

Annual Report 1999



Make the Most of Time

Allianz Group		1999	Change from previous year in %	1998	Change from previous year in %	1997	More on page
Gross premium income	bn	53.8	16.4	46.2	19.6	38.6	12
Benefits paid to customers	bn	46.9	17.4	40.0	21.5	32.9	146
Pretax result	mn	4,350	6.5	4,085	25.3	3,259	44
Tax	mn	1,311	-14.2	1,528	6.1	1,439	147
Minority interests in earnings	mn	806	9.1	739	69.3	436	
Net earnings	mn	2,233	22.8	1,819	31.5	1,384	45
Assets Under Management	bn	384.2	12.0	343.2	41.0	243.5	86
Stockholders' equity	bn	28.8	29.5	22.2	30.4	17.1	136
Insurance reserves	bn	241.6	11.4	216.8	38.5	156.5	138
Employees		113,584	7.5	105,676	37.3	76,951	100
 Allianz Share		 1999	 Change from previous year in %	 1998	 Change from previous year in %	 1997	 More on page
Earnings per share		9.11	21.5	7.50	26.8	5.92	150
Dividend per share		1.25	11.1	1.12	15.8	0.97	49
Dividend payout	mn	307	11.3	276	23.1	224	
Allianz share price on 12/31/1999		334	5.5	317	33.1	238	22
Market capitalization of Allianz on 12/31/1999	bn	81.8	5.5	77.6	41.6	54.8	22

A. M. Best and Standard & Poor's awarded the Allianz Group with their respective best possible ratings A++ and AAA.

Annual Report 1999

“Gather ye rosebuds while ye may” – make the most of time! This Annual Report takes up the subject of dreams and their realization. When can we live out our dreams, if not during retirement?“ This time is ripe, the time is there.

This is why private provision and investment are gaining in importance. Life insurance and asset management are core activities of the Allianz Group. These two segments are poised on the brink of massive growth because state pension systems are going into financial crisis across the globe.

Everyone should protect themselves against the consequences of this development. But of course there is nothing to stop you making preparations earlier to give you the freedom to realize your dreams. Our special feature starting on page 30 will provide you with more information.

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BOARD OF MANAGEMENT

Dr. Henning Schulte-Noelle
Chairman

Dr. Paul Achleitner
Chief Financial Officer
since January 1, 2000

Dr. Diethart Breipohl
Chief Financial Officer
until December 31, 1999

Detlev Bremkamp
Europe, Reinsurance,
ART

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

Dr. Joachim Faber
Asset Management
and Other Financial Services,
since January 1, 2000

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



Dear Shareholder,

Living up to its proud accomplishments in earlier decades, Allianz was extraordinarily successful in the 1990's. We were able to expand our business, as evidenced by the fact that sales revenue increased at an average rate of 14 percent per year, without sacrificing our strict commitment to profitability: net income increased by an average of 23 percent per year, and earnings per share by 20 percent. In 1999 as well, the subject of this annual report, the Group continued its tradition of success in the 1990's by achieving double-digit growth in sales and earnings.

Viewed from a long-term perspective, we can see that our business strategy of profitable growth has been the right one. This strategy has benefited our customers, employees and the community at large. Above all, however, it has benefited you, our investors, as evidenced by the fact that the

shareholder value of the company has risen to almost 82 billion euros.

In the new decade that is just beginning, we will remain committed to the goal of profitable growth, as there is no more effective recipe for enhancing the value of our company over the medium to long term. As we strive in this direction, we will adhere to the proven principles of success outlined below.

Professional employees. In this, the age of the burgeoning information and knowledge society, we must continue to invest in building the qualifications of our employees. It is they who have continually brought success to our company. For their work in the last years, and especially in 1999, I wish to extend my heart-felt thanks. In the 21st century, as in the 20th, our employees, agents and cooperation partners are without a doubt the most valuable capital we have. Without their commitment and devotion to the shared cause, we would not be able to set such ambitious goals for the coming years.

Decentralized management. This principle has proven itself many times over in a wide range of important business situations. Over the last eight years, we have acquired and successfully integrated eleven large-scale companies. The process of integrating these new companies was met with broad acceptance and the acquisitions have exerted a positive influence on earnings; these successes are also due to our decentralized management approach. In 1999, in fact, we faced perhaps the most difficult test in this respect, the integration of the AGF Group into the Allianz group of companies.

Another important test in 1999 was the agreement that we reached with the management of the U.S. asset management company PIMCO to acquire a majority of its stock. For Allianz and PIMCO, the agreed transaction will enable us to assume a leading place in the top league of global asset managers together.

Global orientation. We are active in 70 countries and serve more than 60 million customers around the world. Only 20 years ago, we generated 88 percent of our sales in Germany. That was yesterday. Today, almost 60 percent of our sales are generated in markets outside of Germany. By founding new companies, entering into cooperative agreements and making acquisitions, we will continue in the future to bolster our presence in significant growth markets and create additional value-added in these enterprises and ventures as well.

In other words, worldwide insurance and asset management is a business that is still only at the beginning of its development, and the end is not in sight. Our business harbors numerous diverse possibilities for profitable growth. Millions of customers need financial security and services in all stages and situations of life, whether old age or illness or to recover from personal injury and property losses. Millions of customers want to accumulate assets with the support of a competent, reliable partner.

We are very well prepared to meet this demand. Also, we have the necessary resources to finance further expansion in our core business sectors. If the tax reform plans of the German government are indeed enacted, we will be able to more actively manage our portfolio of investments, thereby freeing up capital for investing in our core

business sectors of insurance, financial security planning and capital accumulation. It would offer us greater leeway to restructure our investments with an eye to enhancing performance and increasing value. The recently announced joint declaration of intent with Münchener Rück underscores our commitment to these goals.

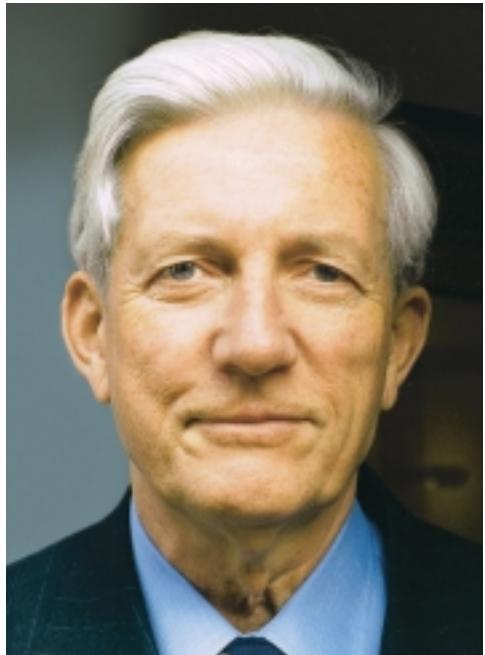
All this would serve the interest of our customers and shareholders, and ultimately benefit the entire economy by optimizing the allocation of economic resources. Therefore, we will continue to contribute to the necessary restructuring and reorganization of the economy and will not be daunted by setbacks such as the recent failure of the planned bank merger.

We also want to achieve profitable growth through service improvements. We have assigned a very high priority to exploiting the possibilities of e-commerce. The potential for optimizing work processes and service capabilities inherent in this medium harbors immense opportunities for our business in particular.

No matter what plans we are pursuing, we always keep in mind the overriding goal that we are meant to serve: creating added value for you, the shareholders. I am confident that Allianz, your company, will not disappoint you in the future. I sincerely hope that you will continue to stand by your company.

Sincerely,

Dr. Henning Schulte-Noelle



We continually monitored the Board of Management's conduct of the Company's affairs in accordance with our responsibilities under the law and the Company's statutes. The Supervisory Board held four regular meetings in 1999. Between these meetings, we were continually informed of the current business situation by means of regular discussions with and written reports from the Board of Management.

Detailed reports regarding the development of the Allianz Group, Allianz AG and its major affiliates in Germany and abroad were submitted to the Supervisory Board. We requested and received extensive information on the Company's business plans for the fiscal year 2000.

We devoted particular attention to the actions of the Board of Management related to the aim of developing the asset management business into the Company's third core business sector. In this regard, we intensively examined the acquisition of a majority

holding in the U.S. asset management firm PIMCO Advisors L.P. This acquisition lifted Allianz to the ranks of the world's leading asset managers.

An extraordinary meeting on March 16, 2000 addressed an agreement in principle between Deutsche Bank, Dresdner Bank and Allianz. The intention was for Allianz to reduce its holdings in the two banks in conjunction with their planned merger and for Allianz to acquire certain activities from the merged bank. This plan was not carried out because Deutsche Bank and Dresdner Bank discontinued their merger negotiations.

We requested and received continual reports from the Board of Management on the talks being held on the issue of compensation for prewar policies that were not paid out as a result of Nazi persecution. We welcome the accession of the domestic and foreign Allianz companies to the German Industry Foundation Initiative and their cooperation with the International Commission.

We were continually informed about the preparations for the millennium changeover. The date conversion gave rise to no significant problems, neither in the companies of the Allianz Group nor among our customers.

The Supervisory Board also devoted its attention to the issue of risk analysis and capital allocation in the Allianz Group. We examined reports concerning the development of the Allianz Group in South America and in the health insurance sector. The Supervisory Board also deliberated on the initial plan of the German federal government, later rejected, to tax capital-sum life insurance policies.

The Supervisory Board formed the Standing Committee, the Executive Committee and the Mediation Committee required under the German Codetermination Law from among its own members. The Standing Committee held three meetings in 1999, devoted mainly to the capital measures of the Company and other plans requiring the consent of the Supervisory Board. The Executive Committee, which is responsible for monitoring personnel-related matters, met three times in 1999. There was no need for the Mediation Committee to meet.

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Allianz AG and the consolidated financial statements of the Group as of December 31, 1999, as well as the management reports of Allianz AG and the Group, and provided them both with an unqualified auditor's opinion.

The reports of KPMG on its audit of the annual financial statements of Allianz AG and the Group were distributed to all members of the Supervisory Board and discussed extensively in the presence of the independent auditors at the meeting of the Supervisory Board held for this purpose on May 18, 2000. Based on our own examination of the documents submitted by the Board of Management and the independent auditors, we have no objections and concur with the findings of the audit by KPMG. We agree with the Board of Management's recommendation for the appropriation of net earnings. The Supervisory Board has approved the annual financial statements prepared by the Board of Management, which are therefore adopted.

Mr. Alfred Mackert resigned from the Supervisory Board on January 31, 2000. Mr. Jörg

Thau, the replacement member elected by the employees, assumed his place on the Supervisory Board. Mr. Bernd Pischetsrieder resigned from the Supervisory Board as of February 29, 2000. Dr. Diethart Breipohl was appointed by the court to replace him on the Supervisory Board.

Dr. Breipohl, the board member responsible for finance for over eight years, retired at his own request as of December 31, 1999. The former area of responsibility of Dr. Breipohl was divided into two new Board of Management posts. Responsibility for the post of „Finance“ was assumed by Dr. Paul Achleitner, who was appointed to the Board of Management of Allianz AG as of January 1, 2000. Responsibility for the new post of „Asset Management and Other Financial Services“ was assumed by Dr. Joachim Faber, who was also appointed to the Board of Management as a regular member with effect as of January 1, 2000.

Dr. Helmut Perlet and Mr. Michael Diekmann, formerly alternate members of the Board of Management, were appointed to the Board as regular members.

We have thanked the departing members of the Supervisory Board and the Board of Management for their contributions.

Munich, May 18, 2000

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

Dr. Diethart Breipohl
 Former member of the
 Board of Management
 Allianz Aktiengesellschaft
 since March 10, 2000

Norbert Blix
 Salaried employee
 Allianz Versicherungs-AG

Klaus Carlin
 Trade union secretary
 Commerce, Bank and Insurance
 Workers' Union (HBV)

Bertrand Collomb
 Président Directeur Générale Lafarge

Renate Daniel-Hauser
 Branch Manager
 Allianz Versicherungs-AG
 until February 24, 1999

Jürgen Dormann
 Chairman of the Board of Management
 Aventiss.A.

Professor Dr. Rudolf Hickel
 Commerce, Bank and Insurance
 Workers' Union (HBV)
 since January 9, 1999

Reiner Lembke
 Salaried employee
 Allianz Versicherungs-AG
 since February 25, 1999

Frank Ley
 Salaried employee
 Allianz Lebensversicherungs-AG

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

Bernd Pischetsrieder
 Member of the
 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



Paul Achleitner
Allianz AG, Munich



Gerd-Uwe Baden
ELVIA Versicherungen,
Zurich



Dominique Bazy
AGF, France



Detlev Bremkamp
Allianz AG, Munich



Michael Diekmann
Allianz AG, Munich



Joachim Faber
Allianz AG, Munich



Reiner Hagemann
Allianz AG, Munich



Herbert Hansmeyer
Allianz AG, Munich



Alexander Hoyos
Allianz Elementar
Versicherungs-AG, Vienna



**Antoine
Jeancourt-Galignani**
AGF, France



Angelo Marchiò
RAS, Milano



Bob MacDonald
Allianz Life Insurance, USA



Helmut Perlet
Allianz AG, Munich



Gerhard Rupprecht
Allianz AG, Munich



Joe L. Stinnette
Fireman's Fund, USA



**Vicente
Tardio Barutel**
Allianz Compañía de
Seguros y Reaseguros,
S.A., Madrid



**William Raymond
Treen**
Cornhill Insurance,
London

Allianz is one of the leading global insurance companies.

There is an Allianz contact for our clients in 70 countries.

Stability, service and expertise in our Group is based on the commitment of employees numbering 114,000 worldwide.

EUROPE (excluding Germany)

Austria

- Allianz Elementar Versicherung-AG
- Allianz Elementar Lebensversicherung-AG

Belgium

- AGF Belgium Insurance

Croatia

- Allianz Zagreb d.d.

Czech Republic

- Allianz pojist'ovna, a.s.

Denmark

- Allianz Nordeuropa Forsikringsaktieselskabet
- Domus-Forsikringsaktieselskabet

France

- Assurances Générales de France
- Assurances Générales de France Iart
- Les Assurances Fédérales IARD
- Euler
- Assurances Générales de France Vie

Great Britain

- Cornhill Insurance PLC

Greece

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

Hungary

- Hungária Biztosító Rt

Ireland

- Allianz Re Dublin Ltd.
- Allianz Irish Life

Italy

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

Luxemburg

- International Reinsurance Company S.A.

Netherlands

- Royal Nederland Schade
- Royal Nederland Leven
- Allianz Nederland N.V.
- London et Lancashire

Poland

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

Portugal

- Companhia de Seguros Allianz Portugal S.A.

Russian Federation

- Ost-West Allianz Insurance Company

Slovakia

- Allianz poist'ovna, a.s.

Spain

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

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)
- ELVIA Reiseversicherungs-Gesellschaft
- Elmonda

Turkey

- Koç Allianz Hayat Sigorta T.A.Ş.
- Koç Allianz Sigorta T.A.Ş.

GERMANY

- Allianz Versicherungs-AG
- Frankfurter Versicherungs-AG
- Bayerische Versicherungsbank AG
- Allianz Globus Marine Versicherungs-AG
- Vereinte Versicherung AG
- Vereinte Rechtsschutzversicherung AG
- Hermes Kreditversicherungs-AG
- Allianz Lebensversicherungs-AG
- Deutsche Lebensversicherungs-AG
- Vereinte Lebensversicherung AG
- Vereinte Krankenversicherung AG

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
- Trafalgar Insurance Company of Canada

Chile

- Allianz Compañía de Seguros S.A.
- Consorcio Allianz de Seguros Generales S.A.
- Consorcio General de Seguros Vida

Columbia

- Colseguros Generales Colombia
- Colseguros Vida Colombia

Mexico

- Allianz México S.A. Compañía de Seguros

USA

- Fireman's Fund Insurance Company
- Allianz Insurance Company
- Jefferson Insurance Company of N.Y.
- Allianz Life Insurance Company of North America

Venezuela

- Adriática de Seguros C.A.

Selected

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



AUSTRALIA

- Allianz Australia Limited

AFRICA

- Egypt
- Arab International Insurance Company

Namibia

- Allianz Insurance of Namibia Ltd.

South Africa

- Allianz Insurance Ltd.

ASIA

- Brunei
- National Insurance Company Berhard

Hong Kong

- Allianz Insurance (Hong Kong) Limited

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 Life
- Malaysia British Assurance Non-Life

Philippines

- Pioneer Allianz Life Insurance Corporation

Singapore

- Allianz Insurance Company of Singapore Pte. Ltd.

South Korea

- Allianz First Life Insurance Co. Ltd.
- France Life

Taiwan

- Allianz President General Insurance
- Allianz President Life Insurance

Thailand

- The Navakij Insurance Public Company, Ltd.

United Arab Emirates

- Allianz Versicherungs-AG (Dubai Branch)

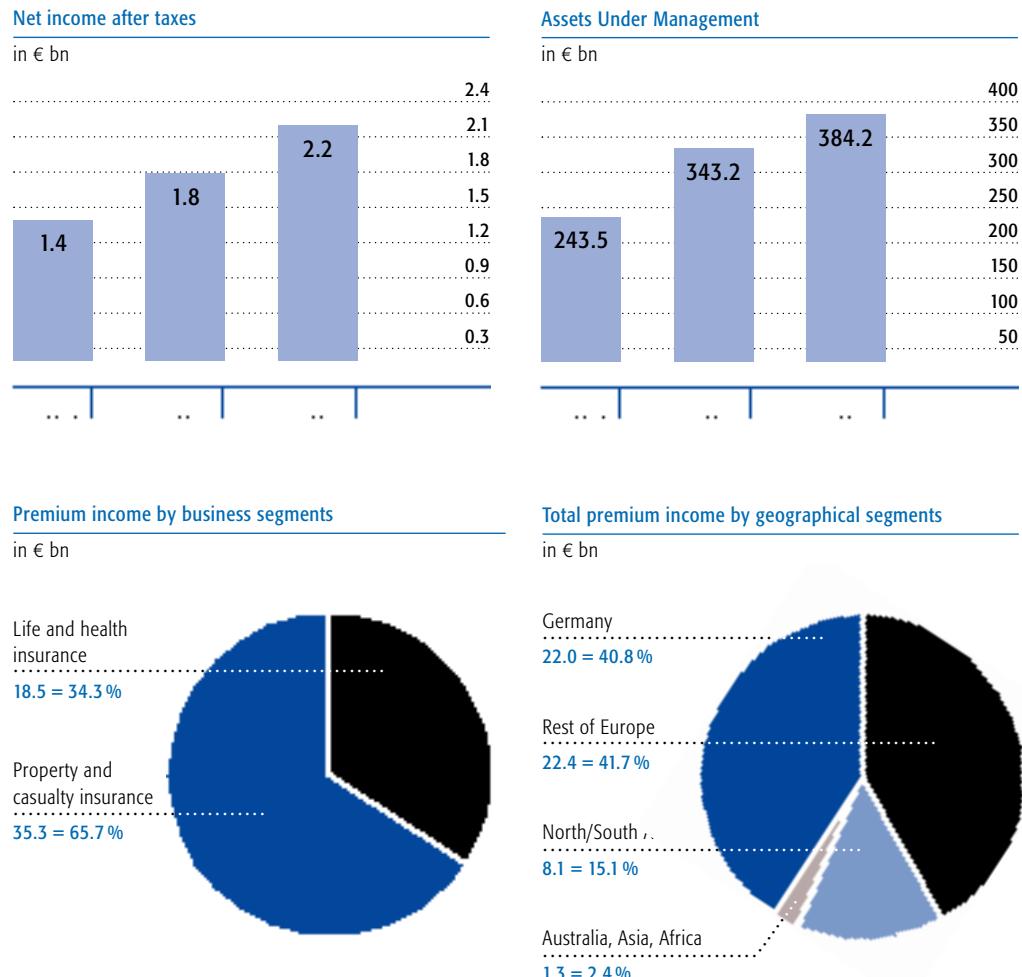
The Allianz Group reported a strong increase in sales and earnings in 1999. Premium income went up by 16.4 percent to 53.8 billion euros. Net income was up by 22.8 percent in 1999 to 2.2 billion euros. Earnings per share came out at 9.11 euros. The Group's exceptionally strong capital base and financial standing are underpinned by shareholders' equity of 28.8 billion euros. The current market value of assets under management at the end of the year was 384 billion euros. This makes us one of the world's leading asset managers, even without the acquisition of US asset manager PIMCO, which is not yet included here.

82.5 percent (1998: 85.4 percent) of our total premium income of 53.8 billion euros in the year under review was written in Europe. First-time consolidation of our companies in Australia and South Korea increased the proportion of income generated in Asia, Africa and Australia to 2.4 percent (1998: 0.6 percent). Almost two thirds of the total came from property and casualty business.

Total earnings before tax and amortization of goodwill rose by 0.5 billion euros or 11.6 percent to 4.8 billion euros. After deducting increased amortization of goodwill, minority interests in earnings and taxes (which decreased due to tax changes), net income for the year was 2.2 billion euros.

Consolidated Income Statement

Abridged	1998 € bn	1999 € bn
Premiums written	46.2	53.8
Premiums earned (net)	39.8	46.2
Net investment income	14.3	18.4
Benefits paid to customers	40.0	46.9
Underwriting costs	9.0	10.7
Amortization of goodwill	0.3	0.5
Pre-tax profit	4.1	4.3
Taxes	1.5	1.3
Minority interests	0.7	0.8
Net income	1.8	2.2
Earnings per share in €	7.50	9.11



Consolidated Balance Sheet

Abridged

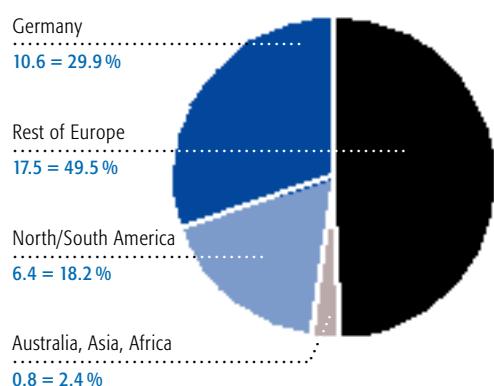
ASSETS	1998	1999
	€ bn	€ bn
Intangible assets	3.9	6.6
Investments	271.3	301.1
Investments held on account and at risk of life insurance policy holders	15.7	19.1
Receivables	32.0	31.9
Deferred acquisition costs	9.2	9.2
Other assets	10.6	14.9
Total assets	342.7	382.8

LIABILITIES	1998	1999
	€ bn	€ bn
Shareholders' equity	22.2	28.8
Minority interests in shareholders' equity	12.0	12.2
Participation certificates and post-ranking liabilities	1.2	0.9
Insurance reserves	216.8	241.6
Insurance reserves for life insurance where the investment risk is carried by policyholders	15.7	19.1
Other accrued liabilities	6.7	6.8
Bonds and loans payable	10.8	12.6
Other liabilities	37.3	39.3
Other liability headings	20.0	21.5
Total equity and liabilities	342.7	382.8

Premiums written in property and casualty business were up by 16.7 percent to € 36.0 billion, with 79.5 percent written in Europe (1998: 82.7 percent). Net income for the year in this business segment climbed by € 0.4 billion to 1.9 billion.

Gross premiums written in property and casualty insurance by geographical segments

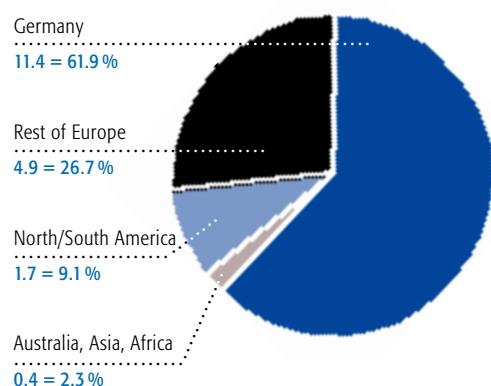
in € bn



Gross premiums written in life and health insurance increased by 16.3 percent to € 18.5 billion. We also had income of € 6.8 billion from products sold mainly as investments. Almost 90 percent of the premiums were written in Europe. Net income in this segment underwent a slight increase to € 413 million (1998: 403 million).

Gross premiums written in life and health insurance by geographical segments

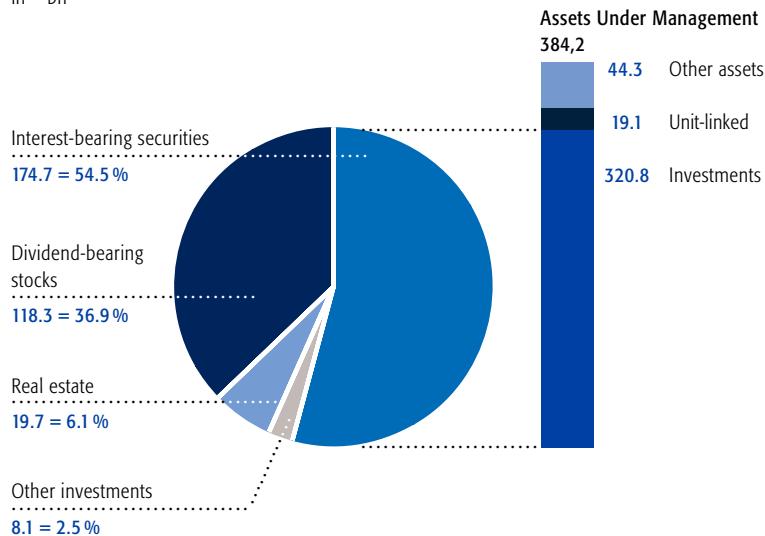
in € bn



The current market values of our assets under management totalled 384 billion – 42 billion more than at the end of the previous year. The figure 384 billion includes 30 million under management for private and institutional clients. Net income from this business segment was 53 million (1998: 20 million).

Assets under Management

in bn





I have been writing this book all my life. I worked it out
a long time ago and carried it around in my head since then.
I just never wrote it. Now that time has come.



Our strategy. Allianz stands for profitable growth. In the year under review we increased the earnings per share by 21.5 percent. To guide our strategic development, we have set five goals for ourselves. The acquisition of PIMCO, the widely acclaimed fund management company, in 1999 represented a major step in the direction of realizing our ambitions in the business of asset management. Working together, we can tap the full potential of this fast-growing market and thereby permanently enhance the value of our company.

In the following, we present our strategic goals and highlight those business segments in which we have made particularly strong progress in 1999 towards achieving these goals.

We want to be among the five leading providers in the most important markets of the world or play a dominant role in specialty markets.

In the 13 European markets in which we are active, we have already achieved this goal. The successful integration of the AGF Group, now nearly complete, represented a major step in the direction of realizing this goal in 1999. We quietly reorganized our business structures to reflect the realities of the new Group dimension. In terms of efficiency, sales potential and motivation of local management and employees, we have since completed our preparations and are now ready to devote our undivided attention to growing our business and building shareholder value in our home market of Europe.

With the merger of the AGF company Mondial Assistance and the ELVIA Travel Insurance Group in 1999 to create Elmonda, the world's leading provider of assistance services of all kinds, we effectively combined our forces in the fast-growing specialty market for such services.

Our credit insurance companies Euler and Hermes are forming a joint venture in the London market. Both these companies are the market leaders in their home markets of France and Germany, respectively; the combined value of their portfolios makes them the world's top-ranking credit insurer.

We intend rapidly to increase the volume of our life and health insurance business.

In the United States of America, we bolstered our position in the business of personal insurance with the acquisition of all the outstanding shares of LifeUSA. This company's product portfolio ideally complements the service offering of Allianz Life. Together, our companies dispose of a wide-ranging sales network that will make it possible for us to offer the products of both companies coast to coast in the United States. A further advantage of the merger lies in the circumstance that both companies have their headquarters in Minneapolis, opening up the prospect of additional efficiency gains. Allianz Life and LifeUSA are under the leadership of a single management team.

In collaboration with the Center of Competence of Vereinte Krankenversicherung AG, we continued to expand our international health insurance business. In Ireland, we founded Allianz Worldwide Care, Ltd., which we intend to develop into a leading provider of so-called expatriate health insurance products, an attractive niche business with high growth potential. These products are tailored to the needs of employees working on assignment for their companies outside their native country.

We want to position ourselves in the emerging markets as a leading foreign insurer.

We made excellent progress in the Asia-Pacific region in 1999. In South Korea, the world's sixth-largest life insurance market, we acquired Allianz First Life, the fourth-biggest provider in this business segment. We are currently in the process of adapting this company to western corporate structures and we intend to reorganize the sales organization as well. On the strength of a completely revamped product portfolio and the new sales cooperation with Hana Bank, we intend to tap new groups of customers and further increase our penetration of this market.

In Taiwan, we acquired a 50 percent interest in the companies Allianz President and Allianz President Life. We also started offering health insurance in the Philippines and Singapore.

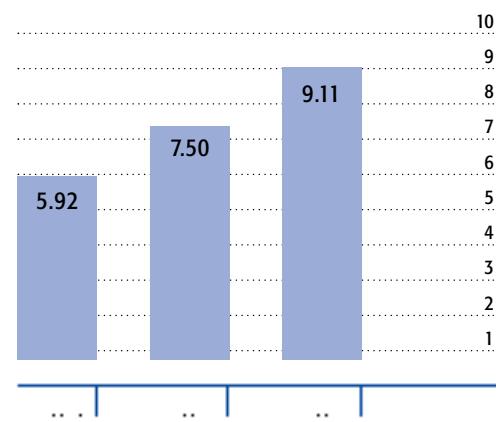
In the Czech Republic we built up automobile liability insurance from a standing start to a market share of around 15 percent.

We want to attain the top-ranking position in the business of international industrial insurance.

And yet we measure our progress towards this goal not on the basis of business volume, but rather on qualitative criteria such as customer satisfaction and profitability. Having introduced more homogeneity to our business lines in 1999, we are now in a position to adapt our products and services to better meet the needs of customers and respond even more quickly to changing conditions.

Earnings per share

in €



Market capitalization

in billions €



The marine, aviation and transport business (abbreviated MAT) was separated from the corporate customers divisions of the German property and casualty insurance companies and transferred to the company Allianz Globus MAT, modeled on the example of our French affiliate AGF M.A.T. The specialized international expertise, the cumulative underwriting capacity and the coordination of reinsurance activities within the MAT business will be consolidated under the roof of a holding company, which will direct our worldwide activities from its base in the London market as of the year 2001.

We intend to develop asset management into a new core business.

With the acquisition of PIMCO, we made substantial progress in the direction of realizing our ambitious goals in the business of asset management. The acquisition instantly created a world leader in asset management, with total assets under management of 645 billion euros. The reciprocal advantages of the merger make a nearly perfect strategic fit, with PIMCO affording access to the world's largest capital market and Allianz opening the door to Europe and the lucrative opportunities that this market affords to asset managers. Together, we will tackle the Asia-Pacific market as well.

E-Commerce

As a global player, we offer financial services in more than 70 countries of the world. In each market, we provide the service that local customers expect, within the framework of national laws and tax regulations. The experience that we accumulate through our day-to-day dealings with our customers and our first-hand knowledge of their needs also enable us to provide on-line services specifically tailored to each local market.

The innovative e-business operations of our affiliate Lloyd 1885 in Italy have been especially successful. This company has been selling insurance via the Internet since 1998. Taking advantage of its extraordinary success, the company has substantially broadened the range of products and services offered.

We sell insurance via the Internet not only in Italy, but also, for instance, in France, Brazil, Colombia, Austria and Germany as well. Besides being active in the business-to-consumer sector, we are also taking full advantage of the Internet's business-to-business channels. In Germany alone, we generated premium income of more than 0.5 billion euros by means of this distribution channel.

Our e-business activities are not aimed solely at selling insurance. We also recognize a massive potential in the Internet for providing our millions of customers with an additional and comprehensive online service that reinforces their confidence. Our Allianz Online Service in Germany and TwistRas, the on-line service of our Italian affiliate RAS, are blazing the trail in this direction.

In Germany, for instance, our customers can modify existing life insurance policies, obtain up-to-date information on the value of their policies and even manage their investments.

E-commerce provides us with tremendous opportunities to provide even more intensive, extensive and flexible services to our customers. To this end, we established a project organization with worldwide responsibility for coordinating the many initiatives geared to the needs of local customers. In this way, we can bring our diverse experience to bear on the task of providing efficient, professional service to customers in the fast-paced world of e-business. To cite only one example of our work in this area, we developed a consistent "look & feel" for all our Web pages, so that users around the world can easily find their way around our Web sites. Among other things, we adopted worldwide standards for IT infrastructure and established quality norms.

We also join forces with our participation Allianz Capital Partners to invest in Internet companies that offer strategic perspectives and benefits, in addition to appropriate financial returns. One example is our stake in software provider Point Systems, whose state-of-the-art products are increasingly incorporated in the Group's call centers.

A gain of only 5.5 percent in 1999 meant that the Allianz share considerably underperformed the Dow Jones EURO STOXX 50.

This index tracks the performance of the Euro-stock market and it posted an increase of 46.7 percent in 1999. The number of Allianz shareholders now stands at 262,000, an increase of more than one third. A market capitalization of approximately 82 billion euros makes Allianz one of Europe's most highly valued stock corporations.

Allianz stock is included in all the major European indexes, including the DAX, the Dow Jones EURO STOXX 50 and the MSCI EMU Index.

Price losses for insurance stocks

Insurance shares had a difficult time on the stock markets during 1999. Insurance sector indexes posted less favorable development than each market as a whole. The price performance of insurance stocks was dampened by rising interest rates. High rates tend to reduce market values of the fixed-income securities that insurance companies hold in large quantities. Insurance stocks

in Germany also suffered from the wide-ranging debate on tax issues that rumbled on for most of the year.

The Allianz share on the stock market

in euros, Xetra closing prices

Price at 31. 12. 1998	317
Price at 31. 12. 1999	334
Annual high (at 6. 1. 1999)	346
Annual low (at 5. 8. 1999)	237
All-time high (at 4. 4. 2000)	441
Annual performance 1999 (excluding dividend)	5.5%
Average daily Xetra volume in 1999 (shares)	470,000

Weighting of Allianz share on 30. 4. 2000

in DAX (second biggest single stock)	11.6 %
in DJ EURO STOXX 50 (fifth biggest single stock)	3.6 %
in DJ EURO STOXX Insurance (biggest single stock)	27.6 %

Source: Datastream, Bloomberg, at: 30. 4. 2000

Allianz stock outperforms the industry average

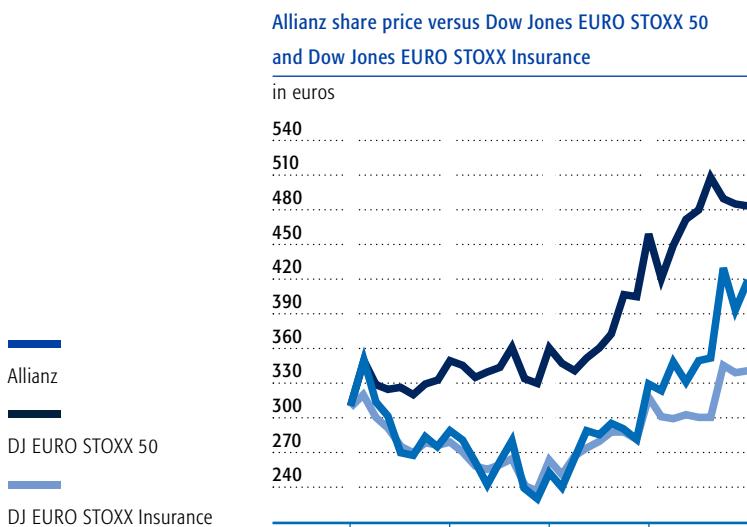
Overall the market environment was not conducive to a bravura performance of Allianz share prices, although the fundamental data of the Group would have justified a further increase in price. However, the promise inherent in our strong market position and the strength of our financial data is reflected in the fact that our stock performed much better than the Dow Jones EURO STOXX Insurance Index.

Upturn in 2000

The first four months of 2000 saw the Allianz share again locking into a long-term upward trend. In 1998, the Allianz share put on 33.3 percent, nearly twice the gain that the DAX recorded over the same period. Allianz stock was trading at 423 euros on April 30, 2000.

Another dividend increase

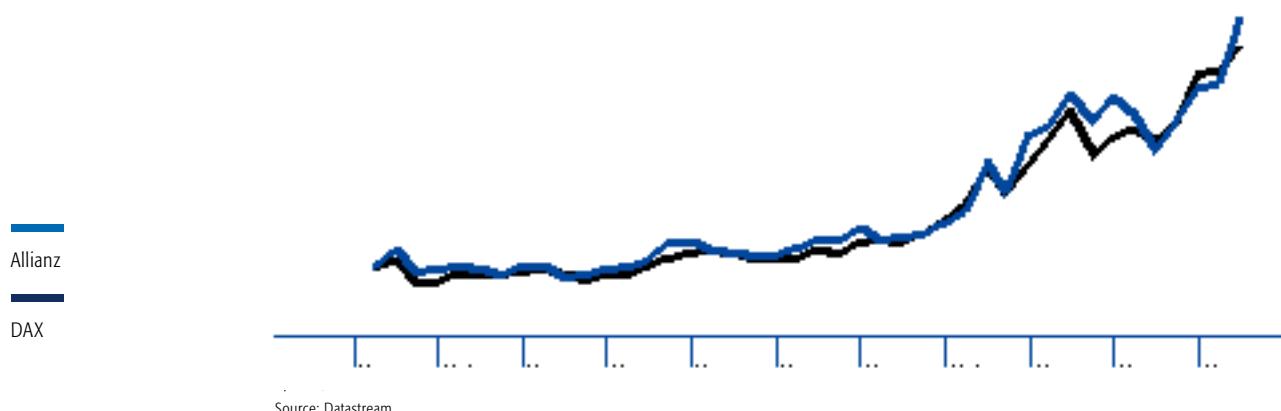
We are recommending to shareholders the fifth consecutive increase in the dividend, from the 1998 level of 1.12 euros (DM 2.20) to 1.25 euros. Resident taxpayers in Germany



Indexed to the Allianz share price

Source: Datastream

Allianz share price versus DAX



will also receive the corporate income tax credit of 54 cents per share, bringing the gross dividend to 1.79 euros.

Free float expanded

Now that Deutsche Bank has shed part of its portfolio of Allianz shares, more than 50 percent of our stock is in free float. We would like to increase this proportion further, because shares with a large pool of investors tend to be traded more intensively, generally boosting prices.

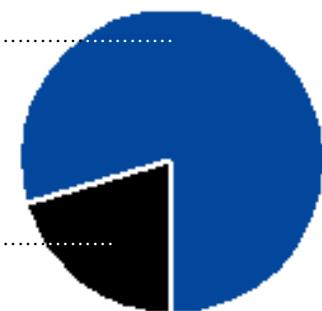
Number of shareholders

	1998	1999
196,586		262,064

Regional distribution at December 31, 1999

in percent

Germany
79 %



Composition of shareholders at December 31, 1999

in percent

Shareholders with
interests over 5%
49 %

Other institutional
investors
27 %

Investment companies:
16 %

Private investors
8 %

Shareholders with interests over 5% (rounded)
at December 31, 1999

25 % Münchener Rück
10 % Dresdner Bank
7 % Deutsche Bank
7 % HypoVereinsbank

Source: Information provided by shareholders.

Comparative performance of the Allianz share

average annual performance in percent	1 year (1999)	5 years (1995–99)	10 years (1990–99)
Allianz AG share *	+ 5.5	+ 22.9	+ 13.4
DAX	+ 39.0	+ 27.1	+ 14.5
Dow Jones EURO STOXX 50	+ 46.7	+ 30.0	-
Dow Jones EURO STOXX Insurance	+ 1.5	+ 24.9	-
MSCI EMU	+ 37.5	+ 26.6	+ 13.2

* excluding dividends

Source: Datastream

Value-added concept drives up growth

We believe that the Economic Value Added (EVA) is the most effective management tool to enhance the value of our company in the long term. This indicator shows whether or not we have succeeded in creating value added for our shareholders. We reject investment proposals if we believe the returns will not be higher than the required cost of capital within a few years. Additional information on the EVA concept may be found on page 92 – 93 of this annual report.

The focus of our value-added concept is reallocation of capital resources to our core businesses of property and casualty insurance, life and health insurance, asset management and other financial services. These are businesses where we excel and where we can expect to generate the highest returns for our shareholders.

Remuneration linked to success

Our concept of value-oriented corporate management is supported by a system of incentives for managers and employees. This system aims to reward all work that boosts the price of the Allianz share over the long term.

Our “Long-term Incentive Plan” runs for seven years and links an additional remuneration component to performance of the Allianz share price. The management receives stock appreciation rights that are only translated into additional remuneration when two conditions are met after a two-year waiting period:

- ▶ Our share price must outperform the Dow Jones STOXX Price Index over a given period, and
- ▶ it must have risen by more than 20 percent.

Senior managers in all major Group companies are eligible to receive this component of remuneration. The 1999 plan saw 275 managers receive 266,000 stock appreciation rights.

Basic information on the Allianz share

► Type of share

Registered share with transfer restriction

► Denomination

No-par-value share

► Analysis of capital stock

	1998	1999
Subscribed capital at 31.12. (in euros)	626,112,699	627,891,200
Proportionate capital stock per share (in euros)	2.5565	2.5600
Number of shares at 31.12.	244,914,000	245,270,000
Average number of shares in the fiscal year	242,540,278	245,013,485

► Stock markets

All 8 German stock exchanges, London, Paris, Zurich

► Securities codes

WKN 840 400

ISIN DE0008404005

Common Code 001182013

Investor Relations expanded

We offer a comprehensive service package to give our shareholders the latest news. In 1999, we expanded our range of information services, geared particularly to private investors.

► We also provide information on the Internet under www.investor-relations.allianz.de (German) or www.investor-relations.allianz.com (English). We broadcasted highlights of the company's 1999 General Meeting on these Web sites. The press conference announcing the acquisition of asset manager PIMCO was also transmitted on the Internet in real time. The company's annual report can be downloaded from these sites.

We also extended the range of services and information for analysts and institutional investors. Telephone conferences were staged on topics of current interest, such as the acquisition of PIMCO. Our road shows toured the markets, including New York, Boston, London, Paris, Zurich and Milan. And we presented Allianz for the first time in Hong Kong, Seoul and Singapore.

A listing for the Allianz share on the New York Stock Exchange is planned by the year 2001 at the latest. The introduction of our stock to the "Big Board" will be accompanied by a broad-based information program for analysts, portfolio managers and investors.

► Our Infoline is open 24 hours a day, 7 days a week for questions and suggestions. This service is widely used.

► We also introduced a Shareholder Letter with key facts and information from our annual report.

Allianz Aktiengesellschaft

Investor Relations

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INFORMATION ON OTHER ISSUES

1. Bonds

► 6.0 % bond

issued by Allianz Finance B.V., Amsterdam

Volume	€ 767 million
Year of issue	1996
Due date	5/14/2003
Security code (WKN)	132 275

► 5.75 % bond

issued by Allianz Finance B.V., Amsterdam

Volume	€ 767 million
Year of issue	1997
Due date	7/30/2007
Security code (WKN)	194 000

► 5 % bond

issued by Allianz Finance B.V., Amsterdam

Volume	€ 1.6 billion
Year of issue	1998
Due date	3/25/2008
Security code (WKN)	230 600

► 3 % bond

issued by Allianz Finance B.V., Amsterdam

Volume	CHF 1.5 billion
Year of issue	1999/2000
Due date	8/26/2005
Security code (Valoren)	830 806

All bonds and exchangeable bonds are guaranteed by Allianz AG.

2. Exchangeable bonds

► 3 % exchangeable bond

issued by Allianz Finance B.V., Amsterdam

Exchangeable into	shares of Deutsche Bank AG
Volume	DM 2 billion
Year of issue	1998
Due date	2/4/2003
Current exchange price	DM 140.53
Security code (WKN)	197 280

► 2 % exchangeable bond

issued by Allianz Finance B.V., Amsterdam

Exchangeable into	shares of Siemens AG
Volume	€ 1.7 billion
Year of issue	2000
Due date	3/23/2005
Current exchange price	€ 224.46
Security code (WKN)	452 540

3. Participation certificates of Allianz AG

Nominal value	€ 29.3 million
Payout for 1999	€ 3.0
Current redemption price	€ 78.54
Security code (WKN)	840 405

FINANCIAL CALENDAR

July 12, 2000	Annual General Meeting
September 13, 2000	Press release on the first half-year 2000 (interim financial report)
November 23, 2000	Press release on the third quarter 2000
February 14, 2001	Press release on preliminary results for 2000
May 31, 2001	Financial press conference for the 2000 business year and the first quarter of 2001
June 1, 2001	Analysts' conference in Munich
June 5, 2001	Analysts' conference in London
July 11, 2001	Annual General Meeting
August 14, 2001	Report on the first half 2001
November 14, 2001	Report on the third quarter 2001



The image is a collage of three photographs related to aviation. The top-left photo shows the interior of a cockpit with a white instrument panel and a small model airplane on a stand. The top-right photo shows a close-up of a propeller and engine nacelle with yellow structural supports. The bottom photo shows two aircraft parked in a hangar. The one in the foreground is white with red stripes and the registration D-EAEC, featuring a blue logo on the fuselage. The tail section of another aircraft is visible behind it, with the registration D-5096. The background shows the interior of a hangar with wooden beams and equipment.

From an early age, I wanted to fly. Later it became
a normality. But it was never as in my dreams. I wanted to
be at the controls myself. And now that time has come.

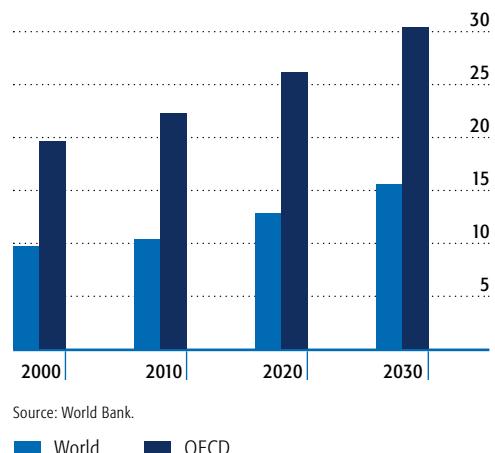
Life insurance and asset management, growth markets of the future. All around the world, government pension plans that operate under the pay-as-you-go principle are facing a crisis. The all-too-evident problems with the financing of such plans are causing people everywhere to doubt that pension benefits can be maintained at their current levels. The inevitable reform of government pension systems is giving rise to outstanding opportunities for growth and earnings on the part of our life insurance companies and asset management units. Everyone has certain hopes and wishes for their retirement. To make them come true, people need to let time work for them by taking additional steps of their own to provide for their future security. Make the most of time.

Aging societies

In a wide-ranging study entitled “Averting the Old-Age Crisis,” the World Bank warned in 1994 that pay-as-you-go pension systems are eventually doomed to failure. Updated in the spring of 2000, it was found that the looming demographic crisis affecting all regions of the world only worsened in the six years after the report was first published.

Specifically, it was found that birth and mortality rates everywhere are falling faster than had been assumed. Thus, the percentage of the world population made up of people over 60 years of age will climb to about 16 percent in the year 2030. Today, this group accounts for only about 10 percent of the world population. In the highly developed OECD nations, about 20 percent of the population is already over 60 years of age; by the year 2030, that number will have grown to 30 percent.

Proportion of the population over 60 years old
in %



Source: World Bank.

■ World ■ OECD

Increasingly longer life spans

The following projections for Germany clearly illustrate the dramatic impact of low birth rates and medical advances on the nation's population structure. Germany currently has about 3 million people over 80 years of age. By the year 2050, this group will have more than tripled to around 10 million people. Because the population as a whole is expected to diminish significantly over the same time period, nearly one German in six will be elderly, at least according to today's standards, by the mid-21st century. Today, fewer than one in 25 Germans belongs to this group.

Government pension systems at risk of collapse

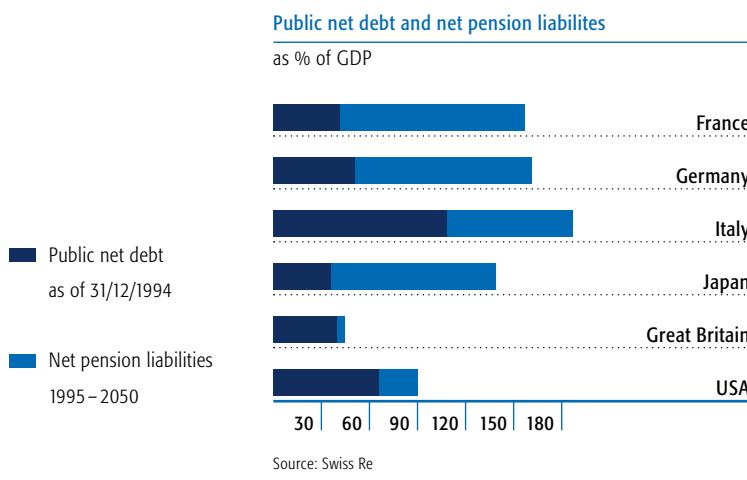
This means, however, that the government pension systems of virtually every industrialized nation are reaching their limits in terms of financing. Under the prevailing pay-as-you-go systems, current pension benefits are paid from incoming premiums. As long as the number of workers increased compared to the number of retirees, these systems functioned very well, at least in the OECD nations for which figures are available. Over the last 25 years, 45 million people entered into retirement in these

countries. Thanks to the baby boom after World War II, however, the working population increased by 120 million.

This trend has since been reversed. Over the next 25 years, about 70 million people in the OECD nations will reach retirement age. Over the same time period, however, only 5 million additional employees will enter the work force. The consequence is clear: a decreasing number of workers will have to pay for the pensions of an increasing number of retirees.

Generation conflict inevitable

The situation will create a serious dilemma that could well result in bitter conflict between the generations if governments (those that have not already instigated fundamental reforms) do not act quickly. If the current pension systems are merely propped up and the same level of benefit entitlements and premium rates maintained, the problem can only worsen, as coverage gaps will inevitably arise over the next few decades. The discounted present value of these so-called net pension liabilities will in some cases substantially exceed the public net debt at today's levels. In Germany, for instance, they would amount to 110 percent of this country's gross domestic product in



1998. The following diagram shows the percentage of gross domestic product that net pension liabilities account for in certain countries.

Smoldering global problem

No part of the world is immune to these demographic changes. In some emerging economies, the transformation is even more dramatic. This development, in turn, also threatens to undermine the traditional family support systems for taking care of the elderly.

In **South Korea**, for instance, the birth rate has been on the decline since the late 1980's. The rapid pace of aging in this society is especially pronounced in comparison to other countries. The following table shows the number of years it took in different countries for the proportion of the population represented by people 65 years or older to increase from 7 percent to 14 percent.

France	130 years
USA	70 years
Great Britain	50 years
Japan	25 years
South Korea	21 years

These trends are progressively eroding the traditional system of close family support. According to a survey by the South Korean Bureau of Statistics from the year 1999, the percentage of people providing financial support to their parents dropped to 58.2 percent from 62.1 percent.

In the **People's Republic of China**, the problem has been further exacerbated by the official one-child policy. This policy is not only altering the demographic structure of society, but also destroying the traditional custom of children supporting their parents. Additional strains are being provoked by the tumultuous economic changes sweeping the country: in earlier times, the government pension system was virtually reserved for employees and workers of state enterprises, while the rural population and private-sector employees were largely dependent on their families for support in old age. But this system will not be able to survive in the current environment.

Social security systems in need of reform

This means that governments will have to reform their social security systems. Numerous industrialized nations have already reversed course by promoting supplementary retirement security plans financed with capital savings. In the **United States**, where privately financed and employee pension plans have traditionally played a major role, steps were taken in the early 1980s to further encourage private retirement savings, in particular by means of special tax-favored retirement accounts known as 401(k) plans, for which the employer and employee each pay 50 percent of the contributions. The trend is leading away from the former system of employer-financed pension plans and in the direction of individual retirement savings accounts that afford the employee more influence and control. Private retirement plans are also being promoted.

The **Netherlands, Sweden, Great Britain** and **Switzerland** have also taken steps to boost fully-funded retirement plans. **Italy**, confronted with the direst demographic trends in Western Europe, vigorously tackled the necessary reforms only in 1995, when the system was entirely overhauled. To make up for the lower level of pension benefits, this nation promotes private retirement savings. Since this time, Italy has become one of Europe's fastest-growing markets for private retirement planning products. With its actions, Italy proved once again that public policy can successfully motivate citizens to provide voluntarily for their own future security needs if they are only given reasonable incentives to do so.

A need to catch up

Compared to the progress made in other countries, **Germany** and **France** have some catching up to do in this area. Efforts in these countries to reform the extremely costly pay-as-you-go pension systems have made very little headway.

Although the aging of society and the high rate of unemployment in France are endangering the pay-as-you-go government pension system, incentives to stimulate private saving or to strengthen fully-funded employee pension systems have yet to be introduced.

Apportionment of old-age income *

	Germany in %	Great Britain in %	USA in %
State pension	85	65	45
Company pension	5	25	13
Private pension	10	10	42 **

* 1997 or 1998 for the average two-person retiree household.

** of which 25 percent income from employment

Source: German institute for old-age provision

Germany still needs to reform its social security system. The research institute Prognos, for instance, studied the impact that will result from the corrections made to certain details of German pension law over the last four years. The thrust of these measures has been to curb the future increase in premium rates, while also, however, significantly diminishing the benefits paid under the government social security system.

Prognos estimates that the effect of these changes could well diminish the average amount of benefits paid under old age, reduced earning capacity and survivors' pensions by 20 percent to 25 percent. Thus, even under the pension law in force today, there will be considerable gaps in the coverage of so-called biometric risks, including

- ▶ survivors' coverage
- ▶ occupational disability coverage
- ▶ coverage for long-term care, and
- ▶ coverage for extended life spans.

As it stands today, these gaps in the coverage of "classical" insurance risks have to be closed by means of private savings. Private saving will become all the more necessary as current and future generations seek to insulate themselves from the consequences of the continuing demographic trends. By the year 2030, for instance, the number of retirees in Germany will be approximately equal to the number of workers. No pay-as-you-go pension system will be able to withstand such a strain.

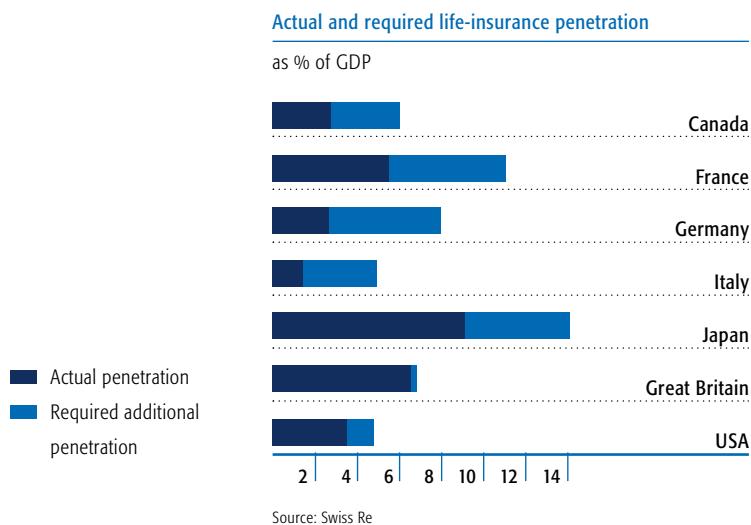
Private savings and capital accumulation on the increase

It is therefore an inescapable conclusion that tomorrow's retirees will need to accumulate a significant portion of their own retirement savings. They may have no choice but to apply existing or inherited assets to supplement their pensions. Those who have already attained the desired level of security will turn to asset management products to grow their savings even more.

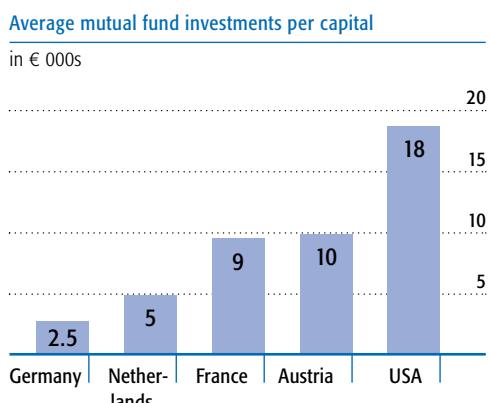
These trends harbor outstanding business opportunities. The structuring and management of investments is a worldwide growth sector that still has its best years ahead of it. In Europe alone, privately managed assets are expected to increase at an average annual rate of 10 percent to 15 percent over the next decade.

Swiss Re has estimated the market potential for the private life insurance industry if the existing financing gaps inherent in government social security systems must be made up through life insurance products.

In that case, the life insurance markets in **Italy** and **Germany** will triple in volume and nearly double in **Canada** and **France**. The greatest potential increase would occur in **Japan**, with an additional market volume of about 250 billion euros.



All signs point to growth in the mutual fund business as well. The growing interest in mutual fund investing is the manifestation of a long-term trend. In the United States, for instance, we predict annual growth rates of 27 percent in the mutual fund business. Similarly high growth rates are expected in the European markets as well. In the next few years, an estimated 30.6 billion euros will be invested in stock and bond funds in Germany alone. To catch up with its partner nations in this respect, Germany has much ground to cover, as the following diagram shows.



Excellent business opportunities

We are perfectly positioned to exploit the staggering potential of this market because we have the knowledge and the resources to compete successfully on a global scale in these, our core business segments. As a global player, we stand to profit from the trend of internationalization of investing, which is certain to proceed apace, and from the worldwide networking of asset management services. There is hardly another business in which size and international orientation exert such a positive, direct effect on economies of scale and scope, cost and performance advantages and the additional advantages generated through knowledge transfer. Together with PIMCO, we have assets under management of 645 billion euros and are therefore one of the world's leading asset managers.

Full range of products and services under one roof

We can already pass these advantages on to our 60 million clients around the world. We maintain large operating entities in all important markets. We continue to grow through internal growth and acquisitions. We offer our customers an extensive portfolio of financial products to protect their standard of living in old age, tailored to suit their individual security planning needs and the national laws and practices in each country in which we operate.

► We offer all types of guaranteed-return investments, products that provide ideal protection against the biometric risks of aging.

► We operate pension funds, especially in the markets of the transforming economies of central and eastern Europe.

- ▶ We have in-depth experience in the operation of company retirement plans organized under the insurance principle.
- ▶ We are currently in the process of building a third core business area, asset management for third parties, on the basis of the asset management competence that we have cultivated for more than 100 years.

Enhanced future security with life insurance products

Our life insurance products are meant to assume those functions that government pension insurance systems have been able to perform with great success until now. Thanks to the unique ability of actuarial products to balance risks among members of a group and over time as well, these products provide unrivalled protection, at an unbeatable price, against the vagaries of the financial markets. It is therefore possible to guarantee the minimum capital available for old-age provision decades in advance. Only a life insurer can transform capital into a life-long pension and also provide financial protection for individuals and their families against loss of earning power.

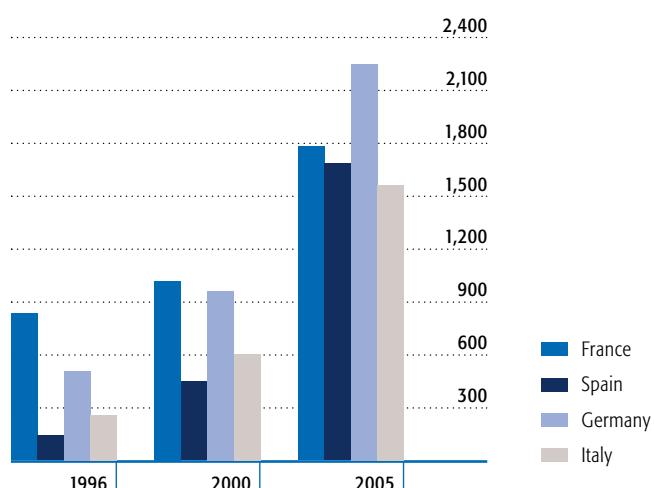
Capital accumulation

Customers who have already secured their desired standard of living in old age and want to accumulate additional capital may choose from among the approximately 300 mutual funds and special-purpose funds distributed by our asset management entities and to select those products with the right risk/return profile to suit their needs. We also distribute these funds through our mobile representative network, independent financial advisors and brokers, the Group's own specialized organization, investment shops and via the Internet.

In spring 2000 we are launching eight funds of funds onto the market in Europe. These funds are registered in Luxembourg and can be sold internationally. Products from RAS, PIMCO and AGF can be included under this mutual fund structure. The following diagramm shows a projection for the development of future demand.

Assets under Management 1996 – 2005 *

in € billion



* Calculated for average growth

On the whole, therefore, we are very well positioned to take full advantage of the outstanding business opportunities in life insurance and asset management. Our sales organizations are lined up in the world's most important markets and we possess the investment and insurance expertise of an internationally active financial services provider with more than 100 years of experience. We put this expertise and experience to work in the service of our customers, whom we encourage to heed the slogan of our pictorial series in this annual report: "Make the most of time."

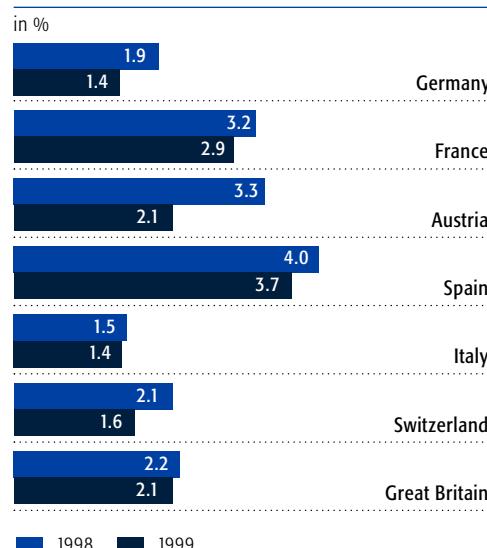
Economic outlook brightens. The global economy, still suffering from the after-effects of the crises in Asia, Russia and Latin America at the beginning of 1999, began to pick up pace again as the year progressed. Despite this, the upturn failed to have much impact on sales of property and casualty insurance. Personal insurance and asset management provided particularly attractive business opportunities. The economic upswing was anticipated by the equity markets, with share prices rising sharply in the last quarter of the year.

MACROECONOMIC DEVELOPMENTS

Western Europe

Stuttering upswing. The engines of economic growth moved into a higher gear in our home market of western Europe. Over 1999 as a whole, however, the pace of expansion failed to match expectations, with only **Spain** (3.7%) and **France** (2.9%) growing rapidly. All in all, growth proved less robust than last year, as the chart below shows.

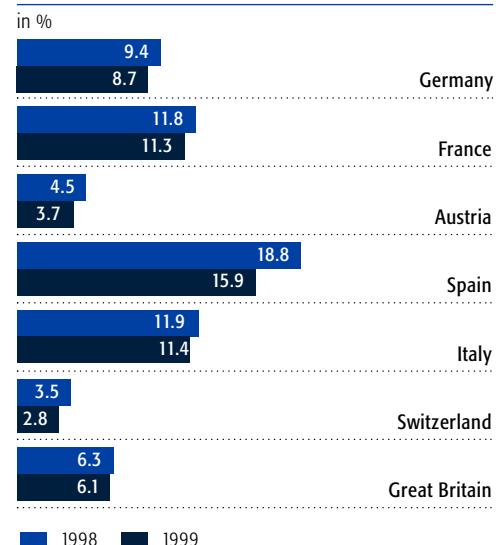
GDP growth in western Europe



Inflation under control. With money losing an average of 1.1 percent of its value in the euro area as a whole, inflation was generally kept under control at a relatively low level. Price rises were substantially higher in **Spain** and **Italy**.

High unemployment. A look at the unemployment figures offers little good news to cheer, apart from the satisfactory situation in **Great Britain**. Despite the improved economic climate, unemployment rates held steady at a disappointingly high level.

Unemployment rate in western Europe



Property and casualty insurance lack growth impulse. The overall economic health of our core markets in Europe failed to provide any fresh impetus for our property and casualty operations. Nevertheless, we were still able to appreciably boost revenues from property and casualty insurance, by just under 4 percent. Additional premium income was mostly generated from business involving private customers, and was largely attributable to higher rates charged for automobile

insurance. These increases had become unavoidable due to the high level of claims, notably in **Italy**, **Spain** and **Germany**. In the **Austrian** auto insurance market, on the other hand, premium income fell 6 percent. With growth of some 7.5 percent, property and casualty insurance in **Portugal** developed at a far faster pace than in other EU markets.

Life and health insurance joins asset management on the upward path. These core business lines witnessed a more positive trend in western Europe due to the fact that these markets are significantly affected by a number of other factors besides the general economic situation.

► Changes in the demographic age structure of society are presenting an increasing threat to the prevailing model of state-funded pensions. In 1999, the populace took a far more realistic view of this fact than before.

► At the same time, personal wealth in western Europe has risen rapidly in the wake of an unprecedentedly long-lasting period of prosperity.

► The rapidly developing share and investment culture in the continental European countries also gave additional impetus to asset management.

These three developments help to create excellent prospects for growth in life and health insurance as well as asset management. This trend made itself more than apparent in the year under review. Market growth in life insurance ranged from 59 percent in **Germany**, 35 percent in **Italy** and 15 percent in **France**. The sharp decline of 7 percent in **Switzerland** is attributable to a non-recurring tax effect.

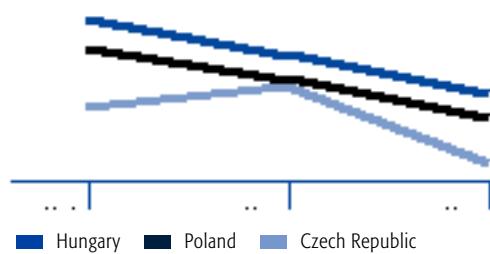
The special section on page 30 provides additional information about the unusually high potential for growth in these business segments.

Central and eastern Europe

As of the second quarter of 1999, the economies in this region started to recover from the effects of the financial crisis in Russia. Moreover, they also benefited on a broad scale from the nascent economic upturn in western Europe. Signs of an upswing were particularly in evidence in **Hungary** and **Poland**. The **Czech Republic** continued in recession, although the downturn was considerably less severe than it had been in the previous year. Inflation rates in central and eastern Europe eased.

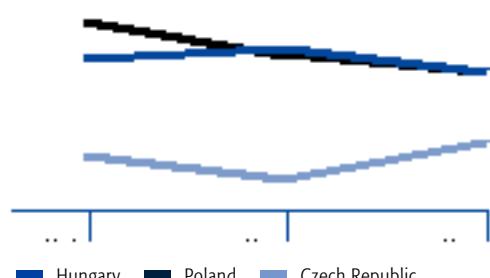
Inflation in central and eastern Europe

in %



GDP growth in central and eastern Europe

in %

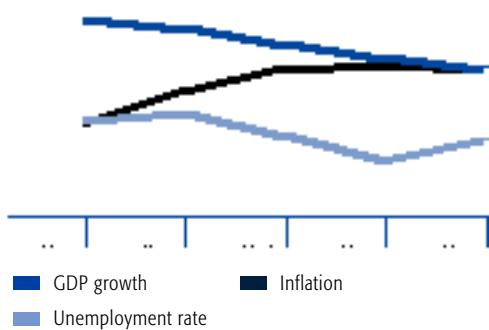


United States and the NAFTA zone

The economic boom in the **United States** continued its upswing unabated. Driven by private consumption and business investment, the U.S. economy again put in a powerful performance, rising an impressive 4.2 percent. The robust expansion was accompanied by lower unemployment and a higher rate of inflation.

GDP growth, inflation und unemployment rate USA

in %



Only a slight rise in premium income was recorded for property and casualty insurance in the **United States**. Overcapitalized, the market is undergoing a phase of radical consolidation. This trend prevents premiums from being raised to a more appropriate level given current requirements. In life and health insurance, the demand for variable-rate annuity products increased at the expense of traditional life insurance.

The economic indicators in **Canada** also remained clearly positive, with the rate of growth accelerating to 4.2 percent. In **Mexico**, on the other hand, the economic boom slowed, as the gross domestic product expanded by only 4.8 percent in the wake of inflation totaling 16.6 percent.

South America

Major currency fluctuations dominated the markets in South America at the start of the year, with several larger economies going into reverse as a result. The contraction was particularly severe in **Chile**, **Venezuela** and **Argentina**, as the chart below shows. On the plus side, **Brazil** recovered from the previous year's recession, even though inflation did start to pick up again. Taken as a whole, however, inflation risk in South America remained largely under control. Even inflation in **Venezuela** slowed from 36 to 23.6 percent. High unemployment rates remained one of the core problems facing the continent in 1999.

In this macroeconomic environment the major South American insurance markets stagnated.

GDP growth in South America

in %

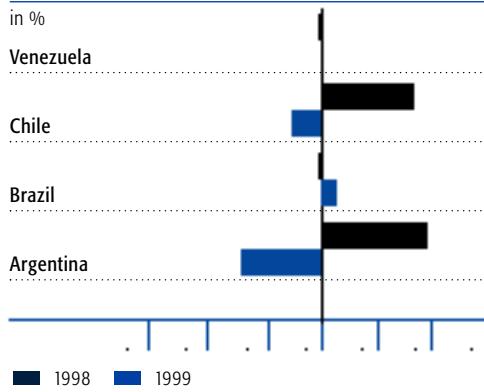
Venezuela

Chile

Brazil

Argentina

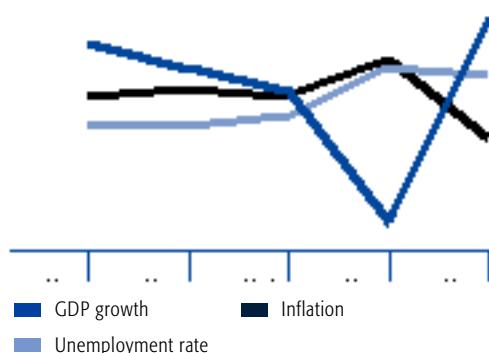
1998 1999



Asia and Australia

Most of the countries in this region benefited from a swing back to expansion in 1999; even the recession in **Japan** came to an end. The **Australian** economy had another very good year, registering growth up 4.4 percentage points. This performance put the fifth continent back into a leading position in the international arena. **South Korea's** economic statistics point to a resounding recovery, with growth totaling 10.7 percent, inflation almost imperceptible at 0.8 percent after 7.5 percent last year, and the unemployment rate falling to 6.3 percent.

GDP growth, inflation und unemployment rate South Korea
in %

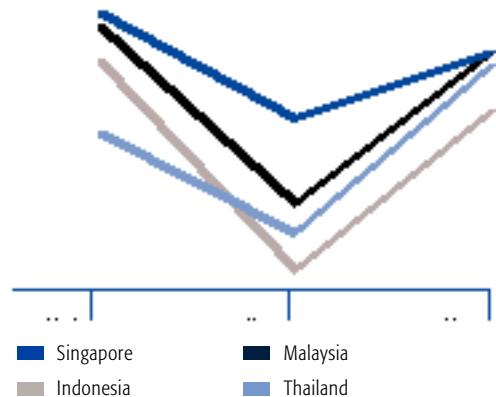


The other countries also recovered from the crisis of previous years, in particular **Taiwan**, **Singapore**, **Malaysia** and **Thailand**. While the economy in **Indonesia** continued to stagnate, a high level of economic growth continued in **China** at 7.1 percent (1998: 7.8 percent).

Overall, following in the wake of the Asian crisis demand was buoyant in industrial risk insurance, automobile insurance and personal lines. The same was not the case for the huge, dominant Japanese insurance market.

GDP growth in Asia

in %



DEVELOPMENTS OF THE CAPITAL MARKETS

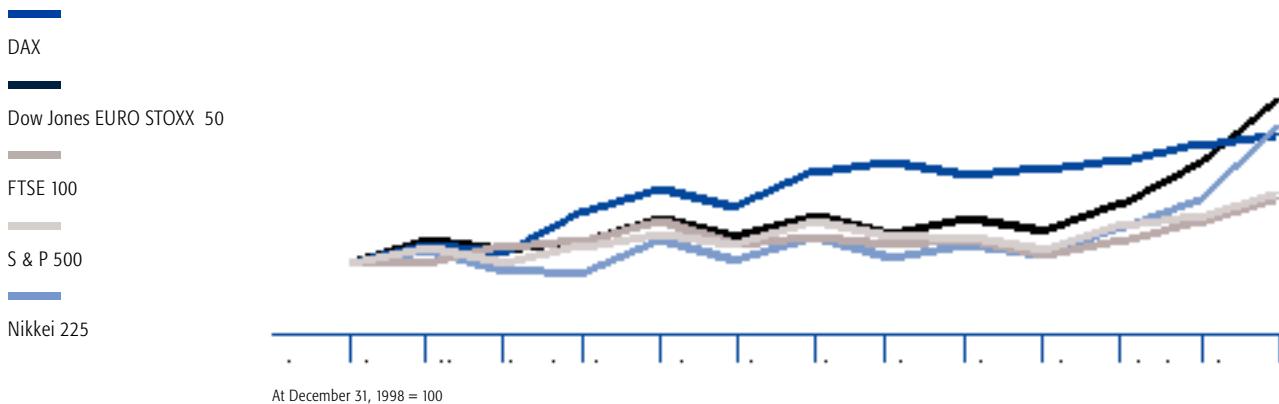
The international capital markets proved highly volatile in 1999, although the after-effects of the previous year's financial crises gradually faded. By the second half of the year, Latin America, Asia and Russia were no longer synonymous with uncertainty. As a result the equity markets in Europe and the United States were able to make up lost ground. Moving in the opposite direction, demand for fixed-income securities fell steadily, causing yields on long-term bonds to rise sharply in all the major economies with the exception of Japan.

Equity markets

The German DAX share index started the year on a downward curve, falling 6.5 percent from its year-end 1998 level of 5,002 points to less than 4,700 by March. Remaining more or less at the same general level in the second and third quarters, share prices nonetheless proved extremely volatile with big fluctuations over short periods of time. The DAX experienced a run-up in the last three months of the year to end 1999 at 6,958 points. For the year as a whole, the DAX gained 39.0 percent.

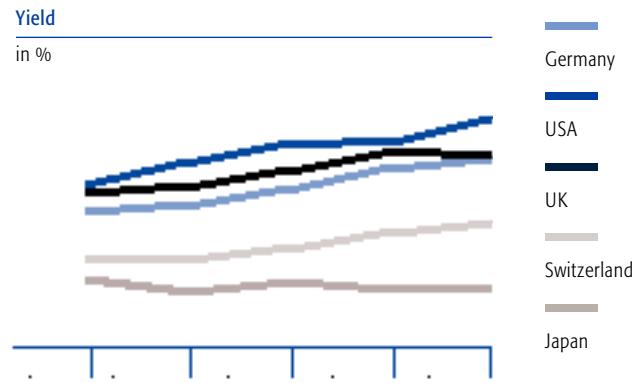
The Dow Jones EURO STOXX 50 – an index tracking the performance of the over all stock market of the euro zone – followed the same pattern, managing to rise a healthy 46.7 percent over the entire twelve-month period. The gains for the year recorded by the Standard & Poor's 500 index in the U.S. (up 19.5 percent) and the FTSE 100 index in Britain (up 17.8 percent) were appreciably lower.

Share prices



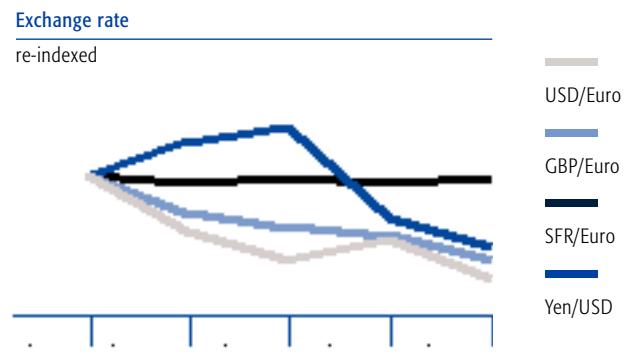
Bond markets

The markets for long-term, fixed-interest securities ran counter to the stock exchanges and prices lost ground for investors. Bonds experienced a substantial boom in 1998. Returns on ten-year governments bonds increased significantly in the USA, Great Britain and Germany over 1999, as shown in the accompanying table. By contrast capital market rates in Japan remained at a low level.



Currency markets

The euro was introduced as a common currency for eleven European countries at the beginning of 1999. Over the course of the year, the new currency fell short of expectations, losing some 14.6 percent of its value against the dollar and 11.9 percent against the pound. The Japanese yen remained firm, strengthening no less than 10 percentage points against the dollar overall.





I had to go a long way and overcome great obstacles,
to find myself. This process took me many years.
And then it took me another six weeks to get here.

Continuing the trend of the previous year, the Group again posted double-digit increases in sales and earnings in 1999.

Premium income rose by 16.4 percent to 53.8 billion euros. Net income increased by 22.8 percent to 2.2 billion euros. Accordingly, earnings per share increased from 7.50 to 9.11 euros. Adjusted for extraordinary effects, net income grew to 2 billion euros, meeting the Group's plan target of 11 percent. The dividend is to be increased from 1.12 to 1.25 euros per share.

OVERVIEW

Premium income

Consolidated sales revenue in the form of gross premiums booked worldwide increased to 53.8 billion euros in 1999, representing a gain of 7.6 billion euros, or 16.4 percent, over the previous year. Adding the premiums for life insurance policies that are primarily in the nature of investment contracts, which are not recognized under International Accounting Standards (IAS), the entire volume of premium income totalled nearly 60 billion euros.

The increase in sales revenue can be attributed to three main factors:

- ▶ The Group generated internal growth of 5.3 percent, or 2.4 billion euros, exceeding our own plan targets.
- ▶ Another 1.1 billion euros in revenue resulted from exchange rate movements. In particular, the strength of the U.S. dollar against the euro had a positive influence.
- ▶ Changes in the group of consolidated companies lifted premium income by a total amount of 4.1 billion euros.

The following is a summary of the most significant additions to the group of consolidated companies:

- ▶ AGF Group, consolidated for the full year (previous year: three quarters): + 2.6 billion euros;
- ▶ Allianz Australia, as of January 1, 1999: + 0.6 billion euros;
- ▶ First Life in South Korea, as of July 1, 1999: + 0.4 billion euros;
- ▶ McGee in the United States, as of January 1, 1999: + 0.2 billion euros;
- ▶ Société d'Assistance Internationale (Sacnas), as of January 1, 1999: + 0.2 billion euros;
- ▶ Allianz President in Taiwan, as of July 1, 1999: + 75 million euros.

The additions to sales revenue from newly consolidated companies were offset by sales revenue reductions of 112 million euros resulting from deconsolidations. Specifically, the following companies were sold: ELVIA Leben in the Netherlands, ELVIA in Belgium, the AGF branches in Germany and Italy and Allianz Bice in Chile.

Earnings

Earnings before taxes increased by 11.6 percent to 4.8 billion euros. This figure includes goodwill amortization charges, which increased to 484 (246) million euros, largely because of an extraordinary amortization charge of 128 million euros for Allianz Australia. The Group's contribution to the compensation fund for victims and survivors of the Holocaust, was 76 million euros.

The tax charge was reduced to 1.3 billion euros. Tax changes in Germany and Italy required revaluation of deferred tax receivables and liabilities. This provided a one-off income of 484 million euros. If this extraordinary effect is deducted the tax rate is 37.1 percent.

The share of minority interests in earnings increased to 806 (739) million euros, while AGF's and Riunione Adriatica di Sicurtà's earnings were significantly higher.

Net income increased by 22.8 percent to 2.2 billion euros. Excluding the non-recurring effects mentioned above, namely the non-recurring tax gain, the extraordinary amortization charge on the goodwill of Allianz Australia and the Holocaust reserve, net income increased by 11 percent.

Earnings per share came to 9.11 euros. Adjusted for non-recurring effects, earnings per share were 8.24 euros. The market value of securities available for sale appreciated considerably, lifting shareholders' equity by 0.9 billion euros, or 3.55 euros per share. Management will propose raising the dividend for the fiscal year 1999 from 1.12 to 1.25 euros per share.

Overall, shareholders' equity increased by 29.5 percent to 28.8 billion euros, corresponding to 117.5 euros per share.

SEGMENT REPORTING

In the following, transactions among business segments have been eliminated.

Property and casualty insurance

Premium income from property and casualty insurance rose by 16.7 percent to 36.0 billion euros, while the share of total consolidated sales revenue contributed by this business line remained practically unchanged at 67.0 percent. Net of consolidation and foreign exchange effects, the Group generated internal growth of 3.9 (3.6) percent, mostly in the dynamic markets of Italy and Spain. In these markets, we were able to implement higher rates, which were necessary in view of the sharp rise in loss expenses. In Germany, our property insurance group arrested the trend of deteriorating premium income, posting a slight 0.1 percent gain in sales revenue for the first time in three years, bringing sales revenue to 9.4 billion euros.

Property and Casualty insurance

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	25,255	30,868	36,027
Loss ratio	73.9 %	74.4 %	77.4 %
Expense ratio	25.5 %	26.4 %	27.1 %
Net income	1,196	1,466	1,909
Investments	79,863	109,116	115,511
Insurance Reserves	45,069	58,864	62,195

The combined ratio, i.e., the ratio of loss expenses and costs to premiums earned, increased by 3.7 percentage points to 104.5 percent in the fiscal year 1999, primarily as a result of the higher loss ratio, which worsened by 3.0 percentage points to 77.4 percent. Two principal factors were responsible for this development:

► Average loss expenses per loss event, specifically in the case of personal injury, increased significantly in automobile insurance. This development is in line with the long-term trend. By contrast with 1998, however, claims frequency underwent a significant increase for this class of insurance in 1999.

► Loss expenses from natural disasters were also significantly higher, especially at our companies in Germany, France, Switzerland and Austria. The two storms "Lothar" and "Martin" alone caused loss expenses of more than 260 million euros after reinsurance. We were also affected by the earthquakes in Turkey, Greece and Taiwan.

The expense ratio edged up slightly by 0.7 percentage points to 27.1 percent, due mainly to capital spending on new information technology, marketing and advertising.

Net investment income improved dramatically, rising 35.7 percent to 7.7 billion euros. The improvement is mainly due to the higher level of realized investment gains. At 2.6 (1.2) billion euros, these profits amounted to 2.3 percent of total investment holdings.

Overall, net income rose by 0.4 billion euros, or 30 percent, to 1.9 billion euros. This increase was due in large part to the non-recurring tax effect described on page 45.

The main contributions to the improvement in result came from the companies in Germany, France, Italy and the USA.

The earnings contribution from Great Britain was considerably lower than the comparable previous-year figure. Our companies in Austria, Australia and Spain closed the year with a loss.

Life and health insurance

In life and health insurance, sales revenue increased by 16.3 percent to 18.5 billion euros. Net of consolidation and foreign exchange effects, internal growth, at 8.0 (3.6) percent, was considerably stronger than it had been in the previous year. Sales revenue was buoyed above all by the strong business performance in Germany, where the ongoing political discussion regarding the future of the government pension system opened the public's eyes to the importance of making private pension provisions. These debates also discussed the plans of the German federal government to tax capital accumulation life insurance policies.

Life and Health insurance

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	14,009	15,882	18,473
Expense ratio	14.6 %	16.0 %	16.4 %
Net income	266	403	413
Investments	127,629	175,697	198,847
Insurance Reserves	111,374	157,943	179,362

Premiums from products with a strong investment bias, which are not included under IAS, even rose by 39 percent to 6.8 billion euros. Our new joint ventures with banks in Italy exerted a particularly positive effect here. Total premium income in life and health insurance rose, taking into account these premiums, by 21.7 percent to 25.2 billion euros. The following table shows the sales achieved in individual countries with investment-oriented products.

Sales revenue from unit-linked life insurance products

	1998	1999
	€ mn	€ mn
France	2,077	2,721
Italy	795	1,533
USA	1,150	1,102
Switzerland	470	497
South Korea	0	349
The Netherlands	90	227
Great Britain	149	207
Belgium	71	68
Other countries	67	72
Total	4,868	6,775

As a direct result of the rising sales of investment-oriented products, the expense ratio increased by 0.4 percentage points to 16.4 percent. Under IAS rules, the expense ratio includes not only the risk and cost portions of premiums but the entire amount of the costs related to these premiums.

Net income from investments amounted to 11.3 (9.9) billion euros. As in the past, this figure was largely influenced by the persistently low interest rates in many countries, because more than two thirds of the Group's investment assets are invested in interest-bearing securities. Nonetheless, we took advantage of the favorable stock market conditions to realize gains. Gains on the sale of investments doubled to 1.6 billion euros.

Net income for the year of 0.4 billion euros did not quite reach the level of the previous year. The decline in net income is due mainly to a non-recurring event in the United States. Our subsidiary Allianz Life of North America had to take substantial writedowns in connection with acquisition expenses capitalized in earlier years as numerous fund-linked annuity insurance policies had been cancelled.

The company closed the year with a loss of 0.8 million euros. In the previous year, the company had reported a profit of 100 million euros.

Asset management and other financial services

Asset management for external investors is our new core business sector, and 1999 was the first full year in which it was operated as such. To a much greater degree than ever before, we are placing our asset management competence in the service of our customers, managing investments totaling 30 (23) billion euros for account of private and institutional investors in 1999. This business unit, though still in the early stages of expansion, generated net income of 53 (20) in 1999, with earnings improving across the board in all markets.

In addition to our activities in this business sector, we also manage the Group's own investments serving as cover for insurance reserves, equity capital and long-term debt. The value of these investments at the end of 1999 was 320.2 (287.0) billion euros. Net income from these investments rose to 18.4 (14.8) billion euros. This figure includes realized investment gains of 5.9 (3.0) billion euros.

Employees

The Allianz Group employed 113,584 employees worldwide in fiscal year 1999, representing an increase of 7,908 over the previous year. Most of the new employees, specifically 7,130 of them, came from the newly consolidated Group companies. More than 63 percent of our employees now work outside Germany.

LOOKING AHEAD

The forecasted economic developments – accelerating growth in Europe, slower growth in the NAFTA countries, modest growth in the Asian region – do not hold the promise of any significant stimulus to the insurance industry. In the current year, we intend above all to improve the earnings power of the Group and accelerate the rate of internal growth.

The following figures are based on exchange rates in effect at the end of 1999.

We have set ourselves the goal of increasing premium income by 2.2 billion euros, or 4 percent, to 56 billion euros, by the end of 2000.

In the financial services business segment, we anticipate a significant advance in asset management for third parties. First-time consolidation of PIMCO, which on December 30, 1999 managed assets valued at 260 billion euros, will significantly increase assets under management.

Confounding the predictions of many an expert, the dreaded millennium changeover went off without major problems. The companies of our Group had prepared intensively for this event in order to rule out any significant disturbances in connection with the date change. To date, our customers have not filed any serious claims in this regard.

It is our expectation that net income for the year 2000 will improve by about 10 percent, to approximately 2.2 billion euros. This forecast applies on the basis of the adjusted 1999 net income, i.e., net of non-recurring effects. This estimation, however, is subject to the condition that net income will not be adversely affected by large-scale damage resulting from natural disasters and other major-damage claims, nor by serious turmoil in the capital markets.

**RECOMMENDATION FOR
APPROPRIATION OF PROFIT
ALLIANZ AKTIENGESELLSCHAFT**

Unappropriated earnings of € 354,437,500 are at the disposal of the annual meeting of shareholders. We propose that this amount be appropriated as follows:

1. Distribution of a dividend of € 1.25 per qualifying share, any amount payable on shares held by the company being carried forward to new account;
2. Allocation of € 47,850,000 to other appropriated retained earnings.

Munich, May 2, 2000
Allianz Aktiengesellschaft

The Board of Management

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



Two things are needed to succeed at studying:
interest and time. I had always possessed the former,
but unfortunately lacked the latter. I am going to take
as much time as I need, and that is quite a lot.

In the following report of results by countries or regions, transactions among the reporting units have not been consolidated. We have combined our global business in credit insurance with the segment travel-insurance and assistance services for the first time on pages 70 and 71 of this Annual Report. The relevant premium income is no longer included with property and casualty insurance by countries or regions.

PROPERTY AND CASUALTY INSURANCE

Germany. We are active in this market through the companies of Sachversicherungsgruppe Deutschland, Hermes Kreditversicherungs-AG and Allianz AG, including its majority-owned subsidiaries. Besides acting as a holding company for the Group, Allianz AG also serves as the Group's reinsurer. With sales of 11.4 billion euros, we are the number 1 property and casualty insurance company in Germany.

Premium income increased by 2.6 percent, or 286 million euros. Of the total premium income, 9.4 billion euros was contributed by Sachversicherungsgruppe Deutschland, and 2.0 billion euros by Allianz AG.

Gross premiums

	1997 € mn	1998 € mn	1999 € mn
Sachversicherungsgruppe	9,559	9,415	9,420
Allianz AG	4,956	4,761	5,180
Consolidation property/ casualty insurance in Germany	– 3,118	– 3,024	– 3,163
Property/Casualty insurance Germany	11,397	11,151	11,437

Earnings after taxes rose 39 percent to 1.9 (1.4) billion euros. This considerable increase is attributable primarily to the higher level of realized investment gains and a special tax-related effect resulting from a reduction in the corporate income tax rate.

Earnings after taxes, before amortization of goodwill

	1997	1998	1999
	€ mn	€ mn	€ mn
Sachversicherungsgruppe	542.1	640.4	695.6
Allianz AG	869.5	1,115.9	1,509.1
Subtotal	1,411.6	1,756.3	2,204.7
Consolidations:			
Profit transfer	295.1	340.5	236.3
Dividends, Other	37.1	57.9	75.4
Property/Casualty insurance Germany	1,079.4	1,357.9	1,893.1

The Group's three most important operations in the German property and casualty business reported the following developments:

The **premium income of Sachversicherungsgruppe Deutschland (SGD)** edged up 0.1 percent (– 1.5 percent) to 9.4 billion euros. In this, SGD was finally able to achieve a slight increase in sales after three years of declining premium income.

The company was especially successful in automobile insurance. Contributing nearly 40 percent of total sales, this business line underpins the entire business performance of SGD. The premium income decrease in this business was less than half the decrease reported in the previous year. Sales were nonetheless lower due to the fact that the special rates afforded to well-performing automobile insurance risks are having a greater impact on the insurance portfolio. And yet the strategy of offering special rates to well-performing risk groups with the aim of winning new customers in large numbers was again successful in 1999. Sales of industrial and commercial insurance posted another slight increase in spite of the generally weak state of the corresponding markets.

The **loss ratio** deteriorated to 72.0 percent (66.1 percent), primarily as a result of the significant 8.6 percent increase in the number of automobile insurance claims. Losses from natural disasters, including, in particular, the storm „Lothar“ in December 1999, left their mark on the final income figure. Expenses incurred in connection with major-damage claims in the industrial insurance business remained at a persistently high level.

The **expense ratio** rose to 24.7 percent (24.3 percent), primarily as a result of further investment in information technology.

The value of the **investments** of Sachversicherungsgruppe Deutschland improved by 1.5 billion euros to 23.7 billion euros. Net investment income improved by 8.9 percent to 1.2 billion euros.

At 696 (640) million euros, the **earnings after taxes** of Sachversicherungsgruppe Deutschland were slightly higher than the previous-year figure.

Sachversicherungsgruppe Deutschland

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	9,559	9,415	9,420
Loss ratio	69.1 %	66.1 %	72.0 %
Expense ratio	23.8 %	24.3 %	24.7 %
Earnings after taxes	542.1	640.4	695.6
Investments	21,491	22,229	23,691
Employees	28,312	27,402	28,487

Premium income in the reinsurance business of Allianz AG increased to 5.2 (4.8) billion euros. The 8.8 percent gain is mainly the result of increased reinsurance activity within the Group.

The **loss ratio** worsened to 74.4 percent (73.0 percent). This indicator was adversely affected by loss expenses in the amount of 114 million euros resulting from the unusually high number of natural disasters.

Allianz AG

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	4,956	4,761	5,180
Loss ratio	70.2 %	73.0 %	74.4 %
Expense ratio	22.4 %	23.0 %	23.9 %
Earnings after taxes	869.5	1,115.9	1,509.1
Investments	37,280	46,710	53,025

The **expense ratio** increased to 23.9 percent (23.0 percent). This indicator is largely influenced by reinsurance commissions.

The value of the **investments** of Allianz AG appreciated from 46.7 to 53.6 billion euros. Thanks primarily to the sale of the Group's equity interest in ERGO Versicherungsgruppe, net investment income increased by slightly more than one third to 3.1 (2.4) billion euros.

The **earnings after taxes** of Allianz AG improved to 1.5 (1.1) billion euros.

For the **current fiscal year**, we expect another moderate increase in premium income from property and casualty insurance in Germany. Moreover, we plan to increase sales in the private customers segment, mainly by way of higher automobile insurance premiums. In view of the persistently intense price pressure in the business of industrial insurance and our strategy of retreating from unprofitable business, we are projecting lower premium income in this sector in 1999.

France. With a sales volume of 4.6 (3.7) billion euros, Allianz was able to maintain its third-place ranking among French property and casualty insurers in 1999. The attention of our French companies in 1999 was devoted in large part to the task of integrating these companies that had formerly worked independently of each other in their respective spheres of AGF, Athéna and Allianz. The integration work will be largely completed by the end of 2000.

In 1998, the **premium income** of the AGF Group was consolidated as of April 1. On a comparable annualized basis, therefore, premium income stagnated, in line with the market trend. Average premiums declined in the face of greater competition for business. Our sales and distribution cooperation with the mail-order chain "Les Trois Suisse" and UNIM (an organization of physicians and other health care professionals) got off to a strong start, although a significant impact on sales can be expected only over the course of the next few years. Sales of insurance policies at the bank counters of Crédit Lyonnais were significantly stronger than they had been in the previous year, and we expect this sales cooperation to deliver an increasingly positive contribution in the future as well.

Despite the high level of average claim expenses affecting the entire market, as well as the unsatisfactorily low level of automobile insurance rates and a spate of major-damage claims, the **loss ratio** increased 1.7 percentage points to 81.4 percent.

The **expense ratio** worsened to 28.9 percent (27.3 percent). The increase is attributable to the costs of converting IT systems.

Net investment income rose to 1.0 billion euros, mainly on the strength of realized investment gains.

Earnings after taxes improved to 351 million euros.

In France, we employed a total of 14,276 (14,563) **employees** in property and casualty insurance, life and health insurance and financial services. The decrease by 2 percent is due mainly to the integration measures during the fiscal year.

France Property/Casualty excluding Credit and Assistance

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	869	3,707	4,585
Loss ratio	76.2%	79.7%	81.4%
Expense ratio	28.0%	27.3%	28.9%
Earnings after taxes	22.6	70.5	351.3
Investments	3,424	17,689	18,213
Employees	2,069	14,563	14,276

In the **current year**, we expect a moderate increase in premium income. We intend to boost sales with new products and assistance services, other services and a sales offensive. Our sales partner Crédit Lyonnais now also offers property insurance for commercial customers. Our business processes are being streamlined and speeded up as a result of the continuing integration of our French property and casualty insurers. We are lowering the costs of expert opinions and introducing new work rules for agents, under which their compensation will be tied to results to a greater degree. Through these measures, we expect to lower the expense ratio substantially from the level of 1999.

Italy. We are active in the Italian market through the property and casualty insurance companies of the RAS Group and through Lloyd Adriatico. Their combined premium income in 1999 amounted to 4.1 billion euros, making us the second-largest insurer in Italy.

A significant portion of the higher premium income was generated in the automobile insurance business, where we were able to increase rates in 1999. As a result, the **premium income** of the RAS Group rose by 7.6 percent to 3.0 billion euros. Lloyd Adriatico increased its sales volume to 1.1 (1.0) billion euros.

Lloyd 1885, our direct insurer in Italy, again posted growth in excess of 100 percent and wrote premiums in the amount of 28 million euros. This company sells insurance products on the telephone and the Internet. In the last quarter of 1999, the company sold an average of 400 policies per week on-line.

The **loss ratios** of our Italian companies improved, mostly because they discontinued poorly performing automobile risks and were very selective in the new business that they wrote. Furthermore, the portfolio structure was improved by means of rate differentiation. On balance, therefore, our Italian companies were able to hold their automobile insurance loss expenses in check. The loss ratio of the RAS Group was 79.1 percent (80.9 percent), that of Lloyd Adriatico 83.2 (89.4 percent).

Having been successful in their efforts to keep the rate of increase of administrative expenses below the level of premium growth, our Italian companies also reported lower **expense ratios**. Three smaller companies of the RAS Group – Lavoro & Sicurtà, L’Italica and Compagnia di Genova – were merged with RAS and their respective sales networks combined in 1999. These steps will generate additional cost savings. The expense ratio of the RAS Group was 24.5 percent (25.2 percent), and for Lloyd Adriatico 18.6 percent (20.2 percent).

RAS Group

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	2,485	2,749	2,958
Loss ratio	81.6 %	80.9 %	79.1 %
Expense ratio	25.1 %	25.2 %	24.5 %
Earnings after taxes	132.5	136.4	201.4
Investments	6,183	7,116	7,046
Employees	4,662	4,705	5,064

The **net investment income** of the RAS Group declined to 387 (416) million euros, due to a decline in Italian capital market rates in 1999. The net investment income of Lloyd Adriatico was 123 (156) million euros.

The **earnings after taxes** of the RAS Group improved to 201 (136) million euros, and for Lloyd Adriatico to 43 (22) million euros. The reduced tax rate in Italy was a major factor behind these increases.

Lloyd Adriatico

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	997	1,051	1,113
Loss ratio	86.0 %	89.4 %	83.2 %
Expense ratio	19.2 %	20.2 %	18.6 %
Earnings after taxes	24.2	21.7	42.5
Investments	1,792	1,912	2,020
Employees	1,398	1,338	1,313

The Italian government has prepared a draft law. One of its aims is to freeze tariffs in automobile insurance at the level of the previous year. If this political initiative is successful, it would exert a major effect on the financial position of our Italian property and casualty insurer during the **current business year**.

Switzerland. We are active in this market through our subsidiaries ELVIA, Berner Versicherung, Allianz Schweiz and Phenix. The combined sales of these companies totalled 1.1 billion euros in 1999, making Allianz the third-largest property and casualty insurer in Switzerland.

Premium income increased slightly by 0.5 percent, in line with the general development of this very competitive market.

Loss expenses caused by unusually violent storms worsened the loss ratio to 78.5 percent (75.8 percent).

At 29.6 percent, the expense ratio remained at the level of the previous year.

At 277 (209) million euros, net investment income continued to improve, buoyed in particular by the higher level of realized investment gains.

Earnings after taxes remained virtually unchanged at 113 million euros.

ELVIA / Allianz / Berner / AGF Phenix

	1997 Ümn	1998 Ümn	1999 € mn
Gross premiums	1,093	1,096	1,101
Loss ratio	80.8 %	75.8 %	78.5 %
Expense ratio	29.8 %	29.6 %	29.6 %
Earnings after taxes	13.0	112.2	112.6
Investments	3,534	3,718	3,850
Employees	3,482	3,333	3,105

In the current year, our Swiss companies expect to achieve another increase in premium income, thanks particularly to the sales initiative in progress. Furthermore, Allianz Versicherung Schweiz is the lead insurer for the infrastructure projects being performed at the Lötschberg and Gotthard tunnels. The business relationships established through these projects will eventually produce higher premiums as well.

By streamlining insurance portfolios and tightening up the management structure, we plan to further improve the earnings quality of the Allianz Group in Switzerland.

Our company Allianz Risk Transfer (ART) increased its sales by 21 percent to 428 million euros. The greater portion of this company's business originated from the sale of conventional reinsurance, and yet the portion contributed by sales of alternative risk transfer solutions increased substantially to 82 (43) million euros. These products, which represent a complementary mix of financial and insurance expertise, are comprehensive risk management solutions for industrial corporations, financial institutions and service companies. Earnings after taxes amounted to 29 (29) million euros.

ART

	1997 Ümn	1998 Ümn	1999 € mn
Gross premiums	174	354	428
Loss ratio	84.9 %	70.8 %	72.4 %
Expense ratio	24.3 %	28.5 %	23.0 %
Earnings after taxes	8.4	28.6	28.8
Investments	373	677	894
Employees	—	11	12

Great Britain. Our subsidiary Cornhill ranks sixth in the British property and casualty insurance market. The company's premium income rose by 38 percent to 1.9 billion euros.

In original currency terms, **sales growth** came to 22.6 percent. The company expanded its business with both industrial and private customers. Higher premiums also resulted from the assumption of a portion of the former portfolio of AGF (UK). In addition, our animal insurer Pet Plan acquired the company Dog Breeders Insurance.

Due to the high incidence of major-damage claims in the industrial insurance business and significantly higher loss expenses in automobile and accident insurance, the **loss ratio** increased to 80.9 (68.8 percent).

Net investment income totaled 226 million euros.

Due to the adverse claims experience, **earnings before taxes** fell to 28 (71) million euros.

Responding early to the poor business performance, the company initiated a series of remedial measures in 1999. Automobile insurance rates were adjusted in the second half of 1999 to reflect the higher incidence of claims in this market. Additionally, we shed unprofitable risks in this business and in the business of industrial insurance.

It is our expectation that Cornhill will post much better results for the **current year**.

Cornhill

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	1,510	1,411	1,944
Loss ratio	70.7 %	68.8 %	80.9 %
Expense ratio	33.8 %	35.4 %	33.2 %
Earnings after taxes	59.6	70.8	27.6
Investments	2,282	2,292	2,450
Employees	3,314	3,372	3,523

Austria. Allianz Elementar Versicherungs-AG experienced a very disappointing year in 1999, generating a loss. The premium income was 806 million euros. This property and casualty insurance company is the market leader in Austria.

Amid generally stagnant market conditions, the company posted a slight 0.3 percent increase in its premium income in 1999. The 4.7 percent decline in **premium income** from automobile liability insurance was somewhat more moderate than the rate of decrease for the overall market.

The **loss ratio** increased to 84.3 (76.7 percent) as a result of rising loss expenses, primarily in liability and automobile insurance, due in part to severe weather. In addition, the strategy of risk selection through differentiated rates did not produce the desired result, due to the substantial discounts being offered throughout the market.

Allianz-Elementar's **expense ratio** for 1999 was 32.6 percent, after 31.8 percent in the previous year.

Net investment income fell to 90 (97) million euros.

Our Austrian subsidiary reported a **net loss** after taxes of 12 million euros in 1999, reducing the Group's consolidated income by the same amount (previous year: 13 million euros profit).

Allianz Elementar

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	829	804	806
Loss ratio	72.1 %	76.7 %	84.3 %
Expense ratio	28.5 %	31.8 %	32.6 %
Earnings after taxes	24.8	13.3	- 11.9
Investments	1,570	1,619	1,616
Employees	4,046	3,921	3,889

Several projects were initiated at the end of 1999 with the aim of lowering the cost ratio to an internationally competitive level and improving the loss ratio. These projects will produce positive results during the course of the **current year**. Among other measures, automobile insurance rates were raised and higher deductibles were often attained in the course of work-out negotiations. The company plans to increase the profitability of its processing operations. Because of these restructuring measures, we expect sales to increase only moderately in 2000.

Spain. With premium income of 1.1 billion euros, our property and casualty insurance company Allianz Compañía de Seguros y Reaseguros ranks third in this market. The company was formed in 1999 from the merger of the former Allianz and AGF insurance companies in Spain.

The focus of attention in 1999 was devoted primarily to the work of consolidating our three insurance companies in this market, including measures to harmonize their IT platforms and product offerings, maintain a uniform market image and optimize workforce levels.

The 31 percent increase in the **premium income** can be attributed in part to the fact that the AGF companies were consolidated for the entire fiscal year, whereas in 1998 they had been consolidated only as of April. But the sales increase was also driven by new business in automobile insurance. The unavoidable premium increases instituted in this business line in the fourth quarter of the year provided an additional boost to premium income. The premium adjustments had become necessary in the wake of a dramatic increase in claim expenses over the last several years.

The **loss ratio** worsened to 89.7 percent, after 83.4 percent in the previous year. The company initiated counter measures in 1999, raising insurance rates, terminating business relationships with agents who had contributed too many poor risks to the portfolio, improving risk selection in writing new business and entering into agreements with automobile repair shops so as to lower repair costs. Naturally, these measures had only a limited effect on the loss ratio in

1999. Thanks to the cost savings resulting from the consolidation of business units and the introduction of more efficient business structures, the **expense ratio** improved by 4.5 percentage points to 25.0 percent.

Earnings after taxes were a loss of 14 million euros, but this figure represents an improvement of 24 million euros over the previous-year loss. In 1998, earnings had been reduced by the provisions taken to cover integration expenses.

At the end of 1999, we employed 2,102 (2,894) **employees** in Spain. The substantive decline is related to the consolidation of our companies in this market.

In the **current year**, Allianz Seguros y Reaseguros will press forward with its efforts to rehabilitate its automobile insurance portfolio.

Spain

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	396	805	1,058
Loss ratio	78.1 %	83.4 %	89.7 %
Expense ratio	26.7 %	29.5 %	25.0 %
Earnings after taxes	10.3	- 38.2	- 14.2
Investments	500	1,654	1,563
Employees	931	2,894	2,102

Belgium. In 1999, we consolidated our activities in the Belgian property and casualty insurance market under AGF Belgium Insurance. With sales of 373 million euros, this company ranks fifth in the Belgian market.

Premium growth of 18 percent was generated primarily from consolidation of AGF Belgium over the full year (1998: only 9 months) and the takeover of industrial agency St. Haine. This step enabled us to significantly improve our position in industrial risk insurance. But AGF Belgium also gained market shares in automobile insurance.

The expense ratio deteriorated to 39.3 percent (38.4 percent). Commission income climbed as a result of sales growth in industrial risk insurance and automobile insurance. Higher commission rates are common in these businesses. Investments in IT equipment also contributed to an unfavorable expense ratio.

An unsatisfactory increase in loss expenses in the business of industrial insurance policies and higher repair costs in automobile insurance, increased the loss ratio to 82.0 percent, from 77.3 percent in the previous year.

Net investment income remained virtually unchanged at 58 million euros.

AGF Belgium posted a loss after taxes of 12 million euros, an improvement of 19 million euros over 1998. Earnings in the year under review were depressed significantly by provisions to cover the expenses of integration.

Belgium

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	27	316	373
Loss ratio	81.8 %	77.3 %	82.0 %
Expense ratio	44.0 %	38.4 %	39.3 %
Earnings after taxes	- 1.5	- 30.9	- 11.9
Investments	71	1,723	1,271
Employees	111	2,348	2,059

We expect overall premium income in Belgium to increase in the current year, as the customer loyalty reinforcement project that has already been launched begins to yield positive results. However, we are planning to reduce sales in industrial risk insurance by restructuring our portfolio. These measures will help to lower the loss ratio over the next few years.

Netherlands. Our subsidiary active in this market is Royal Nederland Verzekeringsgroep. This company was the result of a merger of the Allianz companies in 1999. With premium income of 523 million euros, this company ranks sixth in the Dutch market.

Premium income grew, adjusted for the effects of consolidation, by 3.6 percent, and outperformed the market.

The loss ratio edged up slightly to 76.6 percent (74.4 percent). The expense ratio was 27.7 percent (27.2 percent).

Earnings after taxes increased to 55 (35) million euros.

In the current year, we plan to raise automobile insurance rates. We also expect the pressure on premium rates in the industrial insurance market to ease.

The Netherlands

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	153	345	523
Loss ratio	78.7 %	74.4 %	76.6 %
Expense ratio	30.7 %	27.2 %	27.7 %
Earnings after taxes	13.2	35.4	54.5
Investments	326	1,403	1,556
Employees	33	1,038	1,118

Ireland. With sales of 444 million euros, Allianz Irish Life Holdings ranks second in the Irish property and casualty insurance market.

Premium income jumped 14.2 percent over the pro forma previous year figure. Three main factors were behind the strong growth:

- ▶ The company raised premium rates substantially, especially in unprofitable business segments such as automobile insurance for industrial and commercial customers.
- ▶ The number of insured automobiles for private customers increased significantly.
- ▶ Cornhill's North Ireland portfolio was transferred to Church & General, a subsidiary of Allianz Irish Life Holdings.

The loss ratio improved to 93.7 percent (99.4 percent) as the company continued to shed unprofitable risks. Furthermore, no serious weather-related claims were filed.

After having contributed a net loss to the consolidated accounts in the previous year, Allianz Irish Life Holdings returned to profitability in 1999, with earnings after taxes of 10 million euros.

Allianz Irish Life Holdings

	1998 € mn	1999 € mn
Gross premiums	291	444
Loss ratio	99.4 %	93.7 %
Expense ratio	18.8 %	19.6 %
Earnings after taxes	- 6.1	10.4
Investments	872	1,066
Employees	750	814

The company intends to adjust premiums further in the current year. Moreover, the company plans to improve its loss ratio by employing a selective approach to the underwriting of automobile risks and by increasing premiums.

Rest of Europe. We also write property and casualty insurance in Hungary, the Czech Republic, Croatia and Bulgaria. Additionally, we have businesses in Portugal, Luxembourg, Greece and Denmark. The companies in most of these markets are among the five leading insurers.

Premium income from the rest of Europe totaled 1.0 billion euros. We generated the highest country sales in Hungary, at 301 million euros, followed by Portugal, at 218 million euros.

Business developments in central and eastern Europe were affected by two main factors in 1999, these being our efforts to build up efficient, full-range sales networks and our preparations for the upcoming liberalization of automobile insurance markets in the Czech Republic and Slovakia.

In spite of the expenditures incurred in connection with the start-up of automobile insurance operations in the Czech Republic, the **earnings after taxes** generated in the rest of Europe increased to 39 (21) million euros.

In the **current year**, we plan to further extend the reach of our sales network and improve our market position in the strategically vital automobile insurance business. In Hungary, we plan to introduce a new schedule of automobile insurance rates differentiated by risk groups. We believe that by being the first to introduce this innovative new concept to the market, we will be able to maintain the dominant position that we hold in this business line.

Rest of Europe

Gross Premiums by country	1997	1998	1999
	€ mn	€ mn	€ mn
Hungary	261	267	301
Czech Republic	57	75	88
Poland	2	25	61
Slovakia	36	36	42
Croatia	—	—	27
Central and eastern Europe	356	403	519
Portugal	148	194	218
Luxembourg	94	95	119
Greece	75	1	90
Denmark	32	36	41
Total	647	804	993

NAFTA Region. The sales revenue of our property and casualty insurance companies active in the trading zone of the North American Free Trade Association (NAFTA) amounted to 5.6 billion euros. In the United States, these companies are Fireman's Fund Insurance Company (FFIC), Allianz Insurance Company and Allianz Underwriters Insurance Company (AIC/AUIC), as well as Jefferson Insurance Company of New York. The Canadian market is served by Allianz of Canada and Trafalgar Insurance Company. We are active in Mexico through the companies Allianz México S. A. Compañía de Seguros and Rentas Vitalicias.

Premium income generated in the NAFTA region increased (in original currency terms) by 5.9 percent to 5.6 billion euros. Of this total, 91 percent was generated in the United States, where premium income rose by 6.0 percent to 5.1 billion euros.

Contributing sales revenue of 4.4 (3.6) billion euros, FFIC is by far our biggest company in the United States. A significant portion of the higher sales revenue, was derived from the acquisition of McGee, an underwriting agent that is one of the leading writers of freight and maritime shipping insurance in this market.

Fireman's Fund

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	3,638	3,627	4,414
Loss ratio	77.0 %	78.3 %	79.5 %
Expense ratio	27.3 %	27.1 %	26.9 %
Earnings after taxes	217.6	257.1	357.7
Investments	11,258	10,478	11,427
Employees	8,334	8,767	9,031

The companies AIC/AIUC, which specialize in business with major customers, increased their premium income by 16.3 percent to 581 million euros, improving their position considerably with respect to the global competition. Addressing the risks associated with e-commerce and the Internet, AIC developed a new type of insurance policy that protects the holder from the consequences of data theft, virus attacks and overload attacks on the Web.

Allianz Canada generated premium income of 460 (319) million euros. In 1999, the company acquired the Canadian subsidiary of Wm. McGee & Co.

Sales in Mexico amounted to 88 million euros, after 63 million euros in the previous year. The uncertain financial outlook of our sales partner BanCrecer slowed the expansion of business with private customers.

The **loss ratio** in the NAFTA region increased to 80.5 (78.6 percent). Inadequate rates in industrial insurance, higher loss expenses in workers' compensation insurance and a number of major-damage claims contributed to the worsening of this ratio in 1999.

Net investment income was 1.1 (0.7) billion euros. The increase was the result of higher realized investment gains in a stock market environment that was generally quite favorable.

At 325 (239) million euros, **earnings after taxes** in the NAFTA region were in line with the general market trend, but fell short of our own expectations.

NAFTA

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	4,505	4,542	5,636
Loss ratio	79.6 %	78.6 %	80.5 %
Expense ratio	27.0 %	27.0 %	26.6 %
Earnings after taxes	149.1	238.8	324.8
Investments	13,480	12,806	14,554
Employees	9,557	10,326	10,347

As in the past, the U.S. market is still burdened by excess capacity and continued strong competition. These factors are also dampening our sales expectations for the **current year**. Our property and casualty insurers have undertaken numerous projects with the aim of outpacing the overall market growth in spite of the difficult operating conditions and to continue enhancing earnings quality. FFIC is expanding its operations in profitable business lines such as crop insurance and group insurance, while also streamlining its distribution channels. Less profitable product lines are being abandoned. Our subsidiary in Canada is investing to reinforce its sales structures.

South America. On the South American continent, we offer property and casualty insurance in Argentina, Brazil, Chile and Venezuela. Our combined premium income in these countries came to 696 million euros.

Most of the **premium income** was generated in Brazil.

The **loss ratio** in South America improved to 59.5 percent (67.8 percent). The **expense ratio** increased to 32.2 percent (28.2 percent), primarily as a result of business expansion, especially in Brazil.

Earnings after taxes were 25 (7) million euros.

South America

Gross Premiums by country	1997 € mn	1998 € mn	1999 € mn
Brazil	—	229	398
Venezuela	75	99	126
Argentina	40	65	97
Chile	38	67	76
Total	153	461	696

At the end of 1999 we purchased insurer Colseguros in Colombia. The company is active in all segments and is market leader in property and casualty insurance. Colseguros was not consolidated in the year under review and posted a loss in 1999. The company has now been placed under new management and is currently being restructured. The Colombian market offers good prospects for growth and profit.

Asia Pacific. In this region, which holds the promise of outstanding growth potential, we are represented with our own companies or through joint ventures in nearly all the major markets. In Taiwan, we acquired 50 percent of Allianz President General in 1999; we also started offering insurance in Vietnam. On the whole, we generated sales of 715 million euros in the Asia-Pacific region in 1999.

The former MMI Insurance Group, operating now under the name of Allianz Australia, reported a **premium income** of 591 million euros. Following the acquisition, we introduced new management and initiated far-reaching cost reduction programs. As a result of these measures, workers' compensation insurance is already back on track, but the commercial customers business, the second core area of expertise for Allianz Australia, is still in the red. Returning this business to profitability is an overriding goal in the current year. We expect that Allianz Australia will reach profitability in the year 2000.

Allianz Australia closed the year with a loss of 113 million euros.

Due mainly to the high level of claims incurred in connection with the earthquake in Taiwan, our companies in this country also closed the year with a loss of 11 million euros. As a result, **earnings after taxes** in the Asia-Pacific region were negative at -129 million euros.

Asia

Gross Premiums by country	1997	1998	1999
	€ mn	€ mn	€ mn
Australia	-	-	591
Japan	24	24	39
Indonesia	15	27	28
Taiwan	-	-	26
China	17	19	18
Singapore	37	51	13
Laos	-	2	-
Total	94	122	715

OTHER MARKETS

Through the companies of AGF Athena Afrique, we offer property and casualty insurance in the west African states of Burkina Faso, Ivory Coast, Gabon, Cameroon and Senegal. Athena Afrique is one of the five leading providers in this region. We are represented in South Africa by Allianz of South Africa and in Namibia by Allianz Insurance of Namibia. Premiums written in these markets amounted to 163 million euros.

CREDIT INSURANCE

Through the companies of the Euler and Hermes Groups, we offer credit insurance on a global scale. We are the world's leading credit insurer.

Premium income amounted to 1.5 billion euros. Of this amount, 65 percent was contributed by the Euler Group and 35 percent by the Hermes Group.

The loss ratio fell to 51.5 percent (55.4 percent), mainly as a result of improved risk selection. Business start-up expenses raised the expense ratio to 36.7 percent (32.5 percent).

Earnings after taxes declined to 133 (171) million euros. Euler's earnings had been boosted in 1998 by an extraordinary gain on the sale of Coface investment.

Credit insurance (Euler + Hermes)

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	474	1,091	1,534
Loss ratio	69.0 %	55.4 %	51.5 %
Expense ratio	14.4 %	32.5 %	36.7 %
Earnings after taxes	28.3	171.0	133.4
Investments	623	1,950	2,700
Employees	1,870	5,057	5,178

In the **current year**, Euler and Hermes will collaborate with each other to a much greater degree.

► In each country, the partner with the more promising market position will present itself to customers. Euler will build on its strong position in France, Great Britain, Italy, Belgium, the Netherlands, Luxembourg and the United States; Hermes will concentrate on deepening its market penetration in Germany, the Scandinavian countries, central and eastern Europe, Austria and Switzerland.

► Both companies will jointly pursue expansion in Hungary and Greece; moreover, they plan jointly to enter the markets in Spain and the Asia-Pacific region.

By the end of April 2000, 25 percent of Euler's stock had been placed directly with institutional investors or sold to the public on the Paris Bourse. These shares originated from the holdings of AGF, Swiss Re and Scor. However, AGF continues to be the majority shareholder of Euler.

TRAVEL INSURANCE AND ASSISTANCE SERVICES

Our activities in this fast-growing business sector were consolidated under Elmonda in 1999. We are one of the world's leading providers in this market segment.

Premium income amounted to 581 million euros. Of this amount, 237 million euros was contributed by the newly consolidated Sacnas Group. This Group actively sells its products and services in several markets of the world under the brand name Mondial Assistance. ELVIA Reiseversicherung contributed another 344 million euros to sales revenue.

Earnings after taxes increased to 23 (10) million euros. Of this amount, 7 million euros was contributed by Sacnas.

During the year under review, ELVIA Reiseversicherung and Sacnas merged with Elmonda, a newly formed company in which ELVIA and AGF each hold half the capital. Elmonda is active in 24 countries and employs about 4,000 people. The number of cases in which Elmonda compensated losses or provided assistance services to its customers totalled 8 million in 1999.

We plan to expand our travel insurance and assistance services business around the world. In the spring of 2000, we acquired the U.S. assistance services company World Access. With more than 600 employees, this company generated sales of 116 million euros in 1999.

Travel and Assistance

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	282	307	581
Loss ratio	52.2 %	56.0 %	63.1 %
Expense ratio	44.6 %	46.9 %	44.2 %
Earnings after taxes	9.4	10.4	22.9
Investments	219	234	502
Employees	867	980	4,006

A scenic beach landscape featuring several tall palm trees silhouetted against a bright sky. In the foreground, a clothesline stretches across the frame, holding up various pieces of laundry, including red, white, and dark clothing. Two surfboards are leaning against a tree trunk on the right side of the image. The ocean is visible in the background, with waves crashing onto the shore.

It wasn't about adventure. It wasn't about a trip around the world.
And it wasn't about dropping out of the rat race. I wanted
only one thing – to surf the waves. And so I set off to do so.

LIFE AND HEALTH INSURANCE

Germany. We offer life and health insurance products in the German market through our companies Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG, Vereinte Lebensversicherung AG and Vereinte Krankenversicherung AG. In total, these companies increased premium income to 11.4 billion euros. In Germany, we are the market leaders in life insurance and rank third in health insurance.

Of the total **premium** income figure, 78.0 percent (8.9 billion euros) was derived from life insurance and 22 percent (2.5 billion euros) was derived from the sale of health insurance products. Overall sales revenue in this segment increased by 10.1 percent.

Life insurance

The **premium income** of our German life insurers grew faster than in the overall market and increased by 12.3 percent to 8.9 billion euros. New business achieved a record result in absolute terms with an increase of sales of 64.7 percent to 2.6 billion euros. Meanwhile, more than two thirds of new business – measured in terms of premiums – is derived from pension insurance. Customers have clearly come to terms with the fact that the statutory pension alone can no longer guarantee living standards during retirement. They have also been encouraged to take swift action by the debate surrounding taxation of life insurance.

Measured in terms of coverage amounts, the insurance portfolio grew by 9.4 percent to 219.6 billion euros in 1999. In spite of the strong trend of new business, the number of policies remained nearly constant, as numerous policies that we had taken over from the State Insurance Fund of the former German Democratic Republic expired.

The cancellation rate continued to improve in 1999, falling to the level of 3.4 percent (3.7 percent).

The **expense ratio** declined to 8.5 (10.0) percent. The main factor contributing to this reduction was the elimination of the duplication of efforts resulting from the structural and organizational integration of Vereinte Lebensversicherung AG with Allianz Lebensversicherung AG. The main cost synergies were achieved in the areas of software development, data processing, and product development.

The **investment portfolio** increased by 8.3 percent to 107 billion euros in 1999. Net investment income, at 6.1 billion euros, was practically unchanged, due to the fact that realized gains, in particular those that resulted from writedowns according to prior accounting treatment, had to be reversed for the IAS accounts. Consequently, **earnings after taxes** declined to 168 from 199 million euros.

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

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	7,775	7,942	8,916
Expense ratio	12.1 %	10.0 %	8.5 %
Earnings after taxes	152.4	198.5	167.6
Investments	92,102	98,588	106,800
Employees	5,321	6,129	6,158

Following on the very strong sales growth in 1999, we expect premium income to rise again in the **current fiscal year**. Specifically, we are planning of a 2.8 percent increase in premium income purely on the strength of the dynamic growth of new business in 1999. Sales of single-premium annuity insurance products will be further expanded.

We also want to persuade customers to reinvest with us the substantial benefit payments they received under expiring policies, thus ensuring a life long income via a private bond fund pension plan.

In July 2000, Allianz Leben and Vereinte Leben will introduce a new product generation designed on the principle of a flexible, easy-to-understand modular system. The new product concept will set new standards in the market. During the course of this year, Deutsche Lebensversicherungs-AG will launch a new fund-linked annuity insurance product.

Health insurance

The **premium income** of Vereinte Krankenversicherung AG rose by 3 percent to 2.5 billion euros. Sales revenue was diminished by premium reductions in the mandatory nursing care insurance. Premium income in the main business of health insurance, on the other hand, increased by 4.4 percent.

The higher premium income is mainly the result of premium rate adjustments that had become necessary in the wake of rising health care costs. New business declined by 12.3 percent. The public discussion regarding the reform of the health care system fostered a wait-and-see attitude in 2000, with many people putting off a decision as to whether they should take out private health insurance.

The number of insured persons declined to 2.25 from 2.3 million, this decline being attributable mainly to the lower number of insured under supplementary insurance plans. This development in turn was due to the fact that some of the restrictions that had been imposed earlier on benefits under the statutory health insurance system were lifted.

In spite of improvements in claims management, loss expenses swelled by 2.9 percent to 1.7 billion euros in 1999. The **loss ratio** improved slightly to 70.6 (71.0) percent.

Building on its earlier work in this direction, Vereinte Krankenversicherung AG developed a comprehensive health management system that also includes programs aimed at illness prevention. One such program is aimed at preventing skin cancer, another at counseling asthma patients. A new addition to our offering of programs is the integrated preventative care model for diabetics insured in Bavaria. This program, which involves the coordinated cooperation of physicians, patients, the insurance company and other participants, improves the quality of life for diabetics, enhances the quality of care afforded to them, avoids duplicate examinations and helps keep costs in check.

Vereinte Krankenversicherung AG initiated a sweeping restructuring program in 1999. Business locations with internal sales organization duties are being consolidated while business processes are being made more efficient and customer-friendly. The new organizational structure will be adopted in stages over the next four years. In this regard, the company also set up reserves for the future costs of employee severance plans.

The **expense ratio** increased to 10.7 percent (10.4 percent). Reasons for the increase included the hiring of additional personnel in the claims processing departments and heavy investment spending on information technology at Vereinte Krankenversicherung AG.

Net investment income amounted to 515 from 493 million euros.

Earnings after taxes improved to 59 from 48 million euros.

Vereinte Krankenversicherung AG

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	2,385	2,439	2,513
Loss ratio	70.7%	71.0%	70.6%
Expense ratio	9.4%	10.4%	10.7%
Earnings after taxes	38.0	48.2	58.8
Investments	7,730	9,015	9,775
Employees	3,487	3,988	4,121

For the **current fiscal year**, Vereinte Krankenversicherung AG is forecasting sales revenue growth of approximately 3 percent, in line with the market trend. The company aims to further reduce its loss ratio.

Italy. With the RAS Group and Lloyd Adriatico, we are very well positioned in the Italian life insurance market. These two companies together increased their premium income to 1.5 billion euros, elevating them to second place in Italy.

Sales revenue increased by 10.7 percent.

The RAS Group recorded **premium income** of 1.3 billion euros, Lloyd Adriatico 159 million euros. Adding the premiums for investment-oriented life insurance products, which are not allowed under International Accounting Standards, the total premium volume in Italy came to 3.0 billion euros, reflecting a growth rate of 47.1 percent. The success that our companies encountered in their sales efforts expanded their share of the Italian life insurance market from 7.2 percent to 8.2 percent.

The revenue growth was driven in particular by the sale of insurance products at bank counters:

- ▶ A major portion of the strong sales figure can be attributed to the expansion of the cooperation agreement with the Credito Italiano Group. Previously, RAS could sell its products only at the bank counters of the bank's subsidiaries. Since mid-1999, however, insurance products are also being sold at the 760 branches of the parent company bank. As a result, premium income nearly tripled.

- ▶ Furthermore, Antoniana Veneta Popolare Vita, a joint venture with Lloyd Adriatico for bank-based distribution of insurance products, also turned in an excellent performance. The company increased its sales – particularly in variable annuities – by 54 percent to 172 million euros.

Due to the higher proportion of sales contributed by investment-oriented life insurance products, which are not recognized under IAS rules, the **expense ratio** rose to 16.7 percent.

By realizing investment gains, the Italian companies improved their **net investment income** to 892 billion euros.

Earnings after taxes doubled to 306 from 154 million euros. This result clearly reflects the impact of the lower tax rates in Italy.

Italy

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	1,264	1,312	1,453
Expense ratio	14.0 %	14.5 %	16.7 %
Earnings after taxes	143.0	153.8	306.2
Investments	10,255	12,099	14,093

The company expects strong sales revenue growth in the **current year** as well, fueled in large part by the sales cooperation with Credito Italiano and the dynamic business growth of Banca Antoniana Veneta Popolare Vita. As a result of this growth, we expect the market share held by the Allianz companies in Italy to reach the level of 9 percent.

The Italian Group companies will continue to develop their range of investment products. The objective is to expand significantly the product range over the next four years through a network of around 830 insurance agents. This involves providing insurance products, investment funds and other financial services from a single source. This ongoing project will strengthen customer loyalty and sharpen our profile as a provider of financial services.

France. The AGF Group ranks fifth in the French life insurance market with premium income of 1.5 billion euros, and ranks second in the health insurance market.

Having increased their combined **premium income** by 6 percent, our life insurance companies emerged from 1999 in a much stronger position.

Much attention was devoted in 1999 to preliminary work in preparation for harmonizing the product line.

The **expense ratio** improved to 36 percent from (41.5) percent.

Boosted by the higher level of realized investment gains achieved as a result of harmonizing the investment strategies of the various life insurance companies that were integrated last year, **net investment income** rose to 1.7 (1.0) million euros.

Earnings after taxes, at 101 million euros, fell short of the previous-year figure (168 million euros). For the most part, this difference is due to the fact that the tax rate in 1999 returned to a more normal level. In the previous year, after-tax earnings had been favored by a non-recurring tax effect.

France

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	105	1,051	1,458
Expense ratio	45.1 %	41.5 %	36.0 %
Earnings after taxes	8.2	168.3	101.2
Investments	4,797	37,042	39,726

In the **current year**, we have set ourselves the goal of growing our life and health insurance business at a faster rate than the market average. The sales and product strategies will be more closely integrated with an eye to better exploiting the sales potential of the exclusive sales organization, brokers, specialized providers of financial services and the Internet.

Switzerland. In this country, we offer life and health insurance products under various brand names. Our companies in Switzerland are ELVIA Leben, Berner Lebensversicherungs-Gesellschaft, Allianz Lebensversicherung (Schweiz) and AGF Phenix. Taken together, they generated sales of 630 million euros, putting them in sixth place in this market.

Compared to the previous year, **premium income** declined, in conformity with the market trend, by 4.7 percent. Few life insurers were able to maintain the growth rate of the previous year, which had been stimulated by the looming prospect of a tax on single-premium life insurance policies.

The central units of the four companies were consolidated and business processes streamlined, with the result that the **expense ratio** improved to 12.0 percent (15.8) percent.

Net **investment** income declined to 331 (379) million euros, due to the fact that profits on the disposal of investments were lower than they had been in the previous year.

Earnings after taxes improved to 34 (22) million euros.

Our goal in Switzerland for the **current fiscal year** is to outpace the market average for business growth. In addition, we will be adding fund-linked life insurance products to our product portfolio.

Switzerland

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	575	681	630
Expense ratio	15.0 %	15.8 %	12.0 %
Earnings after taxes	10.5	22.3	34.3
Investments	6,150	6,815	7,408

Spain. Our life and health insurance activities in Spain are concentrated in the companies Allianz Seguros and Eurovida, a joint venture for bank-based distribution of insurance products. These companies together recorded premium income of 421 million euros, putting them in eleventh place in this market.

At 7 percent, sales revenue growth was considerably more moderate than in the previous year, due mainly to the uncertainty surrounding future tax rules, which kept many customers from buying insurance in 1999.

In health insurance, Allianz Seguros expanded its cooperation network with physicians and hospitals and launched a new product based on this cooperation. The product in question allows for on-line data transfer and makes it easier to offer customer insurance products tailored to their specific needs.

After a brief pause in the previous year, Eurovida, our joint venture for bank-based distribution of insurance products, resumed its course of growth in 1999. Premium income increased by 65 percent to 109 million euros. The following factors were behind the higher sales revenue:

- ▶ Demand for savings products with guaranteed interest rates picked up even more.
- ▶ The segmentation of customer groups boosted sales considerably.
- ▶ A new fund-linked life insurance product experienced particularly strong sales in excess of all expectations.

The **expense ratio** improved by 2.7 percentage points to 9.3 percent.

Earnings after taxes in life and health insurance were 8 million euros compared to 18 million euros in the prior year.

Spain

	1997	1998	1999
	€ mn	€ mn	€ mn
Gross premiums	221	392	421
Expense ratio	9.5%	12.0%	9.3%
Earnings after taxes	12.8	18.3	8.2
Investments	880	2,187	2,473

Allianz Seguros is planning to increase significantly the volume of business during the current year. Our company is consolidating the sales network, expanding the dedicated sales network for life insurance and increasing the commission payable on life insurance products. The new health insurance product is also being sold over the counter at our joint-venture partner Banco Popular.

REST OF EUROPE

Total **premium income** from life and health insurance sales in the other European markets amounted to 746 million euros. Double digit growth rates were recorded in almost all the countries.

Earnings after taxes were 63 million euros, with our company in Belgium making a major contribution.

Rest of Europe Life

Gross Premiums by country	1997 € mn	1998 € mn	1999 € mn
Belgium	15	207	323
Austria	218	227	251
Great Britain	92	103	117
The Netherlands	17	78	99
Greece	23	56	70
Luxemburg	–	36	43
Portugal	41	60	42
Hungary	21	25	38
Poland	–	6	15
Total	427	798	998

United States. The earnings of Allianz Life Insurance Company of North America, our life insurer in the United States, declined significantly in 1999. The premium volume reported was 1.5 billion euros.

In original currency terms, **premium income** from life and health insurance increased by 3.7 percent.

Sales of fund-linked annuity insurance products continued their decline, falling 31.4 percent to 1.2 billion euros. Under IAS rules, only the risk premium and accruing fees are recognized as sales revenue. The decline in this business segment is due to the below-average performance of the investment funds that we offer in connection with these products. The funds are not managed by us, but by an external fund manager which also participates in the marketing of the funds.

In a bid to reverse the downward trend of fund-linked annuity insurance products, we added other, prestigious fund managers to our line-up and restructured the sales organization. The success of these measures, however, will not become visible until later in the year.

In October 1999, Allianz Life acquired the remaining outstanding shares of LifeUSA, a company specializing in the sale of annuity products. The considerable advantages of this merger are described on page 18 of this annual report.

Allianz Life of North America is also active in life reinsurance, a segment in which it enjoys a very solid reputation. Premium income from reinsurance amounted to 270 million euros compared to 188 million euros in 1998.

The overall income from our US-American life insurer was negatively affected by three special factors.

- As a result of the early redemption of fund-linked annuity insurance products, the company had to take extraordinary write-downs on acquisition costs capitalized in earlier years. These writedowns amounted to 132 million euros.
- Furthermore, it was necessary to establish accruals for the poorly performing business of pre-need plans, which we discontinued in 1999. This type of policy covers all costs related to burial.
- The **expense ratio** edged up slightly to 40.2 percent from 39.5 percent.

Although **net investment income** was significantly higher, at 387 (264) million euros, due mainly to realized investment gains, the increase was not enough to offset the special, non-recurring factors mentioned above. The company closed the year with a **net loss** of 0,8 million euros (previous year: profit of 100 million euros), diminishing the consolidated net income for the Group by the same amount.

In the **current fiscal year**, we expect that the fund-linked annuity business will stabilize and that net earnings will undergo a significant improvement.

Allianz Life

	1997 € mn	1998 € mn	1999 € mn
Gross premiums	1,288	1,256	1,533
Expense ratio	39.4 %	39.5 %	40.2 %
Earnings after taxes	104.8	100.0	- 0.8
Investments	3,343	3,307	6,182
Employees	535	596	1,083

Asia Pacific. We are also active in life and health insurance in Asia and are continuously expanding our business in these emerging markets. In 1999, we acquired the South Korean life insurer First Life Insurance, which now bears the name Allianz First Life. With this step, we secured a leading position in this, the world's sixth-largest life insurance market.

Allianz First Life is South Korea's second-oldest life insurance company. With premium income of 1.3 billion euros, it is the fourth-largest provider in this growth market. The company sells its products through so-called "Sales Ladies," the prevalent selling method in this region of the world.

Working together with the Korean management, we are revamping the product program to eliminate or adjust the rates charged for loss-making products and to increase the share of capital sum life insurance products in total sales. The sales organization will be restructured and we will introduce a network of financial advisers as an additional distribution outlet. Allianz First Life plans to devote more attention than it has in the past to marketing its products, among them asset management products, to affluent customer groups. Overall, the company is well on the way to combining Korean and Western insurance expertise into an effective, profitable business approach.

As of May 1999, we hold 50 percent of the shares in the life insurer Allianz President Life in Taiwan.

We also offer life and health insurance in China and Indonesia as well. In the Philippines, we are active in this business segment through a joint venture; in Malaysia through an associated company.

In 1999, we began to offer health insurance in Singapore. Moreover, we received permission to establish a joint venture in Pakistan to offer health insurance.

In total, **premium income** from life and health insurance operations in Asia increased to 414 billion euros. The increase is primarily the result of the acquisition in South Korea, which was included in the consolidated accounts for the second half of the year.

Earnings after taxes were 25 million euros.

OTHER MARKETS

We also offer life insurance in Brazil and Chile. **Sales** in this region came to 158 million euros, **earnings after taxes** were 3 million euros.

I have wondered since childhood when a picture would be considered finished. To find out, you have to paint a lot of canvases, to share your life with brushes and color. But who can do this? I can – finally.



ASSET MANAGEMENT AND OTHER FINANCIAL SERVICES

The total assets under management of the Allianz Group amounted to just over 384 billion euros at the end of 1999. Following the acquisition of US asset manager PIMCO in May 2000, this value shot up to approximately 645 billion euros. It is our intention to build the fast-growing, highly profitable segment of asset management and other financial services into a core business of the Group. As it stands today, we are already one of the world's leading providers of financial services.

We divide **assets under management** into two categories:

► Firstly, they include **investments in insurance business** that we rely upon to cover insurance reserves, equity capital and borrowed funds. The value of these investments came to 320.2 billion euros compared to 287.0 billion euros in 1998 at the end of 1999. The market value of the Group's investments stood at 320.8 (288.8) billion euros. Investments held on account and at risk of life insurance policyholders amounted to 19.1 (15.7) billion euros. Growth resulted mainly from the German life-insurance business. Furthermore, the first-time consolidation of newly acquired Group companies in the United States and Asia exerted a positive influence. In 1999, the investments of LifeUSA and Allianz First Life in South Korea contributed a combined total of 5.4 billion euros to the annual financial statements.

► The second category comprises assets under management related to **asset management for outside investors** and **other financial services**.

The Group's activities in the area of asset management for outside investors are consolidated under the umbrella of its subsidiary Allianz Asset Management. The value of investments in this category climbed to 29.5 from 22.5 billion euros.

The category of "other financial services" includes our banking and building society activities and financing of companies not listed on the stock exchanges. At the end of 1999, loans and advances under the Group's banking activities and building society business amounted to slightly less than 14.8 billion euros compared to 16.2 billion euros in the previous year.

Investments in the insurance business

The **current value** of our investments at the end of 1999 amounted to 339.9 billion euros, reflecting an increase of 12 percent, or 35.4 billion euros, over the previous-year figure. The **valuation reserves** not shown on the balance sheet at the end of 1999 came to 19.7 from 17.5 billion euros.

Unrealized gains and losses in equity capital increased to 12.3 (9.0) billion euros. We transferred 5.9 billion euros (1998: 4.4 billion euros) to the latent reserve for premiums refunds in life and health insurance business.

The current value of **long-term investment holdings valued at equity** amounted to 23.4 billion euros compared to 19.0 billion euros in 1998. Our three biggest holdings are equity stakes held in Münchener Rückver-

Assets Under Management

in € bn	12/31/1999		12/31/1998 Current values
	Current values	Market values	
Real estate	15.2	19.7	19.2
Investments in affiliated enterprises, joint ventures and associated enterprises	8.2	23.4	19.0
Loans	13.8	13.8	17.6
Other securities	256.0	256.0	225.0
Other investments	7.9	7.9	8.0
Investments held on account and at risk of life-insurance policyholders	19.1	19.1	15.7
Investments in the insurance business	320.2	339.9	304.5
Loans and advances to banking and building society customers		14.8	16.2
Investments for outside investors (not shown on the consolidated balance sheet)		29.5	22.5
Investments in Asset Management/Financial Services		44.3	38.7
Assets Under Management		384.2	343.2

sicherungs-AG (11.2 billion euros), Dresdner Bank AG (6.0 billion euros) and Beiersdorf AG (2.2 billion euros).

In addition, we held **other securities** with a current value of 256.0 billion euros at the end of 1999. Of this amount, 160.2 billion euros were invested in fixed-income securities and 94.9 billion euros in dividend-bearing equity securities. As at the balance sheet closing date, our Group-wide holdings in companies

- ▶ in which we hold at least 5 percent of the capital, or
- ▶ in which our investment exceeds the sum of 100 million euros

were valued at 50.8 billion euros. This figure also includes our holdings in companies outside Germany, valued at 18 billion euros. You will find, on pages 156 – 160 of the Notes, a list of the companies mentioned above, as well as the percentage of capital held in each company and the market capitalization of the Consolidated Financial Statements.

Investment priorities

The investment strategies of our Group companies are guided by uniform, consistent principles. Because we adhere strictly to the principle of risk diversification, all our portfolios are widely diversified. We invest mainly in top-quality, highly liquid and widely marketable securities.

The overall performance of our investments is compared at regular intervals to benchmark figures in each investment category. We also compare our net investment income with that of our competitors on a continuous basis.

In the age of the euro, we are now in a position to place greater reliance on European benchmarks. The result has been further diversification of our portfolio and greater international emphasis. Individual securities and industry sectors, as opposed to countries, are now the decisive criteria for investing in European equities. Our portfolio is now weighted more towards our home market of Europe and less towards Germany.

Investment structure life/health

in € bn	12/31/1999		12/31/1998 Weighting in %
	Current values	Weighting in %	
Real estate	9.6	4.7	5.1
Dividend-bearing equity securities	62.0	30.5	24.8
Interest-bearing securities	127.9	63.0	67.7
Other investments	3.6	1.8	2.4
Investments	203.1		

Investment structure property/casualty

in € bn	12/31/1999		12/31/1998 Weighting in %
	Current values	Weighting in %	
Real estate	8.9	6.7	7.2
Dividend-bearing equity securities	68.1	51.9	46.6
Interest-bearing securities	43.6	33.2	37.4
Other investments	10.7	8.2	8.8
Investments	131.3		

Investment structure Group

in € bn	12/31/1999		12/31/1998 Weighting in %
	Current values	Weighting in %	
Real estate	19.7	6.1	6.7
Dividend-bearing equity securities	118.3	36.9	31.4
Interest-bearing securities	174.7	54.5	58.8
Other investments	8.1	2.5	3.1
Investments	320.8		

Another advantage of the single European currency lies in the creation of a European bond market, which offers institutional investors more investment opportunities than ever before. We have great expectations for the corporate bonds segment, which is destined to assume ever greater importance in the new Europe. The credit quality of individual issuers, which is reflected in the interest rates they charge for their securities, will also play a greater role in the future. This trend plays to our advantage, because our international orientation and credit quality evaluation experience have prepared us well for this segment. Already today, we are investing in corporate bonds that offer attractive risk/return profiles.

Our investment strategy results in an **investment structure** that is decisively influenced by the obligations and risks of our insurance business.

The current value of our investments in life and health insurance amounted to 203.1 billion euros. These investments consist for the most part of fixed-income securities, which enable us to assure our customers of steady capital appreciation of their accumulated savings.

Unlike many of our competitors, we kept the percentage of our life and health insurance assets invested in equities relatively high, at 31 percent. As a result, we were in a position to realize investment gains and pass these profits on to our customers, an especially important advantage considering the current low level of interest rates.

The market value of our property and casualty insurance investments amounted to 131.3 billion euros. The majority, or 52 percent, of our investments in this segment are invested in dividend-bearing equity securities.

The share of equity securities within the overall portfolio rose again in 1999, reaching the level of 37 percent at year-end.

Net investment income

Overall income from investments increased to 18.4 (14.8) billion euros, outpacing the growth in the volume of our investment portfolio.

Income from investments increased by 22 percent to 21.8 (17.9) billion euros in 1999. Of this amount, 15.9 (14.9) billion euros related to current income. We took advantage of robust stock markets to realize gains amounting to 5.9 (3.0) billion euros.

Expenses from investments totaled 3.4 (3.0) billion euros. Losses on the disposal of assets came to 1.7 (0.9) billion euros, the greater part of which resulted from reallocations of assets within the AGF portfolio. Other expenses – primarily for investment management and interest – fell to 1.2 (1.5) billion euros. Write-downs came to 0.5 (0.6) billion euros.

The life and health insurance **segment** contributed 11.3 (9.9) billion euros to the overall result, property and casualty insurance 7.7 (5.7) billion euros. The result of the financial services business was positive at 0.2 (– 0.2) billion euros.

Asset Management for outside investors and other financial services

Besides managing its own investments, Allianz offers selected financial services to outside investors. This business includes the activities described below.

Asset management. Our activities in this fast-growing business sector are concentrated in and coordinated by Allianz Asset Management GmbH (AAM). This affiliate offers more than 300 mutual funds and special-purpose investment funds for private and institutional investors. The company's investment experts work in fifteen locations around the world, including England, Austria, France, Italy, Switzerland, Australia, Hong Kong, Singapore, Japan and the United States.

In 1999, Allianz AG reached an agreement with PIMCO, the U.S. asset management firm, to acquire about 70 percent of its stock. PIMCO, the third-largest publicly traded asset management firm in the United States with 1,130 employees, manages assets totaling 260 billion euros. Once the transaction is completed, we will ascend to the ranks of the world's ten biggest companies of this kind, managing assets for outside investors in the amount of approximately 330 billion euros. PIMCO offers 54 investment funds for private and institutional investors.

By joining forces with PIMCO, we will have at our disposal the combined expertise of more than 200 portfolio managers and about 90 analysts around the world. Consequently, we feel very well prepared for the goal of dramatically increasing our business in the highly promising segment of asset management services for outside investors.

AAM was able in 1999 to maintain the momentum of its strong start in the autumn of 1998. Including the investments of the German Allianz affiliates, this company had 117.5 billion euros under management at the end of 1999, representing an 18 percent increase over the previous year.

In the current year 2000 as well, we expect another substantial increase in sales of mutual fund shares in Germany. The corresponding support work is being stepped up through the following initiatives:

- ▶ Our exclusive selling organization is the main distribution channel for our mutual fund sales. Our agents are devoting more attention to this business; about 3,000 agents actively sold these products in 1999.
- ▶ We operate so-called Centers of Competence providing comprehensive investment advice to customers and agents over the telephone.
- ▶ A growing number of investment and retirement planning specialists provide professional and technical support to agents.
- ▶ Customers and agents both can visit our investment forums in prime downtown locations for advice. The first of these attractive support centers opened in Stuttgart in 1999; another six centers will be added in Germany during the current year.

▶ Allianz Vermögens-Bank AG introduced a new, individualized advisory product for affluent private investors in 1999.

▶ We also give our customers the opportunity to manage their investment funds on the Internet.

With the new mutual funds that were added, the number of funds we offer to private investors in Germany increased to 16. Allianz Kapitalanlagegesellschaft mbH (KAG) was again honored for its outstanding fund products in 1999, winning two first prizes in the **DM Standard and Poor's Micropal Awards**. In the league of large-sized investment companies, the company received one first prize for the **Allianz Bond Fund** (category: funds maturing in ten years) and one first prize for the **Allianz Flexi-Bond Fund** (category: funds maturing in five years).

Allianz Vermögens-Bank AG provides a highly efficient platform for managing investment funds. The Allianz Service Account is designed for managing investment fund shares, but also features all the advantages of a current account. The volume of assets under management surged by 48 percent in 1999, reaching the level of 1.07 billion euros.

Outside Germany, we sold asset management products in Italy, Great Britain, France, Switzerland, Austria, Greece, the United States and Hong Kong in 1999. Funds of funds were admitted in Luxembourg for the first time in 1999; these products are also slated for international distribution.

Products of AGF, RAS, PIMCO and KAG will be incorporated into the fund of funds model in 2000. These types of funds are conceived of as ground-floor products to be sold by our field sales representatives. Shares in such funds will be sold throughout Europe in 2000.

Home savings and loan business. Allianz Bau-spar AG signed a total of 78,463 (76,925) new savings and loan contracts in Germany in 1999. The healthy trend of new business can be attributed to the quality of our products and services, as confirmed by the accolades they have repeatedly been awarded by trade periodicals and consumer magazines, including Stiftung Warentest. Influenced by the strong sales performance in 1999, the total portfolio rose to 534,972 contracts, 2.3% more than in the previous year. The aggregate target savings under home savings and loan plans increased by more than 2.2 percent to 9,138.8 million euros.

Venture capital. We have been active in this fast-growing business segment since 1998 through our subsidiary Allianz Capital Partners GmbH. This company

- ▶ advises companies whose stock is not listed on a public exchange;
- ▶ offers them long-term financing models;
- ▶ invests in the capital of these companies; and
- ▶ prepares them, as appropriate in individual cases, for an initial public offering of their stock.

Many companies in this segment are drawn to the advantages represented by our independence and our risk- return orientation. By the end of its second year in business, Allianz Capital Partners GmbH had accumulated investments totaling 282 million euros, having invested in seven new companies in 1999. As these figures suggest, our business model has been very well received in the market.

Earnings. The business segment of asset management for outside investors and other financial services generated net earnings of 53 (20) million euros in 1999. In Germany, we were able to cut the net loss by more than half to 6.4 million euros, this loss being the result of investment spending to build up the business. The Group's other asset management units, especially those in France and Italy, also improved their earnings.

Moreover, during the first few months of 2000, the business volume of asset management services for outside investors posted healthy gains. In the **current year**, we will be devoting much of our attention to integrating PIMCO within the Group and building up, jointly with PIMCO, a European asset management unit for fixed-income securities.

The objective of Group Controlling is to increase corporate value. The structure of planning and controlling at Allianz is based on the division of functions between the holding company and the operating units. The two elements are linked by ongoing management dialogue.

This section explains the structure of our Group controlling system and then looks at Allianz as a management holding company. We then outline the nature of our management dialogue and examine our central control parameter.

Local and central elements

Group controlling and planning for a global insurance group must first take account of the fact that insurance is primarily a local business. This is inevitable because our service is delivered under different national legal systems. Enduring corporate success in the insurance industry is therefore intimately bound up with precise knowledge of local markets and the capacity to develop this information efficiently with the aim of meeting customers' needs:

- ▶ by organizing needs-oriented products,
- ▶ by structuring sales channels and services in such a way that they appeal particularly to potentially profitable customer segments and
- ▶ by an efficient corporate and organizational structure.

Our Group companies are empowered to make decisions in order to fulfil these aims. They are responsible for the success of the business in their own country.

Group controlling must, of course, also reflect the fact that global risks have an effect on business success. Such risks may arise from the insurance sector – e.g. natural catastrophes or liability claims in industrial risk insurance – or they may result from fluctuations in capital market rates.

Whatever the cause, we have to overcome and control these global risks centrally. Our international exposure means that the impact of risk on us is cumulative.

For these two reasons – local business and global accumulation risks – the control principle at the Allianz Group is: "As local as possible, as central as necessary".

Management holding company Allianz AG

Allianz AG operates as a management holding company. The most important functions are:

- ▶ strategic portfolio management,
- ▶ synergy management and
- ▶ Group controlling.

Allianz AG establishes the strategic direction in the core business areas insurance, provision and investment and takes decisions on purchasing and selling companies. Synergy management is concerned with concentrating available expertise and ensuring the transfer of know-how throughout the Group. The holding company requires comprehensive information and powerful reporting systems to enable it to design the planning and controlling process efficiently in order to carry out its strategic role. This information is provided by the Group controlling system.

Management dialogue

Regular management dialogue enhances the ability of the holding company's Board of Management to guide the strategy of the

Group and set appropriate goals. Through such dialogue, we unite local responsibility with the holding company's global perspective. The process occurs in three phases:

- ▶ At the beginning of February, the holding company's board of management of discusses long-term strategic options for the development of the Group. Central performance targets for the next planning period are also addressed. The operational units are then requested to draw up appropriate sub-goals and measures for their sphere of operation.
- ▶ These are then discussed in the forum of a strategic dialogue towards the middle of the year. The board of management of the holding company and the operational units then agree targets for the next planning period.
- ▶ Planning discussions at Group companies in late autumn ensure that the detailed operational plans concur with the agreed targets.

Benchmark – Economic Value Added

Our control process is supported by a reporting system that provides the most important data for corporate decisions. The relevant parameter here is the increase in corporate value. Our reporting system is designed to show not only where Economic Value Added is generated or the amount; it also maps the important control parameters and demonstrates how they affect Economic Value Added.

What is understood by "Economic Value Added"? It is defined as the difference between the return on equity and the costs of capital assigned to risk. Economic Value

Added shows us whether the result generated by a company exceeds the opportunity costs of the shareholder.

Capital needs dictated by level of risk

The value-added concept is an excellent way of ensuring that all companies of the Group consistently pursue the same overall goal, which is to enhance the value of the Allianz Group by means of profitable growth in their core business segments. For each operational unit of the Group, we calculate the capital required to cover the financial ramifications of existing risks. The amount of risk capital required is calculated on the basis of

- ▶ the characteristic risks of the products of our Group companies and
- ▶ the level of security that we have defined.

This level of security, as well as the methods for calculating risk capital needs, are the same for all companies of the Group. (For more information on this subject, see also the following section of this annual report entitled "Risk Management.")

Standardized internal reporting system

For a number of years now, our internal reporting system has been based on procedures that are comparable with International Accounting Standards. As of 1998, our financial statements have been prepared in accordance with the very same standards, so that the differences between our internal and external reporting systems are fast receding. However, one important difference remains: we are using a normalized performance approach to determine net investment income for purposes of Group controlling. This means that short-term fluctuations in capital markets no longer play any role in assessing the long-term profitability of the Allianz Group.

Risk management. As an insurer, we are used to handling and mastering risk. This is what makes risk management an integral part of our controlling processes.

Operational responsibility for insurance activities is assumed by local units. After all, they are in the best position to know their domestic markets, the behavior and expectations of customers, the ideal combination of distribution channels and the national legal systems. Consequently, risk management is best left in their hands.

The generally decentralized approach is complemented by centralized responsibility. It is essential for us to be in a position to master global risks that might accumulate and hence vastly increase the potential dangers. These risks at a worldwide level primarily include exposures in

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

These risks are managed centrally whenever they are considered to have a global dimension.

The risk situation for the Allianz Group as a whole is assessed by Corporate Controlling on the basis of the local and global risks.

This unit is also responsible for reporting to the decision-makers and for ensuring that the processes involved are transparent and seamless. The controlling process in turn is monitored by internal and external auditors.

Within risk management, a distinction is made between several types of risk.

- ▶ Premium risk is defined as the danger of insurance premiums not being sufficient to cover loss expenses.
- ▶ Reserve risk is defined as the danger of loss reserves formed in previous years not being sufficient to cover actual claims.
- ▶ Credit risk concerns the risk of default on the part of debtors of the company, mainly reinsurers.
- ▶ Investment risk forms another category.
- ▶ And finally, operating risk arises from factors like hardware, software, or application programs.

What risk-management instruments do we employ to protect ourselves against these dangers?

Premium risks. Our pricing methods and guidelines are the main means of managing premium risks. In addition, the Group limits its own liability by, where necessary, passing on a portion of the assumed risks to the international reinsurance markets. Moreover, we engage in scientific loss prevention, carrying out ongoing studies for the manufacturing industry and in the automobile sector, the sole purpose of which is to reduce the probability of a loss occurring and to minimize loss expenses.

Natural disasters like earthquakes, storms, and floods present a special kind of challenge for risk management. While they occur less frequently than other loss-causing events, their consequences can often go well beyond the usual level of loss, for instance when entire regions are devastated. We employ modeling techniques to master such risks. This involves collating the data on earthquakes or weather patterns in such a way that natural disaster scenarios can be simulated.

Reserve risks. Reserves need to be set up for insurance claims that have been submitted but not yet settled. To assess the appropriate amounts, we make use of historic values as well as statistical test methods. In addition, we limit the risk by continually monitoring the development of these reserves. The accumulated know-how is channeled back into current assessments.

Credit risks. When selecting our reinsurance partners, we only consider companies that offer excellent security. To control credit risk, our Group companies employ wide-ranging rating information that is either generally available or acquired through internal studies.

Investment risks. Investment is an integral part of the “insurance protection” service. The function of investments is to guarantee the promised benefits of insurance products. We need to take this close relationship into account when assessing investment risks.

We distinguish between market, credit and liquidity risk when managing the risks arising from our investments.

► Market risks arise from volatility in stock market and other capital market prices. We use sensitivity analyses and stress tests to monitor the impact of negative developments. The economic risk arising from changes in exchange rates is low because our benefit commitments are backed by funds in the same currency.

► Credit risks relate to the risk of default by debtors and the possibility of deterioration in their credit-worthiness. We limit this risk by setting high requirements for the financial solidity of our debtors and diversifying exposure. We coordinate our commitment to individual debtors across the different categories of investment and monitor exposure by limit lists.

Derivative financial instruments – such as swaps, options and futures – are also used selectively to hedge against changes in prices and interest rates. Our internal investment and monitoring guidelines tend to be even stricter than the respective regulatory requirements. Allianz Group companies are end-users of derivatives and do not trade in these instruments. Details of volumes are given in the Notes under “Derivative Financial Instruments”, found on page 133 of this annual report.

Market and credit risks arising from the deployment of derivatives are subject to particularly stringent checks.

- ▶ Credit risks are assessed by measuring gross replacement values.
- ▶ Market risks are monitored using up-to-date value-at-risk calculations and stress tests, and by fixing stop-loss limits.
- ▶ Liquidity risk is monitored by reconciling our portfolio of investments with the obligations arising from our insurance operations. In addition, this risk is limited by planning our cash flows from ordinary activities. This approach ensures that we are able to meet the payment obligations arising from our insurance policies at all times. Moreover, the composition and diversity of our investments are also to be seen as part of risk management. Our organization limits the risks arising from our investments by strictly separating trading, settlement and controlling.

Operating risks. The millennium changeover was viewed as a central risk for hardware, software and application programs alike.

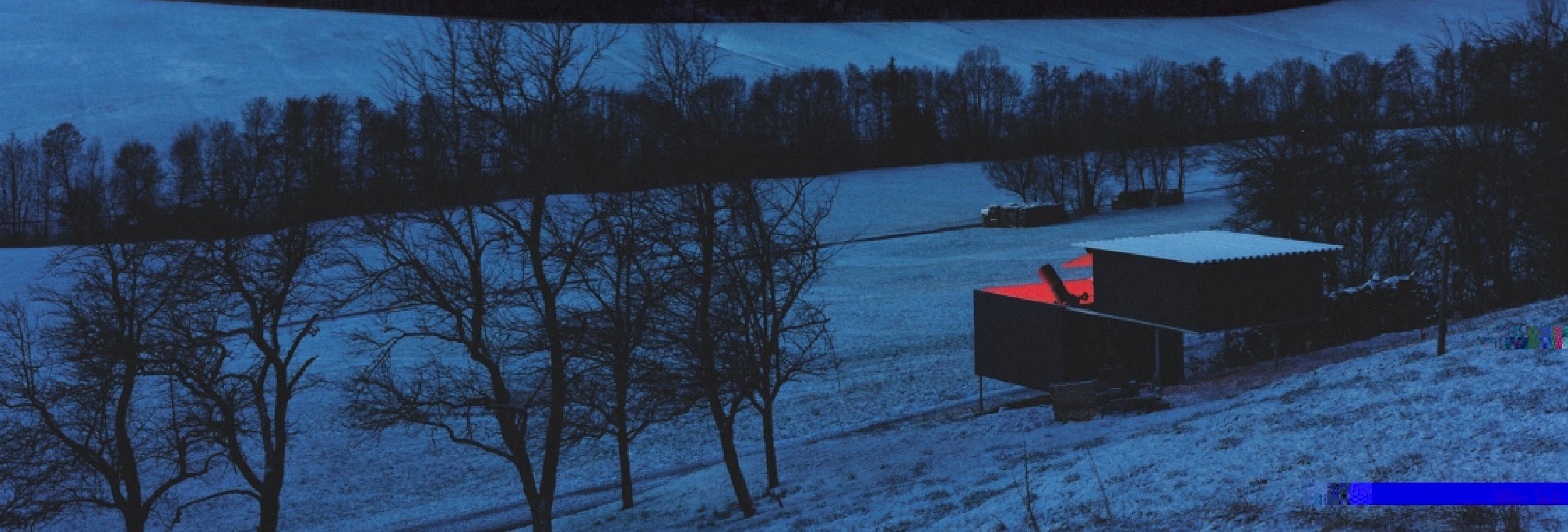
All Group companies succeeded in averting the dangers, and the transition to the new year passed without problems. Similarly, no problems have been reported in the course of the present fiscal year, particularly with respect to February 29, which was viewed as a potentially dangerous date for data processing activities. As a result, we can report a positive outcome from the intense preparations we carried out in previous years.

Legislators, regulatory authorities, rating agencies, and capital markets all represent additional risk-monitoring bodies. They define the minimum level of precautionary measures in the individual countries and in the international arena. Rating agencies determine the ratio of risk and precautionary measures of a company.

The international rating agencies Standard & Poor's and A.M. Best awarded their highest AAA and A++ ratings to the Allianz Group.



Observing the stars brought me very close to them.
Over time, many of them have become familiar to me. Now I
would like to get to know the others. Even if it takes years.



Our employees. The human resources policy of the Allianz Group is guided by two overriding principles. First, operational responsibility lies with the individual business units. Secondly, however, we cultivate close cooperation on a global level in certain key areas of interest, in particular those efforts aimed at promoting the transfer of expertise within the Group, recruiting talented young professionals and refining the core principles of successful management.

At the end of 1999, the companies of the Allianz Group employed a total of 113,584 (105,676) employees worldwide. The Asia-Pacific region recorded the largest increase in the number of employees (+ 6,360), due mainly to the first-time consolidation of Allianz First Life, the Korean life insurer, Allianz Australia and our two companies in Taiwan, Allianz President General and Life. The table below indicates the distribution of our worldwide employees by local market.

Employees by local market

	1998	1999
Germany	40,543	41,923
France	18,157	18,499
USA	10,233	11,021
Italy	6,688	6,921
Switzerland	4,322	4,380
Great Britain	4,312	4,362
Austria	3,921	3,889
South Korea	—	2,571
Hungary	2,379	2,272
Australia	—	1,841
Taiwan	—	1,616
Other	15,141	14,289
Total	105,676	113,584

Structural adjustments

In the process of integrating newly acquired companies, we adjusted the organizational structures of these companies, where necessary, to reflect the demands of the future. Among other things, the personnel management instruments in use and the prevailing working conditions of newly acquired companies, which varied widely from case to case, were adapted to conform with the standards of the Allianz Group. Such changes, challenging as they are for employees, requiring the maximum flexibility and tolerance they can muster, have proven to be worthwhile for everyone involved, as our integration projects in France, Spain, Canada and Portugal have demonstrated. Emerging from such successful restructuring programs, our Group companies in these markets are stronger than ever, with flatter hierarchies, more transparent work processes and lines of responsibility, generally younger staff and greater employee satisfaction.

Recruiting young professionals and future managers

In 1999, we intensified our recruiting efforts aimed at university graduates and young professionals with work experience and management potential. In particular, our efforts in this direction included the following activities:

- In Germany, highly qualified candidates recruited to serve as assistants to senior management or to assume some other prominent staff function are rapidly given management responsibility. Over the medium to long term, such recruits will be groomed for senior management positions.

► We offer university and business school students the opportunity to work in our Group companies on a project basis, allowing them to become better acquainted with us. One example, among many others, of this type of program is the cooperation of the Milan-based RAS with the Bocconi School of Business Economics.

► People interested in working for Allianz are increasingly making use of our Internet career pages. The North American Allianz companies filled about 18 percent of their open positions in 1999 by this means. At Fireman's Fund, more than 80 percent of job applications were submitted to the company via the Internet. For the success of their Net-based recruiting program, our California colleagues were honored with the Group's "Communication Award" for 1999.

► A newcomer this year was the career fair "Open Space Forum" in Berlin, a joint initiative of the Allianz companies of Germany, Switzerland and Austria. On this occasion, 250 potential candidates availed themselves of the opportunity to exchange views and information with about 200 Allianz employees in a casual atmosphere. Such events are an excellent way of giving people an idea of the numerous different career avenues and attractive opportunities afforded to them by working for a global financial services company.

Training programs to enhance the qualifications of employees and managers

The Allianz Management Institute (AMI) provides training and qualifications-building programs to managers of all levels. In 1999, professionals and managers from 32 Group companies attended courses at the AMI to prepare them for new management duties. Moreover, the Group's first international training programs aimed at developing senior management successors were launched in 1999. These programs were conceived and implemented in collaboration with leading business schools. In total, the Allianz Group invested 300 million euros in continuing education activities for its employees and sales agents. On average each of them spent three days at a training event. Aside from the seminar program we also placed considerable emphasis on computer-aided learning. In the German Allianz Lebensversicherungs-AG alone 3,000 employees achieved further qualifications through these facilities.

International assignments

The progressive internationalization of the Allianz Group is creating more international assignment opportunities for our employees. We have successively expanded our foreign assignment program over the last few years, to improve the transfer of expertise across national borders as well as to extend and enhance the qualifications of our employees.

In addition to the traditional type of foreign assignment, which can last from three to five years, the Group is increasingly offering shorter-term foreign assignments, as well as the opportunity to work on international project groups providing support and assistance to affiliates seeking to establish themselves in emerging markets. The tried and true Allianz Career Development Program for Young Managers and Professionals is now available to the employees of Group companies outside Germany as well. Participants of this program attend four different training sessions held in Germany over a two-year period and then return to their home country.

Our Group companies in the Asia-Pacific region continued their successful International Trainee Program. Under this program, the best-qualified applicants of the region undergo a three-year training program, working at three or more Allianz companies in the process. As part of this program, trainees spend at least one year working on another continent.

Compensation and performance

Total wages and salaries paid to our Group employees worldwide amounted to DM 4.1 (3.5) billion in 1999. The Group expended DM 1.3 (1.4) billion euros on social security contributions, pensions and other employee benefits.

In the future, we intend to increase further that portion of employee compensation linked to performance and results at Allianz. Variable pay components will be given greater weight within the overall compensation system. These components will be measured on the basis of business success, sales revenue performance and the fulfillment of individually agreed goals.

► We also launched the Group's first Long-term Incentive Plan in 1999, aimed at the approximately 275 senior-level managers of the Group. Rewards are linked to the price performance of Allianz shares over the next seven years.

► The opportunity for employees in Germany to acquire company stock under preferential conditions shall be gradually extended to the Group.

Introducing greater flexibility

In our human resources work, we go to great lengths to ensure that we can react quickly, with flexibility, to changes as they occur. The resources freed up as a result of efficiency gains are reallocated to providing even greater support to the operating divisions.

► Since 1999, for instance, the employees of Fireman's Fund have been processing their personnel data themselves on the company intranet. As of 2000, managers will perform all their administrative personnel work online, leaving more time for pressing management duties. A new call center provides information and assistance in personnel matters, a support function that had previously been performed locally, in the branch offices.

► In Germany, Allianz Lebensversicherungs-AG refined the work model of home-based tele-working. More than 100 employees performed their work at home, using the PC and telephone, in 1999. In the medium-term future, we expect that up to 20 percent of our employees will work in this manner.

Code of Conduct

In 1999, Allianz adopted a Code of Conduct setting forth the binding rules governing the conduct of Allianz employees in the interest of safeguarding the integrity of the Allianz Group as a whole. The rules of conduct contained in the code are designed to protect employees, including members of senior management, from possible conflicts of interest. These rules represent the minimum standard to be observed by all employees at all times. The Code of Conduct also establishes the rules of clear, candid business reporting in the interest of shareholders, customers and employees. We consider these self-imposed standards to be an important means of preserving and building the good reputation of the company. These rules of conduct will be successively introduced with binding effect on all Group companies and their employees.

A thank you to employees

The management of the Allianz Group wishes to thank the employees of all the Group's subsidiaries for their hard work and dedication in the fiscal year 1999. Thanks to their commitment, Allianz was able to make significant progress on all continents.

Communication. In fiscal year 1999, we presented ourselves to the public under a new, modified logo and launched the first global image campaign in our history.

The world in which we operate is changing. As major providers of financial services set off on the path to globalization, their communications work must meet new demands. More than ever, a company's brand name is strategically vital for long-term growth and sustained creation of value.

We want to be among this group and that is why we are investing in the Allianz brand name. In Germany, the Allianz name has been well-known and respected for more than 100 years. Now we intend to build the power of our brand name in the international arena as well. Allianz should be perceived around the world as a global player providing its customers with first-class products and services in all three of the company's core business areas:

- ▶ Property and casualty insurance
- ▶ Life and health insurance
- ▶ Asset management and other financial services

In a first step, we revamped our logo and launched a worldwide image campaign.

Revamped logo

The eagle in our corporate emblem was stylized even further. The three elements in the circle stand for our triptych of core business lines: insurance, retirement and contingency planning and savings. The text and emblem are both more sleek and more modern. Market analysis tells us that the core message of competence and financial strength, friendly service and international reach is conveyed more precisely than before. A uniform, consistent international brand presence is an important goal for the entire Allianz Group. Under the umbrella Allianz signature, our large Group companies with long traditions of their own may continue to use their own combinations of word and text.

International image campaign

Coinciding with our new logo, we also launched the first two advertising phases of our global image campaign. Utilizing various media in 23 countries and 17 languages, this campaign highlights Allianz and the most important brands of our Group. The goal is to make Allianz better known as a global player. The advertising slogan "Allianz – The Power On Your Side" is meant to bolster the appeal of our brand outside of Germany. In the current fiscal year, the campaign will be expanded, with TV spots and advertisements in 30 markets.

Environmental protection. We want to participate in creating a safe environment with a high quality of life for all. On the occasion of our company's centennial celebration, we founded one of Germany's most important environmental protection foundations. We also continue to advance the cause of environmental protection in our own business operations.

Allianz Environmental Protection Foundation.

Since the endowment took up its work in 1990, the range of support provided has been progressively extended. The number of projects we sponsor increased to more than 40 major projects and more than 600 minor projects, with total grant aid amounting to 30 million euros. And yet we are not so much interested in figures but in the actual, real-life contribution that each project makes to improving the human-environment system.

What requirements must a project meet in order for us to support it? The project must be innovative, it must provide a lasting benefit and it must inspire others to imitate it. The endowment aims to assist in the general effort to find and implement new ways of doing things. This aim is also served by a new Group initiative known as the "Benediktbeuern Talks," after the well-known monastery in Bavaria where they are held.

We see these talks as a constructive forum for airing contradictory views in the sometimes turbulent debate surrounding environmental protection. The purpose of the Benediktbeuern Talks is to break the gridlock of confrontation by means of objective debate.

The event features prominent representatives of environmental protection associations, politics and government, business and science who convey solutions to the problems of the human-environment system. We hope that these talks will produce verifiable facts and reliable forecasts in the interest of a constructive public debate on the subject of environmental protection. Past topics of this series include "Climate Protection," "Environmental Protection and the Work World" and the "Future Viability of Environmental Protection."

Corporate environmental stewardship. We extended the scope of application of our environmental management systems to include all our locations in Germany in 1999. Approximately 8,000 items of data regarding materials and energy consumption were recorded, analyzed and placed in the service of conserving resources. Allianz reports publicly on its environmental management activities in its "Environment Report." The 1999 report version may be requested from our Corporate Communications Department. Future environment reports of the Group will include information on other Group companies, including Vereinte Krankenversicherung AG. In the period from 2000 to 2001, moreover, we intend to step up our efforts to identify and implement environmentally friendly alternatives to hazardous materials currently in use.

Consolidated Financial Statements
Allianz Group

ASSETS

	Note	1999 € mn	1998 € mn
A. Intangible assets			
I. Goodwill	4	4,284.0	3,010.4
II. Other intangible assets	5	2,310.5	864.4
Total A.		6,594.5	3,874.8
B. Investments			
I. Real estate	6	15,217.7	14,985.0
II. Investments in affiliated enterprises, joint ventures and associated enterprises	7	8,156.5	5,746.1
III. Loans	8	13,825.6	17,575.2
IV. Other securities	9		
1. Held to maturity		8,653.6	4,163.7
2. Available for sale		247,051.2	220,314.6
3. Trading		296.9	479.5
Total IV.		256,001.7	224,957.8
V. Other investments	10	7,851.4	8,026.3
Total B.		301,052.9	271,290.4
C. Investments held on account and at risk of life insurance policyholders	11	19,109.4	15,684.7
D. Receivables	12	31,905.3	31,965.3
E. Cash with banks, checks and cash on hand		3,064.9	1,911.5
F. Deferred acquisition costs	13	9,225.8	9,187.4
G. Deferred tax assets	29	7,701.9	4,935.4
H. Other assets	14	4,151.6	3,838.2
Total assets		382,806.3	342,687.7

EQUITY AND LIABILITIES

	Note	1999 € mn	1998 € mn
A. Shareholders' equity	15		
I. Issued capital and capital reserve		7,810.6	7,720.6
II. Revenue reserves		8,336.2	5,190.4
III. Other reserves		12,287.4	8,972.4
IV. Consolidated unappropriated profit		354.4	348.8
Total A.		28,788.6	22,232.2
B. Minority interests in shareholders' equity	16	12,217.4	11,958.0
C. Insurance reserves (net)			
I. Unearned premiums		10,107.9	8,772.9
II. Aggregate policy reserve	17	158,969.2	142,021.8
III. Reserve for loss and loss adjustment expenses	18	42,341.9	38,323.5
IV. Other insurance reserves	19	30,151.6	27,698.5
Total C.		241,570.6	216,816.7
D. Insurance reserves for life insurance where the investment risk is carried by policyholders (net)	11	19,123.7	15,681.0
E. Other accrued liabilities			
I. Pensions and similar reserves	20	3,445.4	3,387.1
II. Accrued taxes	29	1,036.7	824.7
III. Miscellaneous accrued liabilities		2,353.6	2,489.7
Total E.		6,835.7	6,701.5
F. Liabilities	21		
I. Participating certificates and post-ranking liabilities		902.5	1,159.4
II. Bonds and loans payable		12,614.8	10,759.1
III. Other liabilities		39,290.7	37,343.7
Total F.		52,808.0	49,262.2
G. Deferred tax liabilities	29	21,127.1	19,838.7
H. Deferred income	22	335.2	197.4
Total equity and liabilities		382,806.3	342,687.7

	Note	1999 € mn	1998 € mn
1. Gross premiums written	23	53,807.3	46,207.1
2. Premiums earned (net)	23	46,182.2	39,781.3
3. Investment income (net)	24		
a) Income from affiliated enterprises, joint ventures and associated enterprises		1,340.4	976.3
b) Other investment income		17,089.5	13,822.5
Total 3.		18,429.9	14,798.8
4. Other income	25	4,929.2	3,774.4
Total income (2. - 4.)		69,541.3	58,354.5
5. Benefits (net) payable to policyholders	26		
a) Life/Health		- 23,696.4	- 20,579.4
b) Property/Casualty		- 23,244.2	- 19,401.6
Total 5.		- 46,940.6	- 39,981.0
6. Underwriting costs (net)	27	- 10,747.3	- 9,020.5
7. Amortization of goodwill	4	- 483.7	- 246.4
8. Other expenses	28	- 7,019.7	- 5,021.2
Total Expenses (5.- 8.)		- 65,191.3	- 54,269.1
9. Earnings from ordinary activities before taxation		4,350.0	4,085.4
10. Taxes	29	- 1,310.7	- 1,527.6
11. Minority interests in earnings	16	- 806.1	- 738.7
12. Net income	30	2,233.2	1,819.1
 Earnings per share	 31	 9.11	7.50

CASH FLOW STATEMENT

	1999 € mn	1998 € mn
Net income for the year including minority interests in earnings	3,039.3	2,557.8
Change in insurance reserves (net)	16,524.4	15,274.6
Change in deferred acquisition costs	229.9	128.2
Change in funds held by/for others and accounts receivable/payable on reinsurance business	1,045.1	501.0
Change in trading securities	193.3	-399.2
Change in other receivables and liabilities	8,399.1	-1,474.3
Change in realized gains/losses on investment disposals	-4,191.2	-2,099.0
Change in other assets and liabilities	-1,014.5	-218.7
Other expenses/income without movements of cash and adjustments for net profit or loss	613.7	288.4
Cash flow from operating activities	24,839.1	14,558.8
Cash outflow from the acquisition of consolidated affiliated enterprises	-794.7	-4,282.0
Change in other investments	-14,002.8	-14,362.1
Change in investments held on account and at risk of life insurance policyholders	-1,750.3	-782.5
Other cash inflow/outflow from investing activities	-1,356.7	-272.6
Cash flow from investing activities	-17,904.5	-19,699.2
Capital paid in from equity increases	90.0	2,003.9
Dividends paid	-585.7	-386.7
Cash inflow/outflow from other financing activities	-5,331.9	4,475.2
Cash flow from financing activities	-5,827.6	6,092.4
Effect of exchange rate changes on cash and cash equivalents	46.4	-12.4
Cash and cash equivalents at beginning of period	1,911.5	971.9
Cash and cash equivalents at end of period	3,064.9	1,911.5
Change in cash and cash equivalents	1,153.4	939.6

We are using for the first time the DRS 2-20 standard, prepared by the German Standardization Council (Deutscher Standardisierungsrat), to draw up the cash flow statement. This leads to a different classification within the categories of the cash flow statement (cash flow from operating activities, cash flow from investing activities, cash flow from financing activities). It also leads to a substantive increase in cash flow from operating activities, because it is based on net income including minority interests. The values for 1998 were adjusted accordingly. The cash flow statement excludes the effects of the first-time consolidation of major new acquisitions during the year under review. This related in particular to Allianz Australia Limited, Sydney, Allianz First Life Insurance Company Limited, Seoul, Allianz President General Insurance, Taipeh, Allianz President Life Insurance, Taipeh, Life USA Holding Inc., Minneapolis, and Sacnas Holding, Paris. The above acquisitions

increased the value of investment held (excluding funds held by others) by € 6,167.1 million (1998: € 56,484.4 million), insurance reserves by € 7,739.3 million (1998: € 50,374.7 million), goodwill by € 1,381.9 million (1998: € 1,473.7 million) and the net total of other assets and liabilities by € 1,224.9 million (1998: € -3,301.4 million). Cash and cash equivalents € 249.4 million (1998: € 1,042.6 million) are included in the consolidated financial statements as a result of these first-time consolidations contrasted with cash outflows of € 1,044.2 million (1998: € 5,324.6 million) related to these acquisitions.

Payments for taxes on income amounted to € 2,004.5 million.

ASSETS	Life/Health		Property/Casualty		Financial Services		Consolidation Adjustments		Group	
	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn
A. Intangible assets	2,165.4	585.3	4,438.3	3,259.5	- 9.2	30.0	-	-	6,594.5	3,874.8
B. Investments										
I. Real estate	7,183.1	6,815.6	7,029.7	7,082.5	1,004.9	1,086.9	-	-	15,217.7	14,985.0
II. Investments in affiliated enterprises, joint ventures and associated enterprises	5,665.8	5,201.2	15,018.1	12,050.8	133.2	183.2	- 12,660.6	- 11,689.1	8,156.5	5,746.1
III. Loans	12,704.3	14,503.1	1,121.3	2,911.6	-	205.4	-	- 44.9	13,825.6	17,575.2
IV. Other securities										
1. Held to maturity	5,452.9	2,202.3	2,110.1	887.1	1,090.6	1,078.4	-	- 4.1	8,653.6	4,163.7
2. Available for sale	164,270.4	142,876.6	80,114.3	75,547.6	2,714.0	1,958.1	- 47.5	- 67.7	247,051.2	220,314.6
3. Trading	-	-	-	-	-	-	-	-	296.9	479.5
Total IV.	169,723.3	145,078.9	82,224.4	76,434.7	4,101.5	3,516.0	- 47.5	- 71.8	256,001.7	224,957.8
V. Other investments	3,570.1	4,098.1	10,729.7	10,636.1	6,067.3	5,461.2	- 12,515.7	- 12,169.1	7,851.4	8,026.3
Total B.	198,846.6	175,696.9	116,123.2	109,115.7	11,306.9	10,452.7	- 25,223.8	- 23,974.9	301,052.9	271,290.4
C. Investments held on account and at risk of life insurance policyholders	19,109.4	15,684.7	-	-	-	-	-	-	19,109.4	15,684.7
D. Other segment assets	19,081.1	17,292.7	21,641.8	19,596.7	16,894.7	16,645.8	- 1,568.1	- 1,697.4	56,049.5	51,837.8
Total segment assets	239,202.5	209,259.6	142,203.3	131,971.9	28,192.4	27,128.5	- 26,791.9	- 25,672.3	382,806.3	342,687.7

LIABILITIES	Life/Health		Property/Casualty		Financial Services		Consolidation Adjustments		Group	
	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn
A. Insurance reserves (net)										
I. Unearned premiums	1,348.5	-	1,013.0	-	8,759.4	-	7,759.6	-	0.3	10,107.9
II. Aggregate policy reserve	147,179.7	-	129,455.2	-	11,789.5	-	12,566.6	-	-	158,969.2
III. Reserve for loss and loss adjustment expenses	3,108.0	-	2,146.8	-	39,233.9	-	36,166.9	-	9.8	42,341.9
IV. Other insurance reserves	27,725.6	-	25,327.4	-	2,426.0	-	2,371.1	-	-	30,151.6
Total A.	179,361.8	-	157,942.4	-	62,208.8	-	58,864.2	-	10.1	241,570.6
B. Insurance reserves for life insurance where the investment risk is carried by policyholders (net)										
	19,123.7	-	15,681.0	-	-	-	-	-	-	19,123.7
C. Other accrued liabilities										
	1,006.9	-	891.9	-	5,446.6	-	5,287.9	-	521.6	6,835.7
D. Other segment liabilities										
	26,897.8	-	23,415.8	-	36,267.3	-	34,595.7	-	25,150.8	- 15,059.7
Total segment liabilities	226,390.2	-	197,931.1	-	103,922.7	-	98,747.8	-	25,672.4	- 15,059.7
Equity*										
	41,006.0	-	34,190.2	-	-	-	-	-	-	-
Total equity and liabilities	382,806.3	-	342,687.7	-	-	-	-	-	-	-

* Shareholders' equity and minority interests

CONSOLIDATED INCOME STATEMENT		Life/Health		Property/Casualty		Financial Services		Consolidation Adjustments		Group	
		1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
		€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
1. Gross premiums written		18,473.3	15,882.0	36,027.2	30,868.1	—	—	— 693.2	— 543.0	53,807.3	46,207.1
2. Income											
Premiums earned (net)		16,399.2	14,183.6	29,783.0	25,591.8	—	—	—	5.9	46,182.2	39,781.3
Investment income (net)		11,266.5	9,889.7	7,714.5	5,685.5	172.3	— 203.0	— 723.4	— 573.4	18,429.9	14,798.8
Other income		1,052.5	898.0	1,708.3	1,351.4	2,536.1	1,909.9	— 367.7	— 384.9	4,929.2	3,774.4
Total income		28,718.2	24,971.3	39,205.8	32,628.7	2,708.4	1,706.9	— 1,091.1	— 952.4	69,541.3	58,354.5
3. Expenses											
Benefits (net) payable to policyholders		— 23,023.4	— 19,977.5	— 23,917.2	— 19,998.0	—	—	—	— 5.5	— 46,940.6	— 39,981.0
Underwriting costs (net)		— 2,686.8	— 2,271.1	— 8,060.5	— 6,748.2	—	—	—	— 1.2	— 10,747.3	— 9,020.5
Amortization of goodwill		— 7.3	— 0.7	— 484.3	— 245.7	7.9	—	—	—	— 483.7	— 246.4
Other expenses		— 2,050.6	— 1,708.8	— 3,315.3	— 2,617.0	— 2,516.9	— 1,586.7	863.1	891.3	— 7,019.7	— 5,021.2
Total expenses		— 27,768.1	— 23,958.1	— 35,777.3	— 29,608.9	— 2,509.0	— 1,586.7	863.1	884.6	— 65,191.3	— 54,269.1
4. Earnings from ordinary activities before taxation		950.1	1,013.2	3,428.5	3,019.8	199.4	120.2	— 228.0	— 67.8	4,350.0	4,085.4
5. Taxes		— 192.3	— 316.6	— 1,096.0	— 1,168.7	— 61.5	— 54.0	39.1	11.7	— 1,310.7	— 1,527.6
6. Minority interests in earnings		— 344.5	— 293.7	— 423.5	— 385.5	— 84.7	— 45.8	46.6	— 13.7	— 806.1	— 738.7
7. Net income		413.3	402.9	1,909.0	1,465.6	53.2	20.4	— 142.3	— 69.8	2,233.2	1,819.1

Life/Health

	Gross premiums written		Net expense ratio		Investments		Net income	
	1999 € mn	1998 € mn	1999 %	1998 %	12/31/1999 € mn	12/31/1998 € mn	1999 € mn	1998 € mn
1. Europe								
Germany	11,429.4	10,381.7	9.0	10.1	116,573.1	107,652.3	130.0	133.8
France	1,457.5	1,050.6	36.0	41.5	39,725.8	37,042.0	50.3	89.9
Italy	1,452.4	1,311.8	16.7	14.5	14,092.7	12,098.8	166.6	82.9
Switzerland	629.7	661.0	12.0	15.8	7,408.4	6,815.2	18.5	10.7
2. USA	1,533.0	1,256.3	40.2	39.5	6,182.1	3,306.4	- 8.1	84.1

Property/Casualty

	Gross premiums written		Net loss ratio		Net expense ratio		Investments		Net income		
	1999		1998	1999	1998	1999	1998	12/31/1999	12/31/1998	1999	1998
	€ mn	€ mn	%	%	%	%	€ mn	€ mn	€ mn	€ mn	
1. Europe											
Germany	11,879.3	11,587.6	72.7	68.4	24.5	23.9	72,982.1	64,846.7	1,424.1	1,039.6	
France	5,208.3	3,959.3	77.8	77.6	29.9	27.2	19,731.3	19,764.4	184.5	86.6	
Great Britain	2,231.2	1,763.9	79.2	74.4	33.8	34.6	3,441.8	2,692.2	31.9	- 15.3	
Italy	4,241.3	3,838.3	79.5	83.2	23.2	23.8	9,617.6	9,118.2	138.5	90.6	
Austria	810.3	815.3	84.4	76.8	32.5	31.7	1,621.4	1,622.2	- 8.5	10.8	
Switzerland	1,927.4	1,780.5	73.0	71.3	30.6	32.7	5,142.9	4,691.6	94.6	87.9	
Spain	1,057.8	805.4	89.7	83.4	25.0	29.5	1,590.0	1,654.2	- 7.8	- 19.1	
2. America											
NAFTA	5,755.2	4,615.0	80.4	78.2	27.2	27.4	14,686.6	12,926.3	301.8	196.2	
South America	696.4	460.7	59.5	67.8	32.2	28.2	510.5	344.6	11.1	4.9	
3. Asia/Pacific											
	714.7	122.0	107.7	57.1	23.8	40.3	1,124.1	73.5	- 123.7	-	

**Notes to the
Consolidated Financial Statements
Allianz Group**

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1 Accounting regulations

The consolidated financial statements have been prepared in conformity with International Accounting Standards (IAS). All the Standards currently in force for the year under review have been adopted in the presentation of the consolidated financial statements. The previous year's figures in the balance sheet, income statement and notes to the financial statements have been restated accordingly to make years comparable.

IAS do not contain any guidelines governing the accounting treatment of transactions which are specific to the insurance industry. In such cases, as envisioned in the IAS Framework, the provisions embodied in the American generally accepted accounting principles (US GAAP) have been applied.

The financial statements were prepared in euros (€).

2 Consolidation

Scope of the consolidation

In principle, all domestic and foreign subsidiaries are included in the consolidation. In addition to Allianz AG, 100 (1998: 97) German and 586 (1998: 491) foreign enterprises have been consolidated in full and 92 (1998: 72) subsidiaries included at equity.

An additional 141 (1998: 97) affiliated enterprises have not been included in the consolidation or accounted for at equity as their aggregate value is not material to the presentation of the financial statements as a whole.

None (1998: 1) of the 15 (1998: 10) joint ventures has been consolidated on a proportional basis; each of these enterprises is managed by Allianz AG together with a company not included in the consolidation. 15 (1998: 9) joint ventures have not

been consolidated on a proportional basis but have generally been included at equity because their aggregate value is not material.

79 of the 121 (1998: 95) associated enterprises have been accounted for by the equity method and 42 associated enterprises recorded at historical cost because their aggregate value is not material.

Selected affiliated enterprises and associated enterprises are listed on pages 152 through 155. All affiliated enterprises, joint ventures and associated enterprises, whether included in the consolidated financial statements or not, are listed individually in the disclosure of equity investments filed with the Commercial Register in Munich.

The following were the principal companies consolidated for the first time in the year under review:

- ▶ Allianz Australia Limited, Sydney and its subsidiaries; these comprise property and casualty insurance enterprises and enterprises in the financial services sector. The acquisition cost of the interest, increased to 100 % on December 17, 1998, was € 219.9 million.

- ▶ On June 12, 1999, the Allianz Group purchased an interest of 71.6 % and on August 6, 1999 the remaining 28.4 % in the Korean life insurance company Allianz First Life Insurance Company Limited, Seoul, for a total purchase price of € 453.7 million.

- ▶ On June 2, 1999, 50 % of the shares in Allianz President General Insurance, Taipeh and 50 % of the shares in Allianz President Life Insurance, Taipeh were purchased at a cost of € 30.7 million and € 22.2 million respectively. Allianz AG exercises a controlling influence over the business policies of these two companies.

► The acquisition of 75.7 % of the shares in the American company Life USA Holding, Inc., Minneapolis and its subsidiaries on October 1, 1999 increased the Group interest to 100 %. The cost of the acquisition was € 512.2 million. The subsidiaries of Life USA Holding, Inc. comprise life insurance companies and enterprises in the financial services sector.

► The additional acquisition of 21.3 % of the shares of Sacnas Holding, Paris and its subsidiaries, on January 1, 1999, increased the Allianz Group interest to 72.0 %. The cost of the acquisition was € 39.1 million. The subsidiaries are property and accident insurance companies.

The following table shows how the subsidiaries referred to above are reported in the Consolidated Financial Statements:

Principal new acquisitions	Point of first-time consolidation	Effects on the Consolidated Financial Statements for 1999 ¹⁾			
		Gross premiums	Net income	Goodwill ²⁾	Amortization of goodwill
		€ mn	€ mn	€ mn	€ mn
Allianz Australia Limited, Sydney	January 1, 1999	590.5	- 113.2	234.4	- 151.3
Allianz First Life Insurance Company Limited, Seoul	July 1, 1999	345.6	38.2	719.5	- 18.0
Allianz President General Insurance, Taipeh	July 1, 1999	26.0	- 11.4	7.3	- 0.4
Allianz President Life Insurance, Taipeh	July 1, 1999	48.8	- 4.6	- 4.2	0.1
Life USA Holding, Inc., Minneapolis	October 1, 1999	16.4	0.1	306.4	- 3.8
Sacnas Holding, Paris	January 1, 1999	237.5	6.5	-	-

1) Consolidated in the business segments

2) At the point of first-time consolidation

Consolidation principles

The Consolidated Financial Statements are based on the Annual Financial Statements of Allianz AG and all principal subsidiaries. All the financial statements included are uniformly prepared as of December 31, 1999. Interim financial statements have been used for those entities whose accounting periods end on a different date.

The equity consolidation combines the net assets attributable to the Allianz Group at their fair value at the date of acquisition of the subsidiary enterprises; for the proportion attributable to minority interests the pre-acquisition carrying amounts were always used. When foreign subsidiaries are consolidated for the first time their net assets are translated at the exchange rates in force at the date of their acquisition.

Positive differences arising on first-time consolidation are capitalized as goodwill and amortized on a straight-line basis. In the case of acquisitions prior to January 1, 1995, such differences have been taken to revenue reserves in accordance with the transitional provisions in force.

The reserves generated by subsidiaries after their first-time consolidation or, where appropriate, their acquisition has been allocated to the revenue reserves of the Group, as have the Group's portion of the unappropriated retained earnings of subsidiaries and the effects of consolidation procedures on earnings.

The proportion of net income or losses attributable to minority interests has been calculated on the basis of the consolidated net income or losses of those enterprises for the year.

Intra-Group receivables and payables, income and expenses, and intercompany profits have been eliminated unless they were not material.

Financial statements of foreign currency translation

Allianz AG's reporting currency is the euro (€). The net income of all subsidiaries which do not report in € are translated at the closing exchange rate on the balance sheet date. Any translation differences arising in the process are taken to shareholders' equity without affecting earnings.

Assets and liabilities of the Group which are subject to exchange rate fluctuations are normally safeguarded by the fact that individual foreign subsidiaries have most of their liabilities in the local currency and invest only in the same currency in capital markets.

The principal exchange rates are summarized in the following table:

Currency	€ closing rates	
	1999	1998
Australian Dollar (AUD)	1.542	1.909
Pound Sterling (GBP)	0.622	0.699
Swiss Franc (CHF)	1.605	1.601
South Korean Won in thousands (KRW)	1.135	1.401
US Dollar (USD)	1.005	1.169

3 Accounting and valuation policies

For consolidation purposes the financial statements of Allianz AG and its consolidated German and foreign subsidiaries have been drawn up uniformly in conformity with IAS accounting and valuation standards.

Intangible assets comprise goodwill and other intangible assets.

Goodwill represents the difference between the purchase price of subsidiaries and the proportionate share of their net assets valued at the current value of all assets and liabilities at the time of acquisition. Minority interests are valued generally at amortized historical cost. Goodwill is amortized over its useful life, which is normally 20 years in the case of life and health insurance enterprises and 10 years in the case of property and casualty insurance enterprises.

Other intangible assets include software purchased from others or developed in-house and real property rights, which are amortized on a straight-line basis over their useful service life or contractual term. They also include the capitalized value of life/health insurance portfolios where enterprises have been consolidated for the first time after January 1, 1995. The capitalized value of life/health insurance portfolios is amortized over the lives of the policies concerned.

Real estate (i.e. real property and equivalent rights and buildings including buildings on leased land) is carried at cost less accumulated scheduled and unscheduled depreciation.

Investments in affiliated enterprises, joint ventures and associated enterprises are valued by the equity method at the Group's proportionate share of their net assets at the end of the previous year. 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.

Investments in unconsolidated affiliated enterprises or joint ventures, and investments in associated enterprises, which are not valued by the equity method because they are not material, are stated at historical cost. Associated enterprises are all those enterprises, other than affiliated enterprises, in which the Group has an interest of between 20 percent and 50 percent, regardless of whether significant control is exercised or not.

Loans are valued at amortized cost, i.e. the difference between the acquisition cost and redemption value is added to or subtracted from the original cost figure over the period from acquisition to its maturity or in proportion to the capital repaid and credited or charged to income over the same period. This heading includes all loans, which are advanced by Group companies to nonconsolidated affiliated enterprises, joint ventures, associated companies or non-group companies. Apart from mortgage loans, this heading also includes debentures, policy loans, and other loans advanced by Group enterprises.

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

Other securities available for sale are shown at their market value at the balance sheet date.

Positive and negative differences between market value and cost ("at amortized cost" in the case of fixed income securities) are taken to a separate component of shareholders' equity net of deferred tax.

Other securities trading comprises all fixed and variable income securities which have been acquired solely for sale in the near term. They are stated at market value at the balance sheet date. Changes in market value are credited or charged to income.

Other investments are stated at face value.

Investments held on account and at risk of life insurance policyholders (primarily variable annuities) are stated at market value at the balance sheet date. Unrealized holding gains and losses are matched by a corresponding increase or decrease in the insurance reserves for life insurance business to the extent that the investment risk is carried by policyholders.

Receivables are recorded at face value less any payments made or appropriate valuation allowances.

Cash with banks, checks and cash on hand are shown at their full face value.

Deferred acquisition costs, which are incurred in connection with the acquisition or renewal of insurance policies, are capitalized and amortized against income over the term of the policies. In the case of policies acquired since January 1, 1995, life/health insurance enterprises show the present value of future surpluses on the portfolios acquired instead of acquisition costs. The present value is written off as the surpluses are realized.

Property, plant and equipment and inventories included in **other assets** are stated at cost less accumulated depreciation.

Impairment of assets

All assets are reviewed regularly to check that they have maintained their value. Valuation write-downs are charged in the income statement if any permanent diminution in value is established.

Insurance reserves

Unearned premiums are calculated separately for each individual policy for every day that the premium has to cover.

The **aggregate policy reserve**, including the reserve for advancing age in health insurance, is calculated on actuarial principles from the present value of future benefits less the present value of premiums still to be paid.

One exception is the aggregate reserve for life insurance products where the full investment risk is carried by policyholders, which is calculated based upon the amounts paid by policyholders, changes in the market value of the corresponding investments less amounts redeemed for insurance purposes, and management expenses.

The **reserve for loss and loss adjustment expenses** is for future payment obligations under insurance claims, where normally either the amount of benefits to be paid or the date when payments are to be made is not yet fixed. It includes:

- ▶ claims reported at the balance sheet date
- ▶ claims incurred but not yet reported at the balance sheet date
- ▶ claims settlement expenses.

The reserve for loss and loss adjustment expenses is calculated at the realistically estimated amount considered necessary to settle the claims in full. It is calculated using recognized actuarial methods for claims portfolios. Particularly unusual cases are calculated individually. Past experience is taken into account as well as current and future expected social and economic factors. With the exception of annuity reserves, claims reserves are not discounted. Circumstances peculiar to the insurance industry can mean that the payment obligations calculated may differ from the ultimate cost.

Other insurance reserves

The **reserve for premium refunds** includes experience-rated and other premium refunds in favor of policyholders. It is calculated in accordance with the relevant local statutory or contractual regulations. Unrealized gains and losses in connection with the valuation of investments are recognized in an undisclosed reserve for premium refunds to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized.

The **premium deficiency reserve** is calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income.

Reinsurance

The assets and liabilities for insurance business calculated in accordance with the accounting and valuation policies described above are stated net of amounts ceded to reinsurers.

Other accrued liabilities

The **pension and similar reserves** are calculated taking local circumstances into account as well as current mortality, morbidity and turnover projections. Expected future trends in salaries and wages, retirement rates and pension increases are also taken into account.

The notional interest rate used is based on the rate for long-term first-class corporate or government bonds.

Accrued taxes are calculated in accordance with the relevant local tax regulations.

Miscellaneous accrued liabilities are recorded as projected.

Liabilities and other liability headings are stated at the amounts due on repayment.

The calculation of **deferred tax** is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from the application of uniform valuation policies for consolidation purposes. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned.

Explanation of the Accounting and Valuation

Policies differing from German Law

The most important changes are summarized below.

Premiums written

Premium income is reduced, mainly for two reasons:

- ▶ In the case of premiums for life insurance products which are more in the nature of investments (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.
- ▶ Premium income is also reduced by the amount of premiums earned from the reserve for premium refunds.

Profit

The profit figure tends to be higher than before because the prudence concept is not so important under IAS. The figure will also fluctuate more widely than in previous years, however, because IAS do not recognize any "smoothing" procedures such as the claims equalization reserve, which is obligatory under the German Commercial Code.

Shareholders' equity

Shareholders' equity increases overall because:

- ▶ large proportions of the investments are now shown in the balance sheet at market value
- ▶ insurance reserves in property and casualty business are lower overall than before.

Calculation of profit

The differences in accounting treatment under the German Commercial Code and under IAS are particularly marked in the case of investments and reserves. The following summary explains the most important items.

Claims equalization reserves

Claims equalization reserves and major risk reserves are no longer allowed because they do not represent a present obligation towards third parties. The net result for the year can no longer be affected by transfers to or from such reserves.

Claims reserves

Claims reserves tend to be somewhat lower under IAS because they are no longer calculated in accordance with the prudence concept but at the best estimate of the ultimate cost. This means that claims expenses will be reduced overall.

Acquisition costs

Acquisition costs are capitalized and amortized over the term of the policy.

Depreciation and write-downs

Depreciation charges and valuation write-downs are reduced overall. In particular they are not allowed where movements in stock market prices or exchange rates result in only a temporary diminution in value.

Valuation at equity

All participations of between 20 percent and 50 percent are valued by the equity method, i.e. at the corresponding proportion of the shareholders' equity. It is therefore irrelevant whether a significant influence is actually exercised or not. The valuation now also includes a corresponding proportion of the net profit of the enterprises concerned. Previously only dividend distributions were taken into account.

Capital gains and losses

Gains on disposal are lower, and losses on disposal higher under IAS because the proceeds of disposal are now set against historical cost. Under the German Commercial Code, by contrast, the disposal proceeds were set against carrying amount, whichever was lower.

Goodwill

Goodwill is amortized against income over its useful life as follows:

- ▶ over 20 years in life and health insurance
- ▶ over 10 years in other types of business.

Goodwill was previously charged against revenue reserves without affecting earnings.

SUPPLEMENTARY INFORMATION ON GROUP ASSETS

4 Goodwill

The amount capitalized under this heading changed during the year under review as follows:

	€ mn
Gross amount capitalized 12/31/1998	3,535.8
Accumulated amortization 12/31/1998	– 525.4
Value stated at 12/31/1998	3,010.4
Translation differences	20.2
Value stated at 1/1/1999	3,030.6
Additions	1,737.1
Amortization	– 483.7
Value stated at 12/31/1999	4,284.0
Accumulated amortization 12/31/1999	– 1,009.1
Gross amount capitalized 12/31/1999	5,293.1

Major additions include

- ▶ first-time consolidation of the following subsidiaries:
 - Allianz First Life Insurance Co. Ltd., Seoul € 719.5 million
 - Life USA Holding, Inc., Minneapolis € 306.4 million
 - Allianz Australia Limited, Sydney € 234.4 million
 - Wm.H McGee & Co. Inc., New York € 73.4 million
 - Colombiana De Inversion, Colombia € 43.7 million
- ▶ € 152.5 million by increasing the interests in Allianz of America, Inc., Wilmington by 15.6 % to 100.0 %
- ▶ Additional acquisition costs amounting to € 153.6 million for the AGF Group, Paris, as a result of the additional acquisition of contingent value rights (CVR).

Amortization is shown in the income statement under 7 as a separate heading.

5 Other intangible assets

Other intangible assets totaling € 2,310.5 million include software (€ 513.7 million) and the capitalized value of life/health insurance portfolios (€ 1,707.4 million). Software is written off over five years according to its useful life and the capitalized value of life/health insurance portfolios is amortized over the lives of the policies concerned.

Scheduled and unscheduled depreciation of software is apportioned between the relevant cost headings in the income statement.

Amortization of the capitalized value of life/health insurance policies is included in other expenses.

Other intangible asset values changed during the year under review as follows:

Software	€ mn
Gross amount capitalized 12/31/1998	823.1
Accumulated depreciation 12/31/1998	– 458.6
Value stated at 12/31/1998	364.5
Translation differences	4.3
Value stated at 1/1/1999	368.8
Additions	288.0
Changes in the group of consolidated companies	3.7
Disposals	– 21.3
Depreciation charge	– 125.5
Value stated at 12/31/1999	513.7
Accumulated amortization 12/31/1999	– 572.5
Gross amount capitalized 12/31/1999	1,086.2

Capitalized value of life/health insurance portfolios	€ mn
Gross amount capitalized 12/31/1998	548.1
Accumulated amortization 12/31/1998	- 98.9
Value stated at 12/31/1998	449.2
Translation differences	- 0.5
Value stated at 1/1/1999	448.7
Additions	605.7
Transfers	746.0
Amortization charge	- 93.0
Value stated at 12/31/1999	1,707.4
Accumulated amortization 12/31/1999	- 192.3
Gross amount capitalized 12/31/1999	1,899.7

Major additions under capitalized value of life insurance portfolios relate to the newly consolidated subsidiaries Life USA Holding Inc., Minneapolis at € 213.5 million and Allianz First Life Insurance Co. Ltd., Seoul at € 121.8 million.

Transfers include the capitalized values of Vereinte Lebensversicherung AG, Munich at € 482.6 million and Vereinte Krankenversicherung AG, München, at € 263.4 million. To date, these capitalized values were shown under deferred acquisition costs.

6 Real estate

The capitalized cost of buildings is depreciated over 50 years at most in accordance with their useful lives. The gross capitalized values at the beginning of the year totaled € 18,090.0 million and at the end of the year € 18,370.9 million. Accumulated depreciation amounted to € 3,105.0 million at the beginning of the year and € 3,153.2 million at the end of the year. Assets pledged as security and other restrictions on title amount to € 696.7 million.

Improvement costs are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense. Commitments outstanding at the balance sheet date to purchase real estate amounted to € 107.1 million. Unscheduled depreciation is charged in the income statement under investment expenses.

Changes in the total carrying value of real estate during the year:

	€ mn
Value stated at 12/31/1998	14,985.0
Translation differences	23.4
Value stated at 1/1/1999	15,008.4
Additions	1,312.9
Changes in the group of consolidated companies	442.3
Disposals	- 1,100.2
Depreciation	- 445.7
Value stated at 12/31/1999	15,217.7

Land and buildings owned by the Allianz Group and used for its own activities were stated at € 2,964.3 million. The market value of real estate at the balance sheet date totaled € 19,661.6 million (1998: € 19,232.8 million).

7 Investments in affiliated enterprises, joint ventures and associated enterprises

	12/31/1999	12/31/1998
Investments	€ mn	€ mn
in affiliated enterprises	365.2	452.2
in joint ventures	86.1	12.5
in associated enterprises	7,705.2	5,281.4
Total stated value	8,156.5	5,746.1
Total market value	23,387.0	19,008.0

8 Loans

These loans advanced by Group enterprises comprise the following:

	12/31/1999 € mn	12/31/1998 € mn
Mortgage loans	9,713.8	10,481.3
Debentures and loans	2,910.8	6,080.2
Loans and advance payments on insurance policies	1,124.0	913.8
Other loans	77.0	99.9
Total	13,825.6	17,575.2

9 Other securities

Other securities are classified into the following three categories depending on the purpose and/or period for which they are held:

- ▶ held to maturity
- ▶ available for sale
- ▶ trading.

Other securities held to maturity

The fair value of individual securities can fall temporarily below their carrying value but, provided they are certain to be redeemed at par, such securities are not written down in value.

Other securities held to maturity	Amortized cost	
	12/31/1999 € mn	12/31/1998 € mn
Investment group		
Government bonds	2,154.7	265.7
Corporate bonds	2,341.6	3,898.0
Other	4,157.3	–
Total	8,653.6	4,163.7

The market values of other securities held to maturity at the balance sheet date totaled € 8,706.2 million.

Other securities available for sale

Investment group	Amortized cost		Unrealized gains/losses		Market values	
	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn
Equity securities	55,385.2	45,658.3	39,478.0	25,972.2	94,863.2	71,630.5
Government bonds	86,095.0	69,626.9	227.2	5,100.8	86,322.2	74,727.7
Corporate bonds	46,447.5	67,707.0	227.0	5,863.9	46,674.5	73,570.9
Other	18,455.4	383.8	735.9	1.7	19,191.3	385.5
Total	206,383.1	183,376.0	40,668.1	36,938.6	247,051.2	220,314.6

Other securities available for sale

Investment group	Proceeds of sale		Realized gains		Realized losses	
	1999 € mn	1998 € mn	1999 € mn	1998 € mn	1999 € mn	1998 € mn
Equity securities	14,033.7	14,510.0	4,477.0	2,363.9	942.4	463.7
Government bonds	17,413.3	16,752.9	283.0	320.1	263.0	257.4
Corporate bonds	10,029.6	9,439.9	126.4	170.6	324.1	31.9
Other	9,556.4	658.3	154.2	—	114.5	—
Total	51,033.0	41,361.1	5,040.6	2,854.6	1,644.0	753.0

Realized gains and losses have been calculated on the basis of average values.

Contractual term to maturity	Amortized cost		Market values	
	12/31/1999 € mn	12/31/1998 € mn	12/31/1999 € mn	12/31/1998 € mn
up to 1 year	12,419.6	10,458.4	13,482.9	10,470.8
over 1 year through 5 years	53,303.0	53,446.7	55,082.1	56,595.8
over 5 years through 10 years	72,052.8	59,930.6	70,691.4	65,523.7
over 10 years	13,222.5	13,882.0	12,931.6	16,093.8
Total*	150,997.9	137,717.7	152,188.0	148,684.1

* excluding equity securities

Other securities trading

Investment group	Market values		Unrealized gains/losses recognized in net income for the year		
	12/31/1999 € mn	12/31/1998 € mn	Gains	Losses	12/31/1998 € mn
Equity securities	0.8	0.2	—	—	—
Fixed income securities	296.1	479.3	0.2	0.9	0.3
Total	296.9	479.5	0.2	0.9	0.3

Derivative financial instruments

Derivative financial instruments – derivatives for short – bear this designation on account of the fact that their market values are derived from one or more underlying assets or specified reference values.

Typical examples of derivatives are contracts for future delivery in the form of futures or forwards, options in shares or indices, interest rate options such as caps and floors, and swaps in different markets. The latter are agreements to exchange previously defined assets or payment series.

Insurance companies in the Allianz Group use derivatives to manage their investments efficiently on the basis of general investment targets. The most important aspect of these instruments is hedging against adverse market moves for selected individual securities or for parts of a portfolio.

The same applies for financial services apart from trading activities, which are relatively small.

A distinction is drawn between over-the-counter (OTC) products, which are individually traded contracts, and exchange-traded products, which are standardized products. The settlement risk is virtually excluded in the latter. By contrast, OTC products carry a theoretical credit risk amounting to the unrealized gains.

The table below shows the distribution of the open positions at the balance-sheet date. The total Notional principle amount of all open positions was € 8,638.7 million (1998: € 2,733.7 million) or 2.3 (0.8) percent of the balance sheet total. The figures do not include derivative positions in specialist funds managed for Group enterprises amounting to € 248.6 million (1998: € 69.4 million). Notional principle amounts represent the value of the assets underlying the derivatives and therefore indicate the extent of use of derivative financial instruments and their relative weighting.

Notional principle amounts and market values of open derivative positions

in € millions	Maturity			Notional principle amounts		Market values
	up to 1 year	1–5 years	over 5 years	12/31/1999	12/31/1998	
Interest rate contracts	5.3	445.0	6,621.0	7,071.3	1,619.1	79.2
OTC						
Caps/Floors		445.0	6,621.0	7,066.0	9.5	79.3
Forwards					1,608.1	
Swaps						
Exchange traded						
Futures	5.3			5.3	1.5	0.0
Equity/Index contracts	853.4	18.9	0.5	872.9	1,078.1	12.3
OTC						
Options		18.9	0.5	19.4	1,078.1	0.0
Swaps	819.5			819.5		11.8
Exchange traded						
Futures	33.9			33.9		0.5
Foreign exchange contracts	49.0	7.3	638.2	694.6	36.5	3.3
OTC						
Forwards	37.1			37.1	0.0	- 0.9
Swaps	8.0	7.3	638.2	653.6	36.5	3.9
Exchange traded						
Forwards	3.9			3.9		0.4
Total	907.7	471.3	7,259.7	8,638.7	2,733.7	94.8

The market value of derivatives is derived from the value of underlying assets and other market parameters. It is a measure of the capital required to settle in full all future rights and obligations arising from the financial contract. A positive market value for OTC products also represents the maximum credit risk under the prevailing conditions. Market values do not take into account prior payments. Therefore, direct conclusions about the level of profit and loss will be limited.

The most important exposures were in the form of interest rate caps and floors, which were used to manage interest income in anticipation of increasing interest rates. Foreign exchange contracts were also used to swap foreign exchange exposures into euros. Transactions in derivatives resulted in a net loss overall of € 8.0 million (1998: € 6.1 million).

In the financial services segment, derivatives were primarily used to hedge existing assets and liabilities against interest rate risks. The notional principle amount of open positions at the close of the year under review was € 43.7 billion.

Derivatives used by individual enterprises in the Allianz Group always comply with the relevant supervisory regulations and the Group's own internal guidelines. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Group. Further information on the risks to be hedged and the Group's risk management systems is included in the Management Report under "Risk Management".

10 Other investments

Other investments include bank deposits of € 4,524.6 million (1998: € 4,857.4 million) and funds held by others under reinsurance contracts assumed amounting to € 3,303.4 million (1998: € 3,138.0 million).

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

comprise mainly investments funding variable annuities plus investments to cover obligations under policies where the benefits are index-linked.

Group enterprises keep these investments separate from other investments and invest them separately as well.

Policyholders are entitled to all the gains recorded and therefore to the total amount of all the investments shown under this heading, but they also have to carry any losses.

For this reason the liability heading "Insurance reserves for life insurance where the investment risk is carried by policyholders" moves in parallel to this account.

12 Receivables

	12/31/1999 € mn	12/31/1998 € mn
Accounts receivable on direct insurance business	7,123.7	6,232.2
Policyholders	4,442.4	3,696.5
Agents	2,681.3	2,535.7
Accounts receivable on reinsurance business	2,300.3	2,124.5
Receivables from banking, building-society and leasing customers	14,765.7	16,148.8
Other receivables	7,715.6	7,459.8
Total	31,905.3	31,965.3

Receivables due within a year total € 22,939.9 million (1998: € 22,896.8 million), those due after more than a year € 8,965.4 million (1998: € 9,068.5 million).

Receivables from banking, building-society and leasing customers include amounts receivable under finance leases at their net investment value totaling € 2,413.0 million (1998: € 2,398.7 million). The corresponding gross investment value of these leases amounts to € 3,551.1 million (1998: € 3,536.7 million), the associated unrealized finance income € 3.6 million (1998: € 3.6 million) and unguaranteed residual values € 0.5 million (1998: € 0.5 million). Lease payments received have been recognized as income to the extent of € 171.1 million (1998: € 170.1 million). The allowance for uncollectible lease payments receivable at the balance sheet date amounted to € 9.0 million (1998: € 10.4 million).

The total amounts receivable under leasing arrangements include € 392.0 million (1998: € 390.4 million) due within a year, € 1,217.0 million (1998: € 1,212.1 million) due within one to five years, and € 1,942.1 million (1998: € 1,934.2 million) due after more than five years.

13 Deferred acquisition costs

Acquisition costs are capitalized at the beginning of the period for which the premiums are paid, and amortized over the term of the policies to which they relate. Acquisition costs include the commissions paid and other costs directly related to the acquisition or renewal of insurance policies.

The amortization period is calculated by property and casualty insurance enterprises for each insurance portfolio, based on the average term of the relevant policies, and varies between one and five years.

In life insurance business deferred acquisition costs are expensed according to the categorization of the underlying life insurance products (see Note 17).

The total expense in the year under review was € 1,516.7 million (1998: € 1,881.3 million).

14 Other assets

	12/31/1999	12/31/1998
	€ mn	€ mn
Property, plant and equipment and inventories	1,086.1	921.4
Other assets	1,210.8	592.3
Prepaid expenses	1,854.7	2,324.5
Total	4,151.6	3,838.2

Property, plant and equipment are depreciated over 5 to 10 years according to their useful lives. The gross capitalized values at the beginning of the year totaled € 2,581.0 million and at the end of the year € 3,042.4 million. Accumulated depreciation amounted to € 1,659.6 million at the beginning of the year and € 1,956.3 million at the end of the year. Improvement costs are capitalized if they extend the useful life of the asset, otherwise they are recognized as an expense.

Commitments outstanding at the balance sheet date to purchase items of property, plant and equipment amounted to € 23.7 million.

Depreciation is apportioned between the relevant cost headings in the income statement. Write ups are credited to other income.

SUPPLEMENTARY INFORMATION ON GROUP LIABILITIES

15 Shareholders' equity

In March 1999, the **issued capital** of Allianz AG and all other DM amounts in the statutes were restated in €. In order for each no-par value share to have a mathematical value of precisely € 2.56 as a proportion of the issued capital, the capital was increased from company resources without issuing any new shares by € 867,141.04 to € 626,979,840.00, on the basis of the resolution adopted at the Annual General Meeting. In September 1999, a further 356,000 shares with a notional principle amount of € 911,360 (0.1 percent) as a proportion of the issued capital were issued at a price of € 250.30 each, enabling employees of Allianz Group enterprises in Germany to take up 233,055 employee shares at a price of € 150.32. In December 1999, 122,000 shares with a notional principle amount of € 312,320 as a proportion of the issued capital were sold on the stock market at an average price of € 289.11. Allianz AG held 945 of its own shares with a notional principle amount of € 2,419.20 (less than 0.1 percent) as a proportion of the issued capital at the end of 1999. The issued capital at December 31, 1999 amounted to € 627,891,200, divided into 245,270,000 registered shares. The shares have no par value as such but a mathematical value of € 2.56 each as a proportion of the issued capital.

At the end of the year under review there was authorized unissued capital with a notional principle amount of € 135,492,348.52, which can be issued at any time up to September 30, 2000.

The pre-emptive rights of shareholders can be excluded up to an amount of € 12,574,623.05 in order to utilize fractions arising from smoothing the amount of the increase or of the capital and offer new shares to the holders of shares issued against options exercised during the period between adoption of the resolution to increase the capital and publication of the subscription offer. There was a further € 30,677,512.87 of authorized unissued capital II which can be utilized up to July 7, 2003. The pre-emptive rights of shareholders can be excluded in order to issue the new shares at a price not materially below the quoted market value. Authorized unissued capital III can be used at any time up to July 7, 2003 to issue shares with a notional principle amount of € 51,129,188.12 for a non-cash consideration. The pre-emptive rights of shareholders are excluded. Authorized unissued capital IV of € 2,469,521.77 is available for issue at any time up to July 10, 2002, which can be used – with the pre-emptive rights of existing shareholders excluded – to issue shares to employees of Allianz AG or of other companies in the Group. Authorized unissued capital V of € 2,556,459.41 is available for issue up to July 7, 2003 and can be used to protect the holders of conversion or subscription rights from dilution in the event of future capital increases for cash by granting them a pre-emptive right to subscribe for new shares. To that extent the pre-emptive rights of shareholders are excluded.

The Company had conditionally **authorized capital** with a notional principle amount of € 10,240,000 on which subscription or conversion rights, with pre-emptive rights for shares, can be issued up to June 30, 2003.

The heading **issued capital and capital reserve** comprises the capital stock and the premium received on the issuance of shares.

In addition to the reserves required by law in the financial statements of Allianz AG, **revenue reserves** include the retained earnings of consolidated subsidiaries and amounts transferred out of consolidated net income. Revenue reserves also include foreign currency translation adjustments in the equity section. In the case of acquisitions prior to January 1, 1995, differences arising on first-time consolidation have been taken to revenue reserves.

Other reserves comprise the component of shareholders' equity representing unrealized gains and losses on investments available for sale.

The **consolidated unappropriated profit** is derived from consolidated net income as follows:

	1999 € mn	1998 € mn
Consolidated net income for the year	2,233.2	1,819.1
Transfers to revenue reserves (appropriated retained earnings)	1,878.8	1,470.3
Consolidated unappropriated profit	354.4	348.8

Movements in shareholders' equity:

	Paid-in capital € mn	Revenue reserves € mn	Unrealized gains and losses € mn	Consolidated unappropriated profit € mn	Share- holders' equity € mn
	12/31/1997	5,716.8	3,624.5	7,411.3	300.9
Currency translation adjustments		– 333.9			– 333.9
Changes in the group of consolidated companies		385.3			385.3
Capital paid in	1,545.3				1,545.3
Amounts allocated from exercise of option rights	458.5				458.5
Unrealized investment gains and losses			1,561.1		1,561.1
Net income for the year		1,547.0		272.1	1,819.1
Shareholders' dividend				– 224.2	– 224.2
Miscellaneous		– 32.5			– 32.5
12/31/1998	7,720.6	5,190.4	8,972.4	348.8	22,232.2
Currency translation adjustments		641.0	209.5		850.5
Changes in the group of consolidated companies		498.7			498.7
Capital paid in	90.0				90.0
Unrealized investment gains and losses			3,105.5		3,105.5
Net income for the year		1,952.1		281.1	2,233.2
Shareholders' dividend				– 275.5	– 275.5
Miscellaneous		54.0			54.0
12/31/1999	7,810.6	8,336.2	12,287.4	354.4	28,788.6

[16] Minority interests in shareholders' equity/earnings

The main subsidiaries in question are the AGF group, Paris, the RAS Group, Milan, Allianz Lebensversicherungs-AG, Stuttgart, Frankfurter Versicherungs-AG, Frankfurt/Main, and Bayerische Versicherungsbank AG, Munich.

The interests of minority shareholders are made up as follows:

	12/31/1999 € mn	12/31/1998 € mn
Other reserves		
Unrealized gains and losses	4,509.4	3,972.7
Share of earnings	806.1	738.7
Other equity components	6,901.9	7,246.6
Total	12,217.4	11,958.0

[17] Aggregate policy reserve

	12/31/1999 € mn	12/31/1998 € mn
Aggregate policy reserve		
Gross	170,835.3	151,141.5
Amounts ceded to reinsurers	11,866.1	9,119.7
Net	158,969.2	142,021.8

The calculation of aggregate policy reserves depends on the extent to which policyholders benefit from any surpluses earned on insurance policies. A distinction has to be made between the following situations:

- ▶ policyholders participate in surpluses in the same proportion as their policies have contributed to a surplus; policyholders do not participate in losses; referred to as the "contribution principle";
- ▶ policyholders participate in a surplus on the basis of a mechanical or non-contributory system;
- ▶ policyholders are guaranteed fixed benefits and do not participate in any profits; all other benefits and risks are carried by the insurer;

▶ policyholders carry not only the investment risk and corresponding benefits, but also any losses ("variable annuities"); the aggregate reserve for these policies is shown under a separate liability heading "Insurance reserves for life insurance where the investment risk is carried by policyholders";

▶ policyholders are entitled within certain limits to vary the level of premium payments, and the life insurance enterprise does not give any contractual guarantees about minimum rate of return or the level of management fees ("universal life" policies).

The calculation of aggregate policy reserves is regulated by various Financial Accounting Standards (FAS); in the first case above by FAS 120, in the second and third cases by FAS 60, and in the fourth and fifth cases by FAS 97. The assumptions on which the calculation is based vary, particularly with regard to mortality, morbidity, interest rates and the treatment of acquisition costs.

The assumptions used in the first case are conservative and contractually agreed, so there is a strong probability that surpluses will arise, most of which are to be distributed to policyholders.

Acquisition costs are deferred over the term of the policies in the same proportion as the surpluses in individual years contribute to the surplus on the portfolio concerned.

In the second and third cases assumptions including safety margins are used which are based on figures at the time when the policy is taken out. In health insurance the insurer has the option of adjusting premiums when the assumptions change.

Here, too, acquisition costs are spread over the term of the policies but in the same proportion as premiums written for the year concerned bear to the total premium income.

The interest rates used for the assumptions were as follows:

	Policies using the contribution principle (FAS 120) %	Other policies (FAS 60) %
Aggregate policy reserve	3	7
Deferred acquisition costs	7	7

In the fourth and fifth cases the aggregate reserve is not calculated actuarially; in the fourth case it moves in line with the value of the investments and in the fifth case with the premiums paid by policyholders plus interest.

Acquisition costs are deferred over the term of the policies in the same proportion as the surpluses in individual years contribute to the surplus on the portfolio concerned.

The net aggregate policy reserve at the balance sheet date – based on the various profit participation systems – was as follows:

	Contribution principle (FAS 120)		Variable annuities (FAS 97)		Other (FAS 60)	
	12/31/1999		12/31/1998		12/31/1999	
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Life/Health	88,884.1	82,127.9	44,372.5	38,689.3	37,863.1	28,391.1
Property/Casualty	6,647.8	7,441.2	–	–	325.4	1,053.3
Total	95,531.9	89,569.1	44,372.5	38,689.3	38,188.5	29,444.4

When a subsidiary is consolidated for the first time it also has to be remembered that the aggregate reserve for the proportion acquired by the Group since January 1, 1995 has been calculated using the assumptions in force at the time of the acquisition; and that the present value of future surpluses on the portfolio acquired is used for that proportion instead of acquisition costs.

18 Reserve for loss and loss adjustment expenses

	12/31/1999 € mn	12/31/1998 € mn
Gross	54,949.0	48,136.9
Amounts ceded in reinsurance	12,607.1	9,813.4
Net	42,341.9	38,323.5

The net reserve for loss and loss adjustment expenses is divided between the two main categories of the Group's insurance business as follows:

	12/31/1999 € mn	12/31/1998 € mn
Life/Health	3,159.4	2,191.7
Property/Casualty	39,182.5	36,131.8
Total	42,341.9	38,323.5

Calculation of the reserve

The reserve for loss and loss adjustment expenses (claims reserve) is calculated for reported claims at the amount considered to be adequate to meet the estimated ultimate cost of settling the claims in full. The resultant claims reserves have been verified by each Group enterprise using the recognized actuarial methods. Depending on the lines of insurance concerned, the calculation has to include estimates of the incidence of claims and future payments. These estimates are based on past experience.

This procedure is designed to ensure that no losses arise in the run-off of claims reserves, either at the individual Group enterprise level or in individual lines of insurance. The reserve for incurred but not reported claims is calculated on the basis of past experience, adjusted for current and future estimated trends such as rising prices. The reserve for claims settlement expenses is calculated at fixed percentages of the claims reserves.

There is as yet no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claim are still evolving. Appropriate provision has been made for such cases following an analysis of the portfolio in which such risks occur.

No retrospective back-payments of premiums have been demanded. No exceptional events insured against have occurred since the balance sheet date which would materially affect the net worth, financial position or results of the Group. The balance sheet figure includes annuity reserves (gross) of € 3,414.0 million for existing annuity agreements; the discount rate for such cases varies between 3.5 percent and 5 percent.

19 Other insurance reserves

	12/31/1999 € mn	12/31/1998 € mn
Gross	30,431.4	27,930.7
Amounts ceded in reinsurance	279.8	232.2
Net	30,151.6	27,698.5

The other net insurance reserves comprise the following:

	12/31/1999 € mn	12/31/1998 € mn
Reserve for premium refunds	28,430.8	26,172.7
Premium deficiency reserve	860.4	812.1
Miscellaneous	860.4	713.7
Total	30,151.6	27,698.5

The reserve for premium refunds contains, first, the amounts to which policyholders are entitled under the relevant local statutory or contractual regulations in the form of experience-rated or other participation in profits and, second, amounts arising from the valuation of certain assets and liabilities of the Group's life and health insurance enterprises at fair market value (the "latent" reserve for premium refunds).

The reserve for premium refunds has changed as follows:

	12/31/1999 € mn	12/31/1998 € mn
a) Amounts already allocated under local regulations (gross)		
At January 1	7,513.1	7,084.7
Changes in the group of consolidated companies	97.0	815.8
Change	1,483.3	– 391.8
At December 31	9,093.4	7,508.7
b) Latent reserve (gross)		
At January 1	18,809.5	11,020.6
Change owing to fluctuations in market value	1,500.3	4,379.6
Changes in the group of consolidated companies	–	3,686.4
Changes owing to valuation differences charged or credited to income	– 824.7	– 276.5
At December 31	19,485.1	18,810.1
c) Total (gross)	28,578.5	26,318.8
d) Amounts ceded in reinsurance	147.7	146.1
e) Total (net)	28,430.8	26,172.7

In addition to the amounts allocated at a), policyholders of the Allianz Group were credited amounts totaling € 7,830.2 million from the surplus direct.

The premium deficiency reserve contains the portions of premiums not yet earned to cover natural catastrophe risks such as earthquakes and storms.

20 Pension and similar reserves

	12/31/1999 € mn	12/31/1998 € mn
Reserves for pensions	3,111.5	3,054.3
Reserves for similar obligations	333.9	332.8
Total	3,445.4	3,387.1

Allianz Group enterprises normally give their employees – and, in Germany, their agents – pension undertakings; in Germany these are based on fixed benefits (defined benefit pension plans), while in other countries pension plans are normally on the defined contribution basis.

Under **defined benefit pension plans** the beneficiary is promised a particular level of retirement benefit by the enterprise or by a pension fund. The premiums payable by the enterprise, in contrast, are not fixed in advance.

Funded status of the main defined benefit pension plans:

	12/31/1999 € mn	12/31/1998 € mn
Actuarially calculated present value of pension rights accrued		
Direct commitments of Group enterprises	3,283.3	3,307.8
Commitments through pension funds	4,265.5	3,764.4
Total	7,548.8	7,072.2
Fund assets	4,474.8	3,890.6
Pension obligations less fund assets	3,074.0	3,181.6
Unrecognized gains/losses	37.5	– 127.4
Unrecognized (past) service cost	–	–

The main pension fund is Allianz Versorgungskasse VVaG, Munich, which insures the employees of all Group enterprises in Germany and is not included in the consolidated financial statements.

The fund assets are invested mainly in equity securities, investment fund units, fixed income securities and registered bonds. The need to recognize actuarial gains or losses is reviewed using the corridor approach for each individual pension plan.

The reserve for defined benefit pension plans changed in the year under review as follows:

	€ mn
Value stated at 1/1/1999	3,083.7
Changes in the group of consolidated companies	37.8
Expenses	313.0
Payments	– 323.0
Value stated at 12/31/1999	3,111.5

Income and expenses recognized in the income statement:

	1999	1998
	€ mn	€ mn
Current service cost	165.4	141.8
Interest cost	432.7	391.9
Expected return on pension fund assets	– 279.3	– 248.9
Gains/losses recognized	–	–
Past service cost recognized	– 0.1	–
Income/Expenses of plan curtailments or settlements	– 5.7	– 2.5
Total	313.0	282.3

Most of the amounts expensed are charged in the income statement as underwriting costs or loss and loss adjustment expenses (claims settlement expenses). The income is included in other income. The actual income from the pension funds amounted to € 560.7 million (1998: € 372.1 million).

The assumptions for actuarial computation of the obligations depend on the circumstances in the particular country where a plan has been established.

The actuarial assumptions for the main pension plans are as follows:

	1999	1998
	%	%
Discount rate	6 – 8	6 – 7
Expected rate of return on fund assets	7 – 9	7 – 8
Retirement rates	3 – 5	3 – 5
Benefit levels	2 – 4	2 – 5

The calculations are based on up-to-date actuarially calculated mortality estimates. Projected fluctuations depending on age and length of service have also been used, as well as internal Group retirement projections.

Defined contribution pension plans are funded through independent pension funds or similar organizations. Contributions fixed in advance, based e.g. on salary, are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions (premiums).

Amounts totaling € 35.0 million were expensed in the year under review.

21 Liabilities

The total under this heading comprises:

	12/31/1999	12/31/1998
	€ mn	€ mn
Participation certificates	472.5	472.5
Post-ranking liabilities	430.0	686.9
Bonds and loans payable	12,614.8	10,759.1
Other liabilities		
Funds held under reinsurance business ceded	8,552.8	7,781.4
Accounts payable on direct insurance business	6,988.6	6,031.7
Accounts payable on reinsurance business	1,798.3	1,253.4
Liabilities to banks	3,450.6	10,597.2
Liabilities to banking, building- society, and leasing customers	11,154.7	5,469.3
Miscellaneous liabilities	7,345.7	6,210.7
Total	52,808.0	49,262.2

Participation certificates include € 449.5 million (1998: € 449.5 million) in respect to those issued by Allianz AG. Post-ranking liabilities include € 403.6 million (1998: € 660.5 million) in respect of those of the AGF group.

Bonds amounting to € 12,391.0 million (1998: € 9,915.0 million) include € 7,457.8 million (1998: € 5,757.9 million) issued by the AGF group and a total of € 4,778.8 million (1998: € 4,147.0 million) issued by the Dutch subsidiary Allianz Finance B.V., Amsterdam.

Liabilities due within a year amount to € 35,483.5 million (1998: € 37,350.6 million) and those due in more than one year € 17,324.5 million (1998: € 11,911.6 million).

22 Other liability headings

These include miscellaneous items of deferred income amounting to € 335.2 million (1998: € 197.4 million).

SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

23 Premiums

	Life/Health*		Property/Casualty*		Total	
	1999	1998	1999	1998	1999	1998
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Gross premiums written	18,466.4	15,877.3	35,340.9	30,329.8	53,807.3	46,207.1
Premiums ceded in reinsurance	- 1,169.1	- 1,149.2	- 5,879.5	- 5,099.3	- 7,048.6	- 6,248.5
Change in unearned premiums (net)	- 238.8	9.6	- 337.7	- 186.9	- 576.5	- 177.3
Premiums earned (net)	17,058.5	14,737.7	29,123.7	25,043.6	46,182.2	39,781.3

* After eliminating intra-Group transactions between segments

In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only those parts of the premiums used to cover the risks insured and costs involved are treated as premium income.

24 Investment income (net)

	1999	1998
	€ mn	€ mn
a) Income from affiliated enterprises, joint ventures and associated enterprises	1,340.4	976.3
b) Other investment income		
1. Real estate	1,005.5	580.9
2. Loans	611.0	1,173.0
3. Other securities held to maturity		
Government bonds	95.2	17.7
Corporate bonds	103.5	260.1
Other	183.8	-
Total 3.	382.5	277.8
4. Other securities available for sale		
Equity securities	5,717.2	4,295.8
Government bonds	5,157.6	4,128.4
Corporate bonds	2,009.0	4,000.0
Other	1,926.3	20.6
Total 4.	14,810.1	12,444.8
5. Other securities trading	13.5	14.9
6. Other investments	1,441.9	855.9
c) Investment management, interest charges and other expenses	- 1,175.0	- 1,524.8
Total	18,429.9	14,798.8

Investment income is shown net. Depreciation and write-downs on investments amounting to € 508.1 million (1998: € 638.9 million) and realized investment losses of € 1,705.5 million (1998: € 890.4 million) have been deducted.

Realized investment gains amounted to € 5,896.7 million (1998: € 2,989.5 million).

The income (net) from affiliated enterprises, joint ventures and associated enterprises is made up as follows:

	12/31/1999	12/31/1998
Income (net) from investments in:	€ mn	€ mn
affiliated enterprises	498.0	– 20.5
joint ventures	0.1	0.5
associated enterprises	842.3	996.3
Total	1,340.4	976.3

Investment income/expenses

	Life/Health *		Property/Casualty *		Financial Services *		Total	
	1999 € mn	1998 € mn	1999 € mn	1998 € mn	1999 € mn	1998 € mn	1999 € mn	1998 € mn
Income from investments								
Current income	10,093.2	9,436.3	5,547.3	5,148.4	235.7	265.6	15,876.2	14,850.3
Income from revaluations	8.0	12.2	9.7	0.1	27.9	0.9	45.6	13.2
Realized investment gains	2,570.1	1,349.0	3,272.6	1,628.2	54.0	12.3	5,896.7	2,989.5
Subtotal	12,671.3	10,797.5	8,829.6	6,776.7	317.6	278.8	21,818.5	17,853.0
Investment expenses								
Depreciation and write-downs on investments	– 291.7	– 217.7	– 172.9	– 385.7	– 43.5	– 35.5	– 508.1	– 638.9
Realized investment losses	– 986.8	– 452.8	– 683.7	– 411.6	– 35.0	– 26.0	– 1,705.5	– 890.4
Investment management, interest charges and other investment expenses	– 333.0	– 256.3	– 667.0	– 670.9	– 175.0	– 597.7	– 1,175.0	– 1,524.9
Subtotal	– 1,611.5	– 926.8	– 1,523.6	– 1,468.2	– 253.5	– 659.2	– 3,388.6	– 3,054.2
Total	11,059.8	9,870.7	7,306.0	5,308.5	64.1	– 380.4	18,429.9	14,798.8

* After eliminating intra-Group transactions between segments.

25 Other income

Other income amounting to € 4,929.2 million includes income from interest and similar income totaling € 1,500.3 million, income from releasing or reducing miscellaneous accrued liabilities totaling € 505.4 million, foreign currency gains totaling € 105.5 million and income resulting primarily from service activities and financial services totaling € 2,755.1 million.

26 Benefits payable to policyholders

Benefits payable in life and health insurance* comprise the following:

	Gross		Ceded in reinsurance		Net	
	1999 € mn	1998 € mn	1999 € mn	1998 € mn	1999 € mn	1998 € mn
Benefits paid	- 13,569.4	- 11,667.1	886.0	892.5	- 12,683.4	- 10,774.6
Change in reserves						
Aggregate policy reserve	- 6,429.7	- 5,508.2	316.0	261.0	- 6,113.7	- 5,247.2
Other	- 426.7	- 553.5	120.8	64.4	- 305.9	- 489.1
Total	- 6,856.4	- 6,061.7	436.8	325.4	- 6,419.6	- 5,736.3
Expenses of premium refunds	- 4,593.9	- 4,094.3	0.5	25.8	- 4,593.4	- 4,068.5
Total	- 25,019.7	- 21,823.1	1,323.3	1,243.7	- 23,696.4	- 20,579.4

* After eliminating intra-Group transactions between segments.

Benefits payable in property and casualty insurance* are made up as follows:

	Gross		Ceded in reinsurance		Net	
	1999 € mn	1998 € mn	1999 € mn	1998 € mn	1999 € mn	1998 € mn
Claims						
Claims paid	- 25,684.8	- 21,703.3	4,239.7	3,897.4	- 21,445.1	- 17,805.9
Change in reserve for loss and loss adjustment expenses	- 2,593.6	- 1,241.0	1,398.4	391.1	- 1,195.2	- 849.9
Total	- 28,278.4	- 22,944.3	5,638.1	4,288.5	- 22,640.3	- 18,655.8
Change in other reserves						
Aggregate policy reserve	- 246.9	- 145.7	27.3	- 16.7	- 219.6	- 162.4
Other	- 43.3	- 152.8	- 9.7	- 2.2	- 53.0	- 155.0
Total	- 290.2	- 298.5	17.6	- 18.9	- 272.6	- 317.4
Expenses of premium refunds	- 389.6	- 491.4	58.3	63.0	- 331.3	- 428.4
Total	- 28,958.2	- 23,734.2	5,714.0	4,332.6	- 23,244.2	- 19,401.6

* After eliminating intra-Group transactions between segments.

27 Underwriting costs

	Life/Health *		Property/Casualty *	
	1999 € mn	1998 € mn	1999 € mn	1998 € mn
Acquisition costs				
Amounts paid	– 2,866.7	– 1,941.9	– 6,254.0	– 4,840.7
Change in deferred acquisition costs	1,007.2	264.8	184.4	93.1
Total	– 1,859.5	– 1,677.1	– 6,069.6	– 4,747.6
Administrative expenses	– 1,060.5	– 810.7	– 3,367.6	– 3,233.2
Underwriting costs (gross)	– 2,920.0	– 2,487.8	– 9,437.2	– 7,980.8
less commissions and profit-sharing received on reinsurance business ceded	182.6	162.7	1,427.3	1,285.4
Underwriting costs (net)	– 2,737.4	– 2,325.1	– 8,009.9	– 6,695.4

* After eliminating intra-Group transactions between segments.

28 Other expenses

Other expenses amounting to € 7,019.7 million primarily include expenses from interest and similar charges totaling € 1,995.5 million, the expense of transferring or increasing miscellaneous or accrued liabilities totaling € 280.3 million, foreign currency losses totaling € 177.3 million, depreciation and write-downs on other intangible assets totaling € 128.5 million and other expenses, including in particular expenses from the service activities and financial services, totaling € 3,235.9 million.

29 Taxes

The tax charge shown in the income statement comprises the taxes actually charged to individual Group enterprises and changes in deferred tax assets and liabilities.

Tax charge:

	1999 € mn	1998 € mn
Current taxes	– 2,198.3	– 1,952.1
Deferred taxes	887.6	424.5
Total	– 1,310.7	– 1,527.6

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences recognized as income or expense arising from the application of uniform valuation policies for consolidation purposes and from consolidation procedures.

The tax rates used for the calculation of deferred tax are the local rates applicable in the countries where the Group enterprises are based. A deferred tax asset or liability is recognized if the difference is expected to reverse within the next few years. Deferred tax assets and liabilities are measured by the basic liabilities method using future tax rates for calculating the effect of taxation. Deferred taxes including deferred taxes on losses carried forward are recognized as an asset if at the time of recognition it is probable that sufficient future taxable profits will be available against which the unused tax losses can be utilized.

Carrying back tax losses for the fiscal year reduced the charge for taxes on income by € 19.7 million.

Unused tax losses carried forward at the balance sheet date amounted to € 2,717.0 million in respect of which deferred tax assets have been recognized where there is sufficient certainty that the unused tax losses will be utilized; € 897.4 million of the tax losses carried forward can be utilized without restriction.

The current tax charge for 1999 is € 312.6 million less than the anticipated tax charge on income which would have been incurred based on an estimated weighted average tax rate for the Group on earnings before taxation. The cause is due mainly to tax-free income and extraordinary income arising from the release of deferred taxes on account of tax-rate reductions.

The calculation of the anticipated tax charge on income for Germany is based on the reduction in corporate income tax on account of payouts.

Reconciliation statement:

	1999 € mn	1998 € mn
Anticipated tax charge on income	1,623.3	1,688.8
+ municipal trade tax and similar taxes	171.9	199.5
- tax-free income	- 321.6	- 212.8
- effects of tax losses	- 19.7	- 160.0
- other tax settlements	- 183.9	- 20.2
+ other taxes	40.7	32.3
= current tax charge	1,310.7	1,527.6
Effective tax rate %	30.1	37.4

Corporate income tax was reduced from 45% to 40% in Germany during fiscal year 1999. The tax burden eased in Italy as a result of a change in municipal taxes. Extraordinary income from the release of deferred taxes amounted to € 484.1 million.

Deferred tax assets and liabilities represent the following:

	1999 € mn	1998 € mn
Deferred tax assets		
Unrealized losses	1,725.1	383.7
Tax losses carried forward	802.2	542.2
Miscellaneous	5,174.6	4,009.5
Total	7,701.9	4,935.4
Deferred tax liabilities		
Unrealized profits	12,939.8	11,679.9
Miscellaneous	8,187.3	8,158.8
Total	21,127.1	19,838.7

30 Net income

Foreign currency losses amounting to a total net loss of € 71.8 million were recognized from the financial statements of consolidated subsidiaries.

31 Other information

General information about the parent company

The parent company of the Group is Allianz AG, Munich. The company is an "Aktiengesellschaft" (public stock corporation) incorporated in Germany. Allianz AG is recorded in the Commercial Register under its registered address at Königinstrasse 28, 80802 München. Besides serving as holding company for the Group, Allianz AG also acts as reinsurance carrier for the Group.

Number of employees

At the end of 1999 the Group employed a total of 113,584 people (1998: 105,676). 41,923 (1998: 40,543) of these were employed in Germany and 71,661 (1998: 65,133) abroad. The number of employees in training increased by 304 to 4,171.

Personnel expenses:

	1999 € mn	1998 € mn
Salaries and wages	4,081.5	3,454.3
Social security contributions and employee assistance	961.5	1,037.5
Expenses for pensions and other post-retirement benefits	380.4	347.4
Total	5,423.4	4,839.2

Contingent liabilities

Guarantee obligations outstanding totaled € 394.1 million (1998: € 421.5 million) including € 0.7 (1998: € 0) million towards unconsolidated affiliated enterprises; other contingent liabilities totaled € 1,102.4 million (1998: € 2,779.7 million) including € 9.8 million (1998: € 18.2 million) towards unconsolidated affiliated enterprises.

Other financial commitments

In December 1997, Allianz AG made a friendly takeover bid for Assurances Générales de France (AGF). At that time Allianz AG was offered 78.7 percent of the fully diluted capital stock. Allianz AG acquired a 51.0 percent majority direct and issued contingent value rights (CVRs) for 27.7 percent. At the same time employee shareholders of AGF were offered the option of selling their shares at a price of FF 320 each at any time up to September 20, 2001. This was due to the fact that these employees were not able to accept Allianz AG's takeover bid owing to the restrictions placed on their shares for certain periods of time.

Up to December 31, 1999, Allianz AG had purchased 0.4 million AGF shares sold as a result of employee shareholders exercising their option to sell. Meanwhile, the number of employee shares falling under the option to buy increased by 0.7 million as a result of the transfer of state-owned shares to employees. The outstanding total commitment in connection with employee shares was € 236 million on December 31, 1999. The shares held as a percentage of capital stock on December 31, 1999 was 51.7 percent after the purchase of employee shares. Allianz AG also acquired 24.0 million CVRs in 1999. The CVRs are structured as follows:

- ▶ If within a given period the average share price of AGF should be FF 320 or less, the shareholders have the option of selling their shares together with the CVRs to Allianz at FF 360 each.

- ▶ If during the given period the average share price of AGF should be between FF 320 and FF 360, the holders of the CVRs receive the difference between the actual share price and FF 360 (subject to a maximum of FF 40).

The total commitment for the CVRs was € 1.5 billion on December 31, 1999. There are further potential financial commitments in connection with the promise of compensation to holders of rights under stock option programs of AGF.

Events after the balance sheet date

No events have occurred after the balance sheet date which would have a material effect, positive or negative, on the net worth, financial position or results of the Group as presented in the financial statements.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the year by the number of shares. The weighted average number of shares was 245,013,485 (1998: 242,540,278). The earnings per share figure was accordingly € 9.11 (1998: € 7.50). A diluted earnings per share figure was not calculated because there are no more warrant options in issue.

Adding back the amortization of goodwill would increase earnings per share to € 11.07 (1998: € 8.52).

Related enterprises

Business relationships with related enterprises, i.e. unconsolidated affiliated enterprises, include service as well as reinsurance activities.

The main transactions with unconsolidated affiliated enterprises comprise the following:

	1999 € mn	1998 € mn
Consolidated balance sheet		
Loans	–	9.1
Funds held by others under reinsurance business assumed	–	0.2
Receivables	10.1	16.9
Funds held under reinsurance business ceded	–	0.3
Liabilities	1.2	4.0

Compensation for the Board of Management and the Supervisory Board

Provided that the Annual Meeting of shareholders approves payment of the dividend proposed, the compensation paid by Allianz AG and its affiliated enterprises to the Board of Management for the year under review was € 7.7 million (1998: € 6.1 million). Former members of the Board and their beneficiaries were paid € 3.1 million (1998: € 3.2 million).

€ 21.6 million (1998: € 23.5 million) has been set aside for current and future pension benefits of former members of the Board of Management and their beneficiaries.

The remuneration of members of the Supervisory Board, including fees becoming payable after the 2000 Annual Meeting of shareholders, will be € 1.4 million (1998: € 1.1 million).

Munich, May 2, 2000
Allianz Aktiengesellschaft

The Board of Management

*Walter E. Sjöstedt
Hans-Joachim Niemann
Peter Hugemann
Klaus Mayschau
Rainer Kühnle
Rüdiger Kappeler*

SELECTED PARTICIPATIONS AND OTHER EQUITY INVESTMENTS

Operating Subsidiaries	Currency	Equity in millions	% owned ¹⁾
AGIS Allianz Gesellschaft für Informatik Service mbH, Munich	€	181.1	100.0
Allianz Asset Advisory and Management GmbH, Munich	€	5.1	100.0
Allianz Asset Management Gesellschaft mbH, Munich	€	106.1	100.0
Allianz Bauspar AG, Munich	€	46.1	86.0
Allianz Capital Partners GmbH, Munich	€	187.5	100.0
Allianz Globus MAT Versicherungs-Aktiengesellschaft, Hamburg	€	17.9	100.0
Allianz Immobilien GmbH, Stuttgart	€	3.5	100.0
Allianz Kapitalanlagegesellschaft mbH, Stuttgart	€	5.4	100.0
Allianz Lebensversicherungs-AG, Stuttgart	€	939.9	50.3
Allianz of Asia-Pacific and Africa GmbH, Munich	€	329.2	100.0
Allianz Vermögens-Bank AG, Augsburg	€	22.8	100.0
Allianz Versicherungs-AG, Munich	€	1,501.2	100.0
Allianz Zentrum für Technik GmbH, Munich	€	0.2	100.0
Bayerische Versicherungsbank AG, Munich	€	283.9	45.0 ²⁾
Deutsche Lebensversicherungs-AG, Berlin	€	38.3	100.0
Frankfurter Versicherungs-AG, Frankfurt am Main	€	314.9	49.9 ²⁾
Hermes Kreditversicherungs-AG, Hamburg	€	102.7	90.9
Kraft Versicherungs-AG, Berlin/Munich	€	9.3	99.5
Vereinte Holding AG, Munich	€	764.7	100.0
Vereinte Krankenversicherung AG, Munich	€	229.5	100.0
Vereinte Lebensversicherung AG, Munich	€	55.0	96.7
Vereinte Rechtsschutzversicherung AG, Munich	€	10.1	100.0
Vereinte Spezial Krankenversicherung AG, Munich	€	7.8	100.0
Vereinte Spezial Versicherung AG, Munich	€	2.6	100.0
Vereinte Versicherung AG, Munich	€	254.3	99.2

¹⁾ including shares held by dependent subsidiaries

²⁾ management control agreement

Operating Subsidiaries	Currency	Equity in millions	% owned ¹⁾
AGF Belgium Insurance, Brussels	€	335.1	99.9
AGF Ireland, Dublin	€	142.5	100.0
AGF La Lilloise, Paris	€	66.6	99.9
AGF-M.A.T., Paris	€	109.3	99.9
Alba Allgemeine Versicherungs-Gesellschaft, Basel	CHF	25.4	100.0
Allianz Asset Management (Ltd.), Hong Kong	HKD	28.2	100.0
Allianz Australia Limited, Sydney	AUD	237.4	100.0
Allianz Compañía de Seguros y Reaseguros S.A., Madrid	€	206.5	99.7
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	€	93.8	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	€	401.7	98.7
Allianz Europe Ltd., Amsterdam	€	1,700.7	99.9
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	JPY	1,231.2	100.0
Allianz First Life Insurance Co. Ltd., Seoul	KRW	264,351.0	100.0
Allianz General Insurance Company S.A., Athens	GRD	8,862.4	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	HKD	50.0	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	SGD	68.4	100.0
Allianz Insurance Company, Los Angeles	USD	4,063.9	100.0
Allianz Lebensversicherung (Schweiz) AG, Zurich	CHF	60.6	100.0
Allianz Life Insurance Company of North America, Minneapolis	USD	1,547.1	100.0
Allianz Life Insurance Company S.A., Athens	GRD	4,965.1	100.0
Allianz Mexico S.A. Compañía de Seguros, Mexico-City	MXN	628.0	100.0
Allianz Nordeuropa Forsikringsaktieselskabet, Taastrup	DKK	113.5	100.0
Allianz of America Inc., Wilmington	USD	4,819.5	100.0
Allianz of Canada Inc., Toronto	CAD	305.6	100.0
Allianz of South Africa (Proprietary) Ltd., Johannesburg	ZAR	98.1	100.0
Allianz poist'ovná a.s., Bratislava	SKK	890.8	100.0
Allianz pojist'ovna a.s., Prague	CZK	702.7	100.0
Allianz President General Insurance, Taipeh	TWD	1,274.0	50.0 ²⁾
Allianz President Life Insurance, Taipeh	TWD	636.9	50.0 ²⁾
Allianz Re Dublin Ltd., Dublin	€	10.8	100.0
Allianz Risk Transfer, Zurich	CHF	566.4	100.0
Allianz Subalpina Società di Assicurazioni e Riassicurazioni S.p.A., Turin	€	203.3	84.1
Allianz Underwriters Insurance Company, Los Angeles	USD	48.6	100.0
Allianz Versicherung (Schweiz) AG, Zurich	CHF	97.0	100.0
Allianz Zagreb d.d., Zagreb	HRK	59.2	52.0

¹⁾ including shares held by dependent subsidiaries

²⁾ controlled by Allianz

Operating Subsidiaries	Currency	Equity in millions	% owned ¹⁾
Allianz-RAS Tutela Giudiziaria S.p.A., Milan	€	4.6	100.0
Assurances Générales de France , Paris	€	4,965.8	54.3
Assurances Générales de France Iart, Paris	€	1,772.5	99.9
Assurances Générales de France Vie, Paris	€	1,653.6	99.9
Berner Allgemeine Versicherungs-Gesellschaft, Bern	CHF	333.7	56.9
Berner Lebensversicherungs-Gesellschaft, Bern	CHF	26.0	100.0
Church and General Insurance p.l.c., Dublin	€	74.4	100.0
Compagnie d'Assurance de Protection Juridique S.A., Geneva	CHF	9.0	100.0
Companhia de Seguros Allianz Portugal S.A., Lisboa	€	114.7	64.8
Comptoir des Entrepreneurs, Guyancourt-Saint Quentin En Yvelins	€	279.4	72.9
Cornhill Insurance PLC, London	GBP	673.8	98.0 ²⁾
Dival Vita S.p.A., Milan	€	104.4	100.0
Elmonda, Zurich	CHF	471.7	100.0
ELVIA Reiseversicherungs-Gesellschaft, Zurich	CHF	111.1	100.0
ELVIA Schweizerische Lebensversicherungs-Gesellschaft, Zurich	CHF	296.8	97.1
ELVIA Schweizerische Versicherungs-Gesellschaft, Zurich	CHF	620.2	99.9
EULER, Paris	€	599.3	68.1
Fireman's Fund Insurance Company, Novato	USD	3,685.1	100.0
France Life Insurance Co. Ltd., Seoul	KRW	1,685.0	100.0
Hungária Biztosító Rt., Budapest	HUF	23,222.4	100.0
International Reinsurance Company S.A., Luxembourg	USD	18.3	100.0
Jefferson Insurance Company of N.Y., New York	USD	131.3	100.0
Life USA Holding, Inc., Minneapolis	USD	488.7	100.0
Lloyd 1885 S.p.A., Milan	€	4.0	100.0
Lloyd Adriatico S.p.A., Trieste	€	401.7	99.7
Merchant Investors Assurance Co. Ltd., Bristol	GBP	7.7	100.0
P.T. Asuransi Allianz Life Indonesia, Jakarta	IDR	33,385.0	80.0
P.T. Asuransi Allianz Utama Indonesia, Jakarta	IDR	31,834.0	74.4
Pet Plan Health Care Ltd., London	GBP	6.0	100.0
Riunione Adriatica di Sicurtá S.p.A., Milan	€	3,914.0	50.7 ³⁾
T.U. Allianz Polska S.A., Warsaw	PLZ	201.1	100.0
T.U. Allianz Polska Zycie S.A., Warsaw	PLZ	52.2	100.0
Wm. H McGee & Co. Inc., New York	USD	47.9	100.0

¹⁾ including shares held by dependent subsidiaries²⁾ percentage of voting capital owned: 99.99 %³⁾ percentage of voting capital owned: 51.39 %

Associated Enterprises ²⁾	Currency	Equity in millions	% owned ¹⁾
Autobahn Tank & Rast Holding GmbH, Bonn	€	27.4	31.4
Beiersdorf AG, Hamburg	€	1,009.3	38.4
Dresdner Bank AG, Frankfurt/Main	€	10,938.1	21.4
Karlsruher Lebensversicherung AG, Karlsruhe	€	121.5	36.1
Mercur Assistance Holding AG, Munich	€	9.9	39.0
Monachia Grundstücks-Aktiengesellschaft, Munich	€	26.1	48.7
Münchener Rückversicherungs-Gesellschaft AG, Munich	€	16,163.6	25.0
TELA Versicherung AG, Berlin/Munich	€	168.7	25.0
Wüstenrot Lebensversicherungs-AG, Ludwigsburg	€	42.2	40.0
Arab International Insurance Company, Cairo	USD	8.0	40.0
EUROPENSIONES S. A., Madrid	€	33.1	49.0
Koç Allianz Hayat Sigorta A.S., Istanbul	TRL	3,739,190.6	38.0
Koç Allianz Sigorta T.A.S., Istanbul	TRL	13,752,639.8	37.1
MBA Non Life, Kuala Lumpur	MYR	107.1	22.9
National Insurance Company Berhad, Brunei	BND	9.3	25.0
Other investments in insurance companies			
AMB Aachener und Münchener Beteiligungs-AG, Aachen	€	3,100.0	4.6
The Navakij Insurance Public Company Ltd., Bangkok	THB	1,029.6	18.5

¹⁾ Including shares held by dependent subsidiaries

²⁾ Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20 percent and 50 percent, regardless of whether a significant influence is exercised or not.

Other selected holdings in companies ¹⁾	Currency	Market value in millions	% owned ²⁾
BASF AG, Ludwigshafen	€	3,646.4	11.3
Bayer AG, Leverkusen	€	1,881.9	5.5
Bayerische Hypo- und Vereinsbank AG, Munich	€	4,931.7	17.3
Bayerische Motorenwerke AG, Munich	€	248.6	1.3
BEWAG-AG, Berlin	€	124.3	4.8
Commerzbank AG, Düsseldorf	€	128.8	0.7
DaimlerChrysler AG, Stuttgart	€	1,268.3	1.6
Deutsche Bank AG, Frankfurt a.M.	€	2,870.4	5.6
Deutsche Telekom AG, Bonn	€	432.3	0.2
Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt a.M.	€	15.3	14.7
IKB Deutsche Industriebank AG, Düsseldorf/Berlin	€	307.0	19.8
Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft KDV AG, Berlin	€	9.3	16.9
Karstadt-Quelle AG, Essen	€	445.6	9.4
Leifheit AG, Nassau (Lahn)	€	15.1	10.1
Linde AG, Wiesbaden	€	812.0	12.5
Mannesmann AG, Düsseldorf	€	2,498.8	2.1
Metallgesellschaft AG, Frankfurt a.M.	€	116.4	3.1
RWE AG, Essen	€	2,455.9	11.2
SAP AG, Walldorf	€	484.0	1.4
Schering AG, Berlin	€	892.8	11.1
Sedus Stoll AG, Waldshut-Tiengen	€	8.5	15.1
Siemens AG, Munich	€	2,551.7	3.4
Süd-Chemie AG, Munich	€	91.1	19.0
VEBA AG, Düsseldorf	€	2,697.4	11.1
VIAG AG, Munich	€	1,117.6	8.7
Volkswagen AG, Wolfsburg	€	306.3	1.4

¹⁾ Market value >= € 100 million or percentage of shares owned >= 5 % of the directly held trading and long-term portfolio

²⁾ Including shares held by dependent subsidiaries

Other selected holdings in companies ¹⁾	Currency	Market value in millions	% owned ²⁾
ABB Ltd., Zürich	CHF	301.4	0.5
Alcatel SA, Paris	€	258.7	0.6
Argentaria SA, Madrid	€	100.1	0.9
Aventis SA, Schiltigheim	€	807.5	1.9
AXA-UAP SA, Paris	€	146.0	0.3
Banco Popular Espanol S.A., Madrid	€	318.9	4.5
Banco Portugues de Investimento (BPI-SGPS) SA, Lissabon	€	217.6	9.1
Banque Nationale de Paris, Paris	€	1,166.7	2.8
BP Amoco PLC, London	GBP	82.6	0.1
Bristol-Myers Squibb Co., New York, NY	USD	125.1	0.1
British Telecom PLC, London	GBP	182.1	0.2
Carrefour Supermarché SA, Paris	€	286.8	0.7
Cisco Systems Inc., San Jose, CA	USD	212.3	0.1
Citigroup Inc., New York, NY	USD	140.1	0.1
Commercial Union PLC, London	GBP	65.5	0.5
Crédit Lyonnais SA, Paris	€	891.4	6.0
Crédit Suisse Group, Zürich	CHF	320.9	0.4
Disetronic Holding AG, Burgdorff	CHF	66.5	5.9
Dollfus-Mieg et Cie SA, Paris	€	5.2	11.6
ENEL S.p.A., Rom	€	179.2	0.4
ENI S.p.A., Rom	€	123.8	0.3
Equant N.V., Amsterdam	€	119.0	0.1
Ericsson L.M., Stockholm	SEK	1,662.8	0.2
Exxon Mobil Corp., Irving, TX	USD	118.4	0.1
France Telecom SA, Paris	€	344.3	0.3
General Electric Co., Fairfield, CT	USD	193.9	0.1

¹⁾ Market value >= € 100 million or percentage of shares owned >= 5 % of the directly held trading and long-term portfolio

²⁾ Including shares held by dependent subsidiaries

Other selected holdings in companies ¹⁾	Currency	Market value in millions	% owned ²⁾
Geodis SA, Paris	€	23.7	8.6
Glaxo Wellcome PLC, Greenford, Middlesex	GBP	119.2	0.2
Gras Savoye SA, Neuilly	€	22.8	10.0
Grupo Financiero Bancracer S.A. de C.V., Mexico City	MXN	14.3	6.8
Harwanne SA, Genf	CHF	25.5	18.4
Immobiliere Marseillaise, Marseille	€	44.5	8.5
ING Groep N.V., Amsterdam	€	130.4	0.2
Intel Corp., Santa Clara, CA	USD	218.5	0.1
International Business Machines Corporation, Armonk, NY	USD	203.4	0.1
L'Oréal SA, Paris	€	141.1	0.3
Lucent Technologies Inc., Murray Hill, NJ	USD	125.7	0.1
LVMH SA, Paris	€	197.8	0.5
Mediobanca S.p.A., Mailand	€	114.4	2.0
Merck & Co., Inc., Whitehouse Station, NJ	USD	107.9	0.1
Microsoft Corp., Redmond, WA	USD	263.8	0.1
Nestle SA, Vevey	CHF	816.9	0.7
Nokia Oyj., Nokia	€	482.3	0.2
Novartis AG, Basel	CHF	940.7	0.6
OnStream Inc., Longmont, CO	USD	23.4	10.2
Patrimoine Foncier Européen SA, Paris	€	3.8	7.2
Pechiney SA, Paris	€	360.9	6.2
Pfizer Inc., New York, NY	USD	119.5	0.1
Philips Electronics NV, Amsterdam	€	139.5	0.3
Pirelli & Co., Milan	€	73.1	5.3
Renault SA, Boulogne, Billancourt	€	114.2	1.0

¹⁾ Market value \geq € 100 million or percentage of shares owned \geq 5 % of the directly held trading and long-term portfolio

²⁾ Including shares held by dependent subsidiaries

Other selected holdings in companies ¹⁾	Currency	Market value in millions	% owned ²⁾
Roche Holding AG, Basel	CHF	1,035.3	0.8
Rolo Banca 1473 S.p.A., Bologna	€	351.5	4.2
Royal Dutch Petroleum, The Hague	€	189.6	0.2
San Paolo – IMI S.p.A., Turin	€	109.7	0.6
Schneider SA, Boulogne, Billancourt	€	225.9	2.1
Schweizer Rückversicherungs-Gesellschaft AG, Zürich	CHF	209.6	0.4
Shell Transport & Trading Co., PLC, London	GBP	79.5	0.2
Smithkline Beecham PLC, Middlesex	GBP	72.8	0.2
Société Civile Alicante 2000, Paris	€	18.1	9,7
Société Civile Chassagne 2000, Paris	€	33,7	9,7
Société Générale SA, Paris	€	689.8	2.9
Sonera Oyj, Helsinki	€	125.1	0.3
STMicroelectronics NV, St. Genis, Pouilly	€	109.8	0.3
Suez Lyonnaise des Eaux SA, Paris	€	154.4	0.7
Sun Microsystems, Palo Alto, CA	USD	111.7	0.2
Telefonica S.A., Madrid	€	269.9	0.4
Texas Instruments Inc., Dallas, TX	USD	151.8	0.2
TIM S.p.A., Turin	€	232.0	0.4
Total SA, Paris	€	576.8	0.6
UBS AG, Zürich	CHF	399.3	0.4
UniCredito Italiano S.p.A., Mailand	€	1,219.7	5.0
Vivendi SA, Paris	€	412.6	0.9
Vodafone Airtouch PLC, Newbury, Berkshire	GBP	128.9	0.2
Worms et Cie., Paris la Défense	€	275,2	15.0
Zagrebacka Banka d.d., Zagreb	HRK	120.3	6.0
Zurich Allied AG, Zürich	CHF	279.3	0.6

¹⁾ Market value >= € 100 million or percentage of shares owned >= 5 % of the directly held trading and long-term portfolio

²⁾ Including shares held by dependent subsidiaries

Other interests

Equity positions held through asset management companies listed as associated enterprises or other non-consolidated companies included indirect shareholdings in the following:

	Market value € mn	% owned
Grundig AG, Fürth/Bay.	5.1	7.5
Heidelberger Druckmaschinen AG, Heidelberg	537.1	12.0
Hochtief AG, Essen	130.0	5.0
MAN AG, Munich	741.5	12.9
Mühl Product & Service AG, Kranichfeld	15.7	14.8
Raffinerie TIRLEMONTOISE SA, Brussels	52.6	6.3
Thyssen Krupp AG, Essen	734.4	4.6
VEW AG, Dortmund	189.1	3.7

Disclosure of equity investments

Information is filed separately with the Commercial Register in Munich.

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statement of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Allianz Aktiengesellschaft, Munich, for the year ending December 31, 1999. The preparation and the content of the consolidated financial statements are the responsibility of the Company's board of management. Our responsibility is to express an opinion, whether the consolidated financial statements are in accordance with International Accounting Standards (IAS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Independent Auditors), as well as in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS.

Our audit, which also extends to the group management report prepared by the board of management for the year ending December 31, 1999, has not led to any reservations. In our opinion on the whole the group management report, together with the other disclosures in the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the year ending December 31, 1999 satisfy the conditions required for the Group's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, May 4, 2000

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Wirtschaftsprüfungsgesellschaft

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Independent Auditor

Dr. Frank Ellenbürger
Independent Auditor

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Sir Iain Vallance

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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.

Acquisition cost

The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

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. That 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.

At amortized cost

Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to its maturity and credited or charged to income over the same period.

Benefits (net) payable to policyholders

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

Capital relating to participating certificates

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

Cash flow statement

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

- ▶ normal operating activities
- ▶ investing activities
- ▶ financing activities

Consolidated interest (%)

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

Contingent liabilities

Financial obligations not shown as liabilities in the balance sheet because the probability of a liability actually being incurred is less than probable. Example: guarantee obligations.

Corridor approach

Under this approach to pension plans, actuarial gains and losses are not recognized immediately. Only when the cumulative gains or losses fall outside the corridor is a specified portion recognized in the income statement from the following year onwards. The corridor is 10 percent of the present value of the pension rights accrued or of the fund assets at market value, if greater.

Credit risk

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

Current service cost

Net expense in connection with a defined benefit pension obligation, less any contributions made by the beneficiary to the pension fund.

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.

Deferred tax assets/liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes and from consolidation procedures. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation.

Defined benefit pension plans

Under these retirement plans the enterprise promises the beneficiary a particular level of benefit. The contribution payable is based on the age of the beneficiary and depends on the level of benefit promised.

Defined contribution pension plans

The central feature of these post-employment benefit plans is the contribution which an enterprise pays into a pension fund. The enterprise has no further obligations beyond the amount that it agrees to contribute to the fund and has no interest in the financial results of the fund. Benefits have to be claimed from the pension fund.

Derivative financial instruments (derivates)

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 of 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.

Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS

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

Forwards

The parties to this type of transaction have to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

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.

Goodwill

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

Gross/Net

In insurance terminology the terms gross and net mean before and after deduction of reinsurance respectively. (Net is also referred to as "for own account.")

In 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.

Hedging

Using special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

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.

New cost basis

Historical cost adjusted by depreciation to reflect

OTC derivatives

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

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.

Post-ranking liabilities

Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

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.

Unearned premiums

Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

Unrecognized "past service cost"

Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

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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