

ASIA-PACIFIC REGION

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

— Total premium income from this region amounted to 2.6 billion euros.

This translates into a 13.3 percent growth of **revenues**.

With a premium volume of 1.6 (1.9) billion euros, or 62 percent of total revenues in the Asia-Pacific region, Allianz Life Insurance Korea is our biggest life insurer in this area. Since August 2003, **South Korea** has permitted the sale of life insurance over the bank counter. We participate in this business through Hana Life, our joint venture with the South Korean Hana Bank. With premium income of 87 million euros, this business is off to a very promising start.

In **Taiwan**, the methodical restructuring of our joint venture Allianz President Life resulted in very successful sales of unit-linked life insurance products and pushed premium income up to 827 million euros. This boosted our market position from fourteenth to fifth place.

In **Thailand**, our joint venture Ayudhya Allianz CP Life increased its premium income which put it in third place among Thailand's life insurers. In new business, it ranks second.

In **India**, our joint venture continued its growth and raised its premium income.

In **Malaysia**, our life insurer posted 35 percent growth in new business; in **Indonesia** premium income was up 57 percent.

We abandoned the life insurance business in **Singapore** because even long-term earnings prospects were unsatisfactory.

With **earnings after taxes** of 2 (–9) million euros, our business in the region returned to profitability. Our subsidiary Allianz Life Korea required an unscheduled amortization of 224 million euros of goodwill.

The combination of a low-interest environment and high guaranteed minimum interest rates has brought South Korea to the point where income generated by the current portfolio no longer corresponds to the assumptions we made at the time of

acquisition. Whilst the interest rates in the market dropped from 7 percent at the start of 2003 to 5.5 percent at the end of the year (and fell as low as 4.5 percent in between), the guaranteed interest for new business stayed at 5 percent. To shore up our earnings potential, we had to act without delay. We therefore embarked on the reorientation of our company:

— We revised the product portfolio and will primarily launch capital market-oriented products as well as products with low guaranteed minimum interest.

— Parallel to the strengthening of our distribution organization through restructuring and training programs, we revised our commission system and put it in on a stronger performance-oriented footing.

— A far-reaching cost cutting program with considerable savings in the back office will substantially improve our cost situation.

Asia-Pacific Region

Total revenues by country

	2003 € mn	2002 € mn	2001 € mn
Korea	1,609	1,894	1,642
Taiwan	827	277	127
Indonesia	74	47	25
Malaysia	72	54	13
China	18	16	8
Pakistan	3	2	2
Philippines	–	8	–
Total	2,603	2,298	1,817
Total premiums earned (net)	1,303	1,605	1,202
Total earnings after taxes	2	–9	–5

We expect earnings to improve in the **current fiscal year**.