS ALLIANZ AKTIENGESELLSCHAFT

The Annual General Meeting has unappropriated earnings of 432,725,000 euros at its disposal. We propose that this amount be appropriated as follows:

1. Distribution of a dividend of 1.50 euros per qualifying share; any amount payable on shares held by the company will be carried forward to a new account.
2. Allocation of 64,100,000 euros to other appropriated retained earnings.

The number of shares entitled to receive a dividend may be reduced up until the Annual General Meeting by Allianz's purchase of its own shares. If this is the case, the proposal for appropriation of profit will be amended such that for an unchanged distribution of a dividend of 1.50 euro per qualifying share the amount payable on shares no longer entitled to dividend payment is carried forward to a new account and the tax charge arising due to the lower corporate income tax credit is recorded separately.

Munich, May 7, 2001  
Allianz Aktiengesellschaft

The Board of Management

Dr. Schulte-Noelle	Dr. Achleitner
Bremkamp	Diekmann
Dr. Faber	Dr. Hagemann
Hansmeyer	Dr. Perlet
Dr. Rupprecht	

# Protection

	Gross premiums	Loss ratio	Expense ratio	Earnings after taxes <sup>*)</sup>	Invest- ments
	€ mn	in %	in %	€ mn	€ mn
Germany	11,948	73.5	24.2	2,303	80,269
France	4,745	85.6	28.3	439	18,413
Italy	4,264	77.8	21.5	235	9,873
Great Britain	2,104	83.5	33.4	- 11	2,376
Switzerland	1,160	74.2	30.0	199	4,379
Spain	1,073	81.1	23.8	41	1,459
Austria	827	85.6	33.1	- 50	1,482
Netherlands	557	74.7	27.1	89	2,032
Ireland	493	89.5	19.0	13	1,082
Belgium	393	86.5	33.3	- 35	1,621
NAFTA region	6,300	87.9	29.6	- 86	18,000
Credit Insurance	1,611	46.6	35.9	158	2,825
Travel insurance and assistance services	656	63.2	36.5	24	416

<sup>\*)</sup> Earnings after taxes adjusted by non-recurrent fiscal effect before goodwill, amortization and minority interests

# Provision

	Total sales	Expense ratio	Earnings after taxes <sup>*)</sup>	Investments
	€ mn	in %	€ mn	€ mn
Germany	11,681	10.7	514	121,260
France	5,558	27.6	400	43,625
Italy	4,490	14.8	281	14,977
Switzerland	1,053	9.9	43	8,213
Spain	767	8.9	51	2,776
USA	3,681	48.2	133	8,179
South Korea	1,614	19.7	- 39	3,016

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

# Performance

	12/31/2000
	€ bn
Investments in the insurance business	364.0
Investments in asset management and other financial services	349.3
Assets under management	713.3
Interest-bearing securities	438.2
Dividend-bearing equity securities	229.9
Real estate	21.0
Other	24.2

## Property/casualty insurance

		2000	1999	1998
Gross premiums	€ mn	38,382	36,027	30,868
Loss ratio	%	77.9	77.4	74.4
Expense ratio	%	77.9	77.4	74.4
Net income	€ mn	3,262	2,015	1,466
Investments	€ mn	125,626	117,588	113,117
Insurance Reserves	€ mn	81,046	77,056	69,939

Gross premiums	2000 € mn
Germany	11,948
France	4,745
Italy	4,264
Great Britain	2,104
Switzerland	1,160
Spain	1,073
Austria	827
Netherlands	557
Ireland	493
Belgium	393
Europe excluding Germany	1,283
NAFTA region	6,300
South America	891
Asia-Pacific	781
Credit insurance	1,611
Travel insurance and assistance services	656

Earnings after taxes <sup>1)</sup>	2000 € mn
Germany	2,303
France	439
Italy	235
Great Britain	- 11
Switzerland	199
Spain	41
Austria	- 50
Netherlands	89
Ireland	13
Belgium	- 35
Europe excluding Germany	43
NAFTA region	- 86
South America	- 27
Asia-Pacific	39
Credit insurance	158
Travel insurance and assistance services	24

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



- *Premium income from property and casualty insurance increased by 6.5 percent to 38.4 billion euros.*
- *The ratio of loss expenses and costs to premiums earned (combined ratio) increased 0.4 percentage points to 104.9 percent.*
- *Net investment income went up by 6.7 percent to 8.4 billion euros.*
- *The net income reported increased by 1.2 billion euros to 3.3 billion euros.*
- *Disregarding extraordinary tax factors, net income climbed 18.1 percent to 2.2 billion euros.*

Investments	2000 € mn
Germany	80,269
France	18,413
Italy	9,873
Great Britain	2,376
Switzerland	4,379
Spain	1,459
Austria	1,482
Netherlands	2,032
Ireland	1,082
Belgium	1,621
Europe excluding Germany	2,049
NAFTA region	18,000
South America	527
Asia-Pacific	1,196
Credit insurance	2,825
Travel insurance and assistance services	416

# Protection

*Premium income from property and casualty insurance increased by 6.5 percent to 38.4 billion euros. This corresponds to 55.9 percent of total premium income, somewhat lower than in the previous year. Net of consolidation effects and exchange rate movements, internal growth of 3.7 percent was achieved.*

Transactions between the reporting units have not been consolidated in the following breakdown by countries and regions. We have adjusted the results reported to eliminate goodwill amortization and special factors – relating primarily to tax regulations – in order to present a clear picture of the development of business operations

This performance was due primarily to the changes we were able to enforce in car insurance rates, for example in Great Britain, Spain and South America. We also continued to benefit from the dynamic developments in Hungary, the Czech Republic and Poland. In the US, on the other hand, we discontinued business with poor results in cases where it was not possible to make necessary price increases. Sachversicherungsgruppe Deutschland (the property insurance group in Germany) succeeded in maintaining the new trend initiated in 1999 and increased premium income by 1.7 percent in the year under review.

The combined ratio, i.e. the ratio of loss expenses and costs to premiums earned, increased by 0.4 percentage points to 104.9 percent in the year under review. This was attributable to a somewhat less favorable loss ratio, which deteriorated by 0.5 percentage point to 77.9 percent even though expenses due to natural disasters were somewhat lower than in the previous year. The following developments explain why the loss ratio nevertheless increased rather than improved as planned:

- The loss expenses caused by the storms Lothar and Martin in December 1999 were far higher than expected; the market as a whole did not estimate the extent of the damage correctly either.
- The international industrial risk insurance operations had to absorb high loss expenses. The loss ratio amounted to 114.6 percent. In addition, a number of major industrial claims in Great Britain relating to 1999 were not reported until the year under review.
- Along with the rest of the market, we had to increase provisions in US workers' compensation insurance.

The effects of our portfolio optimization exercise and the adaptation of our premiums to the claims trend were not yet reflected in company results in full in the fiscal year.

Cost increases remained in line with our sales expansion, even though higher IT expenditure was incurred, the e-business activities were expanded and additional costs had to be paid for the US listing as well as in connection with preparations for prompt quarterly reporting. The expense ratio decreased slightly from 27.1 to 27.0 percent.

Net investment income increased by 6.7 percent to 8.4 billion euros, primarily as a result of higher current income.

The earnings before taxes and goodwill amortization improved by 150 million euros to 4.2 billion euros. Before taking the above-mentioned tax relief into account, net income increased by 0.3 billion euros or 18.1 percent to 2.2 billion euros.

This improvement in earnings was attributable mainly to our companies in Germany, France, Italy, Switzerland, Spain and Australia. Poorer results were reported in particular by our US subsidiary Fireman's Fund – which still recorded a profit – by Cornhill in Great Britain, in Belgium and by Allianz Elementar in Austria, which recorded losses.

The net income disclosed in the property and casualty insurance segment – which includes the special tax factors – increased by 1.2 billion euros to 3.3 billion euros.

## Germany

- *We cover this market via the companies in Sachversicherungsgruppe Deutschland as well as via Allianz AG and its majority-owned investment holdings.*
- *Allianz AG acts as the Group reinsurance company in addition to the assignments it carries out as a holding company.*
- *With sales of 11.9 billion euros, we are the largest property and casualty insurance company in Germany.*

**Premium income** increased by 4.5 percent or 511 million euros to 11.9 billion euros. It can be broken down as follows: 9.6 billion euros were contributed by Sachversicherungsgruppe Deutschland, while 2.3 billion euros were accounted for by Allianz AG.

### Gross premiums

	2000 € mn	1999 € mn	1998 € mn
Sachversicherungsgruppe	9,576	9,420	9,415
Allianz AG	5,587	5,180	4,761
Consolidation property/ casualty insurance in Germany	- 3,215	- 3,163	- 3,024
Property/casualty insurance in Germany	<u>11,948</u>	<u>11,437</u>	<u>11,151</u>

**Earnings** after taxes rose 45.0 percent to 2.3 (1.6) billion euros. This large increase was due primarily to higher net investment income and lower tax expenditure.

## Earnings after taxes, before goodwill amortization

	2000 € mn	1999 € mn	1998 € mn
Sachversicherungsgruppe	835.2	534.5	640.4
Allianz AG	1,817.5	1,389.6	1,115.9
Subtotal	2,652.7	1,924.1	1,756.3
Consolidations			
Profit transfer	303.3	236.3	340.5
Dividends, others	46.7	100.1	57.9
Property/casualty insurance in Germany*	2,302.7	1,587.7	1,357.9

\* Including asset management companies

The **premium income** of Sachversicherungsgruppe Deutschland (SGD) increased by 1.7 (0.1) percent to 9.6 billion euros. This meant that it was possible to record a slightly higher rise in sales than in the previous year in spite of the difficult market situation.

Premium income grew particularly rapidly in the car insurance operations, where premium increases had a positive effect. The company succeeded in raising average premiums substantially in third-party car insurance in particular, in spite of fierce competition. Premium income in business with corporate customers increased moderately, although the general market environment was poor.

The **loss ratio** deteriorated slightly to 72.2 (72.0) percent. The increase in this figure was attributable primarily to the considerably larger number of claims (3.2 percent higher). Most of these claims came from sectors that were hit by the storm Lothar in December 1999. Many of the claims were not made until 2000 because the storm occurred almost at the end of the year. The provisions made for this purpose were not large enough, so that the claims depressed the loss ratio in the year under review. Expenses incurred in connection with major claims in the industrial insurance business also increased by 8.1 percent, after remaining stable in the previous year. While the claim situation in third-party car insurance eased slightly, claims volume in comprehensive car insurance remained at the same high level as in the previous year.

The **expense ratio** increased to 25.4 (24.7) percent. This development was attributable to a number of special factors: investments in information technology (IT) and expansion of sales capacity.

The value of the **investments** made by SGD remained almost exactly the same, at 23.5 billion euros. The net investment income of 1.7 (1.3) billion euros was appreciably higher than the previous year's level due to more realized gains.



The **earnings** after taxes reported by SGD were therefore far better than in the previous year. They increased to 835 (535) million euros.

#### Sachversicherungsgruppe Deutschland

		2000	1999	1998
Gross premiums	€ mn	9,576	9,420	9,415
Loss ratio	%	72.2	72.0	66.1
Expense ratio	%	25.4	24.7	24.3
Earnings after taxes*	€ mn	835.2	534.5	640.4
Investments	€ mn	23,476	23,559	22,229
Employees		29,998	28,487	27,402

\* Before profit transfer

**Premium income** in Allianz AG reinsurance business increased by 7.9 percent to 5.6 (5.2) billion euros. This growth was mainly due to German life reinsurance business and more intensive business relationships with the credit insurance companies within the Allianz Group.

The **loss ratio** deteriorated to 75.7 (74.4) percent. Claims relating to natural disasters were the main reason for the increase in this indicator. The poorer loss ratio was not caused by isolated disasters with large loss amounts, however; on the contrary, it was the large number of natural disasters with minor or moderately severe consequences that led to this situation. Allianz AG also had to increase the provisions for claims arising from the winter storms that swept across Western Europe at the end of 1999. The charges made as a result of individual claims in the industrial reinsurance segment increased considerably too.

The **expense ratio** decreased to 21.9 (23.9) percent. It is determined essentially by reinsurance commission.

The value of the Allianz AG **investments** increased from 55.3 to 62.0 billion euros. Net investment income fell slightly to 2.9 (3.1) billion euros for the following reasons:

- The expenses incurred in management of the Allianz AG's global equity interest portfolio increased.
- Extraordinary project costs were incurred in connection with securing a listing for Allianz at the New York Stock Exchange as well as with the switch to quarterly reporting.

The **earnings** after taxes of Allianz AG improved to 1.8 (1.4) billion euros. The increase was so large because the profit from the divestment of some equity interests outside Germany was tax-free.

#### Allianz AG

		2000	1999	1998
Gross premiums	€ mn	5,587	5,180	4,761
Loss ratio	%	75.7	74.4	73.0
Expense ratio	%	21.9	23.9	23.0
Earnings after taxes	€ mn	1,817.5	1,389.6	1,115.9
Investments	€ mn	61,972	55,345	46,710

We are anticipating faster premium income growth in property and casualty insurance in Germany in the **current fiscal year**. Further increases will be made above all in car insurance. Sales with corporate customers will increase too – as they did in the previous year – because SGD has succeeded in enforcing higher premiums in what has been a low-margin business up to now.

## France

- *Sales volume at AGF amounted to a good 4.7 (4.6) billion euros.*
- *Third place among French property and casualty insurance companies was successfully defended as a result.*
- *Integration of our companies in France into the AGF Group was completed to a large extent in 2000.*

**Premium income** increased by 3.5 percent in 2000 following several years of low growth. The higher income was attributable mainly to price increases in business with corporate customers. Business with private customers, which had been on the decline in the recent past, returned to growth. Premium income increased by 1.5 percent in this area. Demand for car insurance picked up well. All the distribution channels contributed to the higher sales – a successful consequence of the AGF strategy of concluding numerous distribution co-operation agreements in addition to selling via agents and brokers. Particular mention should be made of the co-operation with Crédit Lyonnais. The bank's sales of AGF property and casualty

insurance increased by 21.5 percent. This corresponds to premium income of 54 million euros.

The **loss ratio** increased to 85.8 (81.4) percent. This negative development is closely associated with the havoc caused by the storms Lothar and Martin at the end of December 1999. The expenses for claims connected with these natural disasters were far higher than assumed and were underestimated by the market as a whole as well. In addition, average claim expenses in car insurance remained at a high level.

Our restructuring measures produced further success in 2000, reducing the **expense ratio** to 28.3 (28.9) percent.

**Net investment income** was almost exactly the same as in the previous year, amounting to a good 1 (1) billion euros.

**Earnings after taxes** improved to 439 (382) million euros.

We had a total of 14,260 (14,276) **employees** in France in property and casualty insurance, life and health insurance and financial services.

#### France

		2000	1999	1998
Gross premiums	€ mn	4,745	4,585	3,707
Loss ratio	%	85.8	81.4	79.7
Expense ratio	%	28.3	28.9	27.3
Earnings after taxes	€ mn	439.2	382.0	70.5
Investments	€ mn	18,413	18,153	17,689
Employees		14,260	14,276	14,563

We are expecting a further increase in premium income in the **current year**. We are raising the rates charged in business with corporate customers and in car insurance and are introducing new coverage concepts. Adaptations of premiums to claim requirements and an even more selective underwriting policy – in car fleet business particularly – are likely to reduce the loss ratio again.

# Italy

- *We are represented on the Italian market by the property and casualty insurance companies in the RAS Group as well as by Lloyd Adriatico.*
- *They generated total premium income of 4.3 billion euros.*
- *This puts us in second place in Italy.*

A large proportion of the increase of 193 million euros or 4.7 percent in premium income came from comprehensive car insurance. We raised the rates charged in this area of operations. Car insurance as a whole developed negatively, however, because the government imposed a price freeze in third-party car insurance starting in March 2000. As a major Italian car insurance company, we were hit particularly hard by this measure. It had the effect that **premium income** in the RAS Group did not increase as fast as in the previous year. The growth amounted to 5.3 percent and led to sales of 3.1 billion euros. The price freeze had greater impact on Lloyd Adriatico – the company focusses to a very large extent on car insurance. It generated premium income of almost 1.2 (1.1) billion euros – growth of just 3.4 percent.

Lloyd 1885, our direct insurance company in Italy, posted further growth of over 70 percent and recorded total premium income of more than 47 million euros. The company sells insurance policies by phone and via the Internet. Online sales via our Genialloyd brand are going very well. 36,000 policies had been sold by the end of 2000.

The **loss ratios** of our companies in Italy improved in spite of the price freeze. Our companies were able to reduce loss frequency (the number of claims in relation to the number of vehicles insured), because we have been very selective about the car risks we have insured in recent years. The companies have as a result prevented the continued high average costs of personal injury from worsening the loss ratios. They amounted to 78.1 (79.1) percent at the RAS Group. The loss ratio at Lloyd Adriatico fell to 77.0 (83.2) percent.

The **expense ratio** at the RAS Group dropped to 22.3 (24.5) percent. Savings generated by the merger of subsidiaries in the previous year had a positive effect here. The expense ratio at Lloyd Adriatico increased slightly to 19.4 (18.6) percent because of the slower sales growth.

**Net investment income** at the RAS Group climbed to 413 (387) million euros, while it rose to 136 (123) million euros at Lloyd Adriatico.

## RAS Gruppe

		2000	1999	1998
Gross premiums	€ mn	3,114	2,958	2,749
Loss ratio	%	78.1	79.1	80.9
Expense ratio	%	22.3	24.5	25.2
Earnings after taxes	€ mn	172.9	136.1	136.4
Investments	€ mn	7,669	7,046	7,116
Employees		5,211	5,064	4,705

The Italian cartel authorities imposed a fine on all the major car insurance companies in the year under review. The reason given for this was that the standard practice of exchanging tariffs is not allowed. The companies affected are challenging this in court, although they have been unsuccessful in the first instance. We have made a provision covering the complete fine imposed by the Italian cartel authorities in this context.

The **earnings after taxes** at the RAS Group increased to 173 (136) million euros, while the corresponding figure at Lloyd Adriatico rose to 62 (34) million euros.

## Lloyd Adriatico

		2000	1999	1998
Gross premiums	€ mn	1,150	1,113	1,051
Loss ratio	%	77.0	83.2	89.4
Expense ratio	%	19.4	18.6	20.2
Earnings after taxes	€ mn	62.0	33.9	21.7
Investments	€ mn	2,204	2,019	1,912
Employees		1,325	1,313	1,338

Our companies are suffering from the consequences of the frozen premium levels in third-party car insurance in the **current fiscal year** as well, even though this measure was discontinued at the end of March 2001. This is because we are not able to adjust prices as necessary for the development in claims until the next policy renewal date in the case of all contracts that have been concluded for the first time or extended in the past twelve months.



# Switzerland

- *We cover this market via our subsidiaries ELVIA, Berner Versicherung, Allianz Schweiz and Phenix.*
- *Together they generated total sales of almost 1.2 billion euros.*
- *This makes the Allianz Group the third-largest property and casualty insurance company in Switzerland.*

Premium income increased by 5.4 percent. Our Swiss companies raised their sales volume by 2.5 percent in original currency terms. The contributions to this performance made by the technical insurance operations were particularly large. Allianz Schweiz is the lead insurer for the major St. Gotthard Tunnel and Lötschberg Tunnel projects.

There were fewer natural disasters in 2000 than in the previous year when there was an unusually large number of claims, while the effects of these disasters were not as serious either. The **loss ratio** improved to 74.2 (78.5) percent as a result.

The **expense ratio** went up slightly to 30.0 (29.6) percent. This was the effect of higher investment and restructuring costs in the IT field. Large increases in wages and salaries were also made throughout the market.

**Net investment income** was substantially higher at 330 (275) million euros. It includes income from the sale of the Dutch company ELVIA Verzekeringen N.V. as well as from the transfer of ELVIA Reiseversicherung to the Mondial Assistance Group. These companies belong to the travel insurance and assistance services segment.

## ELVIA/Allianz/Berner/AGF Phénix

		2000	1999	1998
Gross premiums	€ mn	1,160	1,101	1,096
Loss ratio	%	74.2	78.5	75.8
Expense ratio	%	30.0	29.6	29.6
Earnings after taxes	€ mn	198.5	113.2	112.2
Investments	€ mn	4,379	3,866	3,718
Employees		3,243	3,105	3,333

The **earnings after taxes** increased to 199 (113) million euros as a result of these developments.

In view of the fact that the economic environment continues to be favorable and that we have invested in the sales field, we are expecting premium income in the **current fiscal year** to be higher than in the previous year. We intend to reduce costs significantly by introducing a joint IT platform for all our Swiss companies. These savings will, however, only partially take effect in 2001.

Our company Allianz Risk Transfer (ART) increased sales by 12.0 percent to 479 million euros. Most of the business volume came from the sale of conventional reinsurance. Income from the marketing of alternative risk transfer solutions was considerably higher, however. It amounted to 115 (82) million euros. ART provides comprehensive solutions to risk management problems to companies in the service, financial and industrial sectors. The products supplied represent a combination of both financial and insurance expertise. The earnings after tax amounted to 47 (29) million euros.

#### ART

		2000	1999	1998
Gross premiums	€ mn	479	428	354
Loss ratio	%	65.9	72.4	70.8
Expense ratio	%	31.4	23.0	28.5
Earnings after taxes	€ mn	47.0	29.1	28.6
Investments	€ mn	1,043	894	677
Employees		28	12	11

## Great Britain

- *Our subsidiary Cornhill is the fifth-largest British property and casualty insurance company.*
- *It increased its premium income by 8.2 percent to 2.1 billion euros.*

**Sales growth** amounted to 6.0 percent in original currency terms. This growth was attributable primarily to rate changes that were urgently needed in view of claims development. They were made in insurance business with both private and industrial customers. It was important

for us to succeed in increasing rates in car insurance as well. The acquisition of Dog Breeders Insurance helped to stimulate business too. We expanded our position as market leader in animal insurance by taking over this specialized insurance provider.

The **loss ratio** increased again to 83.5 (80.9) percent: this indicator rose on account of an unusually large number of major claims in industrial insurance – a loss of about 150 million euros was made in this field – and as a result of the storm and flood damage suffered at the end of the year. Some of the industrial claims relate to incidents which occurred in 1999 which were not reported until 2000.

Total net **investment** income amounted to 259 (226) million euros.

Since claims development in the year under review was once again considerably worse than in the previous year, Cornhill reported a **loss after taxes** of 11 million euros (earnings in the previous year: 28 million euros).

#### Cornhill

		2000	1999	1998
Gross premiums	€ mn	2,104	1,944	1,411
Loss ratio	%	83.5	80.9	68.8
Expense ratio	%	33.4	33.2	35.4
Earnings after taxes	€ mn	- 11.3	27.6	70.8
Investments	€ mn	2,376	2,450	2,292
Employees		3,717	3,523	3,372

We began taking action to counter the dramatic development in industrial insurance claims as early as the end of 1999: rates have been raised, unprofitable business relationships have been ended and an even more restrictive underwriting policy has been introduced. This restructuring exercise is already producing initial signs of success, but it will not lead to an improvement in earnings until the **current business year**.

## Austria

- *Allianz Elementar reported a loss.*
- *Claims relating to storm damage, depreciation of investments and high restructuring costs led to this negative result.*
- *The necessary restructuring measures are being continued, so that we expect to make a substantial profit again in 2001.*
- *The company leads the Austrian property and casualty insurance market.*

**Premium income** increased by 2.5 percent to 827 million euros. We increased rates and reduced the price discounts that are granted on a large scale in our car insurance operations, which account for 43 percent of our business.

The increase in the number of claims led to a further deterioration in the **loss ratio** to 85.6 (84.3) percent. This was due primarily to a series of violent hailstorms in the summer.

The **expense ratio** also increased again to 33.1 (32.6) percent on account of restructuring measures implemented to turn the company around.

**Net investment income** decreased to 51 (127) million euros, mainly because there was a reduction in current income and we made an extraordinary depreciation charge on real estate.

Our Austrian subsidiary depressed Group earnings by making a **loss after taxes** of 50 million euros, following earnings of 13 million euros in the previous year.

### Allianz Elementar

		2000	1999	1998
Gross premiums	€ mn	827	806	804
Loss ratio	%	85.6	84.3	76.7
Expense ratio	%	33.1	32.6	31.8
Earnings after taxes	€ mn	- 50.0	12.6	13.3
Investments	€ mn	1,482	1,582	1,619
Employees		3,460	3,889	3,921

We are continuing the projects that were initiated in the previous year to improve the expense ratio and the loss ratio and to turn the company around in the **current fiscal year** as well. The processing of contracts and claims has been combined at a customer service center since the end of 2000. Some Board of Management responsibilities have also been reassigned.

# Spain

- *Our property and casualty insurance company Allianz Compañía de Seguros y Reaseguros ranks third in this market.*
- *The company generated premium income of 1.1 billion euros.*

**Premium income** increased by 1.5 percent. We enforced substantially higher premiums in car insurance. These changes to bring rates in line with claim requirements did not increase total sales by their full amount, however, because we at the same time terminated bad risks and adopted an even more cautious underwriting policy. This combination of different measures enabled us to reverse the downward trend in car insurance business. It accounts for 65 percent of our Spanish portfolio.

All in all, the **loss ratio** was improved considerably to 81.1 (89.7) percent. This is appreciably lower than the market average.

Now that we have integrated our Spanish companies successfully and further streamlining of operating procedures has been completed, the **expense ratio** also improved by 1.2 percentage points to 23.8 percent.

We succeeded in returning the company to profit as a result, generating sizable **earnings after taxes** of 41 million euros. The loss in the previous year had amounted to 14 million euros.

We had a total of 2,159 (2,102) **employees** in Spain at the end of 2000.

## Spain

		2000	1999	1998
Gross premiums	€ mn	1,073	1,058	805
Loss ratio	%	81.1	89.7	83.4
Expense ratio	%	23.8	25.0	29.5
Earnings after taxes	€ mn	40.7	- 13.6	- 38.2
Investments	€ mn	1,459	1,546	1,654
Employees		2,159	2,102	2,894

One of the general objectives in the **current fiscal year** is to increase sales penetration. The number of sales management offices is being increased from three to seven in order to support agents and brokers even more effectively. Agents can now complete policies online and can pass on claim notices electronically. We are also entering the direct insurance market with Fenix Directo, which sells policies via telephone and the Internet.

## Belgium

- *AGF Belgium Insurance is the fifth-largest company on the Belgian market.*
- *It increased its sales to 393 million euros.*

The increase of 5.4 percent in **premium income** came primarily from industrial insurance business.

High loss expenses in car insurance in addition to a number of major claims in industrial insurance business increased the **loss ratio** to 86.5 (82.0) percent.

The **expense ratio** improved appreciably by 6.0 percentage points to 33.3 percent as a result of our restructuring exercise.

**Net investment income** was slightly lower than in the previous year at 54 (58) million euros due to the realization of fewer gains.

The earnings before taxes increased considerably: they climbed to a profit of 10 million euros in 2000 following a loss of 19 million euros in the previous year. Depreciation charges relating to tax losses brought forward from previous years led, however, to a **loss after taxes** of 35 (12) million euros.

### Belgium

		2000	1999	1998
Gross premiums	€ mn	393	373	316
Loss ratio	%	86.5	82.0	77.3
Expense ratio	%	33.3	39.3	38.4
Earnings after taxes	€ mn	- 35.5	- 11.9	- 30.9
Investments	€ mn	1,621	1,271	1,723
Employees		2,234	2,059	2,348



We are expecting a large increase in earnings in the **current fiscal year**. We are discontinuing unprofitable business, are adapting rates even more closely to claim expenses and are following a strictly risk-oriented underwriting policy. Co-operation with repair garages has also been reorganized. Although these measures are likely to reduce premium income in property and casualty insurance slightly, they will reduce the loss ratio considerably.

## Netherlands

- *We cover this market via our subsidiary Royal Nederland Verzekeringsgroep.*
- *It is the sixth-largest company on the Dutch market with a premium volume of 557 million euros.*

**Premium income** increased by 6.6 percent, mainly because of premium increases in car insurance and industrial fire insurance.

The **loss ratio** decreased to 74.7 (76.6) percent in spite of a major claim. The **expense ratio** went down to 27.1 (27.7) percent.

Substantially higher realized gains increased **net investment income** to 128 (80) million euros.

The **earnings after taxes** improved to 89 (47) million euros.

### Netherlands

		2000	1999	1998
Gross premiums	€ mn	557	523	345
Loss ratio	%	74.7	76.6	74.4
Expense ratio	%	27.1	27.7	27.2
Earnings after taxes	€ mn	88.7	47.4	35.4
Investments	€ mn	2,032	1,510	1,403
Employees		1,188	1,118	1,038

We are planning to make further increases in car insurance rates in the **current year** and are expecting the better market conditions to continue in the industrial insurance field.

Zwolsche Algemeene is a new acquisition which joined the Allianz Group in the Netherlands in 2001. Its premium income amounted to 205 million euros in the previous year. Including Zwolsche Algemeene, we are the third-largest company on this market.

## Ireland

- *Allianz Irish Life Holdings generated sales of 493 million euros.*
- *This performance makes it the third-largest property and casualty insurance company in Ireland.*

**Premium income** increased strongly – by 11.1 percent – for the following reasons:

- Car insurance premiums were raised and new business expanded fast (there was a boom in new car registrations in Ireland in 2000).
- Rates were adjusted in property insurance. The company also benefitted from an increase in the amounts insured.

Since we discontinued unprofitable portfolios, the **loss ratio** improved to 89.5 (93.7) percent.

The **expense ratio** was reduced to 19.0 (19.6) percent too.

The **earnings after taxes** amounted to 13 (10) million euros.

### Allianz Irish Life

		2000	1999	1998
Gross premiums	€ mn	493	444	291
Loss ratio	%	89.5	93.7	99.4
Expense ratio	%	19.0	19.6	18.8
Earnings after taxes	€ mn	12.6	9.7	- 6.1
Investments	€ mn	1,082	1,066	872
Employees		884	814	750

The company intends to make further changes to premiums in the **current fiscal year** as well. This and a selective underwriting policy are likely to lead to a lower loss ratio.

## Rest of Europe

- *We also have property and casualty insurance operations in Hungary, Portugal, the Czech Republic, Poland, Greece, the Slovak Republic, Croatia, Bulgaria and Romania as well as in Luxembourg, Denmark and Russia.*
- *The companies there are one of the 5 leading players on most of these markets.*

**Premium income** from the rest of Europe totalled 1.3 (1.0) billion euros. We recorded the biggest sales in Hungary (340 million euros), followed by Portugal with 242 million euros. The main features of the business in Central and Eastern Europe were an expansion of the sales network and liberalization of the third-party car insurance market (in the Czech Republic in particular). In the first year after the state monopoly was lifted there, we succeeded in concluding 630,000 new third-party car insurance contracts (see also starting on page 28 of this Annual Report) and generating total sales of 181 million euros.

### Rest of Europe

Gross premiums by countries	2000 € mn	1999 € mn	1998 € mn
Hungary	340	301	267
Czech Republic	181	88	75
Poland	116	61	25
Slovak Republic	47	42	36
Bulgaria	40	–	–
Croatia	37	27	–
Romania	18	–	–
Russia	13	–	–
Subtotal	792	519	403
Portugal	242	218	194
Luxembourg	133	119	95
Greece	75	96	75
Denmark	41	41	36
Total	1,283	993	803

In spite of the expenses incurred in initiating the car insurance business in the Czech Republic, **earnings after taxes** in the rest of Europe increased to 43 (31) million euros.

In the **current year**, we plan to continue expanding the reach of our sales network and to improve our position on the strategically crucial car insurance market. The acquisition of Allianz Tiriac Asigurari S. A. in Romania has given us a foothold in this attractive growth market, and we intend to rapidly develop our position there.

## NAFTA Region

- *Our property and casualty insurance companies in the North American Free Trade Association (NAFTA) region generated sales of 6.3 billion euros.*
- *In the US, these companies are Fireman's Fund Insurance Company (FFIC) and Allianz Insurance Company (AIC).*
- *Allianz Insurance Company of Canada covers the Canadian market.*
- *Allianz México S.A. Compañía de Seguros operates in Mexico.*

Premium income in the NAFTA region (in original currency terms) increased by 3.0 percent to 6.3 billion euros. Almost 90 percent of this income was accounted for by the US. Premium income in this market rose by 2.2 percent to 5.6 billion euros.

FFIC was by far the biggest source of sales in the United States, contributing 4.8 (4.4) billion euros. The slow growth recorded by this company (+ 1.2 percent) is attributable to the partial withdrawal from workers' compensation insurance, where claims expenses soared throughout the market. FFIC responded to this development by dispensing with 20 percent of this portfolio. There was practically no growth in the car insurance business. FFIC's property insurance business with wealthy customers was, on the other hand, expanded successfully.

AIC, the company that specializes in business with major customers, increased its premium income in original currency terms by 7.1 percent and in euros to 675 (581) million. It strengthened its competitive position considerably on this global market as a result.

Allianz Canada recorded premium income of 516 (460) million euros.

Sales in Mexico amounted to 137 million euros, following 88 million euros in the previous year.

The **loss ratio** in the NAFTA region increased to 87.9 (80.5) percent. Very high loss expenses in workers' compensation insurance, inadequate insurance rates in commercial and industrial insurance as well as a number of claims relating to natural disasters depressed this indicator.

The **expense ratio** climbed 3.0 percentage points to 29.6 percent too.

**Net investment income** dropped slightly to 1.0 (1.1) billion euros. Somewhat lower gains were realized from the investments in 2000 than in the previous year; we also had to make depreciation charges with respect to shares because of the weaker capital markets.

#### NAFTA region

		2000	1999	1998
Gross premiums	€ mn	6,300	5,636	4,542
Loss ratio	%	87.9	80.5	78.6
Expense ratio	%	29.6	26.6	27.0
Earnings after taxes	€ mn	- 86.1	343.1	238.8
Investments	€ mn	18,000	14,555	12,806
Employees		9,976	10,347	10,326

High claims expenses and inadequate rates throughout the market led to a sharp drop in earnings at FFIC. Profits decreased to 40 (376) million euros. The earnings of our US holding company fell substantially too, because they were depressed by higher interest expenses. These expenses are connected with the financing of the acquisition of the PIMCO Group. This meant that a **loss after taxes** was made in the NAFTA region. Group earnings were depressed by 86 million euros, following a positive contribution to earnings of 343 million euros in the previous year.

#### Fireman's Fund

		2000	1999	1998
Gross premiums	€ mn	4,849	4,414	3,627
Loss ratio	%	88.6	79.5	78.3
Expense ratio	%	30.3	26.9	27.1
Earnings after taxes	€ mn	39.5	375.6	257.1
Investments	€ mn	10,928	11,427	10,478
Employees		8,437	9,031	8,767

The US market is still suffering from excess capacity and tough competition. Our sales are likely to grow moderately – if at all – in this environment in the **current fiscal year**. A new management team is working intensively on realigning FFIC, so that the company is able to respond to market changes faster than in the past. Unprofitable product lines and risks are being abandoned. Rate increases, a restrictive underwriting policy and greater concentration on niche markets are to return our American companies to profit. The organizational structure is being streamlined considerably.

## South America

- *Argentina, Brazil, Chile, Colombia and Venezuela are the countries in which we operate in South America.*
- *Premium income in all these countries totalled 891 million euros.*

Brazil accounted for the largest proportion of the **premium income**, contributing 390 million euros. The new company we acquired in Colombia generated sales of 165 million euros.

The **loss ratio** in South America deteriorated considerably to 70.9 (59.5) percent. The reasons for this were on the one hand the high loss expenses incurred in car insurance and on the other hand the fact that the company in Colombia had to absorb numerous claims in the other areas of its insurance business as well. The expense ratio increased to 34.8 (32.2) percent on account of the restructuring expenses incurred in Colombia.

We had a loss in Chile because of the poor market conditions, while **earnings** in Colombia were depressed by the planned restructuring expenses and earnings after taxes in Brazil fell considerably. The overall loss in South America amounted to 27 million euros (previous year: earnings of 26 million euros).

### South America

Gross premiums by countries	2000 € mn	1999 € mn	1998 € mn
Brazil	390	398	229
Colombia	165	–	–
Venezuela	134	126	99
Argentina	126	97	66
Chile	76	76	67
<b>Total</b>	<b>891</b>	<b>697</b>	<b>461</b>



## Asia-Pacific region

- *We have companies of our own or joint ventures in almost all the main markets in this region, where the growth prospects are very good.*
- *We generated total sales of 781 million euros in the Asia-Pacific region.*

**Premium income** increased substantially in almost all the markets on which we operate. The two exceptions here were Australia and New Zealand. Premium income decreased there for two reasons.

- The consequence of changes to legislation in the Australian state of Victoria was that no private company underwrote workers' compensation insurance any more; Allianz Australia is the market leader in this area of operation.
- The national government in New Zealand withdrew the licence to sell workers' compensation insurance from all insurance companies.

The sales recorded by our Australian company decreased by 106 million euros as a result of these measures. The restructuring exercise initiated in mid-1999 has been nevertheless successful. The loss and expense ratio improved considerably, so that Allianz Australia succeeded in reporting a profit of 35 million euros. We also managed to return our unit in Taiwan to profitability by generating earnings after taxes of 10 million euros (previous year: loss of 11 million euros). The necessary basis was therefore created to enable the Asia-Pacific region as a whole to generate positive **earnings after taxes** as well. They amounted to 39 million euros after a loss of 127 million in the previous year. Losses of 7 and 3 million euros were made in Japan and Hong Kong, respectively.

### Asian-Pacific region

Gross premiums by countries	2000 € mn	1999 € mn	1998 € mn
Australia	557	591	–
Taiwan	83	26	–
Japan	47	39	24
Indonesia	40	28	27
China	26	18	19
Singapore	23	13	51
Laos	5	0	2
<b>Total</b>	<b>781</b>	<b>715</b>	<b>123</b>

- *We have global credit insurance operations that are run by our companies in the EULER and Hermes Groups.*
- *We rank first or second place in 17 of the 30 markets they cover.*
- *Overall, we are number one in credit insurance worldwide.*

EULER and Hermes operate separately on most markets.

- EULER concentrates on France, Great Britain, Italy, Belgium, Spain, the Netherlands, Luxembourg, the US, Canada and Latin America.
- Hermes is the organisation in our Group responsible for credit insurance business in Germany, Switzerland, Austria, Scandinavia, Eastern Europe (excluding the Czech Republic), Portugal and the Asia-Pacific region.
- Both EULER and Hermes are responsible for expanding Group business in Hungary and Greece.
- In 2000, the multinational credit insurance business of both companies was combined in a joint holding company called EULER International, based in London.

**Premium income** amounted to 1.6 (1.5) billion euros. The EULER Group accounted for 65 percent, while the other 35 percent came from Hermes.

The **loss ratio** was reduced to 46.6 (51.5) percent, primarily due to improvement in the quality of risk selection. The **expense ratio** was slightly better, too, at 35.9 (36.7) percent.

**Earnings** after taxes increased to 158 (123) million euros.

At the end of April 2000, 25 percent of the shares in EULER were either placed directly with institutional investors or were sold to the public via the Paris Stock Exchange. These shares had been held previously by AGF, Swiss Re and Scor. AGF continues to be the majority shareholder of EULER following this operation.

#### Credit insurance

		2000	1999	1998
Gross premiums	€ mn	1,611	1,534	1,091
Loss ratio	%	46.6	51.5	55.4
Expense ratio	%	35.9	36.7	32.5
Earnings after taxes	€ mn	157.5	122.7	171.0
Investments	€ mn	2,825	2,694	1,950
Employees		5,613	5,178	5,057

We are planning further substantial growth in this segment in the **current fiscal year**, focussing primarily on export credit insurance business as well as on business with international customers. EULER transferred the Czech Republic portfolio to Hermes in 2001.

- *We are one of the largest suppliers in this segment, with exemplary service and sales of 656 million euros.*
- *Our travel insurance and assistance service provider is Mondial Assistance Group (formerly known as Elmonda).*
- *We acquired the US assistance company World Access in the year under review.*

**Premium income** growth amounted to 12.8 percent. The increase of 74 million euros in sales can be broken down as follows: 8.6 million euros are attributable to consolidation of World Access for the first time as of April 1, 2000. Internal growth contributed a further 65 million euros. This represents an increase of 11.2 percent by comparison with the previous year.

Mondial Assistance has approximately 5,400 employees. The dynamic expansion of the company's worldwide activities led to the addition of 1,450 staff. The company's subsidiaries operate in 26 different countries and maintain a close network of service partners. Their strengths are in business with institutional customers – particularly travel operators and insurance companies – as well as banks and car companies. Mondial Assistance arranged assistance for customers of these business partners in 180 countries in 2000.

World Access has about 400 employees, and is one of the leading suppliers in the US assistance market, providing its services in Canada, Great Britain and Singapore as well.

There was practically no change in the **loss ratio** (63.2 percent) by comparison with the previous year (63.1 percent). The **expense ratio** improved considerably to 36.5 (44.2) percent.

Earnings after taxes were unchanged at 23 (23) million euros.

#### Travel insurance and assistance services

		2000	1999	1998
Gross premiums	€ mn	656	581	307
Loss ratio	%	63.2	63.1	56.0
Expense ratio	%	36.5	44.2	46.9
Earnings after taxes	€ mn	23.5	22.9	10.4
Investments	€ mn	416	502	234
Employees		5,456	4,006	980

We are expecting to increase sales again in the **current fiscal year**, partly on account of the World Access full-year consolidation. The travel insurance and assistance services business is no longer likely to expand as rapidly as anticipated, however, because travel, and car sales, have decreased on account of the economic slowdown; we are also registering lower demand in South America.

## Life and health insurance

		2000	1999	1998
Total sales	€ mn	31,025	25,248	20,750
Gross premiums	€ mn	20,239	18,473	15,882
Expense ratio	%	17.4	16.4	16.0
Net income	€ mn	625	392	403
Investments	€ mn	211,798	198,890	175,776
Insurance Reserves	€ mn	208,829	196,071	167,714

Total sales	2000 € mn
Germany	11,681
France	5,558
Italy	4,490
Switzerland	1,053
Spain	767
Rest of Europe	1,612
USA	3,681
South America	469
Asia-Pacific	1,733

Earnings after taxes <sup>*)</sup>	2000 € mn
Germany	514
France	400
Italy	281
Switzerland	43
Spain	51
Rest of Europe	97
USA	133
South America	- 30
Asia-Pacific	- 66

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



- Total sales increased by 22.9 percent to 31.0 billion euros.
- The sales of investment-oriented life insurance products included in the total rose to 10.8 billion euros.
- Net investment income improved by 8.1 percent to 14.0 billion euros.
- The net income reported climbed 59.5 percent to 625 million euros.

Investments	2000 € mn
Germany	121,260
France	43,625
Italy	14,977
Switzerland	8,213
Spain	2,776
Rest of Europe	9,278
USA	8,179
South America	424
Asia-Pacific	3,241

# Provision

*Total life and health insurance sales increased by 22.9 percent to 31.0 billion euros. Sales generated in business with investment-oriented products again grew particularly quickly. This business, which mainly includes fund-linked life insurance, now accounts for 10.8 billion euros or 35 percent of total life and health insurance sales. In most countries – France and Italy above all – it has in fact far surpassed what has been traditional business up to now.*

We are expecting fund-linked life insurance to continue growing dynamically in the next few years, particularly since this business is being given additional support by the funds of our asset management units. The following chart provides a summary of the sales generated by investment-oriented products in the individual countries.

#### Sales generated with investment-oriented life insurance products

	2000 € mn	1999 € mn	1998 € mn
France	3,261	2,721	2,077
Italy	3,036	1,533	795
USA	2,216	1,102	1,150
South Korea	759	349	–
Switzerland	529	497	470
Spain	235	19	–
Great Britain	207	207	149
Netherlands	194	227	90
Belgium	115	68	71
Other countries	234	52	67
<b>Total</b>	<b>10,786</b>	<b>6,775</b>	<b>4,868</b>

Internal premium growth amounted to 14.0 percent net of consolidation effects and exchange rate movements. Premium income in IAS accounts increased by 9.6 percent to 20.2 billion euros. This was due among other things to a group insurance contract that was concluded by our French subsidiary AGF and led to the payment of a non-recurring premium of 0.8 billion euros. Our units in the growth markets – the Asia-Pacific region, South America and Central and Eastern Europe – continued to develop at an above-average pace, recording internal growth of almost 23 percent.

The life insurance business in Germany was overshadowed by the boom year experienced in 1999. A debate about tax issues that year had prompted many customers to sign contracts early. The exceptionally large increase in sales in the previous year reduced growth in 2000. In addition to this, there was great uncertainty in the year under review about what the new pension legislation would involve. These factors severely slowed the growth of our life insurance companies to 2.0 percent.

The expense ratio in IAS accounts increased from 16.4 percent to 17.4 percent as a result of the continuing expansion of business with investment-oriented products. Under IAS rules, all of the relevant costs are included, whereas only the risk and cost amounts are taken into account in sales.

Net investment income increased by 8.1 percent to 14.0 billion euros. Higher capital gains and – to a lesser extent – current income encouraged this development.

Earnings before taxes and goodwill amortization increased by one third to 1.8 billion euros. One of the reasons for this was our US subsidiary Allianz Life exceeded break-even again after the large slump in profits in the previous year, succeeding in improving its earnings by 142 million euros.

Adjusted for special tax factors, earnings before goodwill amortization were up 88.1 percent.

The net income reported climbed 59.5 percent to 625 million euros.

# Germany

- *We supply life insurance products in this market via our companies Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG and Vereinte Lebensversicherung AG.*
- *Vereinte Krankenversicherung AG is our health insurance company.*
- *These companies increased their total premium income to 11.7 billion euros.*
- *We are the market leader in life insurance business and are the third-largest supplier of health insurance.*

The total **premium income** can be broken down as follows: life insurance business accounted for 9.1 billion euros or 77.9 percent, while the sale of health insurance products contributed 2.6 billion euros or 22.1 percent. Sales by the segment as a whole increased by 2.2 percent.

## LIFE INSURANCE

The **premium income** generated by our German life insurance companies increased by 2.0 percent to 9.1 billion euros. New business was down considerably, by 22.9 percent. We had expected this development following the unusually high growth of 64.7 percent in the previous year. Debates about plans to tax endowment life insurance and the contracts that were signed in advance as a result triggered this boom throughout the market in 1999. New business was also lower in 2000 because many customers wanted to wait until the final details of the forthcoming pension reform were published before deciding to buy private insurance.

New business with policies based on regular premium payments was hit particularly hard by this development. We did, on the other hand, succeed in increasing single-premium income by 5.8 percent to 1.4 billion euros. On the basis of the premiums paid, 82 percent of total new business is now accounted for by annuity insurance. The success we achieved increased our market share in new business to almost 16 (14.8) percent.

Calculated by the total sums insured, the business in force increased by 1.4 percent to 222.6 billion euros. The number of self-concluded insurance policies decreased by 4.1 percent, because numerous policies that we took over from the former East German state insurance company are still expiring as stipulated in the contracts.

The cancellation rate increased slightly to 3.6 (3.4) percent.

The **expense ratio** climbed to 11.1 (8.5) percent. This indicator was adversely affected by the drop in new business in combination with ongoing fixed costs. The pro rata charging of acquisition costs that had been capitalized in the previous years (in the boom year 1999 in particular) also increased the expense ratio. The administration cost level was, on the other hand, kept down to the same low level (2.4 percent) as in the previous year.

The **investment** portfolio grew by 5.0 percent to 111.8 billion euros in 2000. Net investment income improved to 8.1 (7.2) billion euros. The increase is partly attributable to the realization of gains.

**Earnings** after taxes more than doubled to 467 (226) million euros, primarily because the tax charge was considerably lower than in the previous year.

**Allianz Lebensversicherungs-AG, Vereinte Lebensversicherung AG,  
Deutsche Lebensversicherungs-AG**

		2000	1999	1998
Total sales	€ mn	9,094	8,916	7,942
Gross premiums	€ mn	9,094	8,916	7,942
Expense ratio	%	11.1	8.5	10.0
Earnings after taxes	€ mn	466.6	226.1	198.5
Investments	€ mn	111,805	106,493	98,588
Employees		6,159	6,158	6,129

We are expecting the business to return to normal and settle in line with the long-term growth trend in the **current fiscal year**. We have been supplying supplementary occupational disability insurance since the beginning of 2001. It compensates for inadequate pension cover caused by legislation to reform the disability benefit system and is in great demand. We will also be launching fund-linked annuity insurance on the market in 2001. The plan to subsidize capital-based schemes aimed at promoting personal provision for retirement needs from 2002 onwards is likely to give new business an additional boost.

## HEALTH INSURANCE

The **premium income** generated by Vereinte Krankenversicherung AG increased by 2.9 percent to 2.6 billion euros. Premium income in the main business of health insurance grew by 3.1 percent. New business and premium changes contributed to an approximately equal extent to this increase in sales. Our company also succeeded in reducing the cancellation rate. We registered a slight increase of 0.8 percent in mandatory nursing care insurance.

The number of persons insured stabilized at the same level as in the previous year (2.25 million).

In spite of improvements in claim management, 1.8 billion euros, or 4.4 percent more than in the previous year, were spent in total on claims, the number of which increased. The **loss ratio** went up to 71.6 (70.6) percent.

The **expense ratio** improved to 9.4 (10.7) percent.

**Net investment income** was lower than in the previous year at 457 (559) million euros because of the realization of smaller gains.

**Earnings** after taxes fell to 34 (42) million euros.

#### Vereinte Krankenversicherung AG

		2000	1999	1998
Gross premiums	€ mn	2,587	2,513	2,439
Loss ratio	%	71.6	70.6	71.0
Expense ratio	%	9.4	10.7	10.4
Earnings after taxes	€ mn	34.1	42.2	48.2
Investments	€ mn	10,549	9,848	9,015
Employees		3,836	4,121	3,988

Vereinte Krankenversicherung AG is expecting sales growth of about 3.5 percent in the **current fiscal year**. The company is concentrating on sales expansion and the streamlining of internal operating procedures. Further reductions are to be made in the loss ratio by means of benefit and health management exercises. The continuing cost increases in the health system are, however, limiting the scope for further improvements for the time being.



# France

- *The AGF Group is the fifth-largest company in the French life insurance market.*
- *We are the second-largest supplier of health insurance in France.*
- *Total life insurance sales amounted to 5.6 billion euros.*

The large increase of 33.1 percent in our total sales was stimulated by two main factors.

- Sales of our investment-oriented products continued to develop dynamically. They jumped 19.8 percent to 3.3 billion euros.
- We succeeded in besting several competitors in concluding a major group insurance contract with Elf Aquitaine. Our customer hived its pension provisions off with this contract. We received premium income of 800 million euros from this contract alone.

Premium income in IAS accounts amounted to 2.3 billion euros. Growth totalled 2.7 percent, if the above-mentioned group contract is disregarded.

The **expense ratio** decreased substantially to 27.6 (36.0) percent due to the positive impact of the large premium income from the group contract.

**Net investment income** increased to 2.5 (2.2) million euros due to the realization of gains.

**Earnings** after taxes increased by 78.4 percent to 400 (224) million euros.

## France

		2000	1999	1998
Total sales	€ mn	5,558	4,179	3,128
Gross premiums	€ mn	2,297	1,458	1,051
Expense ratio	%	27.6	36.0	41.5
Earnings after taxes	€ mn	399.7	224.1	168.3
Investments	€ mn	43,625	41,263	37,042

Demand for investment-oriented life insurance and savings products will continue to increase in the **current fiscal year**, although the growth rates will not be as large as in 2000. As far as both our sales resources and our product range are concerned, we are well-equipped to satisfy our customers' insurance and retirement provision requirements – via the Internet as well. It complements the network of agents, the bank sales system and distribution via brokers and special financial service providers.

## Italy

- *We have a very good position on the Italian life insurance market with the RAS Group and Lloyd Adriatico.*
- *They increased their joint sales (including investment-oriented life insurance products) to 4.5 billion euros.*
- *This makes them the second-biggest player on the Italian market.*

Total sales increased by 50.5 percent. The RAS Group accounts report **premium income** of just under 3.8 billion euros, while Lloyd Adriatico discloses 743 million euros. Premium income in IAS accounts, which does not include sales of investment-oriented life insurance products, amounted to 1.5 billion euros. The sales success achieved by our companies increased their share of the Italian life insurance market from 8.1 to 11.1 percent.

Most of the growth was generated by bank-based sales of fund-linked life insurance.

- The high sales are due to a very large extent to the expansion of the co-operation agreement with the Credito Italiano Group, which was in force throughout the year for the first time in 2000. The premium income attributable to this sales channel was doubled.
- Banca Antoniana Veneta Popolare Vita, a Lloyd Adriatico joint venture for the bank-based distribution of insurance products (bancassurance), was particularly successful again. The company doubled its sales to 355 million euros.

The **expense ratio** decreased to 14.8 (16.7) percent.

**Net investment income** increased to 963 (892) million euros primarily because of higher current income.

**Earnings** after taxes improved by one third to 281 (211) million euros.

#### Italy

		2000	1999	1998
Total sales	€ mn	4,490	2,986	2,107
Gross premiums	€ mn	1,454	1,453	1,312
Expense ratio	%	14.8	16.7	14.5
Earnings after taxes	€ mn	281.4	211.2	153.8
Investments	€ mn	14,977	14,092	12,099

We are expecting fund-linked life insurance to sell well in the **current fiscal year** as well. The sales co-operation with Credito Italiano and the energetic development of the business transacted by Banca Antoniana Veneta Popolare Vita will continue to strengthen our position in this dynamic market. Growth will not, however, be quite as large in 2001 as in the previous year.

## Switzerland

- *We market a number of different life and health insurance brands in Switzerland.*
- *Our companies are ELVIA Leben, Berner Lebensversicherungs-Gesellschaft, Allianz Lebensversicherung (Schweiz) and AGF Phenix.*
- *Together they generated sales of 1 billion euros.*
- *This makes them the sixth-largest player on this market.*

Total **premium income** decreased by 6.6 percent. Falling interest rates which cut sales of single-premium annuity insurance drastically caused the whole of the market to contract in this way. Customers opted to an increasing extent for bank products with higher returns than classic life insurance. Although our units raised sales in group insurance business more than expected, the increase in income generated here was not large enough to make up for the drop in income recorded in the business with individual life insurance policies. Premium income in IAS accounts was down 16.9 percent at 524 million euros.

The **expense ratio** improved to 9.9 (12.0) percent following the combination of units as well as the streamlining and automation of operating procedures.

In contrast to most financial centers, Switzerland enjoyed a positive stock exchange year in 2000. We took advantage of this development and increased **net investment income** to 424 (327) million euros.

This enabled us to raise **earnings** after taxes to 43 (34) million euros.

#### Switzerland

		2000	1999	1998
Total sales	€ mn	1,053	1,127	1,131
Gross premiums	€ mn	524	630	661
Expense ratio	%	9.9	12.0	15.8
Earnings after taxes	€ mn	42.6	33.9	22.3
Investments	€ mn	8,213	7,408	6,815

The Allianz Group in Switzerland started the **current fiscal year** with a product and sales campaign to counter the decline in premium income in business with individual life insurance policies. This campaign involves the sale of fund-linked life insurance with periodic premium payment and includes the establishment of personal financial services operations. The objective is to be the customer's preferred advisor for all personal financial management issues and at the same time to stimulate anew the life insurance business.

# Spain

- *Allianz Seguros and Eurovida, a bancassurance joint venture, are responsible for our life and health insurance operations in Spain.*
- *Together they recorded premium income of 767 million euros.*
- *This made them the sixth-largest supplier on this market.*

Total sales were increased by 74.3 percent. Allianz Seguros benefitted primarily from the conclusion of two group insurance contracts. Demand from private customers has shifted to a very large extent to fund-linked life insurance products, mainly supplied by banks. This change in consumer requirements led to an excellent performance by our bancassurance joint venture Eurovida; premium income increased by a handsome 180 (!) percent to 304 million euros.

The **expense ratio** improved to 8.9 (9.3) percent. Savings from the integration of our companies in Spain also had a positive impact here.

**Earnings** after taxes increased substantially to 51 (8) million euros.

## Spain

		2000	1999	1998
Total sales	€ mn	767	440	392
Gross premiums	€ mn	532	421	392
Expense ratio	%	8.9	9.3	12.0
Earnings after taxes	€ mn	50.7	8.2	18.3
Investments	€ mn	2,776	2,473	2,187

We are also developing a network of financial advisors in Spain in the **current year**. The organization, which began operations in March 2001, supplies all kinds of life insurance in addition to funds. This additional sales channel is likely to give the business a further boost. Eurovida is launching a fund-linked product for group contracts in the market in 2001. It is also broadening the range of capital accumulation life insurance products, which should help to increase sales.

## Rest of Europe

The total sales generated in life and health insurance business in the other European markets amounted to 1.6 billion euros.

We again succeeded in recording double-digit growth rates in many countries, particularly with the sale of investment-oriented products. Premium income in IAS accounts decreased slightly to 971 (998) million euros.

**Earnings** after taxes improved to 97 (94) million euros. This was primarily due to our company in Belgium.

### Rest of Europe

Total gross premiums by countries	2000 € mn	1999 € mn	1998 € mn
Hungary	52	39	25
Poland	24	15	6
Bulgaria	1	–	–
Subtotal	77	54	31
Belgium	414	362	278
Great Britain	344	324	252
Netherlands	270	326	168
Austria	268	251	227
Luxembourg	100	70	36
Greece	74	82	62
Portugal	65	64	60
Total	1,612	1,533	1,114



# USA

- *Allianz Life of North America is our life insurance company in the United States of America.*
- *Total premium income jumped by 39.7 percent to 3.7 billion euros.*
- *This sales increase is attributable primarily to the integration of LifeUSA and the expansion of business with fund-linked annuity insurance.*
- *The appreciation of the US dollar with respect to the euro contributed 11 percent of the growth.*

Total **sales** in original currency terms increased by 28.8 percent.

The annuity insurance business operations continued to develop dynamically, with a growth rate of 24.1 percent. Our recovery program in the fund-linked annuity insurance business started to take effect: the portfolio has stabilized and new business is picking up. The life reinsurance business is flourishing too. The premium income generated there amounted to 366 (296) million euros. We discontinued or sold areas of the business that had no prospects of generating satisfactory profits on a sustained basis (e.g. the health reinsurance business). Premium income in IAS accounts decreased by 4.4 percent to almost 1.5 billion euros.

The **expense ratio** increased to 48.2 (40.2) percent, mainly as a result of our intensive efforts to stimulate the sale of fund-linked annuity insurance.

**Net investment income** increased to 568 (387) million euros because of the inclusion of LifeUSA for the whole year.

The company operated profitably again, with **earnings** after taxes of 133 million euros. It had reported a loss of 9 million euros in the previous year.

## Allianz Life

		2000	1999	1998
Total sales	€ mn	3,681	2,635	2,406
Gross premiums	€ mn	1,465	1,533	1,256
Expense ratio	%	48.2	40.2	39.5
Earnings after taxes	€ mn	132.6	- 9.5	100.0
Investments	€ mn	8,179	6,182	3,307
Employees		1,435	1,083	596

We are continuing the expansion of our distribution channels and our sales of fund-linked life insurance in the **current fiscal year**. A further improvement in earnings is anticipated.

## South America

We also have life insurance operations in South America. Total **sales** in these countries amounted to 469 million euros. We are expecting high growth in this area of business in the coming years.

## South America

Total gross premiums by countries	2000 € mn	1999 € mn	1998 € mn
Brazil	208	154	125
Colombia	195	-	-
Chile	59	22	57
Argentina	7		
<b>Total</b>	<b>469</b>	<b>176</b>	<b>182</b>

# Asia-Pacific region

We supply life and health insurance in Asia as well and are steadily expanding our business in these rapidly developing markets.

Our biggest company in this region is Allianz First Life in South Korea, with a total premium volume of 1.6 billion euros. It was consolidated for the entire year for the first time in 2000. This doubled our total **premium income** in the region (including investment-oriented products) to 1.7 billion euros. We sell life and health insurance in China and Indonesia. We have a joint venture for this area of business in the Philippines, whereas we hold a minority interest in a Malaysian company. There are further life insurance joint ventures in Taiwan and – since 2000 – in Thailand. We only underwrite health insurance in Singapore and Pakistan. The premium income in IAS accounts amounted to 957 million euros.

Earnings were depressed by portfolio optimization and restructuring measures in South Korea and Taiwan in particular, so that a **loss** after taxes of 66 million euros was recorded.

*We have expanded our asset management and other financial services operations. We acquired 70 percent of the shares in the US asset management company PIMCO Group on May 5, 2000. The company has been consolidated in the Allianz Group since May 2000. Acquiring PIMCO, one of the most successful investors in fixed-income securities in the world, represents an ideal way of broadening our experience and product range in the asset management business.*

The total assets we had under management around the world amounted to 713 billion euros on December 31, 2000. 364 billion euros of this amount came from the insurance business. We generated earnings of 21.5 (20.3) billion euros with these assets. The earnings include 7.5 (6.4) billion euros from the sale of securities.

The assets managed for outside investors amounted to 336.4 billion euros at the end of the year; almost all of this amount (297.2 million euros) was invested and managed by PIMCO.

Net income decreased from 53 million to 15 million euros. The reason for this was that PIMCO – as expected – depressed Allianz Group earnings by 125 million euros. If PIMCO is disregarded, net income was up 164 percent at 140 million euros. This improvement was attributable primarily to our units in France and Italy.

## ABOUT ASSET MANAGEMENT

We distinguish between two different categories of **assets under management**.

- On the one hand are **asset management for outside investors** and **other financial services**.
- The assets under management, on the other hand, include **investments in the insurance business**, with which we cover insurance provisions, equity capital and borrowed funds.

## ASSET MANAGEMENT FOR OUTSIDE INVESTORS AND OTHER FINANCIAL SERVICES

We have been expanding our asset management operations for outside investors into another – third – core area of our business since 1998. The Allianz Asset Management organization is responsible for global coordination assignments. It includes Allianz Asset Management GmbH in Germany, the RAS and AGF asset management companies in Italy and France respectively, the US PIMCO Group (in 2000 for the first time) and Nicholas Applegate (as of 2001).

**PIMCO acquisition** | We acquired approximately 70 percent of the shares in the US PIMCO Group in May 2000. It manages assets for institutional investors and private customers and invests not only in fixed-income securities but also in shares. This means that a well-known supplier now represents us in the most important fund market in the world.

The PIMCO Group managed 297 billion euros for outside investors at the end of 2000. Its contribution to Allianz Group earnings was negative (– 125 million euros). This can be explained by the following:

- Goodwill amortization charges amounted to 88 million euros.
- A further amount of 110 million euros was charged as capitalized loyalty payments to the management, which had been made as part of the purchase price.
- Retention payments were made to the staff and management, as had been agreed when the company was acquired. These payments totalled 129 million euros.
- The minority shareholder Pacific Life received 88 million euros as its share of the company's profits.

If these items are disregarded, the PIMCO Group generated an operating result before taxes of 228 million euros, which was in line with plans.

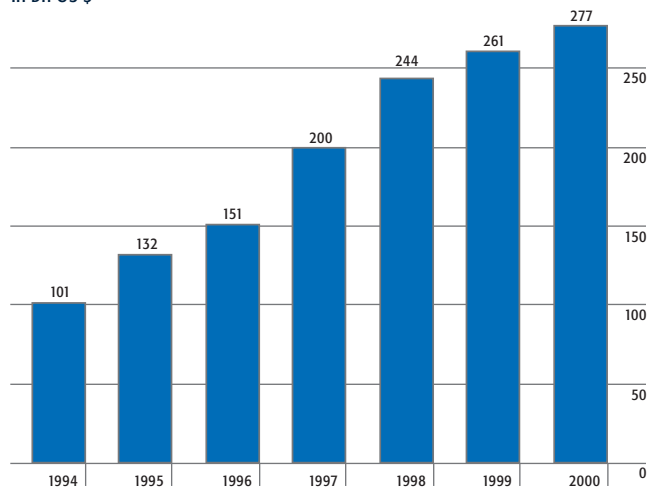
Pacific Investment Management Company (abbreviated as PIMCO), the most important subsidiary of the PIMCO Group, is one of the largest and most successful specialists for the investment of assets in fixed-income securities. 14 (of the total of 19) PIMCO funds have been classified as 5-Star Funds or 4-Star Funds for several years now. These awards are granted by the respected rating agency Morningstar. These 14 funds cover about 90 percent of the valued PIMCO assets. These classifications are extremely important, because in the US fund business more than 80 percent of new investments are channelled into 5 or 4-star funds.

In the year under review, Morningstar chose PIMCO Chief Investment Officer, Bill Gross (and his team), as “Fixed-Income Manager of the Year.” This makes him the first fund manager ever to have received this accolade twice (the first time was in 1998) (see also starting on page 40 of this Annual Report).

PIMCO is responsible for business with fixed-income securities within the Allianz Group.

#### PIMCO Group: assets under management

in bn US \$



**Acquisition of Nicholas Applegate** | We also announced the purchase of another US asset management company – Nicholas Applegate Capital Management – in 2000. On December 31, 2000, the company was managing fund assets worth a good 38 billion euros and is one of the market leaders in business with institutional customers. The acquisition was completed in January 2001.

This asset management company specializes in shares and fast-growing companies in particular. It mainly manages technology and emerging market funds. Nicholas Applegate represents an ideal addition to our investment range with its investment style of generating high yields and accepting higher risks. Its 31 investment products perform very well: if the time between their introduction and December 31, 2000 is assessed, all of them outperformed their benchmark.

Our customers now have the choice of three different investment styles where shares are concerned, with personal risk preferences deciding which alternative they select. Excellent service is guaranteed in each case. The following table provides a summary.

	Institutional investors	Private customers
Growth style	Nicholas Applegate	PIMCO Equity Advisors (US) Nicholas Applegate (non US)
Value style	Oppenheimer Capital NFJ	PIMCO Equity Advisors
Core style	Allianz Asset Management Cadence	Allianz Asset Management

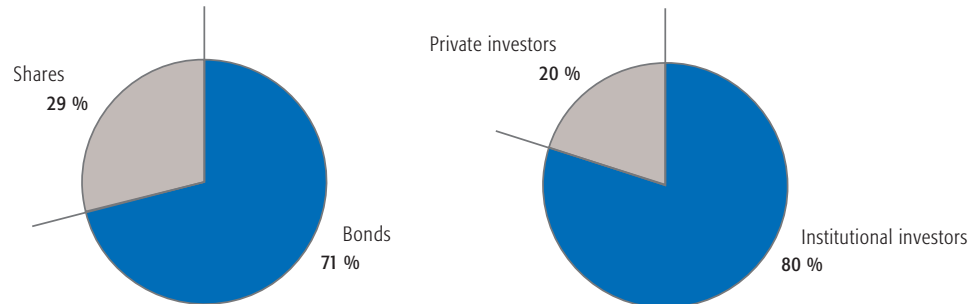
**Global certification** | The Allianz Asset Management Group received certification of its compliance with the Global Investment Performance Standards (GIPS) in 2000. It is as a result one of the first asset managers with global operations to have been awarded this coveted quality certificate. The aim of GIPS is to guarantee comparability between the investment performances of different asset management companies – irrespective of the country in which the fund company operates. We expect institutional investors to co-operate primarily with asset management companies that meet these global standards in future.

**New product families** | We are working on new product families which can be sold throughout Europe and via all the different distribution channels without any major changes. We made good progress with this project in 2000. There are now two funds of funds – “Allianz PIMCO Millennium” and “Allianz PIMCO Regional.” These fund families are backed by the investment know-how of PIMCO, Allianz, RAS, AGF, Nicholas Applegate and Oppenheimer Capital. The families consist of a total of 45 individual funds. All our Luxembourg funds of funds are to be given what is known as the EU Passport, which the Luxembourg financial supervisory authorities issue. The products can then be approved for sale in all the EU countries without any major formalities.



**Broader business base** | The value of our assets under management for outside investors increased from 29.5 to 336.4 billion euros following the acquisition of PIMCO. The figure is 374.7 billion euros if Nicholas Applegate is included (the company will not have been consolidated until January 2001). The following charts show the breakdown of these assets.

Assets under management for outside investors on December 31, 2000



At the end of 2000, Allianz Asset Management employed 74 research analysts, 277 portfolio managers and 48 dealers.

**Other financial services** | Allianz Vermögens-Bank (AVB) in Germany, RASbank in Italy and Banque AGF in France provide efficient platforms for managing investment funds. AVB increased the number of accounts by 126 percent to about 18,500 in 2000. The volume of assets under management also increased strongly by 44 percent to 1.6 billion euros.

Banque AGF, a new company established in 2000, offers its customers current accounts, credit cards, mutual funds and loans. The products are marketed via the entire AGF sales network, i.e. via agents, brokers, the Internet and phone. In the first three months of its existence (October to December 2000), the bank opened 38,000 accounts and increased assets to 220 million euros.

RAS announced in the year under review that it intended to combine Divalras, its financial planner sales organisation, with RASbank. The aims of this are to increase brand awareness, to save costs and to better exploit overall growth potential. The merger was carried out in April 2001. RASbank customers have been able to trade securities and mutual funds online since 2000. The number of accounts increased by 33 percent to 60,675 in 2000.

Allianz Bauspar AG concluded 55,160 (78,463) new savings and loan contracts in Germany in 2000. While the total portfolio decreased slightly to 528,393 contracts, the aggregate target savings and loan plans increased to 9.2 billion euros. Earnings after taxes amounted to 3.5 million euros.

**Earnings** | Our operations in the area of asset management for outside investors and other financial services generated total net income of 15 (53) million euros. The reduction is attributable to expenses incurred in connection with the acquisition of PIMCO.

Whereas we concentrated mainly on supplementing our product range in 2000 so that we can offer customers optimum choice, the primary emphasis in the **current fiscal year** – in Germany above all – is to expand sales resources. A few examples:

We are appointing a fund specialist for each of our 112 offices. Allianz agents can complete training to become a certified financial planner. We are providing major agencies wishing to make fund business a priority support in the form of a financial advisor. We are also establishing a financial planner organisation, through which we intend to market fund products mainly in densely-populated urban areas. Rapid progress is to be made in bank-counter sales too. If the acquisition of Dresdner Bank AG is completed successfully in the summer of 2001 – about which we have no doubt – we will obtain an excellent position in bank sales during the current fiscal year.

#### Assets under management

	12/31/2000		12/31/1999
	Book values	Current values	Current values
	€ bn	€ bn	€ bn
Real estate	14.5	19.8	18.6
Investments in affiliated companies, joint ventures and associated companies	11.8	29.5	23.4
Loans	14.8	14.8	13.8
Other securities	266.5	266.5	256.6
Other investments	10.6	10.6	7.8
Investments held on account and at risk of life-insurance policyholders	22.8	22.8	19.1
Investments in the insurance business	341.0	364.0	339.3
Loans and advances to banking and building society customers		12.9	12.7
Investments for outside investors (not shown on the consolidated balance sheet)		336.4	29.5
Investments in asset management / financial services		349.3	42.2
Assets under management		713.3	381.5

## INVESTMENTS IN THE INSURANCE BUSINESS

The book value of the **investments in the insurance business** amounted at the end of the year to a total of 341.0 (322.0) billion euros. Their **current value** increased by 7.3 percent to 364.0 billion euros. This figure includes for the first time investments of approximately 2 billion euros made by the Dutch insurance company Zwolsche Algemeene N.V. which we acquired in the year under review.

The current value of the investments in affiliated companies, joint ventures and associated companies increased by 6.1 to 29.5 billion euros. **Associated companies** (i.e. companies in which we hold a share of between 20 and 50 percent) are mainly involved here, which we value by the equity method with the relevant proportion of the company equity. Our three biggest holdings were equity stakes in Münchener Rückversicherungs-Gesellschaft AG (16.8 billion euros), Dresdner Bank AG (5.2 billion euros) and Beiersdorf AG (3.6 billion euros).

We also held **other securities** with a current value of 266.5 billion euros. 174.2 billion euros were invested in fixed-income securities and 91.7 billion in dividend-bearing equity securities. A list of the companies in which we hold at least 5 percent of the capital or in which our investment exceeds 100 million euros can be found in the Notes to the Consolidated Financial Statements on pages 66 to 70. The percentage held of the capital in each company and the market capitalization of our holdings are also indicated. The market value of these holdings amounted to 64.6 billion euros at the end of 2000. The unrealized gains of the other securities amounted to 31.0 billion euros.

The **other investments**, which amounted to 10.6 billion euros (as the table shows), consist essentially of deposits at banks (7.1 billion euros) and funds held by others under reinsurance contracts (3.2 billion euros).

The **investments held on account and at risk of life-insurance policyholders** increased by 19.4 percent to 22.8 billion euros in 2000. This development is attributable primarily to the successful sales co-operation with the Italian bank group Unicredito.

**Investment structure** | The investment structure in the different business segments is determined to a very large extent by the commitments and risks of the insurance business.

#### Investment structure – Group

	12/31/2000		12/31/1999
	Current values	Weighting	Weighting
	€ bn	in %	in %
Real estate	19.8	5.8	5.8
Dividend-bearing equity securities	121.2	35.5	35.3
Interest-bearing securities	189.2	55.5	56.4
Other investments	11.0	3.2	2.5
Investments	341.2		

#### Investment structure – life and health insurance

	12/31/2000		12/31/1999
	Current values	Weighting	Weighting
	€ bn	in %	in %
Real estate	10.4	4.8	4.7
Dividend-bearing equity securities	57.3	26.6	27.5
Interest-bearing securities	142.3	66.2	65.5
Other investments	5.2	2.4	2.3
Investments	215.2		

#### Investment structure – property and casualty insurance

	12/31/2000		12/31/1999
	Current values	Weighting	Weighting
	€ bn	in %	in %
Real estate	9.4	6.5	6.8
Dividend-bearing equity securities	79.9	55.0	51.5
Interest-bearing securities	43.6	30.0	33.5
Other investments	12.4	8.5	8.2
Investments	145.3		

**Net investment income** | **Overall income from investments** (before deduction of technical interest) increased by 5.9 percent to 21.5 (20.3) billion euros.

**Income from investments** increased to 28.2 (24.6) billion euros in the fiscal year. Current income grew moderately, in line with the expansion of the investment portfolio. We considerably increased realized gains, on the other hand, to 11.7 (8.9) billion euros.

**Expenses from investments** totalled 6.7 (4.3) billion euros. Losses on the disposal of assets amounted to 4.1 (2.6) billion euros. Most of these losses were due to reallocation of assets within the portfolios of Allianz Leben, Sachversicherungsgruppe Deutschland, the French company AGF and the US company Fireman's Fund. Other expenses – primarily for investment management and interest – increased to 1.6 billion euros. Write-downs amounted to 0.9 (0.5) billion euros.

**Net investment income by segments:** this amounted in life and health insurance to 14.0 (13.0) billion euros and in property and casualty insurance to 8.4 (7.9) billion euros. Earnings in the financial services business remained almost unchanged at 0.2 billion euros.

*The objective of Group controlling is to increase corporate value. Our aim is to make sure that all the companies in the Allianz Group help to increase corporate value. Allianz AG acts as a management holding company in this controlling process. “Economic Value Added” (EVA) is the key indicator in our value-oriented corporate management concept.*

**Decentralized and centralized elements** | When controlling and planning a global insurance group, account needs to be taken first of all of the fact that insurance is primarily a local business. This explains why our Group companies are responsible for the success of their national operations.

Allowance must at the same time be made in the controlling process for the effect that global risks have on our business success. Such risks may originate in the insurance field – natural catastrophes or liability claims in industrial risk insurance, for example – or they may be associated with fluctuations on the capital markets instead. Whatever the cause, we need to control these global risks centrally, since our international exposure means there is a danger that the impact of the risks on us will be cumulative.

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.”

**Management holding company** | Allianz AG operates as a management holding company and concentrates on the following assignments.

**Strategic portfolio management.** Allianz AG makes the decisions concerning 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. The primary objective of these decisions is to increase corporate value.

**Synergy management.** The holding company organizes the global transfer of know-how, identifies synergy potential and makes sure that value is added as a result.

**Management deployment.** Our young management staff are administered and encouraged at Group level, where they are prepared individually to take over a management position within the international Group organization. The aim is for management positions to be filled internally whenever possible.

**Controlling.** The holding company has an internal reporting system that covers the main business developments, includes the necessary information to simplify decision-making processes and presents the results promptly in a standardized form for Group-wide use.

**Management dialogue** | The purpose of this management instrument is to guarantee that all the different units contribute to sustained, profitable growth of the Group. Management dialogue enables us to arrange targets and to discuss concepts and activities that will facilitate their achievement. It is divided into three phases and is made effective by direct communication between the decision-makers.

- The holding company's Board of Management reviews the longer-term strategies for increasing corporate value at the beginning of February and updates them. Strategic activities are agreed on this basis and decisions are taken about the allocation of resources. EVA targets for the Group are discussed and are used to specify provisional top-down goals for the individual Group companies.
- The Group companies are required to develop strategic goals for their specific operations, to decide on measures and to submit a basic plan by the middle of the year. These proposals are discussed in a strategic dialogue with the holding company's Board of Management. The EVA target for the coming year is then agreed – on the basis of the specified top-down goals.
- Planning discussions held at the Group companies in the late autumn ensure the agreed upon goals are reflected in the detailed operating plans as well.

**Economic Value Added** | What benchmark do we use to determine the success of our strategies and the action we take to increase corporate value? We have chosen the added value concept, which has since become familiar under the name "Economic Value Added" or EVA. It determines

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

This concept compares the profit generated with our capital costs. The positive or negative difference – or EVA – reveals whether 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 divisions by applying the following criteria: risk profile of the individual companies or divisions (see also pages 130 to 133 of this Annual Report for more information about the risks) and the security level.

**Fine-tuning** | How do the operating units increase the EVA? They need on the one hand to identify the value drivers in their business and to monitor their development as closely as possible. And they need on the other hand to determine where value is created or destroyed in their added value chain. This means that they watch such factors as claims development, sales and personnel costs, new business or investments. Since fiscal 2000 we have been able to ascertain the EVA for individual segments too, e.g. for products, customer groups or distribution channels. It is possible to increase shareholder value within the Allianz Group even more purposefully as a result.

**Management remuneration** | A substantial proportion of the remuneration paid to the top management and the local company management is tied to the achievement of EVA targets (see pages 18 to 19 of this Annual Report for more details).

**Internal reporting system** | Our internal reporting system covers the main developments within the Allianz Group and at the operating units. It indicates deviations from plans and helps management to develop countermeasures and alternative action.

For years now, 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 increasingly diminishing, since we have been preparing our external financial statements in accordance with the International Accounting Standards since 1998 as well.

One important difference remains, however: net investment income is determined on a standardized performance basis in our internal accounts. This enables us to eliminate the effects of fluctuations on the capital markets and of profit-taking. This is important, because otherwise a short-term change on the finance markets could, for example, prompt initiation of the wrong measures, which would, however, jeopardize achievement of the central objective of steady, profitable growth.

*As an insurer and investor, we consider the handling of risks to be one of our core skills. Risk management is therefore an integral feature of our controlling processes.*

**Responsibilities** | The operating responsibility for the global insurance business of the Allianz Group is delegated to the local units. They, after all, are in the best position to know their home markets, customers' requirements, the ideal combination of distribution channels and the national legal systems. It therefore makes sense to leave risk management to them too.

The decentralized approach is complemented by centralized responsibility. The reason for this is we also have to control global risks that can accumulate and therefore increase the potential danger considerably. These global risks mainly include exposure in the following areas:

- reinsurance,
- international industrial insurance,
- insurance against natural disasters and
- investments.

They are controlled centrally whenever they are considered to have a global dimension.

The corporate controlling department assesses the risk situation for the Allianz Group as a whole on the basis of the local and global risks. It is also responsible for reporting to the decision-makers as well as for making sure that the processes are transparent and comprehensive. The internal and external auditors are in turn responsible for monitoring the risk management system.

**Risk categories** | We break the overall Allianz Group risk into specific risk categories.

**Premium risk in property and casualty insurance.** The risk here is that insurance premiums which have been calculated in advance are not high enough to cover future claim payments.

The **premium risk in life and health insurance** is attributable to the following situation: we have to make a long-term guaranteed payment commitment in return for an unchanging insurance premium that has been calculated in advance, even though the basic conditions may change in future (e.g. as a result of medical progress, longer life expectancy).

There is a **reserve risk** not only in property and casualty insurance but also in life and health insurance: provisions formed in previous years might not be large enough to cover the claims that have to be paid in future.

Specific individual types of insurance involve an **interest guarantee risk**. Life insurance, for example, has to generate the guaranteed interest payments at the agreed level.

**Credit risk** is the danger that company debtors may default and relates primarily to reinsurers.

**Risks arising from our investments.** We make a distinction here between

- the market risk, which is attributable to the volatility of stock market and other capital market prices,
- the credit risk, i.e. the danger that debtors may default or that their credit-worthiness may deteriorate and
- the liquidity risk in connection with the payment commitments arising from insurance contracts that we have to be able to meet at all times.

**Operating risks.** They relate in particular to hardware, software and application programs.

**Risk limitation** | What risk management instruments do we use to protect ourselves against these dangers?

- **Premium risks.** They are controlled mainly with the help of actuarial models for the calculation of premiums and for the monitoring of claim patterns. Our guidelines for the conclusion of insurance contracts and for the acceptance of insurance risks also play a role here. In life insurance we concentrate primarily on the biometric risks – e.g. life expectancy, disability, illness and nursing care requirements. We also focus on risks that could arise from policy cancellations in future. We keep a close eye on risks associated with the interest guarantees given to our customers too.

Risk management includes our involvement in scientific and technical loss prevention as well. We carry out ongoing investigations for the manufacturing and car industries, for example. The sole purpose of these investigations is to reduce the probability of loss occurrence and to minimise loss expenditure.

Natural disasters such as earthquakes, storms and floods present a special challenge as far as risk management is concerned. Although they happen considerably less frequently than other incidents, their consequences are far more extensive when – for example – entire regions are devastated. We make use of special modelling techniques to control such risks. They involve the collection of data concerning earthquakes and weather patterns so that natural disaster scenarios can be simulated and the damage they cause can be estimated.

- **Reserve risks.** Provisions have to be made for insurance claims that have been submitted but not yet settled. We use past experience as well as statistical test methods to estimate their size. We also limit the risk by monitoring the development of these provisions constantly. We take advantage of our findings when making future estimates.
- **Credit risks.** The Group limits its liability by passing a proportion of the risks it assumes on to the international reinsurance market wherever necessary. When selecting our reinsurance partners, we only consider companies that provide excellent security. Our Group companies also use extensive rating information to restrict the credit risk. This information is either generally available or is obtained by carrying out internal investigations.
- **Investment risks.** Investment is an integral part of insurance protection service. It ensures that we are able to meet the payment commitments we make in our insurance contracts. When assessing investment risks, we use models that take this close connection into account.

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

We limit credit risks by making exacting demands on the financial soundness of our debtors and by spreading the risk. We co-ordinate our exposure with every single debtor in all the different investment categories and monitor it by keeping limit lists.

We use derivative financial instruments – such as swaps, options and futures – selectively to hedge against changes in prices or interest rates. Our Group companies are end-users of derivatives and do not trade these instruments. Our internal investment and monitoring rules are considerably stricter than the regulations required by supervisory authorities.

Information about the volumes involved can be found in the Notes to this Annual Report on page 31 under the heading Derivative financial instruments.

Market and credit 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.
- We monitor market risks by making prompt value-at-risk calculations, by carrying out stress tests and by specifying stop-loss limits.

We limit the liquidity risks by reconciling our investment portfolio with our insurance commitments. We also plan our cash flow from ordinary activities.

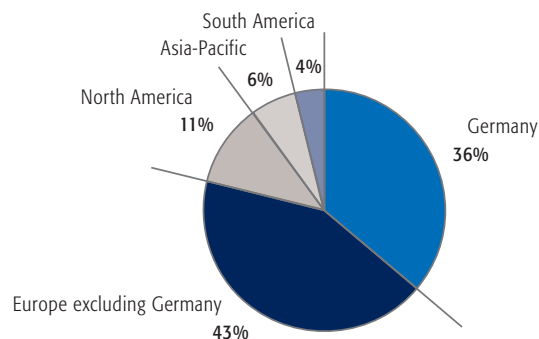
Asset structure and diversification are other elements in our management of investment risk. We limit these risks within our organization by strict separation of trading, settlement and controlling operations.

**Risk monitoring by third parties** | Supervisory authorities and rating agencies are additional risk monitoring bodies. The supervisory authorities specify the minimum precautions that have to be taken in individual countries and at the international level. Rating agencies determine the relationship between the risk a company faces and the precautions it has taken. The internationally respected rating agencies Standard & Poor's and A. M. Best have given the Allianz Group their highest possible rating AAA and A++, respectively.

*Our employees' commitment, professionalism and focus on the customer have helped the Allianz Group obtain the rank it holds today. The human resources policy of the Allianz Group is based on two principles. Operating responsibility is, first of all, delegated to the individual company units. Secondly, there is close global co-ordination in specific key areas. This co-ordination relates in the human resources field primarily to the recruitment of talented young staff for management positions, the promotion of know-how transfer and the development of management principles.*

Our Group companies had 119,683 (113,472) employees on December 31, 2000. This was 5.4 percent more than in the previous year. The increase is due above all to the inclusion for the first time of the US asset management company PIMCO Group and the US assistance company World Access. Acquisitions in Bulgaria and Colombia increased the number of employees as well. Almost two thirds of our total staff are now employed outside Germany, as the following chart and table show.

#### Employees by region

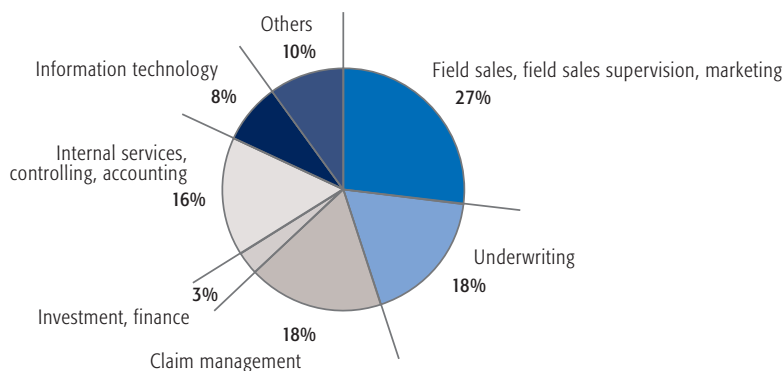


Employees by country	2000	1999
Germany	43,124	41,923
France	17,530	18,387
USA	11,663	11,021
Italy	7,367	6,921
Great Britain	4,965	4,362
Austria	3,506	3,889
Switzerland	3,385	4,380
South Korea	2,304	2,571
Hungary	2,188	2,272
Columbia	1,974	-
Australia	1,610	1,841
Others	20,067	15,905
<b>Total</b>	<b>119,683</b>	<b>113,472</b>

**Recruitment of talented new staff** | These figures show that the Allianz Group is continuing to grow steadily and to expand its global presence. In order to even more effectively carry out the additional assignments this involves, we are constantly looking for highly qualified, internationally oriented new staff with management potential. We intensified these activities in fiscal 2000.

- A major career fair called the Open Space Forum was held for the second time in Berlin, organized by our Group companies in Germany, Austria and Switzerland. More than 200 prospective candidates garnered information there about how careers begin and continue within the Allianz Group.
- We run exchange programs with leading universities and business schools, offer their students placements and participate in university recruitment events. RAS, for example, carried out an EDP-based insurance management game during the career fair at the Bocconi school of economics in Milan.

#### Our employees work in the following areas:



**International careers** | Another consequence of our global presence is that we expect our staff to be mobile and intend to promote the transfer of know-how even more emphatically. Our international personnel and management exchange scheme aims to reach these goals. It helps to develop new relationship and expertise networks and to strengthen existing contacts. We made substantial progress in this context in the year under review.

- We want to administer and encourage our young management staff at Group level. We therefore introduced a uniform succession planning process all over the world in 2000. It is now easier for us to fill vacant key positions from an international pool. We can as a result offer young managers even more attractive career paths.
- The Allianz foreign assignment program in all its different forms is steadily being expanded. There are international project groups, short-term secondments, trainee programs as well as the classic foreign assignments lasting several years. The program is designed to promote the mutual exchange of staff between all the Group companies.



- The Allianz Management Talent Program, another entry scheme for young staff with high potential, was launched in 2000. It is geared to candidates interested in an international career right from the start.
- We want to offer our staff a transparent, international job market. From mid-2001 onwards, they can obtain information on all job vacancies available internationally. This means that internal applications from one country to another will be possible too.

**Allianz Management Institute** | The Allianz Management Institute (AMI) is designed to be a corporate university. It co-operates with highly respected business schools. Know-how transfer is not the only objective of the international AMI program. We also want to promote a joint business approach and strengthen our corporate identity throughout the Group. The international AMI events, in which the top managers participate, focus on Allianz' strategic objectives and their implementation in business operations (see starting on page 32 of this Annual Report).

Key human resources indicators	2000	1999
Employees	119,683	113,472
University graduates (proportion in %)	26.3	23.4
Part-time employees (proportion in %)	8.2	7.5
Age (average in years)	39.2	38.6
Average number of years with the company	10.9	11.0

**New media** | The Internet is becoming an increasingly important tool in human resources assignments.

- Online applications are possible at nearly all the big Allianz companies. The response to the international job market for German-speaking countries has been very good. It is now being expanded to become a global online program.
- We have been making interactive learning programs available for many years now. The Allianz Learning Network, an electronic platform for further training within the Group, was introduced in 2000.
- Many Group companies – Lloyd Adriatico and Allianz Canada, for example – carry out administrative human resources operations electronically. This eases management and staff workloads considerably. Fireman's Fund went online with a human resources portal in 2000, to which a service and call center is connected.

**Compensation and performance** | Total wages and salaries paid to our Group employees worldwide amounted to 4.8 (4.1) billion in 2000. 1.6 (1.3) billion euros were spent on social security contributions, pensions and other benefits for employees. Our compensation system aims to increase staff commitment to the maintenance and improvement of high Allianz corporate value. We made good progress in this area in fiscal 2000.

- The German program which enables employees to buy company shares was expanded to include ten more countries. They are Australia, Belgium, France, Great Britain, Ireland, Italy, the Netherlands, Portugal, Switzerland and Spain. The employees of our companies in these countries can now invest up to one twelfth of their annual salary in Allianz AG shares. They are granted a discount of up to 30 percent of the stock exchange price when they buy these shares. This program is to be extended to include more participants in the current year.
  
- The second Long-Term Incentive Plan has been introduced for the international top management. There is also a bonus system for local company management (see page 18 to 19 of this Annual Report for more details about these programs).

**Thank you!** | We would like to thank the employees of the individual Group companies as well as all the members of the employees' representative bodies for their hard work and dedication in fiscal 2000. Thanks to their commitment, the Allianz Group was able to make considerable progress in the implementation of its strategic objectives.

*We demonstrate our practical concern for the environment and aim to be included in the Dow Jones Sustainability Group index. Our environmental commitment relates to operating procedures, product design and risk services. The strongest position we have developed so far is in social environmental stewardship. The Allianz Environmental Protection Foundation has been setting highly regarded standards in this area for eleven years now.*

**Corporate environmental stewardship** | Our property and casualty insurance company in Germany operates an environmental management system that covers all the main material and energy cycles at the company. The system evaluates the efficiency of the measures we take to improve our environmental performance and identifies areas where there is room for improvement. Such issues as site, building and waste management are reviewed. CO<sub>2</sub> emission, energy and water consumption as well as travel to work and on business trips are also investigated. Hazardous materials are replaced by environmentally sound products wherever this is possible.

The environmental management system is being introduced in the German life and health insurance operations in 2001 as well. We are planning to apply it throughout the insurance group in due course. Allianz has the medium-term objective of being included in the Dow Jones Sustainability Group index. This index only accepts companies that are market leaders in sustained management. Assessment is made of economic, environmental and social performance to determine this. We are currently making intensive preparations for this rating process. The companies actively involved in the project are the German Allianz group, our insurance groups AGF in France and RAS in Italy as well as Fireman's Fund in the USA.

**Product environmental stewardship** | Our attitude towards the provision of insurance cover is that it is also a challenge to do more for the environment in co-operation with our customers. Because it is very much in our own interests for environmentally responsible safety technologies to be established on a large scale. We therefore supply products and risk services in Germany that help customers to solve problems and adopt sustained management principles. Two examples are environmental liability insurance and our soil protection advisory service. We provide corporate customers with information about environmentally beneficial building methods. If a roof needs to be replaced when damage has occurred, we pay a grant to encourage the installation of solar energy systems.

**Social environmental stewardship** | Since it was founded in 1990, the Allianz Environmental Protection Foundation has contributed almost 35 million euros to support more than 50 major projects and over 1,000 minor projects. This makes the foundation one of the largest private backers in the environmental protection field. Its aim is to increase awareness of the sustainability concept in all its different forms. Priority is given to financial aid for projects that are particularly innovative and encourage others to adopt similar approaches. The main areas in which the foundation operates are

- Nature conservation and protection of species,
- Optimization of water quality,
- Projects relating to green spaces in urban settings,
- Garden design and gardening culture and
- Environmental education.

What major projects did the Allianz Environmental Protection Foundation complete in 2000? The Fritz von Harck gardens in the center of Leipzig were redesigned and the Pleißemühlgraben was reopened. This has given the inner city area of the prominent business location in Saxony part of its history back. The Lustgarten gardens on the Museum Island in Berlin, which had been chosen as part of the World Cultural Heritage, were restored in accordance with the original plans and have been given a new lease on life as a result. The foundation also supports the project “Save Lange Anna”, which is located on the island of Helgoland. The stone landmark Lange Anna is in danger of collapsing and is now to be secured.

**Communication** | Allianz in Germany publishes an environmental report every two years. It will be appearing for the fourth time in July 2001 and is being compiled this time on the basis of a different concept. We intend to encourage greater environmental involvement and creativity by including reports about examples of what is being done for the environment at different locations. Anyone who is interested can obtain environmental report no. 4 from the corporate communications department, Königinstrasse 28, 80802 Munich. The Allianz Environmental Protection Foundation, Maria-Theresia-Strasse 4a, 81675 Munich, will be delighted to provide more detailed information about social environmental stewardship.

*Allianz is strongly committed to its role within society and for this reason founded the Allianz Cultural Foundation during the summer of 2000. Our foundation has a European base. The aim is not simply to make a contribution to public life. It is also intended to promote the cultural profile of the Allianz Group itself.*

The objective of the Allianz Cultural Foundation is to promote culture, education and art in a spirit of European integration. The focus is on involving young people. Matching its endowment to the Allianz Environment Foundation in 1990, Allianz has now provided the Cultural Foundation with an endowment of 51 million euros.

The infrastructure has been put in place during the year since foundation. The executive officers of the foundation have been appointed and the initial twelve projects have been set in train. We are interested in making a lasting impact. The initial projects make this intention crystal clear. Let's just take the example of the musical summer camp. This has fellows from many different countries and we are sponsoring the event in conjunction with "Jeunesses Musicales". Another project involving cooperation at European level relates to the program with the European Institute of Cinema in Karlsruhe. This should be a great success. The plan is to give graduates from European film schools the opportunity of cooperating with world-class directors.

We are interested less in supporting established art than in promoting innovation, both conceptually and financially. The Allianz Cultural Foundation intends to draw on the common European cultural heritage, in order to help develop it creatively.

*Research institutes are expecting lower economic growth in the current year, the extent of the slowdown depending very much on developments in the US. This forecast in itself will not yet have any direct impact on the insurance business.*

What will play a much more crucial role in determining how our sales and earnings in property and casualty insurance develop is whether necessary price increases can be made. As far as life and health insurance is concerned, on the other hand, the main issue in Germany above all will be the legal changes that are made to reform private provision for retirement needs.

The following figures are based on the exchange rates in fiscal year 2000. The effects of our takeover of Dresdner Bank announced in April are not taken into account (see following pages).

We have set ourselves the goal of increasing total premium income by a good 5 percent to 72 billion euros by the end of 2001. We estimate that internal growth will account for approximately 4 percent of this. Zwolsche Algemeene in the Netherlands (which is being consolidated for the first time) and the business in Australia acquired from HIH are to contribute 1 billion euros to the increase in sales.

On the basis of the net income for the year (adjusted for special tax factors) of 2.4 billion euros, we are aiming to increase earnings by a further 13 percent approximately in 2001. By setting this objective, we are continuing our long-term strategy of growing profitably every year.

The acquisition of the asset manager Nicholas Applegate was completed on January 31, 2001. The company has its headquarters in San Diego and managed investments amounting to 38 billion euros for outside investors at the end of 2000, most of which originated from institutional investors.

International industrial business is being realigned in the current fiscal year. The aim is to reserve the unsatisfactory earnings performance in recent years and turn global industrial risk around. In future, Allianz Global Risks will control this insurance business centrally. The new unit will be managed by an international executive management with full responsibility for earnings. Operations will start up from January 1, 2002.

At the beginning of this year, we decided to discontinue business operations in the difficult Danish property and casualty insurance market. The company there – Allianz Nordeuropa – with a premium volume of 40 million euros has been sold with backdated effect to January 1, 2001. This divestment was preceded in 2000 by the withdrawal from a large proportion of our South African business.

**Take-over offer to the shareholders of Dresdner Bank AG** | On April 1, 2001 we announced that we would be submitting a take-over offer to the shareholders of Dresdner Bank. The Dresdner Bank AG Board of Management and Supervisory Board recommend that this offer be accepted.

#### **Strategic objectives**

- On the basis of the take-over offer, both companies intend to position themselves more strongly in the growing market for private and corporate provision for retirement needs. It is only possible to maintain individual living standards after retirement by means of long-term savings schemes. By joining forces we will be able to satisfy the increasing demand for shares, funds and life insurance more effectively.
- We will provide our customers with a wide range of advisory services, products and distribution channels in the future. Customers will be able to choose the access route that best meets their particular individual requirements according to the multichannel sales strategy that is being adopted. The mobile field sales force (agents), the stationary sales organization (bank branches) and the financial planners, in combination with the direct bank, are available for this purpose. All the sales channels will be accessible not only physically via direct contact with staff but also electronically via telephone and the Internet.
- The asset management business operations will be expanded. The volume of the joint assets under management, the variety of different investment styles available, the number of first-class products and the stronger regional presence add up to better investment opportunities and efficient management of funds for our customers and the new corporate group.
- Together we can take advantage of access to a considerably broader customer base. The increasingly sophisticated demands made by customers for risk protection, investment, financing and services will be satisfied by the provision of co-ordinated advice. As a result, products of a new quality will be supplied to the more than 20 million private Allianz and Dresdner Bank customers and the thousands of corporate customers in small, medium and large enterprises.



- The excess capital available at Allianz AG will be reduced by the offer and will be invested in core areas of the company's business. Alongside the take-over of Dresdner Bank, the acquisition of approximately 40 percent of the shares in Allianz Lebensversicherungs-AG from Münchener Rückversicherungs-Gesellschaft AG in 2002 will also enable us to strengthen our involvement in the attractive retirement provision market.
- The transactions announced will allow us to reduce mutual shareholdings and to increase the Allianz AG free float. This will create greater transparency by clarifying the competitive position. The larger percentage of shares accounted for by the free float will have a positive effect on the weighting of Allianz AG in stock market indexes.
- What appears at first glance to be a complex transaction structure will allow the operation to be completed in a tax-efficient way while also enabling large blocks of shares in HypoVereinsbank, Münchener Rück and Allianz to be reallocated without straining the capital market.

#### **Transaction structure**

A detailed description of the transaction structure can be found in the offer documentation, which will be published on May 31, 2001.

The transaction structure for the take-over of Dresdner Bank by Allianz involves two offers:

- One of them is the offer made by Allianz Bankbeteiligungs GmbH (Allianz Bankbeteiligung) to the shareholders of Dresdner Bank to take over Dresdner Bank ("Allianz take-over offer");
- The other one is the offer by DAD Transaktionsgesellschaft mbH (DAD) to acquire Allianz shares that is linked to this take-over offer and is also being made to the Dresdner Bank shareholders.

Allianz Bankbeteiligung is making a public offer to the shareholders of Dresdner Bank to buy their Dresdner Bank shares for a price of 53.13 euros per share.

DAD is making the following offer to the Dresdner Bank shareholders: they assign some of the proceeds of the sale of every ten Dresdner Bank shares – 331.30 euros of 531.30 euros – and receive one Allianz share in return ("parallel offer", hereinafter referred to with the Allianz take-over bid – as "the offers").

The Allianz take-over offer and the parallel offer can only be jointly accepted, for the aim of the company's concept is not only to take over Dresdner Bank but also to reduce mutual shareholdings between Allianz, Dresdner Bank, Münchener Rück and HypoVereinsbank. Another objective is to increase the Allianz share free float.

If the shareholders of Dresdner Bank accept these offers, they will receive the following from the sale of every ten Dresdner Bank shares

- a cash payment of 200 euros from Allianz Bankbeteiligung and
- one Allianz share from DAD.

DAD is a company which has the sole purpose of submitting the parallel offer. It is independent of Allianz.

DAD is obtaining the Allianz shares that have to be supplied to the Dresdner Bank shareholders in two different ways: firstly, via security loan agreements that are backed by forward buying contracts; secondly, via a capital increase in kind at Allianz AG.

Up to 19,972,339 Allianz shares will be made available in the context of this capital increase in kind – depending on the level of acceptance of the offers. DAD will assign 330.25 euros to Allianz per Allianz share issued as a contribution in kind. This amount comes from the claim that the Dresdner Bank shareholders have assigned in connection with their acceptance of the Allianz take-over offer, in order to obtain one Allianz share from DAD as a result.

The shareholders' equity at Allianz is being increased by the capital increase in kind. This capital increase is to be reduced gradually. Allianz therefore intends to acquire and withdraw a proportion of the Allianz shares held indirectly by Dresdner Bank in return for compensation of their value. These are the Allianz shares held by Dresdner Bank that are not being placed by DAD in the course of this transaction. It is also planned to buy back up to 8.6 million Allianz shares on the stock market in the context of a share buy-back program and to withdraw these shares as well.

**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 or 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 Allianz AG'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 our pending acquisition of Dresdner Bank, including related integration issues and (xii) general competitive factors, in each case on a local, regional, national and/or global basis. 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.

The Offers are not being made, directly or indirectly, in or into the United States, Canada, Australia or Japan and they will not be permitted to be accepted in or from the United States, Canada, Australia or Japan. Accordingly, no offer will be made for American Depositary Shares of Dresdner Bank.

The Allianz Shares offered hereby, as well as the Dresdner Bank Shares tendered into the Allianz Tender Offer (as defined in Section I of the Offer Document) that are traded on the Frankfurt Stock Exchange in packages of 10 (ten) Dresdner Bank Shares and the amount of Euro 331.30 assigned to DAD in the Parallel Tender Offer (as defined in Section I of the Offer Document) for every 10 (ten) Dresdner Bank Shares tendered into the Allianz Tender Offer by a Dresdner Bank Shareholder, have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), nor under the laws of any state of the United States, and may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration requirements of the US Securities Act.

Shareholders of Dresdner Bank outside of the Federal Republic of Germany who wish to accept the Offers should first read Section IV. 16 of the Offer Document which contains important information for them.

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The specialist accounting terms explained on these pages are intended to help the reader understand this Annual Report. Most of the terms are from the balance sheet or income statement. Specialist terminology relating to particular lines of insurance business has not been included.

You will find a comprehensive explanation of accounting terminology in the glossary on pages 72 – 77 of the Consolidated Financial Statements 2000

**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 concept of control. This is possible, for example, where the Group parent 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.

**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 those 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.

**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.

**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. securities, currencies, interest rate products or indices). Options, futures, forwards and swaps are important examples of derivative financial instruments.

**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 at the date of acquisition.

**Equity method** | Investments in joint ventures and associated enterprises are accounted for by this method. They are valued at the Group's proportionate share of the net assets (= shareholders' equity) of the enterprises concerned. In the case of investments in enterprises 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 enterprise's net assets, a proportionate share of the enterprise'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.

**Funds held by/for others under reinsurance contracts** | Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

**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.

**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 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) signifies the net result from 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 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 (a call option) or sell (a 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.

**Other securities** |

1. Held to maturity
2. Available for sale
3. Trading

1. 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.

2. 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.

3. Trading securities comprise all fixed and variable income securities which have been acquired solely for sale in the near term. They are shown in the balance sheet at their market value on the balance sheet date. Changes in market value are credited or charged to income.

**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.

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

**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 rate payments for variable rate payments in the same currency).

**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.

**US GAAP** | American 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

Fax to +49 89.38 00 28 40, Ms Cummins

## Your Opinion

Dear Readers,

We have revised the structure and appearance of our Annual Report to make it easier for you to read. Now we are interested in learning whether you think we have done a good job. To give us some ideas about how we can do even better in the future, we would be grateful if you told us your views and indicated what subjects interest you most. It goes without saying that we will pay the postage if you reply by letter.

- The report is structured with the reader in mind, i.e. the contents can be found quickly and easily.

True ●                      Partly true ●                      Hardly true at all ●

- I liked the "Magazine".

Yes ●                                      No ●

- I think it is a good idea to divide the Report up into "fiscal year" and "consolidated financial statements"

Yes ●                                      No ●

I would like to read more about the following subjects in the "Magazine" section of the Annual Report 2001:

.....  
.....  
.....

## Updating Our Distribution List

In order to operate efficiently for the benefit of our shareholders, to avoid unnecessary printing and distribution costs for the Annual Report, and to demonstrate our practical concern for the environment at the same time, it is important for us to update our distribution list from time to time. We will only be sending you a copy of the Annual Report automatically next year if you tell us your name and current address.

You can fax us this page (+49 89-3800 2840) or send it to us by mail in an unstamped envelope on which you should write "Postage will be paid by recipient". You can also inform us by e-mail instead; the address is [gballianz@biering.de](mailto:gballianz@biering.de).

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# Summary of Recent Years

Allianz Group		2000	1999	1998	1997	1996	1995	1994	1993
Total sales	€ bn	68.7	60.6	51.0	41.9	38.1	36.0	33.8	33.5
Gross premium income	€ bn	57.9	53.8	46.2	38.6	38.1	36.0	33.8	33.5
Benefits paid to customers	€ bn	51.7	48.3	40.0	32.9	33.3	31.9	28.1	29.7
Pretax result	€ mn	4,913	4,804	4,910	3,958	2,129	1,556	1,158	1,031
Taxes	€ mn	176	1,513	1,920	1,783	985	523	475	286
Net income	€ mn	3,460	2,317	2,176	1,706	1,144	1,033	683	745
Assets under management	€ bn	713.3	381.5	343.2	243.5	176.0	144.2	126.7	117.8
Shareholders' equity	€ bn	35.6	29.7	25.1	19.4	7.9	7.2	6.5	6.1
Insurance provisions	€ bn	284.8	268.1	237.7	173.9	134.3	124.2	108.3	101.2
Employees		119,683	113,472	105,676	76,951	65,836	69,236	67,785	69,859
Earnings per share	€	14.10	9.46	8.97	7.30	4.65	4.38	2.89	2.0
Dividend per share (excluding tax credit)	€	1.50	1.25	1.12	0.97	0.87	0.82	0.77	0.7
Dividend payment	€ mn	369	307	276	224	199	185	160	150
Market capitalisation on 12/31	€ bn	98.0	81.8	77.6	54.8	32.5	32.6	26.1	28.9

IAS figures from 1997 onwards; HGB figures beforehand

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