Allianz Group

Consolidated Financial Statements 2000

CONTENTS

ASSETS

	Note	2000 € mn	1999 € mn
A. Intangible assets			
I. Goodwill	5	7,393.5	4,295.8
II. Other intangible assets	6	3,000.9	2,310.3
Total A.		10,394.4	6,606.1
B. Investments			
I. Real Estate	7	14,512.1	14,330.2
II. Investments in affiliated enterprises, joint ventures and associated enterprises	8	11,762.9	10,279.0
III. Loans	9	14,841.3	13,825.6
IV. Other securities	10		
1. Held to maturity		8,087.4	8,645.0
2. Available for sale		258,000.5	247,689.7
3. Trading		372.2	296.9
Total IV.		266,460.1	256,631.6
V. Other investments	11	10,650.5	7,829.9
Total B.		318,226.9	302,896.3
C. Investments held on account and at risk of life insurance policyholders	12	22,769.5	19,109.4
D. Receivables	13	34,171.7	30,029.7
E. Cash with banks, checks and cash on hand		4,209.2	3,929.6
F. Deferred acquisition costs	14	10,433.0	9,225.8
G. Amounts ceded to reinsurers from the insurance reserves	15	28,474.9	27,059.9
H. Deferred tax assets	31	6,132.6	7,681.3
I. Other assets	16	5,182.7	4,151.6
Total assets		439,994.9	410,689.7

EQUITY AND LIABILITIES

	Note	2000 € mn	1999 € mn
A. Shareholder's equity	17		
I. Issued capital and capital reserve		7,994.4	7,810.6
II. Revenue reserves		13,728.0	9,884.2
III. Other reserves		13,448.1	11,626.7
IV. Consolidated unappropriated profit		432.7	354.4
Total A.		35,603.2	29,675.9
B. Minority interests in shareholders' equity	18	16,200.4	13,144.2
C. Insurance reserves			
I. Unearned premiums		11,142.7	11,805.3
II. Aggregate policy reserve	19	184,886.1	170,835.3
III. Reserve for loss and loss adjustment expenses	20	59,012.9	54,948.9
IV. Other insurance reserves	21	29,781.8	30,474.9
Total C.		284,823.5	268,064.4
D. Insurance reserves for life insurance where the investment risk is carried by policyholders	12	22,840.5	19,733.7
E. Other accrued liabilities			
I. Pensions and similar reserves	22	3,527.4	3,445.0
II. Accrued taxes	31	947.1	1,036.7
III. Miscellaneous accrued liabilities		2,668.3	2,338.3
Total E.		7,142.8	6,820.0
F. Liabilities	23		
I. Participation certificates and post-ranking liabilities		1,336.9	898.7
II. Bonds and loans payable		15,190.8	11,187.6
III. Other liabilities		41,958.8	38,187.0
Total F.		58,486.5	50,273.3
G. Deferred tax liabilities	31	14,332.4	22,643.0
H. Deferred income	24	565.6	335.2
Total equity and liabilities		439,994.9	410,689.7

	Note	2000 € mn	1999 € mn
1. Gross premiums written	25	57,885.3	53,807.3
2. Premiums earned (net)	25	49,907.1	46,182.2
3. Investment income (net)	26		
a) Income from affiliated enterprises, joint ventures and associated enterprises		1,860.2	1,480.1
b) Other investment income		19,659.2	18,855.5
Total 3.		21,519.4	20,335.6
4. Other income	27	5,423.7	4,661.6
Total income (2. – 4.)		76,850.2	71,179.4
5. Benefits (net) payable to policyholders	28		
a) Life/Health		– 27,091.7	– 25,048.6
b) Property/Casualty		– 24,645.8	– 23,282.4
Total 5.		– 51,737.5	– 48,331.0
6. Underwriting costs (net)	29	– 12,068.9	– 10,816.5
7. Amortization of goodwill	5	– 495.2	– 485.0
8. Other expenses	30	– 7,635.8	– 6,743.1
Total Expenses (5. – 8.)		– 71,937.4	– 66,375.6
9. Earnings from ordinary activities before taxation		4,912.8	4,803.8
10. Taxes	31	– 176.1	–1,513.3
11. Minority interests in earnings	18	– 1,276.6	– 973.7
12. Net income		3,460.1	2,316.8

	Note	2000 €	1999 €
Earnings per share	32	14.10	9.46

	Paid-in capital	Revenue reserves	Unrealized gains and losses	Consolidated unappropriated profit	Shareholders' equity
	€ mn	€ mn	€ mn	€ mn	€ mn
12/31/1998	7,720.6	5,190.4	8,972.4	348.8	22,232.2
Adjustment SEC/IAS-SIC 12[1]		1,856.0	978.2		2,834.2
Currency translation adjustments		641.0	209.5		850.5
Changes in the group of consolidated companies		48.2			48.2
Capital paid in	90.0				90.0
Amounts allocated from exercise of option rights			1,466.6		1,466.6
Net income for the year		2,035.7		281.1	2,316.8
Shareholders' dividend				– 275.5	– 275.5
Miscellaneous		112.9			112.9
12/31/1999	7,810.6	9,884.2	11,626.7	354.4	29,675.9
Currency translation adjustments		374.2	76.3		450.5
Changes in the group of consolidated companies		283.3			283.3
Capital paid in	183.8				183.8
Unrealized investment gains and losses			1,745.1		1,745.1
Net income for the year		3,027.4		432.7	3,460.1
Shareholders' dividend				– 306.6	– 306.6
Miscellaneous		158.9		– 47.8	111.1
12/31/2000	7,994.4	13,728.0	13,448.1	432.7	35,603.2

[1] Adjustment in accordance with US listing on the New York Stock Exchange (SEC = Securities and Exchange Commission) and application of IAS accounting standard SIC 12 (SIC = Standing Interpretations Committee)

	2000 € mn	1999 € mn
Net income for the year	3,460.1	2,316.8
Change in unearned premiums	– 673.8	540.9
Change in aggregate policy reserve [1]	6,549.5	6,652.1
Change in reserve for loss and loss adjustment expenses	2,714.9	1,449.8
Change in other insurance reserves [2]	2,226.9	501.5
Change in deferred acquisition costs	– 1,092.8	229.9
Change in funds held by others under reinsurance business assumed	66.3	– 151.4
Change in funds held under reinsurance business ceded	482.9	639.8
Change in accounts receivable/payable on reinsurance business	– 603.7	556.7
Change in trading securities	45.8	193.3
Change in other receivables	– 2,827.0	– 3,358.3
Change in other liabilities	563.6	1,576.8
Change in deferred tax assets/liabilities [3]	– 2,226.2	– 943.2
Adjustment for investment income/expenses not involving movements of cash	– 7,726.2	– 6,436.5
Adjustments to reconcile amortization of goodwill	489.0	485.0
Other	176.5	139.4
Cash flow from operating activities	1,625.8	4,392.6
Change in fixed income securities available for sale	– 6,329.9	– 8,233.6
Change in variable income securities available for sale	2,026.7	– 3,649.4
Change in investments held to maturity	633.9	– 368.0
Change in real estate	– 293.4	– 947.0
Change in other investments	– 3,649.6	– 480.7
Change in investments held on account and at risk of life insurance policyholders	– 1,941.9	– 1,750.3
Change in cash and cash equivalents from the acquisition of consolidated affiliated companies	– 3,054.4	– 794.7
Change in aggregate policy reserve for life insurance products according to SFAS 97	6,769.8	5,683.3
Other	– 4,350.4	701.6
Cash flow from investing activities	– 10,189.2	– 9,838.8
Change in bonds, loans, participation certificates and post-ranking liabilities	4,355.9	3,219.5
Cash inflows from capital increases	183.8	90.0
Dividend payouts	– 613.2	– 585.7
Other [4]	4,907.4	4,276.9
Cash flow from financing activities	8,833.9	7,000.7
Effect of exchange rate changes on cash and cash equivalents	9.1	46.1
Change in cash and cash equivalents	279.6	1,600.6
Cash and cash equivalents at beginning of period	3,929.6	2,329.0
Cash and cash equivalents at end of period	4,209.2	3,929.6

[1] without aggregate policy reserve for life insurance products in accordance with SFAS 97
[2] without change in the reserve for latent order refunds from unrealized investment gains and losses
[3] without change in deferred tax assets/liabilities from unrealized investment gains and losses
[4] without change in revenue reserves from unrealized investment gains and losses

IAS rules have been used to draw up the cash flow statement. The DRS 2-20 standard prepared by the German Standardization Council (Deutscher Standardisierungsrat) already formed the basis for presentation of the cash flow statement in the Annual Report 1999. Drawing up the cash flow statement using IAS rules 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 decrease in cash flow from operating activities (DRS 2-20: € 2,902.4 million [€ 5,366.4 million]), because it is based on net income excluding minority interests. Cash flow from financing activities based on DRS 2-20 is € 7,557.2 million (€ 6,026.9 million), cash flow from investing activities remains the same. The values for 1999 were adjusted accordingly. The adjustments for previous years explained under changes to accounting, valuation and reporting policies were also correspondingly taken into account. The cash flow statement excludes the effects of the first-time consolidation of major new aquisitions during the year under review. This related in particular to Pimco Advisors L.P., Delaware, Zwolsche Algemeene Holding, Nieuwegein and Allianz-Tiriac Asigurari, Bucharest. The above acquisitions increased the value of investment held (excluding funds held by others) by € 1,439.6 million (€ 6,167.1 million), insurance reserves by € 1 600,8 million (€ 7,739.3 million), goodwill by € 2,761.0 million (€ 1,381.9 million) and the net total of other assets and liabilities by € 454.7 million (€ 1,224.9 million). Cash and cash equivalents of € 44.7 million (€ 249.5 million) included in the consolidated financial statements as a result of these first-time consolidations contrasted with cash outflows of € 3,099.1 million (€ 1,044.2 million) related to these acquisitions. Payments for taxes on income amounted to € 1,872.7 million (€ 1,755.9 million).

ASSETS

	Life/Health 2000 € mn	Life/Health 1999 € mn	Property/Casualty 2000 € mn	Property/Casualty 1999 € mn
A. Intangible assets	4,231.8	4,221.7	2,822.2	2,377.8
B. Investments				
I. Real Estate	7,585.0	7,183.2	6,821.9	7,030.2
II. Investments in affiliated enterprises, joint ventures and associated enterprises	5,615.0	4,883.7	22,516.6	16,739.9
III. Loans	13,488.0	12,704.3	1,382.5	1,121.3
IV. Other securities				
1. Held to maturity	5,236.5	5,452.9	1,833.0	2,110.1
2. Available for sale	174,831.8	165,184.9	80,684.7	79,841.0
3. Trading	119.5	–	19.5	–
Total IV.	180,187.8	170,637.8	82,537.2	81,951.1
V. Other investments	4,922.4	4,481.2	12,368.2	10,745.5
Total B.	211,798.2	199,890.2	125,626.4	117,588.0
C. Investments held on account and at risk of life insurance policyholders	22,769.5	19,109.4	–	–
D. Other segment assets	38,418.2	37,238.5	40,886.5	36,824.7
Total segment assets	277,217.7	260,459.8	169,335.1	156,790.5

EQUITY AND LIABILITIES

	Life/Health 2000 € mn	Life/Health 1999 € mn	Property/Casualty 2000 € mn	Property/Casualty 1999 € mn
A. Insurance reserves				
I. Unearned premiums	285.3	1,633.1	10,969.7	10,296.0
II. Aggregate policy reserce	176,474.0	162,950.6	13,283.6	12,773.8
III. Reserve for loss and loss adjustment expenses	4,966.4	3,676.5	54,099.0	51,322.2
IV. Other insurance reserves	27,103.3	27,810.8	2,693.2	2,664.3
Total A.	208,829.0	196,071.0	81,045.5	77,056.3
B. Insurance reserves for life insurance where the investment risk is carried by policyholders	22,840.5	19,733.7	–	–
C. Other accrued liabilities	961.3	1,006.9	5,457.7	5,446.8
D. Other segment liabilities	25,240.5	27,596.4	38,661.4	37,111.7
Total segment liabilities	257,871.3	244,408.0	125,164.6	119,614.8

Financial Services 2000 € mn	Financial Services 1999 € mn	Consolidation Adjustments 2000 € mn	Consolidation Adjustments 1999 € mn	Group 2000 € mn	Group 1999 € mn
3,340.4	6.6	–	–	10,394.4	6,606.1
108.4	116.8	– 3.2	–	14,512.1	14,330.2
113.9	351.8	– 16,482.6	– 11,696.4	11,762.9	10,279.0
–	–	– 29.2	–	14,841.3	13,825.6
1,017.9	1,082.0	–	–	8,087.4	8,645.0
2,485.2	2,711.2	– 1.2	– 47.4	258,000.5	247,689.7
233.2	296.9	–	–	372.2	296.9
3,736.3	4,090.1	– 1.2	– 47.4	266,460.1	256,631.6
7,264.2	6,045.8	– 13,904.3	– 13,442.6	10,650.5	7,829.9
11,222.8	10,604.5	– 30,420.5	– 25,186.4	318,226.9	302,896.3
–	–	–	–	22,769.5	19,109.4
15,717.9	14,638.1	– 6,418.5	– 6,623.4	88,604.1	82,077.9
30,281.1	25,249.2	– 36,839.0	– 31,809.8	439,994.9	410,689.7

Financial Services 2000 € mn	Financial Services 1999 € mn	Consolidation Adjustments 2000 € mn	Consolidation Adjustments 1999 € mn	Group 2000 € mn	Group 1999 € mn
–	–	– 112.3	– 123.8	11,142.7	11,805.3
–	–	– 4,871.5	– 4,889.1	184,886.1	170,835.3
–	–	– 52.5	– 49.8	59,012.9	54,948.9
–	–	– 14.7	– 0.2	29,781.8	30,474.9
–	–	– 5,051.0	– 5,062.9	284,823.5	268,064.4
–	–	–	–	22,840.5	19,733.7
723.8	366.3	–	–	7,142.8	6,820.0
24,751.3	23,570.5	– 15,268.7	– 15,027.1	73,384.5	73,251.5
25,475.1	23,936.8	– 20,319.7	– 20,090.0	388,191.3	367,869.6
			Equity*)	51,803.6	42,820.1
			Total equity and liabilities	439,994.9	410,689.7

*) Shareholders' equity and minority interests

CONSOLIDATED INCOME STATEMENT

	Life/Health		Property/Casualty	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn
1. Gross premiums written	20,238.6	18,473.3	38,381.9	36,027.2
2. Income				
Premiums earned (net)	18,377.8	16,399.2	31,529.3	29,783.0
Investment income (net)	14,044.0	12,994.1	8,392.6	7,865.6
Other income	1,330.6	1,052.6	1,861.9	1,711.3
Total income	33,752.4	30,445.9	41,783.8	39,359.9
3. Expenses				
Benefits (net) payable to policyholders	– 26,354.0	– 24,375.7	– 25,413.1	– 23,955.3
Underwriting costs (net)	– 3,521.1	– 2,755.0	– 8,547.8	– 8,061.5
Amortization of goodwill	– 137.4	– 103.7	– 277.4	– 387.9
Other expenses	– 2,114.5	– 1,982.3	– 3,646.9	– 3,316.7
Total expenses	– 32,127.0	– 29,216.7	– 37,885.2	– 35,721.4
4. Earnings from ordinary activities before taxation	1,625.4	1,229.2	3,898.6	3,638.5
5. Taxes	– 343.2	– 346.9	5.1	– 1,149.2
6. Minority interests in earnings	– 657.6	– 490.8	– 642.2	– 474.3
7. Net income	624.6	391.5	3,261.5	2,015.0

	Financial Services		Consolidation Adjustments		Group	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn	2000 € mn	1999 € mn
	–	–	– 735.2	– 693.2	57,885.3	53,807.3
	–	–	–	–	49,907.1	46,182.2
	209.1	199.3	– 1,126.3	– 723.4	21,519.4	20,335.6
	2,968.5	2,265.5	– 737.3	– 367.8	5,423.7	4,661.6
	3,177.6	2,464.8	– 1,863.6	– 1,091.2	76,850.2	71,179.4
	–	–	29.6	–	– 51,737.5	– 48,331.0
	–	–	–	–	– 12,068.9	– 10,816.5
	– 80.4	6.6	–	–	– 495.2	– 485.0
	– 2,925.3	– 2,307.2	1,050.9	863.1	– 7,635.8	– 6,743.1
	– 3,005.7	– 2,300.6	1,080.5	863.1	– 71,937.4	– 66,375.6
	171.9	164.2	– 783.1	– 228.1	4,912.8	4,803.8
	70.7	– 56.3	91.3	39.1	– 176.1	– 1,513.3
	– 227.4	– 55.4	250.6	46.8	– 1,276.6	– 973.7
	15.2	52.5	– 441.2	– 142.2	3,460.1	2,316.8

LIFE/HEALTH

	Gross premiums written		Net expense ratio		Investments		Net income	
	2000	1999	2000	1999	12/31/2000	12/31/1999	2000	1999
	€ mn	€ mn	%	%	€ mn	€ mn	€ mn	€ mn
1. Europe								
Germany	11,680.6	11,429.4	10.7	9.0	121,259.5	116,130.5	339.0	131.8
France	2,297.0	1,457.5	27.6	36.0	43,625.3	41,263.1	127.0	41.5
Italy	1,454.2	1,452.4	14.8	16.7	14,976.7	14,092.4	157.8	165.6
Switzerland	523.6	629.7	9.9	12.0	8,213.5	7,407.6	14.1	10.3
2. USA	1,464.5	1,533.0	48.2	40.2	8,179.1	6,182.1	112.1	– 8.1
3. Asia/Pacific	956.7	401.6	19.6	28.4	3,241.0	3,174.2	– 184.3	14.6

PROPERTY/CASUALTY

	Gross premiums written		Net loss ratio		Net expense ratio		Investments		Net income	
	2000	1999	2000	1999	2000	1999	12/31/2000	12/31/1999	2000	1999
	€ mn	€ mn	%	%	%	%	€ mn	€ mn	€ mn	€ mn
1. Europe										
Germany	12,398.5	11,879.3	73.1	72.7	24.1	24.5	80,934.0	74,579.8	3,093.8	1,765.4
France	5,178.4	5,208.3	82.1	77.8	28.6	29.9	19,781.3	19,707.7	175.5	135.4
Great Britain	2,406.3	2,231.2	79.0	79.2	35.4	33.8	3,380.9	3,441.8	28.5	31.9
Italy	4,451.9	4,241.3	77.1	79.5	21.9	23.2	10,273.8	9,617.2	146.3	117.5
Austria	830.9	810.3	85.6	84.4	32.9	32.5	1,489.3	1,587.4	– 37.4	9.2
Switzerland	2,304.4	1,927.4	69.0	73.0	32.5	30.6	5,825.3	5,159.4	102.2	56.8
Spain	1,073.5	1,057.8	81.1	89.7	23.8	25.0	1,459.1	1,546.5	42.9	– 7.3
2. America										
NAFTA region	6,437.3	5,755.2	87.3	80.4	29.9	27.2	18,155.9	14,686.6	– 115.2	301.8
South America	890.7	696.4	70.9	59.5	34.8	32.2	526.6	482.0	– 24.0	11.4
3. Asia/Pacific	781.4	714.7	83.0	107.7	22.9	23.8	1,195.6	1,130.4	17.9	274.3

CONTENTS

1 Accounting regulations

The consolidated financial statements have been prepared in conformity with International Accounting Standards (IAS), taking into account clause § 292a of the German Commercial Code (HGB). All the standards currently in force for the year under review have been adopted in the presentation of the consolidated financial statements.

In such cases, as envisioned in the IAS Framework, the provisions embodied in the American generally accepted accounting principles (US GAAP) have been applied. Preparation of the consolidated financial statements entails the need to make estimates and assumptions that affect the items reported under the headings in the consolidated balance sheet/income statement, and contingent liabilities. The actual values may differ from those reported. The most important estimated values shown in the consolidated financial statements relate to the reserve for loss and loss adjustment expenses and the aggregate policy reserve.

The financial statements were prepared in euros (€).

2 Changes to the accounting, valuation and reporting policies

Following the US listing on the New York Stock Exchange we have adopted the following changes in reporting, accounting and valuation policies:

- Reporting the amounts ceded to reinsurers from the insurance reserves under assets and reporting gross insurance reserves under liabilities. This restructuring has no effect on net income or equity.

- Valuation of investments in associated enterprises by the equity method was changed from a valuation stated a year in arrears to values that were as current as possible. Uniform valuation policies were also applied across the Group. Earnings are stated correspondingly in the fiscal year.

We have also applied IAS-SIC 12. Pursuant to this standard, all investments funds in which the Group has holdings of more than 50.0 percent should be included in the group of consolidated companies. This reduces the net income for the year under review by € 16.7 million (previous year € + 39.2 million), while the unrealized gains/losses previously reported under equity capital were transferred from other reserves to revenue reserves.

Goodwill was reported under the relevant subsidiary in segment reporting. This exclusively segment-related change has no effect on goodwill for the Group, or on the corresponding consolidated amortization.

All figures from the previous year have been restated in order to permit comparison. The table below shows the headings under assets, equity and liabilities, and income statement in the annual financial statements for 1999, before and after individual changes were carried out.

Consolidated balance sheet

ASSETS	12/31/1999 Before changes € mn	12/31/1999 After changes € mn
A. Intangible assets	6,594.5	6,606.1
B. Investments	301,052.9	302,896.3
C. Investments held on account and at risk of life insurance policyholders	19,109.4	19,109.4
D. Receivables	31,905.3	30,029.7
E. Cash with banks, checks and cash on hand	3,064.9	3,929.6
F. Deferred acquisition costs	9,225.8	9,225.8
G. Amounts ceded to reinsurers from the insurance reserves	–	27,059.9
H. Deferred tax assets	7,701.9	7,681.3
I. Other assets	4,151.6	4,151.6
Total assets	382,806.3	410,689.7

EQUITY AND LIABILITIES	12/31/1999 Before changes € mn	12/31/1999 After changes € mn
A. Shareholders' equity	28,788.6	29,675.9
B. Minority interests in shareholders' equity	12,217.4	13,144.2
C. Insurance reserves	241,570.6	268,064.4
D. Insurance reserves for life insurance where the investment risk is carried by policyholders	19,123.7	19,733.7
E. Other accrued liabilities	6,835.7	6,820.0
F. Liabilities	52,808.0	50,273.3
G. Deferred tax liabilities	21,127.1	22,643.0
H. Deferred income	335.2	335.2
Total liabilities	382,806.3	410,689.7

Consolidated income statement

	1999 Before changes € mn	1999 After changes € mn
1. Gross premiums written	53,807.3	53,807.3
2. Premiums earned (net)	46,182.2	46,182.2
3. Investment income (net)	18,429.9	20,335.6
4. Other income	4,929.2	4,661.6
Total income (2. – 4.)	69,541.3	71,179.4
5. Benefits (net) payable to policyholders	– 46,940.6	– 48,331.0
6. Underwriting costs (net)	– 10,747.3	– 10,816.5
7. Amortization of goodwill	– 483.7	– 485.0
8. Other expenses	– 7,019.7	– 6,743.1
Total expenses (5. – 8.)	– 65,191.3	– 66,375.6
9. Earnings from ordinary activities before taxation	4,350.0	4,803.8
10. Taxes	– 1,310.7	– 1,513.3
11. Minority interests in earnings	– 806.1	– 973.7
12. Net income	2,233.2	2,316.8

The following IAS accounting principles are being applied for the first time in fiscal year 2001: IAS 39 and IAS 40.

IAS 39 Financial instruments: recognition and measurement. IAS 39 sets standards for recognition, measurement and reporting of information relating to financial instruments of an enterprise as an asset or liability, including the reporting of hedging instruments. Under this standard all financial assets and liabilities are recognized on the balance sheet, including all derivatives. They are initially measured at cost. Subsequent to initial recognition, all financial assets are remeasured to fair value, with the exception of certain assets and liabilities listed in the standard. This standard should be applied for insurance enterprises, apart from rights and obligations arising under insurance contracts. IAS 39 is effective for financial statements for financial years beginning on or after January 1, 2001.

IAS 40 covers investment property held by all enterprises and is not limited to enterprises whose main activities are in this area. Investment property is real estate held to earn rentals or for capital appreciation.
IAS 40 does not include real estate held for use in the production or supply of goods or services or for administrative purposes. The standard allows an enterprise to choose either a fair value model or a cost model for valuation purposes. The Allianz Group has chosen the acquisition cost method that has previously formed the basis for measurements. IAS 40 is effective for financial statements relating to financial years beginning on or after January 1, 2001. IAS 40 replaces IAS 25 Investments which is no longer effective once IAS 40 comes into effect.

3 Consolidation

Scope of the consolidation

In addition to Allianz AG, 104 (1999: 100) German and 660 (563) foreign enterprises have been consolidated in full. 59 (49) German and 79 (64) foreign investment funds were also consolidated.

9 (8) joint ventures have been consolidated at equity; each of these enterprises is managed by Allianz AG together with a company not included in the consolidation.

95 (80) associated enterprises have been accounted for by the equity method.

Enterprises have not been included in the consolidation or accounted for at equity in cases where their value is not material to the presentation of the financial statements as a whole.

All affiliated companies, joint ventures and associated companies that are included in or excluded from the consolidated financial statements are individually listed in the disclosure of equity investments filed with the Commercial Register in Munich. All private companies are also listed and identified separately in this disclosure of equity investments, which have a debt-discharging effect for the consolidated financial statements and Group management report in accordance with the application of clause § 264 b of the German Commercial Code. Selected affiliated and associated enterprises are shown on pages 62 to 65.

The following principal acquisition was consolidated for the first time in the year under review:

- US asset manager PIMCO Advisors L.P., Delaware and its subsidiaries. On May 5, 2000, the Allianz Group purchased 69.5 percent of the stock in PIMCO Advisors L.P. at an acquisition cost of € 3,737.5 million.

We also consolidated the following companies for the first time in the year under review:

- Rumanian property and casualty company Allianz-Tiriac Asigurari, Bucharest. The cost of acquisition for the 51.0 percent interest purchased on August 21, 2000, was € 13.7 million.

- The Group's interest in Egyptian property and casualty company Arab International Insurance Company, Cairo was increased by an additional purchase of 40.0 percent of the shares on March 2, 2000, to 80.0 percent. The purchase price was € 10.4 million. Total acquisition cost was € 18.0 million.

- On June 26, 2000, the Allianz Group purchased an additional 1.5 percent of the stock in the Münchener und Magdeburger Hagelversicherung AG, Munich, to acquire a majority holding of 50.7 percent for a purchase price of € 0.1 million. Total aquisition cost was € 1.9 million.

- On December 20, 2000, Allianz acquired 100 percent of the stock in Zwolsche Algemeene Holding, Nieuwegein, together with its subsidiaries, through the AGF Group, Paris. These companies are property/casualty insurance enterprises, life/health insurance enterprises and financial services enterprises. The purchase price was € 598.9 million.

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

First-time consolidations	Point of first-time consolidation	Effects on the Consolidated Financial Statements for 2000 [1] Gross premiums	Net income	Goodwill [2]	Amortization of goodwill
		€ mn	€ mn	€ mn	€ mn
PIMCO Advisors L.P., Delaware	5/5/2000	–	– 36.5	2,674.2	– 88.4
Allianz-Tiriac Asigurari, Bucharest	10/1/2000	17.9	1.1	9.9	0.2
Arab International Insurance Company, Cairo	1/1/2000	11.6	0.3	–	–
Münchener und Magdeburger Hagelversicherung AG, Munich	7/1/2000	18.7	– 1.2	0.9	0.1
Zwolsche Algemeene Holding, Nieuwegein	12/31/2000	–	–	152.5	–

[1] Consolidated in the business segments
[2] At the point of first-time consolidation

The following were the principal companies consolidated for the first time in **1999**:

Principal new acquisitions 1999	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	1/1/1999	590.5	– 113.2	234.4	– 151.3
Allianz First Life Insurance Company Limited, Seoul	7/1/1999	345.6	38.2	719.5	– 18.0
Allianz President General Insurance, Taipeh	7/1/1999	26.0	– 11.4	7.3	– 0.4
Allianz President Life Insurance, Taipeh	7/1/1999	48.8	– 4.6	– 4.2	0.1
Life USA Holding, Inc., Minneapolis	10/1/1999	16.4	0.1	306.4	– 3.8
Sacnas Holding, Paris	1/1/1999	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, 2000. We have used interim financial statements for those entities whose accounting periods end on a different date.

Equity consolidation is carried out on the basis of the benchmark method in accordance with IAS 22. The acquisition costs are offset against the Group's proportion of the shareholders' equity in the subsidiaries at the date of acquisition. Any net assets and liabilities attributable to the Allianz Group are combined 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 are 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 over their useful life. 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 earnings generated by subsidiaries after their first-time consolidation or, where appropriate, their acquisition, are allocated to the revenue reserves of the Group, as are the effects of consolidation procedures on earnings and the Group's portion of the unappropriated retained earnings of subsidiaries.

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.

Foreign currency translation

Allianz AG's reporting currency is the euro (€). Foreign currency is translated in accordance with IAS 21 by the method of functional currency. The functional currency for Group companies is always the national currency, i.e. the prevailing currency in the environment where the enterprise carries on its ordinary activities. In accordance with the method of functional currency, assets and liabilities are translated at the closing rate on the balance sheet date and expenses and income are translated at the annual average rate in all financial statements of subsidiaries not reporting in euros. Any translation differences, including those arising in the process of equity consolidation, are taken to shareholders' equity without affecting earnings.

Currency gains/losses arising from foreign currency transactions undertaken by consolidated companies are reported under other income or other expenses.

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 principally invest in the same currency in capital markets.

The principal exchange rates are summarized in the following table.

Currency	€ closing rates 2000	€ averages rates 2000
Australian Dollar (AUD)	1.675	1.596
Pound Sterling (GBP)	0.624	0.609
Swiss Franc (CHF)	1.523	1.561
South Korean Won in thousands (KRW)	1.173	1.053
US Dollar (USD)	0.930	0.926

4 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 acquisiton. 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, 10 years in the case of property and casualty insurance enterprises and 20 years in the case of financial services companies.

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 is the present value of cash flows anticipated in the future from insurance policies written at the point in time of first-time consolidation. The capitalized value of life/health insurance policies is amortized over the lives of the policies concerned (realization of surpluses or premium income). The valuation based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, in addition to underwriting costs and returns on assets that were invested in order to be able to meet the obligations arising under the insurance contracts. The discount rate corresponds to the opportunity costs for the risk capital used.

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 as of December 31 of the year under review. Investments in all principal associated companies are valued in accordance with uniform Group valuation principles at the Group's proportionate share of their net assets, as up to date as possible. In the case of investments in affiliated enterprises, joint ventures and associated enterprises which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. 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 non-consolidated 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. Acquired loans are included in other securities held to maturity or available for sale.

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. Realized gains and losses are principally determined by applying the average cost method.

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, and latent reserve as appropriate, for premium refund.

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 lead to a corresponding increase or decrease in the insurance reserves.

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 or premium income 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. 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. 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. The necessary estimates can mean that the payment obligations calculated may differ from the ultimate cost.

The reserve for loss and loss adjustment expenses includes:
- claims reported at the balance sheet date
- claims incurred but not yet reported at the balance sheet date
- claims settlement expenses.

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.

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 latent 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 methods and corresponding percentages for participation in profits by the policyholders are set out below for the most important countries:

Country	Method	Percentage
Germany		
Life	Minimum	90%
Health	Minimum	80%
France		
Life	Minimum	85%
Italy		
Life	Minimum	85%

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. Insurance reserves are shown gross under liabilities in the consolidated balance sheet and the corresponding amounts ceded in reinsurance are reported under assets. The corresponding amounts ceded to reinsurance have already been charged to net liabilities for insurance business in the consolidated income statement.

Other accrued liabilities

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 highly-rated corporate or government bonds.

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

Miscellaneous accrued liabilities are recorded as projected. Miscellaneous accrued liabilities primarily include reserves for restructuring, anticipated losses arising from non-insurance business, litigation, employees (e.g. early retirement, phased retirement, employee awards for long service and vacation) and agents (e.g. unpaid commissions).

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; changes to tax rates already adopted on the balance sheet date are taken into account.

Segment reporting

Information on segments is reported separately in the Annual Report. Segment reporting has been prepared on the basis of the accounting regulations used in the consolidated financial statements as a whole. The segments of the Group are organized as geographical segments (regions) and business segments (products) in a matrix that comprises a number of profit and service-center segments. The business segments are structured as life/health, property/casualty and financial services.

Financial instruments

The fair value of a financial instrument is defined as the amount for which the financial instrument could be exchanged between two willing parties in the ordinary course of business. If market prices are not available, the fair value is based on estimates using the present value method or another valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cash flows.

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 the following reason:

- 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.

Profit

The profit figure will tend to be more volatile than under the German Commercial Code (HGB) because claims equalization reserves in particular no longer operate as an equalization factor over time between accounting periods under IAS.

Shareholders' equity
Shareholders' equity increases overall because:
- large proportions of the investments are shown in the balance sheet at market value
- only the formation of lower insurance reserves in property and casualty business is permitted.

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 not 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 also includes a corresponding proportion of the net profit of the enterprises concerned.

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 for life and health insurance companies
- over 10 years for property and casualty insurance companies
- over 20 years for financial services companies.

In accordance with the German Commercial Code, goodwill was charged against revenue reserves without affecting earnings.

SUPPLEMENTARY INFORMATION ON GROUP ASSETS

5 Goodwill

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

	€ mn
Gross amount capitalized 12/31/1999	5,306.3
Accumulated amortization 12/31/1999	– 1,010.5
Value stated as of 12/31/1999	4,295.8
Translation differences	35.6
Value stated as of 1/1/2000	4,331.4
Additions	3,557.3
Amortization	– 495.2
Value stated as of 12/31/2000	7,393.5
Accumulated amortization 12/31/2000	– 1,505.7
Gross amount capitalized12/31/2000	8,899.2

Major additions include

- first-time consolidation of the following subsidiaries:

PIMCO Advisors L.P., Delaware	€ 2,674.2 million
Zwolsche Algemeene Holding, Nieuwegein	€ 152.5 million
AV Packaging GmbH, Munich/Schmalbach - Lubeca AG, Ratingen	€ 54.1 million
Canada Brokerlink Inc., Calgary	€ 37.9 million
CFC Insurance Marketing, Huntington Beach	€ 25.6 million
World Access Inc., Richmond	€ 21.2 million

- € 466.6 million by increasing the interests in Assurances Générales de France, Paris by 10.9 percent to 65.2 percent
- Additional acqusition costs amounting to € 40.4 million for the AGF Group, Paris, as a result of the additional acquisiton of contingent value rights.

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

6 Other intangible assets

Other intangible assets totaling € 3,000.9 million include software (€ 594.0 million) and the capitalized value of life/health insurance portfolios (€ 1,517.5 million). Other intangible assets include capitalized loyalty bonuses for senior management of the PIMCO Group, Delaware, amounting to € 713.0 million (€ 0) that is amortized on a straight-line basis over five years. Software is written off over five years at most 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.

Scheduled amortization of the capitalized value of life/health insurance policies is included in underwriting costs.

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

Software	€ mn
Gross amount capitalized 12/31/1999	1,085.9
Accumulated amortization 12/31/1999	– 572.4
Value stated as of 12/31/1999	513.5
Translation differences	6.4
Value stated as of 1/1/2000	519.9
Additions	320.2
Changes in the group of consolidated companies	14.1
Disposals	– 59.2
Amortization charge	– 201.0
Value stated as of 12/31/2000	594.0
Accumulated amortization 12/31/2000	– 762.3
Gross amount capitalized 12/31/2000	1,356.3

The balance sheet value amounting to € 594.0 million (€ 513.5 million) includes € 393.7 million (€ 378,3 million) for software developed in-house and € 200.3 million (€ 135.2 million) for software purchased from others.

Capitalized value of life/health insurance portfolios	€ mn
Gross amount capitalized 12/31/1999	1,899.7
Accumulated amortization 12/31/1999	– 192.3
Value stated as of 12/31/1999	1,707.4
Translation differences	21,4
Value stated as of 1/1/2000	1,728.8
Additions	114.4
Transfers	– 325.7
Value stated as of 12/31/2000	1,517.5
Accumulated amortization 12/31/2000	– 457.9
Gross amount capitalized 12/31/2000	1,975.4

The capitalized value of life/health insurance portfolios was determined using of discount rates ranging from 12.0 to 15.0 percent. Interest rates between 3.5 and 8.5 percent were applied for interest not yet due.

The major addition under capitalized value of life insurance portfolios relates to the newly consolidated subsidiary ZA Leven, Nieuwegein.

Amortization includes unscheduled write-downs of € 132.0 million on the capitalized value of subsidiary Allianz First Life Insurance Company Limited, Seoul, due to changing conditions in the capital market.

7 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 € 17,483.4 million and at the end of the year € 17,583.7 million. Accumulated depreciation amounted to € 3,153.2 million at the beginning of the year and € 3,071.6 million at the end of the year. Assets pledged as security and other restrictions on title amount to € 82.4 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 € 73.1 million.

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

	€ mn
Value stated as of 12/31/1999	14,330.2
Translation differences	81.7
Value stated as of 1/1/2000	14,411.9
Additions	1,133.5
Changes in the group of consolidated companies	– 59.2
Disposals	– 529.3
Depreciation	– 444.8
Value stated as of 12/31/2000	14,512.1

Land and buildings owned by the Allianz Group and used for its own activities were stated at € 3,006.3 million. The market value of real estate at the balance sheet date totaled € 19,854.1 million (€ 18,532.8 million).

8 Investments in affiliated enterprises, joint ventures and associated enterprises

Investments	12/31/2000 € mn	12/31/1999 € mn
in affiliated enterprises	581.5	365.4
in joint ventures	96.8	86.1
in associated enterprises	11,084.6	9,827.5
Total stated value	11,762.9	10,279.0
Total market value	29,477.3	23,387.0

The market value ist principally based on stock exchange quotations.

9 Loans

These loans advanced by Group enterprises comprise the following:

	12/31/2000 € mn	12/31/1999 € mn
Mortgage loans	10,229.0	9,713.8
Debentures and loans	3,098.7	2,910.8
Loans and advance payments on insurance policies	1,242.5	1,124.0
Other loans	271.1	77.0
Total	14,841.3	13,825.6

10 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 there is no risk resulting from changes in financial standing, such securities are not written down in value.

	Amortized cost	
Investment group	12/31/2000 € mn	12/31/1999 € mn
Government bonds	2,696.2	2,154.7
Corporate bonds	2,356.5	2,341.6
Other	3,034.7	4,148.7
Total	8,087.4	8,645.0

The market values of other securities held to maturity at the balance sheet date totaled € 8,180.1 million.

Other securities available for sale

Investment group	Amortized cost 12/31/2000 € mn	Amortized cost 12/31/1999 € mn	Unrealized gains/losses 12/31/2000 € mn	Unrealized gains/losses 12/31/1999 € mn	Market values 12/31/2000 € mn	Market values 12/31/1999 € mn
Equity securities	62,385.3	54,272.2	29,339.7	35,245.8	91,725.0	89,518.0
Government bonds	101,125.5	93,506.4	523.4	418.8	101,648.9	93,925.2
Corporate bonds	49,199.7	48,566.7	771.7	383.5	49,971.4	48,950.2
Other	14,266.2	14,949.5	389.0	346.8	14,655.2	15,296.3
Total	226,976.7	211,294.8	31,023.8	36,394.9	258,000.5	247,689.7

Investment group	Proceeds of sale 2000 € mn	Proceeds of sale 1999 € mn	Realized gains 2000 € mn	Realized gains 1999 € mn	Realized losses 2000 € mn	Realized losses 1999 € mn
Equity securities	33,656.2	22,313.6	9,546.3	7,260.9	2,654.1	1,610.2
Government bonds	27,175.4	17,413.3	701.4	283.0	650.6	263.0
Corporate bonds	12,193.0	10,029.6	161.6	126.4	529.1	324.1
Other	6,663.1	13,092.3	173.4	402.4	155.1	293.9
Total	79,687.7	62,848.8	10,582.7	8,072.7	3,988.9	2,491.2

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

Investment strategy within the Allianz Group is primarily geared to the long term. Contracts for future delivery and securities lending are used to hedge unrealized gains.

Contractual term to maturity	Amortized cost 12/31/2000 € mn	Amortized cost 12/31/1999 € mn	Market values 12/31/2000 € mn	Market values 12/31/1999 € mn
Due in 1 year or less	8,762.6	12,913.7	9,235.0	14,014.1
Due after 1 year	63,240.7	55,441.7	65,777.5	57,240.9
Due after 5 years	75,525.1	74,918.8	73,684.7	73,475.7
Due after 10 years	17,063.0	13,748.4	17,578.3	13,441.0
Total*)	164,591.4	157,022.6	166,275.5	158,171.7

*) excluding equity securities

The current residual maturities may deviate from the contractually defined maturities, because certain security holders/borrowers have the right to serve notice on or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties.

Other securities trading

	Market values		Unrealized gains/losses recognized in net income for the year			
			Gains		Losses	
Investment group	12/31/2000 € mn	12/31/1999 € mn	12/31/2000 € mn	12/31/1999 € mn	12/31/2000 € mn	12/31/1999 € mn
Equity securities	60.6	0.8	1.6	–	14.1	–
Fixed income securities	311.6	296.1	14.1	0.2	16.7	0.3
Total	372.2	296.9	15.7	0.2	30.8	0.3

Derivative financial instruments

Derivative financial instruments – derivatives for short – derive their market values from one or more underlying assets or specified reference values.

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 replacement value.

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.

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 within a portfolio.

The tables show the distribution of the open positions at the balance sheet date.

The total notional principal amount of all open positions in insurance companies of the Allianz Group was € 14,205.7 million (€ 13,475.0 million) or 3.2 (3.3) percent of the consolidated balance sheet total. The figures also include derivative positions in specialist funds managed for Group enterprises.

Notional principal 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. The market value of derivatives is derived from the value of underlying assets and other market parameters. Direct conclusions about the level of profit and loss will be limited. The specified market values are quoted prices or are based on valuations at the balance sheet date, obtained with the assistance of mathematical models.

Notional principal amounts and market values of open derivative positions as of 12/31/2000, Insurance Segment

	Maturity as of 12/31/2000			2000		1999	
	up to 1 year	1 – 5 years	over 5 years	Notional principal amounts	Market values	Notional principal amounts	Market values
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts	875.5	253.2	7,438.7	8,567.4	87.4	10,142.5	79.7
OTC							
Swaps	11.6	166.2	146.7	324.5	65.3	260.3	– 0.7
Swaptions		80.0	50.0	130.0	4.3		
Caps			7,242.0	7,242.0	6.5	6,621.0	84.6
Floors	6.0	3.0		9.0	9.0	445.0	– 5.3
Exchange traded							
Futures	407.8			407.8	0.5	233.9	– 0.4
Options	450.1	4.0		454.1	1.8	2,582.3	1.5
Equity/Index contracts	3,439.8	923.2	99.8	4,462.8	1,924.5	2,461.5	146.2
OTC							
Forwards	2,477.5			2,477.5	1,768.4		
Swaps	36.1			36.1	1.0	819.5	11.8
Options	20.7	910.4	99.8	1,030.9	152.2	335.6	67.9
Exchange traded							
Futures	790.2			790.2	– 15.8	854.8	14.2
Options	115.3	12.8		128.1	18.7	451.6	52.3
Foreign exchange contracts	129.2	981.2	65.1	1,175.5	– 8.5	871.0	– 3.4
OTC							
Forwards	122.7	14.7		137.4	– 5.9	185.0	– 5.3
Swaps		966.5	65.1	1,031.6	– 2.6	682.1	1.5
Exchange traded							
Futures	6.5			6.5	0.0	3.9	0.4
Total	4,444.5	2,157.6	7,603.6	14,205.7	2,003.4	13,475.0	222.5

The most important exposures were in the form of interest rate caps, which were used to manage interest income in anticipation of increasing interest rates, and share forwards that were entered into to hedge market values. Long-call options were also acquired to hedge future obligations arising from a Long-term Incentive Plan for senior management. Share options also cover obligations arising from index-linked life insurance policies. Foreign exchange contracts were also used to swap foreign exchange exposures into euros and US dollars.

In the financial services segment, derivatives were also used. The notional principle amount of open positions at the close of the year under review was € 23,917.8 million (€ 21,818.4 million) or 5.4 percent (5.3 percent) of the consolidated balance sheet total. The swaps, caps, and floors were used to manage interest rate risks.

Notional principal amounts and market values of open derivate positions as of 12/31/2000, Financial Services Segment

	Maturity as of 12/31/2000			2000		1999	
	up to 1 year	1 – 5 years	over 5 years	Notional principal amounts	Market values	Notional principal amounts	Market values
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts	10,204.7	8,915.5	4,546.6	23,666.8	– 33.8	21,441.9	31.5
OTC							
Swaps	7,845.5	5,267.9	3,071.3	16,184.7	– 56.9	16,038.9	– 2.3
Caps	171.2	3,429.3	291.8	3,892.3	21.2	3,301.5	32.1
Floors		218.3	1,183.5	1,401.8	2.3	1,452.1	1.6
Exchange traded							
Futures	788.0			788.0	– 0.6	649.4	0.1
Options	1,400.0			1,400.0	0.2		
Equity/Index contracts	4.4	18.2	0.0	22.6	0.3	12.4	0.1
OTC							
Swaps		18.2		18.2	0.5		
Exchange traded							
Futures	3.1			3.1	– 0.1	12.4	0.1
Options	1.3			1.3	– 0.1		
Foreign exchange contracts	208.4	20.0	0.0	228.4	0.3	364.1	0.0
OTC							
Forwards	85.6			85.6	– 3.3	154.7	– 0.1
Swaps	122.8			122.8	3.4	207.4	0.1
Options		20.0		20.0	0.2	2.0	
Total	10,417.5	8,953.7	4,546.6	23,917.8	– 33.2	21,818.4	31.6

Accounting and valuation methods for derivative financial instruments
Purchased call options and index options are measured at market values, and any value changes are reported under income. Currency swaps and interest swaps are reported with the corresponding underlying transactions as a single valuation unit, like a synthetic security. Equity swaps terminated in the year under review were calculated at the market value and the value changes were recorded under income. Cap contract premiums are charged pro rata as an expense. Futures on stocks and currency forwards are valued as a single valuation unit with the underlying transaction at the forward rate. Swaptions and futures contracts are valued at the market value.

Transactions in derivatives resulted in a profit before taxation of € 60.1 million (€ 24.1 million).

11 Other investments

Other investments include bank deposits of € 7,069.6 million (€ 4,503.1 million) and funds held by others under reinsurance contracts assumed amounting to € 3,240.7 million (€ 3,303.4 million).

12 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.

13 Receivables

	12/31/2000 € mn	12/31/1999 € mn
Accounts receivable on direct insurance business	8,294.9	7,123.7
Policyholders	5,019.2	4,442.4
Agents	3,275.7	2,681.3
Accounts receivable on reinsurance business	3,160.5	2,300.3
Receivables from banking, building-society and leasing customers	12,904.4	12,651.3
Other receivables	9,811.9	7,954.4
Total	34,171.7	30,029.7

Receivables due within a year total € 24,808.7 million (€ 21,591.4 million), those due after more than a year total € 9,363.0 million (€ 8,438.3 million).

Receivables from banking, building-society and leasing customers include amounts receivable under finance leases at their net investment value totaling € 2,427.3 million (€ 2,413.0 million). The corresponding gross investment value of these leases amounts to € 3,569.5 million (€ 3,551.1 million), the associated unrealized finance income € 3.6 million (€ 3.6 million) and unguaranteed residual values € 0.5 million (€ 0.5 million). Lease payments received have been recognized as income to the extent of € 172.1 million (€ 171.1 million). The allowance for uncollectible lease payments receivable at the balance sheet date amounted to € 9.0 million (€ 9.0 million).

The total amounts receivable under leasing arrangements include € 401.3 million (€ 392.0 million) due within a year, € 1,178.6 million (€ 1,217.0 million) due within one to five years, and € 1,989.6 million (€ 1,942.1 million) due after more than five years.

14 Deferred acquisition costs

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 19).

The total expense in the year under review was € 1,070.5 million (€ 1,516.7 million).

15 Amounts ceded in reinsurance from the insurance reserves

	12/31/2000 € mn	12/31/1999 € mn
Unearned premiums	1,506.2	1,697.4
Aggregate policy reserve	13,084.8	11,866.1
Reserve for loss and loss adjustment expenses	13,099.4	12,607.0
Other insurance reserves	221.2	279.3
Total	27,911.6	26,449.8
Insurance reserves for life insurance where the investment risk is carried by policyholders	563.3	610.1
Total	28,474.9	27,059.9

The amounts ceded in reinsurance from the insurance reserves stated under assets include rights of recourse against reinsurers. The credit risk is partly covered by funds held for others under reinsurance contracts, securities portfolios and bank guarantees.

16 Other assets

	12/31/2000 € mn	12/31/1999 € mn
Property, plant and equipment and inventories (net of accumulated depreciation)	1,354.3	1,086.1
Other assets	1,953.4	1,210.8
Prepaid expenses	1,875.0	1,854.7
Total	5,182.7	4,151.6

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 € 3,042.4 million and at the end of the year € 3,793.8 million. Accumulated depreciation amounted to € 1,956.3 million at the beginning of the year and € 2,439.5 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 € 29.6 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

17 Shareholders' equity

In September 2000, 480,000 shares with a notional principal amount of € 1,228,800.00 (0.2 percent) as a proportion of the **issued capital** of Allianz AG were issued at a price of € 383.00 each, enabling employees of Allianz Group enterprises in Germany and abroad to take up 193,476 employee shares at prices between € 268.10 and € 325.55. The remaining 286,524 shares, with a notional principal amount of € 733,501.44 as a proportion of the issued capital, were sold on the stock exchange at an average price of € 378.41. The difference between the issue price and the sale price was taken to revenue reserves. Allianz AG held no shares of its own at the end of fiscal 2000.

The issued capital at December 31, 2000 amounted to € 629,120,000.00 and is divided into 245,750,000 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.

Performance of issued shares

	Number of shares
As of 1/1/2000	245,269,055
Additions	480,945
Disposals	–
As of 12/31/2000	245,750,000

At the end of the year under review there was **authorized unissued capital** with a notional principal amount of € 200,000,000 (78,125,000 shares), which can be issued at any time up to 11 July, 2005. The pre-emptive rights of shareholders to use fractions can be excluded. There was a further € 30,677,512.87 (11,983,403 shares) of authorized unissued capital II which can be issued 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 (19,972,339 shares) for a non-cash consideration. The pre-emptive rights of shareholders are excluded. Authorized unissued capital IV of € 1,240,721.77 (484,657 shares) 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 (998,617 shares) 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** amounting to € 10,240,000 (4,000,000 shares) 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:

	2000 € mn	1999 € mn
Consolidated net income for the year	3,460.1	2,316.8
Transfers to revenue reserves (appropriated retained earnings)	3,027.4	1,962.4
Consolidated unappropriated profit at December, 31	432.7	354.4

The Board of Management will propose to the Annual General Meeting the distribution of a dividend of € 1.50 (€ 1.25) per qualifying share for fiscal 2000. Details on the recommendation for appropriation of profit are given in the Group management report.

18 Minority interests in shareholders' equity/earnings

The primary subsidiaries included are the AGF Group, Paris, the RAS Group, Milan, PIMCO Group, Delaware, Allianz Lebensversicherungs-AG, Stuttgart, Frankfurter Versicherungs-AG, Frankfurt/Main, and Bayerische Versicherungsbank AG, Munich.

The interests of minority shareholders are made up as follows:

	12/31/2000 € mn	12/31/1999 € mn
Other reserves		
Unrealized gains and losses	5,956.0	4,556.1
Share of earnings	1,276.6	973.7
Other equity components	8,967.8	7,614.4
Total	16,200.4	13,144.2

19 Aggregate policy reserve

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 profit. Policyholders do not participate in losses, this is 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 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)	
	12/31/2000	12/31/1999	12/31/2000	12/31/1999	12/31/2000	12/31/1999
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Life/Health	102,778.1	95,102.8	52,404.9	47,477.2	44,323.6	40,512.2
Property/Casualty	7,598.0	7,113.0	–	–	376.8	348.2
Total	110,376.1	102,215.8	52,404.9	47,477.2	44,700.4	40,860.4

20 Reserve for loss and loss adjustment expenses

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

	12/31/2000 € mn	12/31/1999 € mn
Life/Health	4,965.6	3,677.3
Property/Casualty	54,047.3	51,271.6
Total	59,012.9	54,948.9

The reserve for loss and loss adjustment expenses (loss reserves) has changed in property/casualty insurance during the year under review as follows:

	2000 € mn	1999 € mn
1. Loss reserve as of January 1		
a. Gross	51,271.6	45,560.0
b. Amount ceded to reinsurer	– 12,089.1	– 9,428.2
c. Net	39,182.5	36,131.8
2. Plus claims (net)		
a. Claims in the year under review	24,163.3	23,427.0
b. Claims in the previous year	– 123.6	– 786.7
c. Total	24,039.7	22,640.3
3. Minus claims paid (net)		
a. Claims in the year under review	– 11,734.7	– 12,279.2
b. Claims in the previous year	– 11,968.2	– 9,165.9
c. Total	– 23,702.9	– 21,445.1
4. Currency translation adjustments	649.2	1,409.6
5. Change in the group of consolidated companies	239.7	927.5
6. Restructuring	458.1	–
7. Other changes	609.7	– 481.6
8. Loss reserve as of December 31		
a. Net	41,476.0	39,182.5
b. Amount ceded to reinsurer	12,571.3	12,089.1
c. Gross	54,047.3	51,271.6

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 of € 2,467.9 million (2,247.1) for existing annuity agreements; the discount rate for such cases varies between 3.5 percent and 6.5 percent.

Other changes include an amount of € 322.5 million for ending a reinsurance contract.

21 Other insurance reserves

The other insurance reserves comprise the following:

	12/31/2000 € mn	12/31/1999 € mn
Reserve for premium refunds	28,137.6	28,622.0
Premium deficiency reserve	785.9	899.1
Miscellaneous	858.3	953.8
Total	29,781.8	30,474.9

The reserve for premium refunds contains 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:

	2000 € mn	1999 € mn
a) Amounts already allocated under local regulations		
As of January 1	9,098.8	7,513.1
Changes in the group of consolidated companies	0.1	97.0
Change	1,483.6	1,483.3
As of December 31	10,582.5	9,093.4
b) Latent reserve		
As of January 1	19,562.0	18,809.5
Change owing to fluctuations in market value	– 2,949.2	564.4
Changes in the group of consolidated companies	–	–
Changes owing to valuation differences charged or credited to income	942.3	154.7
As of December 31	17,555.1	19,528.6
c) Total	28,137.6	28,622.0

In addition to the amounts allocated at a), policyholders of the Allianz Group were credited amounts totaling € 7,536.1 million directly from the surplus.

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

22 Pension and similar reserves

	12/31/2000 € mn	12/31/1999 € mn
Reserves for pensions	3,146.5	3,111.1
Reserves for similar obligations	380.9	333.9
Total	3,527.4	3,445.0

The 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

	12/31/2000 € mn	12/31/1999 € mn
Actuarially calculated present value of pension rights accrued		
Direct commitments of Group enterprises	3,321.1	3,282.9
Commitments through pension funds	4,406.9	4,265.5
Total	7,728.0	7,548.4
Pension fund assets	4,649.9	4,474.8
Pension obligations less pension fund assets	3,078.1	3,073.6
Unrecognized gains/losses	68.4	37.5
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 pension 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 as of 12/31/1999	3,111.1
Translation differences	4.7
Value stated as of 1/1/2000	3,115.8
Changes in the group of consolidated companies	1.2
Expenses	315.9
Payments	– 286.4
Value stated as of 12/31/2000	3,146.5

Income and expenses recognized in the income statement

	2000 € mn	1999 € mn
Current service cost	186.9	165.4
Interest cost	465.4	432.7
Expected return on pension fund assets	– 339.5	– 279.3
Gains/losses recognized	–	–
Past service cost recognized	–	– 0.1
Income/Expenses of plan curtailments or settlements	3.1	– 5.7
Total	315.9	313.0

Most of the amounts expensed are charged in the income statement as underwriting costs or loss and loss adjustment expenses (claims settlement expenses). The actual income from the pension funds amounted to € 154.4 million (€ 560.7 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:

	2000 %	1999 %
Discount rate	6 – 8	6 – 8
Expected rate of return on pension fund assets	7 – 9	7 – 9
Retirement rates	3 – 5	3 – 5
Benefit levels	2 – 3	2 – 3

The calculations are based on current 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 € 64.6 million were expensed in the year under review.

23 Liabilities

The total under this heading comprises:

	12/31/2000 € mn	12/31/1999 € mn
Participation certificates	475.6	472.5
Post-ranking liabilities	861.3	426.2
Bonds and loans payable	15,190.8	11,187.6
Other liabilities		
Funds held under reinsurance business ceded	9,126.9	8,552.8
Accounts payable on direct insurance business	7,295.5	6,988.6
Accounts payable on reinsurance business	2,082.3	1,798.3
Liabilities to banks	5,171.9	3,450.7
Liabilities to banking, building-society, and leasing customers	9,683.6	10,274.5
Miscellaneous liabilities	8,598.6	7,122.1
Total	58,486.5	50,273.3

Participation certificates includes € 449.5 million (€ 449.5 million) in respect of those issued by Allianz AG. It represents the guaranteed total redemption price that Allianz AG has to pay upon redemption, by the holders, of the 5,723, 512 "profit participation certificates" issued by the company. The distributions payable on the profit participation certificates for the last fiscal year are included in other liabilities.

Between October 1986 and 1995, Allianz AG issued a total of 5,559,983 profit participation certificates. The company issued an additional 163,529 profit participation certificates in March 1998. There were no further issues of profit participation certificates in 1999 or 2000.

The terms of the profit participation certificates provide for an annual cash distribution of 240.0 percent of the dividend paid by the company per one Allianz ordinary share. If certain conditions are met, the holders of profit participation certificates may also subscribe to new profit participation certificates; to this extent, the preemptive subscription rights of Allianz AG shareholders are excluded. Holders of profit participation certificates do not have voting rights, or any rights to convert said certificates into Allianz AG shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors.

Profit participation certificates can be redeemed by holders upon twelve months' prior notice, beginning December 31, 2001, and every fifth year thereafter. To date, redemption rights have been exercised with respect to 358 profit participation certificates. Upon redemption by holders, the terms of the profit participation certificates provide for a redemption price equal to the weighted average of the issue prices of all profit participation certificates. Since the last issue of March 1998, the price has been € 78.54.

The company may call the profit participation certificates for redemption, upon six months' prior notice, beginning December 31, 2006, and each year thereafter. Upon redemption by the company, the cash redemption price per certificate would be equal to 122.9 percent of the then-current price of one Allianz ordinary share. In lieu of redemption for cash, the company may offer 10 Allianz ordinary shares per eight profit participation certificates. Allianz AG has consistently stated at its annual shareholders' meetings that the company is not legally required, and does not intend, to redeem the profit participation certificates, either in cash or in shares. Allianz AG currently has no intention of changing this position.

A lawsuit against Allianz AG, regarding the profit participation certificates, was commenced in the Munich district court (Landgericht) in October 31, 2000. The main objective of the plaintiff is to receive compensation for his profit participation certificates based on the price of Allianz ordinary shares. Allianz AG's Board of Management believes that the company's chances of success are substantially greater than those of the plaintiff, and has not set aside any reserves with regard to this lawsuit.

Post-ranking liabilities include € 829.8 million (€ 403.6 million) in respect of those of the AGF Group.

The following table shows how the bonds and loans are comprised:

	Due date	Interest rate	Outstanding amount 12/31/2000 € mn	12/31/1999 € mn
1. Bonds				
Allianz Finance B.V., Amsterdam	February 2003 to March 2008	2.0% to 6.0%	7,206.3	4,778.8
ENTENIAL, Guyancourt	February 2000 to October 2011	3.75% to 9.68%	6,080.4	5,860.0
Other	varied	various	318.8	325.0
Subtotal			13,605.5	10,963.8
2. Loans	varied	various	1,585.3	223.8
3. Total			15,190.8	11,187.6

The market value of the bonds issued by the Dutch subsidiary Allianz Finance B.V. was € 7,494.8 million on the balance sheet day.

Details of bonds are given in the summary section under Allianz shares.

Liabilities due within a year amount to € 37,548.3 million (€ 33,783.7 million) and those due in more than one year € 20,938.2 million (€ 16,489.6 million).

24 Other liability headings

These include miscellaneous items of deferred income amounting to € 565.6 million (€ 335.2 million).

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED INCOME STATEMENT

25 Premiums

	Life/Health*)		Property/Casualty*)		Total	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn	2000 € mn	1999 € mn
Gross premiums written	20,219.0	18,466.4	37,666.3	35,340.9	57,885.3	53,807.3
Premiums ceded in reinsurance	– 1,138.8	– 1,169.1	– 6,487.9	– 5,879.5	– 7,626.7	– 7,048.6
Change in unearned premiums (net)	– 3.6	– 238.8	– 347.9	– 337.7	– 351.5	– 576.5
Premiums earned (net)	19,076.6	17,058.5	30,830.5	29,123.7	49,907.1	46,182.2

*) 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.

26 Investment income (net)

	2000 € mn	1999 € mn
a) Income from affiliated enterprises, joint ventures and associated enterprises	1,860.2	1,480.1
b) Other investment income		
1. Real estate	942.0	1,007.4
2. Loans	539.2	611.0
3. Other securities held to maturity		
Government bonds	90.7	95.2
Corporate bonds	79.0	103.5
Other	101.9	183.8
Total 3.	271.6	382.5
4. Other securities available for sale		
Equity securities	6,314.4	6,012.2
Government bonds	6,998.3	6,308.3
Corporate bonds	3,440.5	3,287.2
Other	1,008.9	1,028.1
Total 4.	17,762.1	16,635.8
5. Other securities trading	– 36.1	13.5
6. Other investments	1,811.2	1,441.9
c) Investment management, interest charges and other expenses	– 1,630.8	– 1,236.6
Total	21,519.4	20,335.6

Investment income is shown net. Depreciation and write-downs on investments amounting to € 930.7 million (€ 507.0 million) and realized investment losses of € 4,126.5 million (€ 2,552.7 million) have been deducted. Depreciation on investments also includes unscheduled depreciation of € 66.8 million (€ 132.7 million) on real estate, € 364.4 million (€ 0) on shares and € 46.1 million (€ 1.1 million) on fixed-income securities that was reported as a consequence of projected permanent diminution in value.

Realized investment gains amounted to € 11,658.6 million (€ 8,929.6 million).

In 2000, 67.9 (66.3) percent of the income (net) from investments in affiliated enterprises, joint ventures and associated enterprises is attributable to associated enterprises.

Investment income/expenses

	Life/Health*)		Property/Casualty*)		Financial Services*)		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Income from investments								
Current income	10,122.2	9,978.3	5,922.2	5,429.5	436.4	248.9	16,480.8	15,656.7
Income from revaluations	37.4	8.0	14.9	9.8	15.7	27.8	68.0	45.6
Realized investment gains	6,882.0	5,044.9	4,727.8	3,829.8	48.8	54.9	11,658.6	8,929.6
Subtotal	17,041.6	15,031.2	10,664.9	9,269.1	500.9	331.6	28,207.4	24,631.9
Investment expenses								
Depreciation and write-downs on investments	– 399.8	– 291.7	– 509.3	– 172.9	– 21.6	– 42.4	– 930.7	– 507.0
Realized investment losses	– 2,637.7	– 1,560.1	– 1,455.4	– 957.6	– 33.4	– 35.0	– 4,126.5	– 2,552.7
Investment management, interest charges and other investment expenses	– 463.1	– 392.0	– 923.2	– 681.9	– 244.5	– 162.7	– 1,630.8	– 1,236.6
Subtotal	– 3,500.6	– 2,243.8	– 2,887.9	– 1,812.4	– 299.5	– 240.1	– 6,688.0	– 4,296.3
Total	13,541.0	12,787.4	7,777.0	7,456.7	201.4	91.5	21,519.4	20,335.6

*) After eliminating intra-Group transactions between segments.

27 Other income

Other income amounting to € 5,423.7 million is comprised of the following individual headings:

	€ mn
Income resulting from service activities	2,437.3
Interest and similar income	1,405.0
Income from reinsurance business	426.1
Income from releasing or reducing miscellaneous accured liabilities	197.7
Foreign currency gains	134.9
Fees	117.7
Other	705.0
Total	5,423.7

28 Benefits payable to policyholders

Benefits payable in life and health insurance*) comprise the following:

	Gross		Ceded in reinsurance		Net	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn	2000 € mn	1999 € mn
Benefits paid	– 14,948.3	– 13,569.4	951.5	886.0	– 13,996.8	– 12,683.4
Change in reserves						
Aggregate policy reserve	– 6,364.0	– 6,429.7	344.7	316.0	– 6,019.3	– 6,113.7
Other	– 524.1	– 426.7	– 103.4	120.8	– 627.5	– 305.9
Total	– 6,888.1	– 6,856.4	241.3	436.8	– 6,646.8	– 6,419.6
Expenses of premium refunds	– 6,447.9	– 5,946.1	– 0.2	0.5	– 6,448.1	– 5,945.6
Total	– 28,284.3	– 26,371.9	1,192.6	1,323.3	– 27,091.7	– 25,048.6

*) After eliminating intra-Group transactions between segments.

Benefits payable in property and casualty insurance[*] are made up as follows:

	Gross		Ceded in reinsurance		Net	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn	2000 € mn	1999 € mn
Claims						
Claims paid	– 28,645.5	– 25,684.8	4,942.6	4,239.7	– 23,702.9	– 21,445.1
Change in reserve for loss and loss adjustment expenses	– 947.8	– 2,593.6	610.9	1,398.4	– 336.9	– 1,195.2
Total	– 29,593.3	– 28,278.4	5,553.5	5,638.1	– 24,039.8	– 22,640.3
Change in other reserves						
Aggregate policy reserve	– 370.6	– 246.9	27.5	27.3	– 343.1	– 219.6
Other	132.7	– 43.3	– 18.3	– 9.7	114.4	– 53.0
Total	– 237.9	– 290.2	9.2	17.6	–228.7	– 272.6
Expenses of premium refunds	– 407.0	– 427.7	29.7	58.2	– 377.3	– 369.5
Total	– 30,238.2	– 28,996.3	5,592.4	5,713.9	– 24,645.8	– 23,282.4

[*] After eliminating intra-Group transactions between segments.

29 Underwriting costs

	Life/Health[*]		Property/Casualty[*]	
	2000 € mn	1999 € mn	2000 € mn	1999 € mn
Acquisition costs				
Amounts paid	– 3,096.5	– 2,866.7	– 7,013.8	– 6,254.0
Change in deferred acquisition costs	848.3	1,007.2	336.2	184.4
Total	– 2,248.2	– 1,859.5	– 6,677.6	– 6,069.6
Administrative expenses	– 1,527.8	– 1,128.9	– 3,256.9	– 3,368.5
Underwriting costs (gross)	– 3,776.0	– 2,988.4	– 9,934.5	– 9,438.1
less commissions and profit-sharing received on reinsurance business ceded	192.4	182.7	1,449.2	1,427.3
Underwriting costs (net)	– 3,583.6	– 2,805.7	– 8,485.3	– 8,010.8

[*] After eliminating intra-Group transactions between segments.

30 Other expenses

Other expenses amounting to € 7,635.8 million are primarily comprised of the following:

	€ mn
Interest and similar expenses	– 2,057.1
Expenses resulting from reinsurance business	– 1,203.6
Expenses for the enterprise as a whole	– 1,112.2
Expenses for service activities	– 923.3
Depreciation and write-downs on other intangible assets	– 302.9
Foreign currency losses	– 131.3
Fees	– 113.4
Amortization of capitalized loyalty bonuses to senior management of PIMCO	– 110.0
Direct credit from policy reserve	– 107.1
Expense of transferring or increasing miscellaneous or accrued liabilities	– 90.7
Fire protection tax	– 89.4
Expenses for assistance to victims under joint and several liability and road casualties	– 84.8
Interest on accumulated policyholder dividends	– 72.4
Other	– 1,237.6
Total	– 7,635.8

31 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

	2000 € mn	1999 € mn
Current taxes	– 667.5	– 1,950.7
Deferred taxes	491.4	437.4
Total	– 176.1	– 1,513.3

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the 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 in the calculation of deferred tax are the national rates applicable; changes to tax rates already adopted on the balance sheet date are taken into account. 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. The Group reported average earnings from ordinary activities (before taxes) for the past three years amounting to € 4,875.5 million and believes that the recoverability deferred tax assets is probable. Safety margins are used where appropriate.

Carrying back tax losses reduced current taxes by € 92.2 million.

Unused tax losses carried forward at the balance sheet date amounted to € 3,429.2 million and deferred tax assets have been recognized where there is sufficient certainty that the unused tax losses will be utilized. As of December 31, 2000, € 1,136.9 million of the tax losses carried forward can be utilized without restriction.

Losses carried forward can be utilized subject to restrictions are scheduled in subsequent years as follows:

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	> 10 years	unrestricted	Total
€ mn	148	171	361	491	742	12	8	6	57	80	216	1,137	3,429

The current tax charge for 2000 is € 1,666.2 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 difference is due mainly to tax-free income and extraordinary income arising from the release of deferred taxes on account of tax-rate reductions.

Reconciliation statement

	2000 € mn	1999 € mn
Anticipated tax rate in %	37.5	37.3
+ Anticipated tax charge on income	1,842.3	1,794.3
+ municipal trade tax and similar taxes	73.8	171.9
– tax-free income	– 247.3	– 321.6
– effects of tax losses	– 92.2	– 19.7
– other tax settlements	– 1,422.4	– 135.1
+ other taxes	21.9	23.5
= current tax charge	176.1	1,513.3
Effective tax rate in %	3.3	28.6

The effective tax rate is determined on the basis of the current tax charge on earnings from ordinary activities (before taxes and prior to amortization of goodwill not relevant to taxation) amounting to € 5,319.7 million.

Other tax settlements include extraordinary income amounting to a total of € 1,201.7 million arising from the release of deferred taxes on account of changes in tax rate.

Deferred tax assets and liabilities comprise the following balance sheet headings:

	12/31/2000 € mn	12/31/1999 € mn
Deferred tax assets		
Intangible assets	15.7	18.4
Investments	758.9	715.1
Unrealized losses from other securities available for sale	1,302.6	1,721.2
Deferred acquisition costs	71.9	79.5
Tax loss carried forward	729.7	781.6
Other assets	314.5	354.7
Insurance reserves	1,641.7	1,770.2
Pensions and similar reserves	247.1	293.4
Deferred income	1,050.5	1,947.2
Total	6,132.6	7,681.3
Deferred tax liabilities		
Intangible assets	323.9	677.5
Investments	2,792.7	5,450.1
Unrealized losses from other securities available for sale	7,247.3	12,293.2
Deferred acquisition costs	1,480.7	1,423.9
Other assets	– 549.3	–
Insurance reserves	1,613.1	1,655.2
Pensions and similar reserves	0.3	9.3
Deferred income	1,423.7	1,133.8
Total	14,332.4	22,643.0

32 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. It 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 2000, the Group employed a total of 119,683 people (113,472). 43,124 (41,923) were employed in Germany and 76,559 (71,549) abroad. The number of employees undergoing training rose by 520 to 4,691.

Personnel expenses

	2000 € mn	1999 € mn
Salaries and wages	4,784.1	4,072.6
Social security contributions and employee assistance	1,104.2	958.1
Expenses for pensions and other post-retirement benefits	500.3	379.8
Total	6,388.6	5,410.5

Contingent liabilities

Guarantee obligations outstanding totaled € 209.3 million (including € 0.3 million towards unconsolidated affiliated enterprises), liabilities on bills amounted to € 152.9 million (including € 0 million towards unconsolidated affiliated enterprises), guarantee agreements amounted to € 36.4 million (including € 0 million towards unconsolidated affiliated enterprises); other contingent liabilities totaled € 1,036.0 million (including € 0 million towards unconsolidated affiliated enterprises). Contingent liabilities totaling € 1,434.6 relate in each case to nominal principal amounts.

Other financial commitments

Allianz AG provided a guarantee declaration for Allianz of America, Inc., Wilmington in respect of obligations relating to the acquisition of PIMCO Advisors L.P. The Allianz Group acquired a holding of 69.5 percent in PIMCO and the minority shareholders have the option of selling their 30.5 percent holding to the majority shareholder.

In December 1997, Allianz AG made a friendly takeover bid for Assurances Générales de France (AGF). 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. Approximately 20 million CVRs remained in issue and these fell due on June 15, 2000. This extinguished any further obligation to make payment arising from the CVRs.

At the same time employee shareholders of AGF were offered the option of selling their shares at a price of FRF 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. Allianz AG purchased 137 AGF shares sold as a result of employee shareholders exercising this option during the year under review. The outstanding total commitment in connection with employee shares was € 202.7 million on December 31, 2000. The shares held as a percentage of capital stock on December 31, 2000 amounted to 59.3 percent before own interests were taken into account (the holding was 65.2 percent after own interests are taken into account).

There are further potential financial commitments in connection with the promise of compensation to holders of rights under stock option programs of AGF.

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 245,401,507 (245,013,485). The earnings per share figure was accordingly € 14.10 (€ 9.46). A diluted earnings per share figure was not calculated because there are no more warrant options in issue.

After net income has been adjusted for extraordinary non-recurring effects the earnings per share decrease to € 9.72 (€ 8.58).

If amortization of goodwill is eliminated in addition to non-recurring effects, earnings per share increase to € 11.74 (€ 10.56). Please refer to the management report for information on non-recurring effects.

Relationships to related parties

In line with the requirements of US/IAS accounting policies we are reporting on business relationships with related parties i.e. business relationships with associated enterprises and enterprises in which the Allianz Group has holdings between 10 and 20 percent. The Group has significant business relationships with the following three related companies:

- Münchener Rückversicherungs-Gesellschaft AG is an associated company of the Allianz Group. The Allianz AG Group holds 24.9 percent of the voting capital in Münchener Rück and the Münchener Rück Group holds 24.9 percent of the voting capital in Allianz AG. Münchener Rück also holds equity interests in Allianz subsidiaries Frankfurter Versicherungs-AG, Bayerische Versicherungsbank AG and Allianz Lebensversicherungs-AG, while the Allianz Group holds an interest in Münchener Rück subsidiary Karlsruher Lebensversicherung AG.

- Dresdner Bank AG is an associated company of the Allianz Group. The Allianz Group holds 21.2 percent (19.1 percent following a capital increase by Dresdner Bank and after the exercise of option rights is taken into account) of the voting capital in Dresdner Bank. Dresdner Bank holds 10.0 percent of the voting capital in Allianz AG.

- HypoVereinsbank AG is a major investment of the Allianz Group. The Allianz Group holds 13.6 percent of the voting capital in HypoVereinsbank, which in turn holds 6.8 percent of the voting capital in Allianz AG.

Specific parties are members of the Board of Management or members of the Supervisory Board of Allianz AG or its subsidiaries and members of the Boards of Management or Supervisory Boards of Münchener Rück, Dresdner Bank and HypoVereinsbank and their respective subsidiaries.

Münchener Rückversicherungs-Gesellschaft AG

The relationships between the Allianz Group and Münchener Rück are defined in a basic agreement. This contract in particular regulates issues relating to cross-shareholdings, details of joint insurance holdings and master treaties on the reinsurance relationship. The basic agreement remains in force until December 31, 2005 and contains a renewal clause.

We announced in 1999 that the Allianz Group and Münchener Rück each intended to reduce their cross-shareholdings from 25.0 percent to approximately 20.0 percent. The intention was to implement this reduction gradually. The completion date was scheduled for the close of 2003, or at least implementation was to have commenced by that date. The first stage of this process has already seen the two companies decreasing their holdings to just under 25.0 percent during the year under review.

We have already sold our interest of 39.0 percent in Merkur Assistance Holding AG to Münchener Rück during the year under review as an additional element in the overall transaction. We will report an additional restructuring under the heading events after the balance sheet date.

A large number of reinsurance and retrocession agreements entail Münchener Rück receiving insurance business from the Allianz Group. Insurance business is also ceded by Münchener Rück to the Allianz Group. Premiums ceded by the Allianz Group to the Münchener Rück Group or assumed by Münchener Rück amounted to:

	2000 € mn	1999 € mn
Ceded premiums	2,300.0	2,300.0
Assumed premiums	900.0	810.0

Agreements on reinsurance business between the two Groups have conditions that may also apply to third parties, i.e. enterprises that are not associated.

Dresdner Bank AG

Domestic subsidiaries of Dresdner Bank sell selected products from the Allianz Group in specific parts of Germany on the basis of a joint-venture contract between the Allianz Group and Dresdner Bank. Allianz agents can channel business to Dresdner Bank. The joint-venture contract is renewed on an annual basis if notice has not been served by one of the contracting partners at least six months prior to expiry. Commissions are paid on the basis of a percentage of annual sales. During the year under review, around € 25.0 million (€ 45.0 million) was paid to Dresdner Bank and its subsidiaries for the sale of products emanating from the Allianz Group.

Over the past two years, Dresdner Bank underwrote issues of outside capital for the Allianz Group. Dresdner Bank received € 1.7 million (€ 0.07 million) for these activities during the year under review. This business was transacted as if by independent contracting parties.

The Allianz Group and Dresdner Bank, together with their subsidiaries, also pursue various other types of business, such as banking and insurance business, asset management and securities trading/lending operations.

HypoVereinsbank AG

Domestic subsidiaries of HypoVereinsbank sell selected products from the Allianz Group in specific parts of Germany on the basis of a joint-venture contract between the Allianz Group and HypoVereinsbank. Allianz agents can channel business to HypoVereinsbank. Notice can be served on this joint-venture contract by 31 December 2004. The contract is automatically renewed by one year if notice has not been served by one of the contracting partners at least one year prior to expiry of the contract. Commissions are paid on the basis of a percentage of annual sales. During the year under review, around € 17.0 million (€ 21.0 million) was paid to HypoVereinsbank and its subsidiaries for the sale of products emanating from the Allianz Group.

See Events after the balance sheet date for the **latest developments** on these related parties.

Stock-related remuneration

Share purchase plans for employees

Shares in Allianz AG are offered to entitled employees in Germany and abroad within predefined timeframes at favorable conditions. In order to secure entitlement, employees must have been employed in unbroken service or had a position as an apprentice for a period of six months prior to the share offer and notice must not have been served. Share purchase also involves restrictions such that only a defined percentage of the annual salary may be used to purchase shares. The periods of time for which restrictions are placed on the shares vary in all participating enterprises in Germany and abroad from a minimum of one year to a maximum of five years, depending on the country involved. The shares are freely disposable after the expiry of the blocking period. The number of shares issued under these offers was 193,586 (233,055). The difference between the exercise price and market price amounting to € 20.8 million (€ 23.3 million) was reported under personnel expenses.

Long-term Incentive Plan

The Long-term Incentive Plans (LIP) were set up in spring 1999 for senior management, in order to reward the contribution made by this level of management towards increasing corporate value and to promote the long-term success of the company.

Under these plans Stock Appreciation Rights (SARs) were allocated to each manager on April 1. Restrictions are applicable for a period of two years and the rights expire at the end of seven years.

After the period of restrictions has come to an end, SARs may only be exercised if

- during the period over which rights can be exercised, the price of shares in Allianz AG has outperformed the Dow Jones Europe Stoxx Price Index (600) at least once during a period of five consecutive stock exchange days and

- the Allianz AG share price outperforms the reference price by at least 20.0 percent at the time when the rights are exercised.

The reference price is € 367.0 (€ 292.0) for the SARs issued during the year under review. The conditions of the SARs plan oblige the Group companies to pay the difference between the quoted price of Allianz shares on the day the rights are exercised and the reference price in cash.

The two-year period of restrictions had not yet expired on December 31, 2000, for the Incentive Plans covering the years 2000 and 1999.

A reserve amounting to € 21.3 million was formed and it is reported under the heading other reserves. Since the year under review, the reserve has been calculated in accordance with US GAAP APB 25. The level of the reserve is determined from the intrinsic value of the option rights. The intrinsic value corresponds to the difference between the current share price on the balance sheet date and the exercise price of the option. Purchase options were concluded to hedge future obligations (see also section on derivative financial instruments).

Members of the Board of Management of Allianz AG had 46,664 SARs (26,774) on December 31, 2000. The value of these rights based on standard option valuation methods was € 8.0 million (€ 3.7 million) on the balance sheet date.

Share option and shareholding plans of subsidiaries

Managers at the AGF Group were offered share options on AGF shares. These options have an exercise price of at least 95.0 percent of the market price on the day of granting. The maximum term for these options is eight years. On December 31, 2000 4,165,750 (3,260,774) options that can be exercised still remain outstanding from AGF options plans. These options are independent of the remuneration plans of the Allianz Group.

Irrespective of remuneration plans provided by the Allianz Group, subsidiaries RAS S.p.a., Milan and Subalpina S.p.a. Turin offer shareholding plans for employees and senior management based on RAS and Subalpina shares. The shares issued under this scheme are subject to restrictions for up to three years from the date of issue. On 12/31/2000 the number of RAS shares issued to the employees and senior management of RAS S.p.a., Milan stood at 1,128,492 shares. The number of Subalpina shares issued to senior management at Subalpina S.p.a., Turin was 40,000 at 12/31/2000.

Events after the balance sheet date

Nicholas Applegate

On January 31, 2001, Allianz acquired an interest of 100 percent in the private US asset manager Nicholas Applegate, based in San Diego. The purchase price is € 1,111.0 million. The transaction also includes performance-related purchase price payments of up to € 1,236.0 million and incentive and retention schemes of € 170.0 million.

Allianz Australia Advantage Limited, Sydney

On March 7, 2000, Allianz Australia Insurance Limited, Sydney acquired the outstanding interest of 49.0 percent of the shares in Allianz Australia Advantage Limited, Sydney by buying out the existing shareholders at a purchase price of € 75 million.

Takeover offer by Allianz AG to the shareholders of Dresdner Bank AG

Allianz AG and Dresdner Bank AG agreed to join forces to create an integrated financial services group. This transaction is geared towards positioning the group to take maximum advantage of substantial business opportunities in the growth markets for old-age provision, corporate pension provision, and capital accumulation.

With the consent of the Supervisory Board, the Board of Management of Allianz AG decided on March 31, 2001 to make a takeover offer to the shareholders of Dresdner Bank AG for the purchase of their Dresdner Bank shares at a price of € 53.13 per share. At the same time DAD Transaktions Gesellschaft mbH, which is not affiliated with the Allianz Group, will offer Dresdner Bank shareholders shares in Allianz AG in exchange for part of the cash payment they will receive if they take up the Allianz offer. As a result, Dresdner Bank shareholders will receive one Allianz share plus an additional € 200 in cash for 10 Dresdner Bank shares. The total amount required to finance this offer is approcimately € 25 billion.

Restructuring other participations

In conjunction with the reduction in cross-holdings with Münchener Rück previously announced in 2000, Allianz is also planning to restructure joint holdings in insurance enterprises. The Allianz Group will purchase an interest of 45.0 percent in Bayerische Versicherungsbank held by the Münchener Rück Group and the shareholding of 49.9 percent in Frankfurter Versicherung. Münchener Rück will in turn acquire the interest of 36.1 percent held by the Allianz Group in Karlsruher Lebensversicherung. Allianz also came to an agreement with Münchener Rück in April 2001 to acquire the 40.6 percent stake held by Münchener Rück in Allianz Lebensversicherungs-AG. These transactions will be performed in the course of 2002.

In connection with the public takeover offer made by Müchener Rück to ERGO shareholders, the Allianz Group concluded forward sales of up to 6.6 percent of the shares of Münchener Rück. Münchener Rück in turn concluded forward sales of up to 4 percent of the shares of Allianz in connection with the public takeover offer made by Allianz for Dresdner Bank. It was also agreed with Münchener Rück that Allianz would sell the interest held by the Allianz Group in Hypovereinsbank AG, currently amounting to 13.6 percent of the share capital, to Münchener Rück during the course of 2002.

The joint-venture agreement with Dresdner Bank and HypoVereinsbank will be reviewed in the course of restructuring the participations. Cooperation with Dresdner Bank is scheduled for expansion to cover the whole of Germany following the successful conclusion of the takeover of Dresdner Bank, with effect for new business from 2002. In this connection, the joint venture with HypoVereinsbank will be ended.

Compensation for the Board of Management and the Supervisory Board

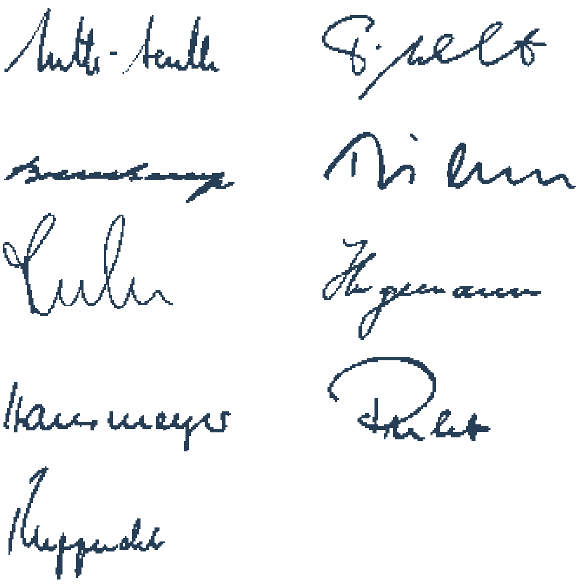
Provided that the Annual Meeting of shareholders approves payment of the dividend proposed, the compensation paid by Allianz AG and its affiliated enterprises to the Board of Management for the year under review was € 9.5 million (€ 7.7 million). Former members of the Board and their beneficiaries were paid € 3.3 million (€ 3.1 million).

€ 25.2 million (€ 21.6 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 2001 Annual Meeting of shareholders, will be € 1.6 million (€ 1.4 million).

Munich, May 7, 2001

Allianz Aktiengesellschaft
The Board of Management



Selected participations and other equity investments

Operating subsidiaries	Equity in € mn	% owned [1]
AGIS Allianz Gesellschaft für Informatik Service mbH, Munich	180.9	100.0
Allianz Asset Management Gesellschaft mbH, Munich	86.2	100.0
Allianz Bauspar AG, Munich	46.1	100.0
Allianz Capital Partners GmbH, Munich	648.8	100.0
Allianz Globus MAT Versicherungs-Aktiengesellschaft, Hamburg	51.5	100.0
Allianz Immobilien GmbH, Stuttgart	4.3	100.0
Allianz Kapitalanlagegesellschaft mbH, Stuttgart	5.4	100.0
Allianz Lebensversicherungs-AG, Stuttgart	1,074.3	50.3
Allianz PIMCO Asset Management GmbH, Munich	5.1	100.0
Allianz Vermögens-Bank AG, Augsburg	22.8	100.0
Allianz Versicherungs-AG, Munich	1,515.5	100.0
Allianz Zentrum für Technik GmbH, Munich	0.2	100.0
Bayerische Versicherungsbank AG, Munich	321.1	45.0 [2]
Deutsche Lebensversicherungs-AG, Berlin	35.7	100.0
Frankfurter Versicherungs-AG, Frankfurt/Main	342.6	49.9 [2]
Hermes Kreditversicherungs-AG, Hamburg	102.8	91.0
Kraft Versicherungs-AG, Berlin/Munich	9.6	99.5
Münchener und Magdeburger Hagelversicherung AG, Munich	6.1	50.7
Vereinte Krankenversicherung AG, Munich	244.9	100.0
Vereinte Lebensversicherung AG, Munich	57.0	96.7
Vereinte Rechtsschutzversicherung AG, Munich	10.2	100.0
Vereinte Spezial Krankenversicherung AG, Munich	7.9	100.0
Vereinte Spezial Versicherung AG, Munich	8.3	100.0
Vereinte Versicherung AG, Munich	268.7	99.3

[1] including shares held by subsidiaries
[2] management control agreement

Operating subsidiaries	Equity in € mn	% owned [1]
AGF Belgium Insurance, Brussels	524.3	100.0
AGF La Lilloise, Paris	65.1	99.9
AGF-M.A.T., Paris	105.0	100.0
Alba Allgemeine Versicherungs-Gesellschaft, Basel	17.4	100.0
Allianz Asset Management (Ltd.), Hong Kong	2.8	100.0
Allianz Australia Limited, Sydney	308.8	100.0
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	8.6	70.1
Allianz Bulgaria Life Insurance Company Ltd., Sofia	4.6	89.5
Allianz Compañía de Seguros y Reaseguros S.A., Madrid	269.2	96.6
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	99.4	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	363.1	98.7
Allianz Europe Ltd., Amsterdam	1,656.6	100.0
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	10.5	100.0
Allianz First Life Insurance Co. Ltd., Seoul	7.4	100.0
Allianz General Insurance Company S.A., Athens	6.6	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	11.3	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	44.4	100.0
Allianz Insurance Company, Los Angeles	4,368.3	100.0
Allianz Lebensversicherung (Schweiz) AG, Zurich	40.7	100.0
Allianz Life Insurance Company of North America, Minneapolis	1,736.5	100.0
Allianz Life Insurance Company S.A., Athens	4.8	100.0
Allianz México S.A. Compañía de Seguros, Mexico City	80.1	100.0
Allianz Nordeuropa Forsikringsaktieselskabet, Taastrup	12.7	100.0
Allianz of America Inc., Wilmington	5,758.7	100.0
Allianz of Canada Inc., Toronto	220.9	100.0
Allianz of South Africa (Proprietary) Ltd., Johannesburg	14.0	100.0
Allianz poistòvňa a.s., Bratislava	25.5	100.0
Allianz pojišťòvna a.s., Prague	24.3	100.0
Allianz President General Insurance, Taipeh	36.6	50.0 [2]
Allianz President Life Insurance, Taipeh	– 7.7	50.0 [2]
Allianz Re Dublin Ltd., Dublin	11.2	100.0
Allianz Risk Transfer, Zurich	386.7	100.0
Allianz Romania SA, Bucharest	0.9	99.9
Allianz Subalpina Società di Assicurazioni e Riassicurazioni S.p.A., Turin	185.9	96.6
Allianz Underwriters Insurance Company, Los Angeles	52.3	100.0
Allianz Versicherung (Schweiz) AG, Zurich	68.0	100.0
Allianz Worldwide Care, Dublin	11.9	100.0
Allianz Zagreb d.d., Zagreb	9.7	52.1

[1] including shares held by dependent subsidiaries
[2] controlled by Allianz

Operating subsidiaries	Equity in € mn	% owned [1]
Allianz-RAS Tutela Giudiziaria S.p.A., Milan	5.8	100.0
Allianz-Tiriac Asigurari, Bucharest	8.1	51.0
Arab International Insurance Company, Cairo	8.5	80.0
Assurances Générales de France Iart, Paris	1,806.1	99.9
Assurances Générales de France Vie, Paris	1,775.8	100.0
Assurances Générales de France, Paris	5,851.8	65.2
Banque AGF, Paris	431.7	100.0
Berner Allgemeine Versicherungs-Gesellschaft, Bern	223.4	60.1
Berner Lebensversicherungs-Gesellschaft, Bern	18.5	100.0
Church and General Insurance p.l.c., Dublin	74.4	100.0
Commercial Bank „Bulgaria Invest" Company Ltd., Sofia	6.7	99.2
Compagnie d'Assurance de Protection Juridique S.A., Geneva	6.2	100.0
Companhia de Seguros Allianz Portugal S.A., Lisbon	108.0	64.9
Cornhill Insurance PLC, London	873.5	98.0 [2]
Dival Vita S.p.A., Milan	145.9	100.0
Elmonda, Zurich	309.7	100.0
ELVIA Reiseversicherungs-Gesellschaft, Zurich	166.8	100.0
ELVIA Schweizerische Lebensversicherungs-Gesellschaft, Zurich	205.3	97.7
ELVIA Schweizerische Versicherungs-Gesellschaft, Zurich	489.9	99.9
ENTENIAL, Guyancourt-Saint Quentin En Yvelines, S.A.	333.6	72.2
EULER, Paris	698.2	56.4
Fireman's Fund Insurance Company, Novato	2,995.5	100.0
France Life Insurance Co. Ltd., Seoul	2.1	100.0
Hungária Biztosító Rt., Budapest	95.3	100.0
International Reinsurance Company S.A., Luxembourg	31.6	100.0
Jefferson Insurance Company of N.Y., New York	130.1	100.0
Life USA Insurance Company, Minneapolis	157.5	100.0
Lloyd 1885 S.p.A., Milan	23.0	100.0
Lloyd Adriatico S.p.A., Trieste	442.6	99.7
Merchant Investors Assurance Co. Ltd., Bristol	12.4	100.0
Oppenheimer Capital, a DE G.P., Delaware	27.1	100.0
Ost-West Allianz Insurance Company, Moskow	– 0.2	100.0
Pacific Investment Management Company LLC, a DE LLC, Delaware	73.6	97.0
P.T. Asuransi Allianz Life Indonesia, Jakarta	3.1	98.7
P.T. Asuransi Allianz Utama Indonesia, Jakarta	6.3	55.4
Pet Plan Health Care Ltd., London	9.6	100.0
PIMCO Funds Distributors LLC, a DE LLC, Delaware	40.5	100.0
Riunione Adriatica di Sicurtà S.p.A., Milan	4,054.4	51.1 [3]
T.U. Allianz Polska S.A., Warsaw	83.9	100.0
T.U. Allianz Polska Zycie S.A., Warsaw	28.0	100.0
Wm. H McGee & Co. Inc., New York	51.5	100.0
Zwolsche Algemeene Levensverzekering N.V., Nieuwegein	199.2	100.0
Zwolsche Algemeene Schadeverzekering N.V., Nieuwegein	112.7	100.0

[1] including shares held by dependet subsidiaries
[2] percentage of voting capital owned: 99,99%
[3] percentage of voting capital owned: 51,81%

Associated enterprises [2]	Equity in € mn	% owned [1]
Autobahn Tank & Rast Holding GmbH, Bonn	20.7	31.5
Beiersdorf AG, Hamburg	1,429.0	38.7
Dresdner Bank AG, Frankfurt/Main	13,019.6	21.2
Karlsruher Lebensversicherung AG, Karlsruhe	175.0	36.1
Monachia Grundstücks-Aktiengesellschaft, Munich	26.1	48.7
Münchener Rückversicherungs-Gesellschaft AG, Munich	19,813.0	24.9
TELA Versicherung AG, Berlin/Munich	277.2	25.0
EUROPENSIONES S. A., Madrid	35.1	49.0
Koç Allianz Hayat Sigorta A.S., Istanbul	17.1	38.0
Koç Allianz Sigorta T.A.S., Istanbul	20.6	37.1
National Insurance Company Berhad, Brunei	5.8	25.0
Sophia, Paris	821.2	40.2

Other investments in insurance companies	Equity in € mn	% owned [1]
AMB Aachener und Münchener Beteiligungs-AG, Aachen	1,599.0	4.6
The Navakij Insurance Public Company Ltd., Bangkok	26.1	18.5

[1] including shares held by dependet 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 listed companies[1]	Equity in € mn	% owned[2]
BASF AG, Ludwigshafen	3,509.9	11.9
Bayer AG, Leverkusen	2,335.5	5.7
Bayerische Hypo- und Vereinsbank AG, Munich	4,361.6	13.6
Bayerische Motorenwerke AG, Munich	276.0	1.3
BEWAG-AG, Berlin	127.4	4.8
DaimlerChrysler AG, Stuttgart	713.6	1.6
Deutsche Bank AG, Frankfurt/Main	2,516.3	4.6
Deutsche Telekom AG, Bonn	561.8	0.6
E.ON AG, Düsseldorf	5,260.6	10.6
IKB Deutsche Industriebank AG, Düsseldorf/Berlin	278.8	19.8
Karstadt-Quelle AG, Essen	388.6	9.1
Leifheit AG, Nassau/Lahn	18.3	10.8
Linde AG, Wiesbaden	766.2	12.4
Mannesmann AG, Düsseldorf	559.5	1.4
RWE AG, Essen	2,919.6	11.7
SAP AG, Walldorf	456.7	1.0
Schering AG, Berlin	1,342.7	11.2
Siemens AG, Munich	2,984.0	3.6
Süd-Chemie AG, Munich	92.2	19.0
Thyssen-Krupp AG, Essen	404.5	4.8
VW AG, Wolfsburg	188.4	1.1

[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 (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Equity in € mn	% owned[2]
ABB Ltd., Zurich	213.7	0.6
Aegon NV, The Hague	100.7	0.2
AES Corp., Arlington, VA	185.9	0.7
Alcatel SA, Paris	729.8	1.0
Applied Materials Inc., Santa Clara, CA	101.8	0.3
Assicurazioni Generali SpA, Trieste	283.7	0.5
AstraZeneca PLC, London	141.0	0.1
Automatic Data Processing Inc., Roseland, NJ	230.9	0.5
Aventis SA, Schiltigheim	1,025.0	1.4
AXA-UAP SA, Paris	675.2	1.1
Banco Bilbao Vizcaya Argentaria, Bilbao	481.2	1.0
Banco Popular Español SA, Madrid	428.7	5.3
Banco Português de Investimento (BPI-SGPS) SA, Lisbon	192.1	8.9
Banco Santander Central Hispánico SA, Madrid	127.0	0.2
BNP Paribas, Paris	767.8	1.8
BP Amoco PLC, London	367.4	0.3
British Telecom PLC, London	117.8	0.2
Cable & Wireless PLC, London	160.2	0.4
Cap Gemini SA, Paris	208.1	1.0
Carrefour Supermarché SA, Paris	351.7	0.8
CGNU PLC, London	268.8	0.7
Cisco Systems Inc., San Jose, CA	298.2	0.1
Citigroup Inc., New York, NY	356.6	0.1
Costco Wholesale Corp., Issaquah, WA	124.7	0.7
Crédit Lyonnais SA, Paris	796.9	6.3
Crédit Suisse Group, Zurich	244.2	0.4
DMC Dollfus-Mieg et Cie SA, Paris	12.7	11.6
ENEL S.p.A., Rome	120.2	0.2
ENI S.p.A., Rome	306.3	0.6
Ericsson, Stockholm	444.3	0.5
Exxon Mobil Corp., Irving, TX	277.5	0.1
FleetBoston Financial Corp., Boston, MA	120.0	0.3
Fortis NV, Utrecht	201.9	1.0
France Télécom SA, Paris	351.5	0.3
General Electric Co. Inc., Fairfield, CT	423.7	0.1
Geodis SA, Paris	21.4	8.5
GlaxoSmithKline PLC, Greenford, Middlesex	627.0	0.3

[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 (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Equity in € mn	% owned [2]
Groupe Danone SA, Paris	352.6	1.5
Hana Bank, Seoul	78.5	12.5
Harwanne SA, Geneva	16.7	18.4
Home Depot Inc., Atlanta, GA	246.5	0.2
HSBC Holdings PLC, London	202.2	0.1
Immobilière Marseillaise, Marseilles	51.4	8.5
ING Group NV, Amsterdam	683.2	0.8
Intel Corp., Santa Clara, CA	252.9	0.1
Koninklijke Ahold NV, Zaandam	203.3	0.8
La Rochette SA, Paris	10.3	6.6
Lafarge SA, Paris	187.7	1.9
Lloyds TSB Group PLC, Edinburgh	377.3	0.6
L'Oréal SA, Paris	308.6	0.5
LVMH SA, Paris	206.7	0.6
Mediobanca S.p.A., Milan	156.0	2.2
Medtronic Inc., Minneapolis, MN	301.5	0.4
Mellon Financial Corp., Pittsburgh, PA	149.5	0.5
Merck & Co., Inc., Whitehouse Station, NJ	127.9	0.1
Merrile Lynch & Co. Inc., New York, NY	145.2	0.2
Microsoft Corp., Redmond, WA	197.0	0.1
Nestlé SA, Vevey	959.8	1.0
Nokia Oyj., Nokia	1,443.0	0.6
Nortel Networks Corp., Brampton, ON	156.5	0.1
Novartis AG, Basel	1,006.5	0.8
Omnicom Group Inc., New York, NY	144.6	0.9
Pearson PLC, London	141.5	0.7
Pechiney SA, Paris	253.2	6.5
PepsiCo Inc., Purchase, NY	180.4	0.2
Pfizer Inc., New York, NY	465.2	0.2
Philips Electronics NV, Amsterdam	408.9	0.8
Photon Dynamics Inc., San Jose, CA	33.6	11.7
Pinault-Printemps-Redoute SA, Paris	160.6	0.6
Pirelli & Co. SpA, Milan	91.2	5.3
Portugal Telecom SA USA, Lisbon	119.6	1.0
Prudential Corporation PLC, London	143.0	0.4

[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 (incl. consolidated investment fund)

Other selected holdings in listed companies[1]	Equity in € mn	% owned [2]
QUALCOMM Inc., San Diego, CA	122.8	0.2
Renault SA, Boulogne, Billancourt	211.1	1.6
Roche Holding AG, Basel	675.0	0.9
Rolo Banca 1473 SpA, Bologna	373.3	4.0
Royal Bank of Scotland Group PLC, Edinburgh	334.1	0.6
Royal Dutch Petroleum, The Hague	774.3	0.5
San Paolo IMI SpA, Turin	429.1	1.7
Sanofi-Synthelabo SA, Paris	115.7	0.2
Schering-Plough Corp., Kenilworth, NJ	159.9	0.2
Schneider SA, Boulogne-Billancourt	205.1	1.7
Schweizer Rückversicherungs-Gesellschaft AG, Zurich	133.4	0.4
Shell Transport & Trading Co. PLC, London	159.8	0.2
Société Générale SA, Paris	820.3	2.9
State Street Corp., Boston, MA	234.3	1.1
STMicroelectronics NV, Genf	346.8	0.9
Suez Lyonnaise des Eaux SA, Paris	370.3	1.0
Sun Microsystems, Palo Alto, CA	146.5	0.1
Telefónica SA, Madrid	407.7	0.5
Tesco PLC, Cheshunt, Hertfordshire	183.7	0.6
Texas Instruments Inc., Dallas, TX	298.6	0.3
TIM SpA, Turin	441.0	0.6
Total Fina Elf SA, Paris	825.8	0.7
UBS AG, Zurich	512.9	0.7
UniCredito Italiano SpA, Milan	1,387.2	5.0
Unilever NV, Rotterdam	109.5	0.3
United Technologies Corp., Hartfort, CT	191.8	0.5
Verizon Communications Inc., New York, NY	125.6	0.1
Vivendi SA, Paris	539.5	0.7
Vodafone Airtouch PLC, Newbury, Berkshire	907.8	0.4
Wal-Mart Stores Inc., Bentonville, AR	209.0	0.1
Wells Fargo & Company, San Francisco, CA	269.5	0.3
Winstar Communications Inc., New York, NY	85.4	7.2
Worms et Cie, Paris	311.7	15.3
Zagrebacka Banka d.d., Zagreb	50.5	9.9
Zurich Financial Services AG, Zurich	215.9	0.4

[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 (incl. consolidated investment fund)

Other interests

Associated or other non-consolidated asset management companies hold the following shareholdings in the listed companies listed below:

	Equity investments held by asset management companies		Interest of the Allianz Group in the asset management companies
	Market value € mn	% owned	% owned
Heidelberger Druckmaschinen AG, Heidelberg	1,337.0	23.9	50.0
Hochtief AG, Essen	146.3	10.0	50.0
MAN AG, Munich	1,074.0	25.8	50.0
Mühl Product & Service AG, Kranichfeld	64.2	50.6	25.0

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 business year from January 1 to December 31, 2000. The preparation and the content of the consolidated financial statements in accordance with International Accounting Standards (IAS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), and in supplementary compliance with United States Generally Accepted Auditing Standards (US GAAS). 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. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. 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 the International Accounting Standards (IAS).

Our audit, which also extends to the Group management report prepared by the Company's management for the business year from January 1 to December 31, 2000, has not led to any reservations. In our opinion on the whole, the group management report 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 business year from January 1 to December 31, 2000 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the Group management report in accordance with German law.

Munich, May 11, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gerd Geib	Dr. Frank Ellenbürger
Independent Auditor	Independent Auditor

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. This is possible, for example, where the Group parent holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserve | Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Assets under management | The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held for variable annuity policyholders, bank loans and advances, and investments held under management for third parties.

Associated enterprises | All those enterprises, other than affiliated enterprises, in which the Group has an interest of between 20 percent and 50 percent, regardless of whether a significant influence is actually exercised or not.

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 on the balance sheet because the probability of a liability actually being incurred is low. 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 independent pension 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 independent 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. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

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 an independent 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 independent pension fund. Benefits have to be claimed from the independent pension fund.

Derivative financial instruments (derivatives) | Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. securities, currencies, interest rate products or indices). Options, futures, forwards and swaps are important examples of derivative financial instruments.

Earnings from ordinary activities | Pre-tax profit or loss from activities which an enterprise undertakes in the normal course of business. This does not include extraordinary items, i.e. income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and are therefore not expected to recur frequently or regularly.

Earnings per share (basic/diluted) | Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation | The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary at the date of acquisition.

Equity method | Investments in joint ventures and associated enterprises are accounted for by this method. They are valued at the Group's proportionate share of the net assets (= shareholders' equity) of the enterprises concerned. In the case of investments in enterprises which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the enterprise's net assets, a proportionate share of the enterprise's net earnings for the year being added to the Group's consolidated income.

Expense ratio | Underwriting costs (including change in deferred acquisition costs) as a percentage of premiums earned.

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 permanent diminution in value.

Options | Derivative financial instruments where the holder is entitled – but not obliged – to buy (a call option) or sell (a put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

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.

Allianz AG
Königinstrasse 28
D-80802 München
Telephone +49 89.38 00 00
Telefax +49 89.34 99 41
www.allianz.com

Printed on chlorine-free bleached paper.

UKGBE0020Z0 (0/04) 6.01