

Focus Innovation Property Casualty  
Markets  
Customer Power  
Financial Best practices  
Customer Focus Small and medium enterprises  
Direct Corporate responsibility Income  
Solvency II Profitable Growth Strategy Markets  
Solid Ambition Trust Intermediaries

Allianz Nederland Groep

# Annual Report 2011

## Contents

1	Introduction
3	<b>About Allianz</b>
3	Profile
3	Ambition
3	Positioning
3	Our key activities
5	Key figures
6	Board members
7	<b>Report from group management</b>
7	Allianz Nederland in 2011
13	Allianz Nederland Schadeverzekering
16	Allianz Nederland Levensverzekering
18	Banking products and asset management
20	Outlook
21	<b>Financial statements 2011 Allianz Nederland Groep</b>
22	Consolidated financial statements
27	Supplementary Information to the Consolidated Financial Statements
34	Supplementary Information to the Consolidated Balance Sheet – assets
40	Supplementary Information to the Consolidated Balance Sheet – equity and liabilities
47	Supplementary Information to the Consolidated Income Statement
53	Additional Information to the Consolidated Financial Statements
65	Corporate Financial Statements
70	Other information
70	Addresses
71	Credits

# Introduction

## Allianz Nederland reports solid performance

2011 was the year of 'One Company' for Allianz Nederland, one company, one team and one way of working.

We have centralized our support functions in Rotterdam. Together with the reorganization which we implemented at the same time, this leads to structural cost savings. The Dutch insurance market shows a high expense level in comparison with our neighbours. Allianz wants to lead the way to achieving a change in this. Everything we do is carried out to this end. The best interests of our customers are served by the best quality product for the right price. We are leaders in this.

### Continued focus on expenses

It is absolutely necessary to strive for operational excellence. We are forced to make expense savings by the unsure macro-economic situation in Europe and the related uncertainties about investments in government bonds. Less consumer confidence is also a factor which influences our industry. Income and investment results have become less predictable due to these developments. Furthermore the insurance market in The Netherlands has changed rapidly. The traditional life insurance market has practically come to a stand still; the non-life market also does not show positive development due to fierce price competition.

### Healthy performance

In the light of these market conditions, we are satisfied with our financial performance in 2011. In this context we report healthy results. Profitability is good and solvency is strong. Our business partners and customers are secure in the knowledge that they are dealing with a solid company and a strong brand. We are concerned about the high claims incurred in some segments, especially in property and motor insurance.

### Added value

Now that our internal organization has been renewed, we are focusing primarily on our customers, on distribution and on further strengthening our brand. It is our ambition to become the best insurer in The Netherlands within the next few years. We shall need to be flexible at all times in terms of positioning, product range and distribution in order to create added value for customers and distribution partners. We aim to become preferred partner for the professional intermediary and for brokers. We will do this by providing maximum support with our knowledge, capabilities, products and excellent processes. Allianz continues to invest in the intermediary channel, in addition to offering insurance via direct writing, because we believe in the added value of the intermediary.

We take our responsibility for the process very seriously. We want to transact business with intermediaries and brokers who recognize a strong partner and a strong brand in Allianz. With them we will maintain the highest quality of service, of advice and of the right customer/product combinations. We will work even more intensively than before with intermediaries and brokers in order to guarantee this quality. In this we will impose even more demands on each other. Nowadays this can no longer be optional. We want to protect the quality fitting with the Allianz brand in this way.

This quality control is also important in relation to the call for more transparency in non-life insurance. Allianz Nederland wants to support the intermediary by developing a model with which the price of advice is separated from the price of the insurance. We attach great value to high quality advice because ultimately this supports our brand. Therefore we will prepare a step-by-step plan together with both the intermediary and the insured, in order to separate the product price from the price of the advice. As insurers and intermediaries, we were focused on selling products; we must now learn to deliver more advice and service and to communicate this clearly to customers.

## Expansion of distribution

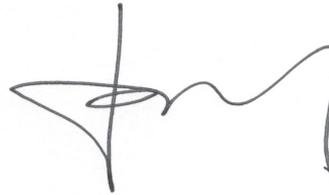
With the success of our direct writer, Allsecur, we see that many customers feel comfortable with a 'do-it-yourself' approach. They buy insurance products without a middle man or help from an adviser. We learn through Allsecur how to support our intermediaries better with their private customers. We also learn how we can offer the customer our bank product more directly and how to offer more service digitally. Our agreed partnership with Binck Bank, on whose platform we expect to offer our bank savings product from mid-2012, will help us to make significant progress in this area.

Providing service via banks is important when selling commercial insurances. We missed this bank channel up till now. We are extremely happy that in 2011 we established a co-operative agreement with Deutsche Bank Nederland. Deutsche Bank understands the needs of commercial customers and has a fresh and innovative approach. Allianz offers top products and broad knowledge of insurance. Via the Deutsche Bank network we are going to offer our insurances to the commercial market. We offer Deutsche Bank customers a simple and recognizable insurance concept. This represents an advantage for us insofar as we can know our customers better from a broader financial perspective. This unique concept started on 1st January 2012 in all Deutsche Bank branches. We expect substantial business from this co-operation.

## Ambitious employees

We also expect a lot from our employees. And they expect a lot from us as employer. The results of our employee engagement survey show that employees want to feel more engaged with our strategy and targets. We see that the enthusiasm and satisfaction of our employees are important factors for success. Therefore we agreed clear and ambitious plans in the summer of 2011 which we are going to implement in the coming months.

The advantages of 'One Company' have become visible. All our employees have contributed to this in one way or another. We are shifting our focus now to Best Company. We are going to work together in order to achieve this ambitious goal. Our employees are the critical success factor in how the market experiences and values the strong Allianz brand.



Ron van het Hof  
CEO Allianz Nederland Groep N.V.

# About Allianz

## Profile

Allianz Nederland is part of Allianz Group, one of the largest financial institutions in the world. In Europe Allianz is market leader when it comes to risk acceptance and the development and provision of financial solutions. In The Netherlands Allianz operates as an integrated financial services provider with a distinguished package of risk and asset management products. With the worldwide knowledge of risk management and financial planning and the power of innovation within the group, we lead in the areas of expert advice and product development.

With approximately 1,200 employees, Allianz Nederland is a medium-sized service provider. This size means that we are able to take advantage of changes in the market in a flexible and effective way. Our employees are given room to develop themselves and to play a meaningful role in achieving our strategy. By actively controlling expenses, we offer the customer the best quality and service for a keen price. It is our intention to innovate continuously in the interests of the customer.

Allianz Nederland offers its services and products within the disciplines of non-life and life insurance, asset management and income-related insurance and has its head office in Rotterdam. Our regional offices make the company accessible with short lines of communication. This applies to both the intermediary and private and commercial customers. We serve our customers in the most appropriate way for them, via intermediary, direct writer and in the future via the bank channel, mainly for commercial customers.

## Ambition

Allianz is the financial services provider positioned next to the customer. We want to be the insurer with the most loyal customers and with employees who consider us to be the best employer in the industry. Customers value us because we are a stable, transparent and sympathetic company. We listen to and learn from our customers and then we make choices in the composition of our products and the way in which we approach the market. Our employees are our ambassadors to the customer. They have of international and local professional expertise at their disposal with which they want to serve Allianz customers.

## Positioning

Allianz aims to have an above-average performance in the Dutch financial services market. We aim for profitable growth and the position of the most efficient provider, which delivers first class quality and thereby automatically creates ties with the customer. We want to differentiate ourselves with innovative products and services. We make sure that the customer can find these by being creative in terms of distribution.

Our professional and highly driven employees allow Allianz Nederland to achieve our strategic goals. Employees are given considerable responsibility and are challenged to grasp this with both hands and to continue developing themselves.

## Our key activities

### Allianz Nederland Schadeverzekering

Allianz Nederland is an important player on the Dutch insurance market. This translates into a leading position, particularly in motor insurance and in the commercial market. It is characteristic to our approach that we know how to combine professional expertise with regard to risk underwriting well with entrepreneurship. Account management has a high degree of freedom to interpret our goal of optimal cooperation with the intermediary.

Allianz Nederland Schadeverzekeringen operates four business units which offer non-life insurance through an intermediary to private customers and small and medium-sized businesses and through brokers to large companies:

- Allianz Nederland Schadeverzekering concentrates on the SME and private lines market.
- Allianz Nederland Verkeer- en Privé-verzekeringen insures large motor fleets and personal lines.
- Allianz Nederland Corporate insures large, complex commercial risks for local companies in the co-insurance market.
- Allianz Inkomensverzekeringen is a specialist company that is directed exclusively at insurance solutions and services in the field of income protection.

London Verzekeringen is as an intermediary insurer directed primarily at non-life personal lines insurance.

Allsecur is Allianz's direct writer, which provides non-life insurance to the market under its own label.

### **Allianz Nederland Levensverzekering**

Allianz Nederland Levensverzekering offers modern, flexible pension products at market prices. These products are offered by a group of high quality advisory bureaus with whom we have built up a strong relationship. In addition Allianz Nederland Levensverzekering offers mortgages which are linked with a bank savings account.

Nemian, our subsidiary in Luxemburg, has been transferred to another part of the Allianz Group.

### **Banking products and asset management**

Allianz Nederland Asset Management is a banking institution which has been involved in group asset management since 1959. It offers a complete range of investment funds including via investment accounts for about 55,000 account holders. Allianz Nederland Asset Management offers bank savings products via intermediaries in order to accumulate assets for various purposes, also combined with life insurance from Allianz Nederland Levensverzekering. The other activities are aimed at:

- Management of the unit-linked funds offered to policyholders of Allianz Nederland Levensverzekering;
- Group asset management for companies belonging to Allianz Nederland Groep.

Total assets under management of Allianz Nederland Asset Management amounted to € 5.6 billion at the end of 2011. Total assets under management with Allianz Nederland Asset Management for policyholders amounted to € 2.8 billion at the end of 2011.

## Key figures

(€ mln)	2011	2010	2009	2008	2007
<b>Income</b>					
Gross premiums written					
- Property-Casualty	829*	910	916	913	927
- Life	316	315	354	371	399
<b>Total gross premiums written</b>	<b>1,145</b>	<b>1,225</b>	<b>1,270</b>	<b>1,284</b>	<b>1,326</b>
Investment income	147	166	210	214	256
Other income	33	37	31	28	24
<b>Income</b>	<b>1,325</b>	<b>1,428</b>	<b>1,511</b>	<b>1,526</b>	<b>1,606</b>
<b>Net premiums written</b>	<b>1,074</b>	<b>1,089</b>	<b>1,135</b>	<b>1,155</b>	<b>1,199</b>
<b>Operating result</b>	<b>108</b>	<b>111</b>	<b>91</b>	<b>102</b>	<b>182</b>
<b>Profit before taxes</b>					
Property-Casualty	36	69	60	70	234
Life	52	43	60	35	58
Asset Management	6	8	12	7	12
Other profit/loss (including cost of financing)	9	-	1	(1)	(5)
<b>Total result before taxes</b>	<b>103</b>	<b>120</b>	<b>133</b>	<b>111</b>	<b>299</b>
<b>Total result after taxes</b>	<b>79</b>	<b>90</b>	<b>98</b>	<b>84</b>	<b>228</b>
<b>Return on Equity</b>	<b>12%</b>	<b>14%</b>	<b>15%</b>	<b>12%</b>	<b>29%</b>
<b>Investments</b>					
At the risk of the company	2,850	2,869	2,863	2,464	2,951
At the risk of the policyholders	2,755	3,202	3,057	2,773	3,356
<b>Total investments</b>	<b>5,605</b>	<b>6,071</b>	<b>5,920</b>	<b>5,237</b>	<b>6,307</b>
<b>Insurance provisions</b>					
Gross	5,537	5,564	5,431	5,015	5,551
Net	5,411	5,410	5,244	4,829	5,374
<b>Shareholders' equity</b>					
Paid-up capital	60	60	60	60	60
Reserves	610	604	605	588	737
	<b>670</b>	<b>664</b>	<b>665</b>	<b>648</b>	<b>797</b>
<b>Average number of staff</b> (converted to full-time equivalent)	<b>1,135</b>	<b>1,281</b>	<b>1,328</b>	<b>1,346</b>	<b>1,337</b>

\* exclusive €75 mln, due to carve out AGCS.

# Board members

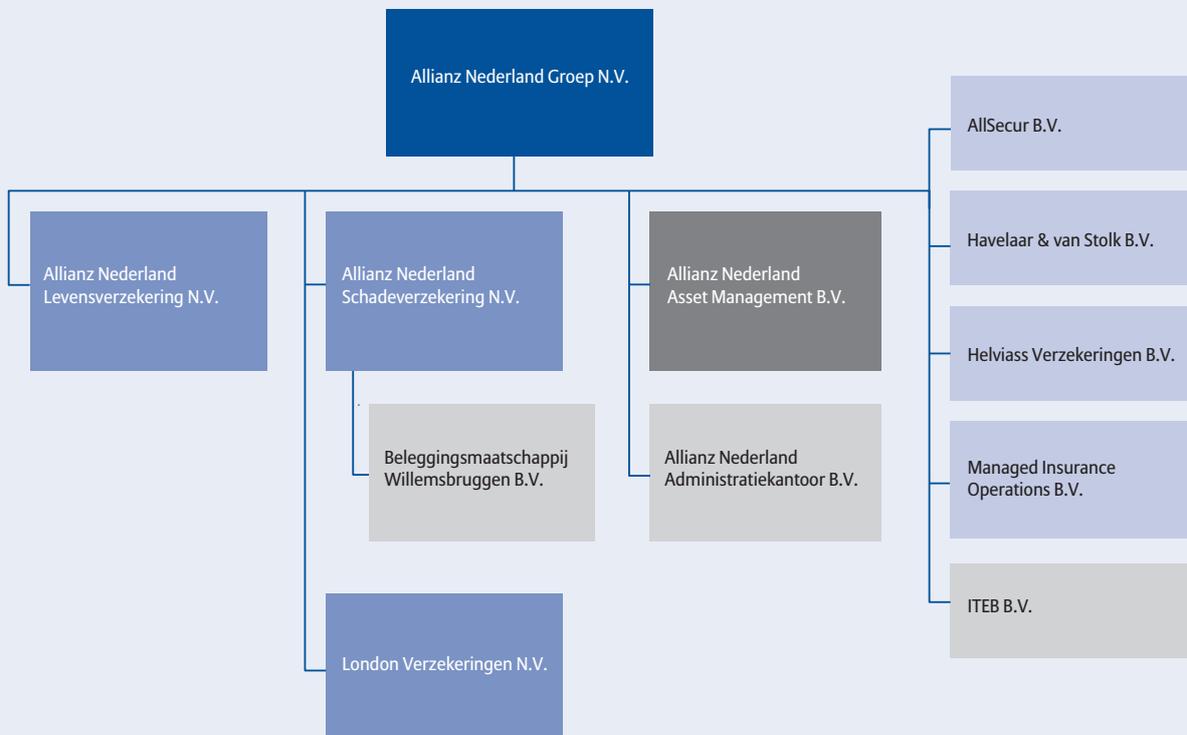
## Management Board Allianz Nederland Groep

R. van het Hof (chairman)  
 P.S. Grimberg  
 S.L. Laarberg  
 T.P. Merkle (per January 11, 2012)  
 C.J.A.M. Schneijdenberg  
 H.J.J. Schoon (until January 1, 2012)

## Supervisory board Allianz Nederland Groep

R.J.W. Walvis (chairman)  
 G.J. de Boer-Kruyt  
 F.W. Fröhlich  
 J. Weber  
 H. Gloaguen (until January 1, 2012)

## Organizational chart of Allianz Nederland Groep N.V.



Holding

Insurer

Intermediary

Asset Manager

Other

# Report from group management

## Allianz Nederland in 2011

### Vision

The financial strategy of Allianz Nederland is and will remain aimed at profitable growth. We make a conscious decision to aim for long-term quality of the income. Our underwriting policy is aimed at high yield income, supported by professional risk models and knowledge of our business and our customers. In the saturated insurance market, expenses need to bend with the income. This is why we make cost control our highest priority.

Allianz Nederland is a profitable insurance company. We started to take drastic measures already in 2008 in order to bring our expenses more in line with our income. We align our business model with the level of demand. Shrinkage in the organization and centralization of support functions lead to structural improvement in efficiency. In this way we have incorporated optimal flexibility in order to be able to react to changing market conditions. Our focus remains directed at taking further measures which will lead to improved efficiency.

With this focus on expenses as a pre-requisite, we have created room in order to focus completely on the market and the customer. It is our vision that strong brands and customer-oriented concepts reinforce each other. This is definitely true in this uncertain macro-economic climate. Customers need brands and service concepts which will still exist in the coming period. Allianz has shown – throughout the crisis – that it is a strong brand.

### Financial result

#### Income, expenses, result

Total premium income in 2011 from non-life and life was relatively stable and amounted to € 1,145 million, (2010: € 1,225 million) a reduction of 7% when compared with 2010. Premiums written in non-life came to € 829 million (2010: € 910 million). The growth of Allsecur and in income-related insurance compensates in part for the slight reduction in the other lines of business, where the transfer of Allianz Global Corporate & Specialty (€ 75 million premium) was the main component. Premium income in life amounted to € 316 million (2010: € 315 million). We see stable premium income in the life portfolio. Due to the absence of guaranteed long-tail risks in

the life portfolio, Allianz Nederland was less troubled by the low interest level in the market.

Asset management showed a reasonable investment result, despite the difficult market situation.

Constant attention to expense management leads to better results. The reorganization and centralization of activities in Rotterdam is practically finished and affords sustainable expense savings annually.

Net profit decreased by 12% to € 79 million (2010: € 90 million). The operating result is comparable with 2010 and came to € 108 million (2010: € 111 million). The combined ratio came to 99.6% (2010: 98.6%).

#### Solvency

Allianz Nederland is and will remain a creditworthy partner for the intermediary, investors and insurance and pension customers. Capital and free reserves amounted to € 670 million at the end of 2011, an increase of 1% when compared with 2010. The solvency ratio remained strong at 201%, and improved in relation with 2010 (187%). In November the Standard & Poor's rating was confirmed as AA- with a 'Stable Outlook' for our insurance subsidiaries Allianz Nederland Schadeverzekering, Allianz Nederland Levensverzekering and London.

### Risk profile

#### Developments in 2011

##### Sovereign debt crisis

In early 2010 fears of a foreign debt crisis developed. Concerns about rising government deficits and debt levels across the globe together with a wave of downgrading of European government debt, caused turmoil in financial markets. In 2011 the sovereign debt crisis continued to deepen, leading to plummeting stock markets in August and September and a threat by rating agencies to downgrade eurozone countries en masse. Allianz Nederland anticipated timely by disposing of the majority of its exposure to sovereign debt of the so-called PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) before the sovereign debt crisis fully unfolded. Per year-end our exposure to sovereign debt of the PIIGS countries is restricted to EUR 63 m in Italy (2010 EUR 110 m in Italy).

### Preparation for Solvency II

Allianz Nederland has decided to calculate its Solvency II capital requirement using an internal capital model. In 2010 Allianz Nederland switched to the new internal model framework, thereby replacing the existing internal capital model which had been in place since 2002. The main enhancements to the old internal model framework can be summarised as follows:

- The technique of replicating portfolios provides an insightful representation of the market value of the insurance liabilities and thereby also of their fluctuations under changing market conditions. In this way, the technique enables the stochastic modelling of market risks in the life portfolio.
- A more integrated approach to the calculation of the premium and reserve risks on the one hand and the analysis of the technical provisions on the other. Moreover, the effect of reinsurance is modelled explicitly.
- For credit risk not only the probability of default is considered, but also the risk that the market value will change as a consequence of a change in creditworthiness (credit migration risk).
- More advanced techniques to determine diversification benefits.
- Integrated and improved infrastructure so that the internal model runs on a centrally developed platform in a protected environment.

Companies that intend to use an internal capital model under Solvency II need their model to be approved by the regulator. For Allianz Nederland this internal model approval process will be a joint effort by Allianz Nederland, Allianz Group, the (main) German supervisory authority and the Dutch supervisory authority. In 2011 the Dutch regulator visited Allianz Nederland as part of the Internal Model Approval Process (IMAP).

At the heart of the Solvency II framework is the Own Risk and Solvency Assessment (ORSA). The ORSA is forward looking by nature and aims to demonstrate sound and prudent management of the business and to assess overall solvency needs. Allianz Nederland carried out its first ORSA in 2011. The further improvement of the ORSA process will remain a priority for 2012.

Solvency II requires the risk, compliance, internal audit and actuarial function to be established as part of its system of governance. These four functions are well embedded in our risk management framework.

### Pillar III disclosure requirements

Reporting and disclosure requirements are defined under Pillar III and include both reports to the supervisory authorities and public. As part of the Solvency II project activities, Allianz Nederland follows the developments and will perform a detailed gap analysis as soon as the requirements are final.

### Compensation for unit-linked insurances

In 2008 the Financial Services Ombudsman recommended a cost standard for individual unit-linked insurance products. In line with this recommendation Allianz Nederland worked out a proposal to compensate policyholders. This proposal was approved by the Ombudsman. Our policyholders have received a statement about the exact compensation they can expect at maturity in their specific cases. In 2010 a cost norm was formulated for defined contribution schemes. Allianz Nederland is in the process of investigating the possible consequences for its book of collective pension schemes.

### Assessment by rating agency Standard & Poor's

In December 2011 the 'AA-' financial strength rating of our insurance subsidiaries was affirmed by Standard & Poor's.

## Focus in 2011

### Customer service is key

Allianz Nederland continues to work primarily for three main market segments: private customers, small and medium-sized businesses (SME) and large corporate clients.

We offer our customers a choice of channels through which they can buy our products or advisory services. We are constantly improving the accessibility of our company so that they can acquire our products more easily. We modernized our consumer websites at the beginning of 2012, so that private customers have even better access to our products and services ([www.allianz.nl](http://www.allianz.nl))

We serve SME customers via specialized intermediaries. Since early 2011 we have been offering even more service via a separate SME website dedicated to our SME customers.

The co-operation with Deutsche Bank Nederland was established in the summer of 2011. Deutsche Bank is going to sell our commercial insurances via its branch offices, for

non-life, income-related and pension products. This new distribution channel is a welcome addition which offers us the opportunity to position our propositions even more broadly in the market together with a trustworthy partner. Our combined forces must lead to a solid, transparent and attractively priced range of insurance. In this we provide excellent guidance for businesses in how to accept risk. We have a separate unit for large corporate customers.

### **Via lean & mean towards more efficiency**

Allianz Nederland has centralized the management of the organization and the support functions. The organization has been slimmed down gradually since 2008. At the end of 2011 we had 1,210 employees (1,086 FTE) in service (2010: 1,367 and 1,216 FTE). The support functions in Rotterdam handle both the policy administration and claims handling for all products. This increased efficiency process allows us to bring expenses more in line with income.

Through the co-operative agreements with our mother company in Germany, we were already able to reduce our IT expenses considerably. We have invested in our websites and in unlocking our administration systems in order to be able to use the data more. In this way we can deliver better information to the customer and/or the intermediary and have a tighter hold on our business, for example in terms of risk management. In the coming years we want to make specific investments to further improve communication with the customer and increasing digital processes with the intermediary.

### **From One Company to Best Company**

Reorganization and integration of several offices in Rotterdam were radical changes for our employees. In 2011 we worked on strengthening the bond with our employees under the heading One Company (see also page 10). We are going to build on this in the coming three years with a programme we have named Best Company. Our goal is to be the best insurer in The Netherlands. In order to achieve this we are going to improve both internal co-operation and external service to customers. Listening to what the customer wants in order to achieve higher customer satisfaction remains the most important starting points. In addition we are going to optimize our performance as employer with programmes aimed at an engaged and result-orientated culture.

## **Customer satisfaction surveys**

From the customer satisfaction survey amongst intermediaries which IG&H carries out for us annually, it appears that the Allianz account management has ranked in the top 3 companies for several years. In 2011 the intermediary placed our account managers in both non-life and life in first place. After centralization of our support functions in Rotterdam, the intermediary is less satisfied with our accessibility. Now the move has taken place, we are paying full attention to the customer and intermediary, as we did previously.

From this IG & H survey we also received the message that we must continue to invest in information services for our distribution channels. Our priority is to improve the accessibility of our company and to support the intermediary by means of modern IT applications.

Allianz Nederland carries out Net Promotor Score (NPS) tests regularly, with which we measure how likely it is that a customer will recommend us to others. The NPS score with regard to claims reporting and handling shows some improvement in 2011 when compared with 2010.

We want to apply this method of measurement more in our company. Firstly we are going to run a pilot with income-related insurance to measure the whole customer experience, from quotation to termination of relationship. Allsecur already carries out this measurement with great success.

The outcomes of this research provide us with better insight into where and how we can improve our service throughout Allianz.

The customer satisfaction survey that the Association of Insurers carries out annually, shows slight improvement when compared with 2010. We are working to increase the level of transparency and simplifying products and services. Clear explanations are part of this. In 2011, we rewrote a large number of our letters using easier to understand language (B1). In 2012 we are going to redraft our policy wordings also using level B1 language.

## Staff

### New direction to the organization

The reorganization, which we started in 2010, is now practically finished. In the head office in Rotterdam, we have formed new teams for the different areas. About 350 employees from the offices in Gouda, Amsterdam, Alphen aan den Rijn, Nieuwegein, Zwolle and Eindhoven have been transferred to Rotterdam. Twenty of them have new functions. Not all staff who had to relocate, made the choice to move to Rotterdam. Unfortunately we had to say goodbye to 180 of them in 2010 and 2011. A large part of these employees were able to find new positions with companies outside Allianz with the help of the relocation office.

In order to maintain the level of service during the reorganization, we recruited external support. We aim to retain this flexibility, because it enables the organization to bend according to the changes in the market. In 2012, some small reorganizations will still take place.

### Culture programme to increase engagement

In 2011 the central theme was 'One Company'. Our aim was and is to increase the engagement of the employees of Allianz Nederland further. We want to emphasize also that we are a single enterprise which works with shared goals. Various social activities were organized for employees, like an 'end of summer' breakfast, an Efteling day for the whole family, a Sinterklaas party and a Christmas reception. We also discussed the plans for the future during these employee events.

We successfully drove more participation in the Allianz Group Engagement Survey. We stimulate staff to discuss the results in their teams. At the same time, the link is made between the results and the strategy and targets of the organization and what teams and individual employees can contribute to this. In this way, we try to increase awareness about the organization's goals and to translate these to the team and individual levels.

### Development

Allianz Group has an international career policy in which Allianz Nederland participates actively. Using this policy we work purposefully on management development, as fitting with the needs of Allianz Nederland. In 2011 training plans for 2012 were drawn up per department. In addition to the usual professional courses, we want to pay attention to personal development too.

## Recruitment and selection

Allianz Nederland continues to seek well-qualified staff who can contribute to our group targets. We maintain good contacts with Erasmus University with the aim of attracting top talents to our company. In 2011 we organized actuarial master classes and a business course on insurance again. We also regularly invite students to visit our offices. We do not launch large scale campaigns but try to fill positions in a structured way using recruitment firms. In 2011 we agreed with a selected group of external service providers to provide us quickly with high quality temporary staff or professionals.

### Works council

In 2011 there was once again intensive co-operation between the management and the works council. The main reason was that the organizational changes which had been announced in the Allianz 2012 programme, were actually carried out. The management and the works council followed the developments closely and where necessary supported each other with and updated each other about the progress. In addition, many other subjects were discussed. There was also a number of new changes in our organization. These were a consequence of the market circumstances (changes in Life Attacker), ongoing organizational changes at Allianz SE (AGI) and the initiation of new co-operations (Deutsche Bank). The management and works council also discussed regularly the remuneration policy, terms of employment and staff training (including with respect to telephone communication). Despite the new composition of the works council and differences of opinion about certain subjects, 2011 saw an open, problem-solving type of co-operation between management and the works council. We want to thank the works council wholeheartedly for this and we look forward to continuing in the same way in 2012.

## Business integrity and complaints

Allianz Nederland follows a code of conduct which is based on the models of Allianz Group and the Association of Insurers. New employees sign the code when they take up service. In addition new employees are screened and must pass a dilemma training. Management monitors that the code of conduct is followed. Allianz Nederland has a whistleblower procedure. Incidents can be reported to the Compliance Officer. In 2011 no incidents were reported. Employees who want to report a case regarding personal integrity, also have access to an external confidential mediator. For customers, the complaints procedure is published on line. In 2012 we are going to professionalize complaints management further, as is fitting for a company like ours with wide internet access.

## Governance

### Code of Conduct for Insurers (Code Verzekeraars)

#### Compliance

The Code of Conduct, which the Association of Insurers has compiled, has been effective since 1st January 2011. The code applies to all insurers who are licensed under the terms of the Financial Services Act (Wft). In the code, the role of the management and supervisory boards are outlined together with the functions of risk management and audit within the insurance company. In addition, the code includes principles relating to remuneration.

Allianz Nederland Groep N.V. paid considerable attention to implementing the code in 2011. Allianz Nederland Groep has applied the principles of the code to its organization except where stated otherwise. Exceptions are being addressed and are expected to be fully implemented in the course of 2012.

### Supervisory board

#### Composition and qualifications

The composition of the supervisory board of Allianz Nederland Groep N.V. is designed so that it can fulfil its task properly. The requirements with regard to a complimentary, diverse and collegial board as well as the necessary level of knowledge and experience are met. The supervisory board comprised 5 people in 2011, which is a satisfactory number of members given the nature, size and complexity of Allianz Nederland Groep N.V. Two of the five board members work for a (subsidiary) of Allianz Group. The other three are not connected with the (subsidiaries of) Allianz Group, so that the independence of the supervisory board is sufficiently guaranteed. The members of the supervisory board are sufficiently available and receive a proper remuneration for their duties, which is not dependent on the performance of Allianz Nederland Groep N.V.

#### Expertise and permanent education

The chairman of the supervisory board ensures that there is a permanent education programme in force for the members of the board. The chairman has been advised about the contents and planning of the programme by the company secretary and an external adviser. During the year of account, a start was made with this programme, which will continue into 2012 and will be evaluated at the end of that year. At the last meeting of the supervisory board in 2011, a meeting was organized during which the board members were informed further about the role

and responsibilities of a board member as outlined in the Dutch legislation and regulations, in particular in the Code of Conduct for Insurers. Two board members were absent at this meeting. One of these two resigned from the board with effect from 1st January 2012. The other board member attended the permanent education programme of a subsidiary of Allianz Nederland Groep N.V., where he is a member of the supervisory board. In the first meeting of the supervisory board in 2012, the subjects will be discussed for the permanent education programme for 2012 in order to maintain and extend the level of expertise within the supervisory board.

#### Self assessment

Following one of its meetings, the supervisory board evaluated its performance during the year of account, in accordance with the requirements of the Code of Conduct for Insurers. Minutes of this self assessment were taken.

#### Task and working method

During the year of account a new regulation was implemented for the supervisory board, in which the task and working method are described. The principles of the Code of Conduct for Insurers are included in this.

The decision was taken to attach the role of the risk committee of the supervisory board to the audit committee, a sub-committee of the board which advises the board about how to carry out its role with regard to risk management. The audit committee works under its own charter. The requirements with respect to competence and experience for the members of the audit committee are met. During the year of account, the audit committee met twice about risk management, after which this was discussed by the supervisory board.

### Management board

#### Composition and qualifications

The composition of the management board of Allianz Nederland Groep N.V. is designed so that it can fulfil its task as required. The requirements with regard to a complimentary, diverse and collegial board as well as the necessary level of knowledge and experience are met.

#### Expertise and permanent education

The chairman of the management board ensures that there is a permanent education programme in force for the

members of the board. A meeting was organized during which the board members were informed further about the role and responsibilities of a board member as stated in Dutch legislation and regulations, in particular in the Code of Conduct for Insurers. All board members were present at this meeting.

### **Risk management**

In the management board of Allianz Nederland Groep N.V. the task of preparing decisions with regard to risk management is carried out by the Chief Financial Officer (Chief Risk Officer). The officer has no commercial responsibility and operates independently of the commercial areas.

### **Task and working method**

During the year of account a new regulation was also implemented for the management board, in which the task and working method are described. The principles of the Code of Conduct for Insurers are included in this. The afore-mentioned principles are applied in full.

### **Moral and ethical statement**

The members of the management board have all signed the moral, ethical statement. This signed statement has been placed on the [www.allianz.nl](http://www.allianz.nl) website under the heading 'codes of conduct'. The principles pertaining to the moral, ethical statement comprise via the General Code of Conduct of Allianz Nederland Groep N.V. part of the employment contract of employees with Allianz Nederland Groep N.V.

### **Risk management**

During the year of account a new risk governance framework was introduced, in which the functions and reporting lines of the different risk committees are set out. The different risk committees have an advisory role. It is guaranteed that the decision making about risks is taken by the statutory directors. Members of the management board are also members of the risk committees. In this way the management board is aware on time of the nature of any (material) risks which Allianz Nederland Groep N.V. carries, as well as the risks of its subsidiaries, so that the risks can also be managed in a timely fashion. The supervisory board monitors the risk management of the management board. In the meetings of the supervisory board, the various risks of Allianz Nederland Groep N.V. are discussed periodically. The risks are pre-discussed in the audit committee. Different risk functions in the organization as well as the external auditor

are invited to report to the audit committee. During the year of account, the supervisory board approved the risk appetite of the management board, within the frameworks provided by Allianz Group. The annual plan of Allianz Nederland Group N.V. as well as important strategic business cases which can influence the risk preparedness are discussed with the supervisory board.

### **Audit**

The organization of the internal audit function satisfies the principles of the Code of Conduct for Insurers. On its own initiative, the internal audit function discussed its risk analysis, findings and audit plan with De Nederlandsche Bank in the presence of the external accountant.

### **Remuneration policy**

The basis for the remuneration policy of Allianz Nederland Groep N.V. was approved during the year of account. Allianz Nederland Groep N.V. satisfies the requirements of the remuneration policy as stated in the Code of Conduct for Insurers for its management and supervisory board and most of its employees. The requirements are expected to be met for all employees during 2012.

# Allianz Nederland

## Schadeverzekering

Non-life premiums written reduced slightly. Premiums written in non-life came to € 829 million, after the AGCS carve out €75 mln (2010: € 910 million). Across the board, claims frequency was less than 2010. However the number of bodily injury claims in motor was considerably higher, about 300 more than 2010. Further analysis must show what the reason for this is and in which segment most of this claims incurred lies. Against this there were fewer material damage claims. We suspect that this is related to the favourable weather conditions in 2011. Fewer material damage claims led to overcapacity in the claims repair market. We have made new agreements with our Topherstel partners.

The result in fire insurance was under pressure due to the higher frequency of fire claims in the first half of 2011 in the commercial market. Premiums for these risks have fallen dramatically in recent years while claims incurred has not shown a similar reduced trend. This gives cause for concern.

Claims incurred for glass breakage under motor insurance reduced greatly in comparison with 2010. We want to stimulate further reduction by making efficient use of a market computer platform with which we can monitor glass claims better.

In addition there was also more water damage in several provinces in 2011. We can probably attribute the increase to climate change. Further investigation is also necessary here. There were also more burglary claims in some parts of the country, a development which we connect with the current economic circumstances.

We continue to focus strongly on increased efficiency in the claims handling process through which we reduce expenses further, for example with regard to adjusters and legal support. In 2011 we issued a tender for this. In 2012 we are going to work with the selected firms. We expect the large, central claims handling unit for all labels to show clear improvements in the level of expenses and service in 2012.

(€ mln)	2011	2010	%
Premium income	829*	910	(9)
Operating result	44	54	(19)
Profit before tax	36	69	(48)

\* exclusive €75 mln, due to carve out AGCS.

## Developments in the non-life market

### Competitive relationships

The ongoing overcapacity in the non-life market leads to sharp pricing. This situation is aggravated by new players from outside the European Union. In particular in the large corporate market. As a result the prices there are under extreme pressure.

The motor insurance market is out of balance. Premium rates are no longer in line with claims incurred. The warning from the Dutch national bank (DNB) about loss-making pricing levels in motor insurance is leading to rate increases in the market. Allianz has not participated in the price war. We expect prices to continue to increase and for competition to normalize.

### Distribution

The insurance landscape is changing. Direct writers are gaining ground, as is our own direct writer Allsecur. The number of underwriting agencies in private lines is increasing. The intermediary is forced to change themselves into a professional adviser with a transparent remuneration model.

Our vision is that the professional adviser will continue to play an important role, in particular for SME businesses. Allianz Nederland continues to support the intermediary with advice and good service and products which offer the best value for money.

Supervision of the insurance industry has tightened. The way in which an intermediary approaches and advises, is linked increasingly with the insurer. In the context of our responsibility within the chain, we ensure that the intermediary satisfies the tighter legislation and regulations.

In order to support our intermediaries as well as possible in their new advisory role, we also help them improve their knowledge of insurance. To this end we have organized sixty workshops with our Business Academy in the regional offices. Intermediaries were able to earn their PE (permanent education) points with these courses and were offered practical insurance techniques. Our intermediaries appreciate these workshops greatly.

## Our markets

### Small and medium-sized business via our intermediary brand Allianz

In the commercial market we are happy to work together with intermediaries. They offer us a granular network, expertise, ambition and business acumen, which lead to synergies. We are stronger together. In addition our intermediaries select their customers in such a way that they contribute to the quality of our portfolio. Our account management works in four locations in the country, close to the intermediary and the end customer. We see that the focus for commercial customers lies in expense savings with the resulting pressure on pricing.

In September we organized our annual SME congress in the head office of Mercedes in Utrecht. The theme of the congress was mobility and in particular Drive Safely. More than 300 intermediaries attended this event with an inspiring programme of workshops and speakers.

In the run-up to the congress, we developed a number of activities under the Drive Safely heading, the international programme of Allianz Group. The aim of this programme is to limit claims by reducing car accidents. Allianz sponsors several international programmes and has accepted its role to reduce the number of car accidents throughout the world.

The year ended with a campaign where we showed as Allianz Nederland what we can offer with our products and services regarding traffic and safe driving.

Our income-related activity shows excellent development. In 2011 the number of proposals for disability insurance (AOV) for self-employed customers doubled. Our market share in new disability policies (AOV) increased significantly.

We have also achieved strong growth in group sick leave policies. The reason for this success is the good value for money offered by our insurance solutions and our knowledgeable employees. In addition we have been able to reach a large number of new intermediaries. The closer co-operation between the sales teams for income-related, life and non-life insurance and the joint market approach are bearing fruit. We are increasingly better at linking the needs of the customer with non-life and life solutions, with income protection as a kind of bridge. Finally the high ranking which we receive from Money View for both price and quality of our disability insurance stimulates the growth in the disability portfolio even more.

### Retail via our intermediary brand London

Our intermediary retail brand London has led the market for many years in terms of digitalization combined with

### Results by class of business

(€ mln)	Total		Fire		Motor		Marine		Other Accident	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Gross premium</b>	829	910	130	207	550	544	22	27	127	132
Premium earned	778	801	116	131	545	547	15	23	102	100
Payments	535	550	75	83	388	395	9	16	63	56
Company expenses	241	240	43	43	156	155	6	7	36	35
<b>Technical result</b>	2	11	(2)	5	1	(3)	-	-	3	9
Allocated investment income	33	34	4	4	21	21	1	1	7	8
<b>Insurance result</b>	35	45	2	9	22	18	1	1	10	17

### Key figures

Loss ratio	69%	69%	65%	64%	71%	72%	62%	71%	62%	56%
Expense ratio	31%	30%	37%	33%	29%	28%	39%	28%	35%	35%
<b>Combined ratio</b>	<b>100%</b>	<b>99%</b>	<b>102%</b>	<b>97%</b>	<b>100%</b>	<b>100%</b>	<b>101%</b>	<b>99%</b>	<b>97%</b>	<b>91%</b>

personal service. It is our staff that makes London a success. We direct ourselves towards a large group of intermediaries with whom we work intensively. In 2011 we began to create teams of 1 or 2 employees to be the dedicated contacts for the intermediary. With this approach we show good results. In 2012 we will expand this concept further.

London experienced a double challenge in 2011: the move to Rotterdam and the introduction of the new IT system LondonNet. It cost the organization an extreme effort to maintain its service levels to our intermediaries and customers. We express our thanks to our business partners for their support and flexibility in the past year.

Given the challenges in 2011 we are satisfied with London's performance. London is one of the larger underwriting agency insurers in The Netherlands. The trend to approach the personal lines market via underwriting agencies is increasing. In this segment we perform above average, while the intermediary market is under pressure. The new Economy and Comfort motor insurances, which we introduced at the end of 2010, also developed well.

### Retail also via our direct brand Allsecur

The choice of private customers to insure with us via the direct channel seems a good one. Our direct writer Allsecur grows faster than we had expected. The portfolio is maturing quickly. At the end of 2011 we had 325.000 policies on the books, of which 125.000 were motor policies. Allsecur is becoming increasingly recognized by customers who appreciate both our products and our service.

The NPS score which we measure monthly lies comfortably above 1 for all aspects of the service (quotation, policy administration, claims reporting, claims handling, termination).

This means that Allsecur customers would recommend Allsecur for all these reasons to others. We link all customer feedback directly to staff, even negative assessments. We are going to introduce this way of working and the measurement of customer satisfaction to Allianz. Customer satisfaction and delivering on our promises are also essential for the intermediary as adviser of our products.

As well as by customers, Allsecur was also rated highly by independent institutions. For the second consecutive year, Allsecur won the "Customer is king" award. For the third

consecutive year, the brand won the 'Best choice in motor insurance' from Verzekeringsite.nl. Independer also rates the motor insurances of Allsecur as the best buy.

Allsecur follows closely the way in which the customer wants to communicate with us. In 2011 we launched a mobile app to report claims and to provide assistance (Schadecoach) and extended the service on the website. Furthermore we are involved in the initiative of the Association of Insurers to report claims on line.

### Large corporate customer via Allianz Nederland Corporate

With effect from 1st November 2010, international corporate business has been transferred to a separate entity: Allianz Global Corporate & Specialty. This entity specializes in international risks. The effect on premiums written was a reduction of € 75 million. With effect from 2011, this business is no longer consolidated in the annual accounts.

For Dutch large corporate customers we established the Allianz Nederland Corporate team at the same time. The co-operation with Allianz Global Corporate & Specialty is good. We can service customers with strong local representation and customers with international portfolios well with these units.

The premiums in the large corporate segment are also under pressure, which leads to fierce price negotiations. The income in this segment fell, on the one hand due to price developments in the markets and on the other hand due to disappointing economic development, in particular in the construction industry.

### Solvency

All insurance companies established in one of the European Union member states have to comply with a minimum solvency margin. At the end of the year of account the available and required solvency positions were as follows:

(€ mln)	2011	2010
Required solvency	146	153
Available solvency	323	313
<b>Solvency ratio Property-Casualty insurance</b>	<b>221%</b>	<b>205%</b>

# Allianz Nederland

## Levensverzekering

Together with other players in the life market, Allianz Nederland sees a reduction in traditional life insurance. However, we are relatively less affected by the sharp decrease in demand for life insurance; the market share continued to show positive development. The profit before tax for the life company amounted to €52 million.

(€ mln)	2011	2010	%
Premium income	316	315	-
Operating result	57	48	19
<b>Profit before tax</b>	<b>52</b>	<b>43</b>	<b>21</b>

### Embedded value

The embedded value of a life insurance company provides information about the value of the existing insurance portfolio and the value of new business. The calculation is based on prudent assumptions according to the Market Consistent Embedded Value (MCEV) principles.

(€ mln)	2011	2010
Net asset value	275	259
Present value future profit	268	317
Total cost required capital	(8)	(12)
Costs of non-financial risk	(17)	(17)
Value of options and guarantees	(7)	(10)
<b>Embedded Value</b>	<b>511</b>	<b>537</b>

Main causes for the 15% drop of the present value of future profits are:

- A decrease of PVFP for unit-linked policies with a guarantee, due to the reduction of the risk free rate.
- An assumption change (increase) on maintenance expenses.

### Life insurance premiums

(€ mln)	2011			2010		
	One-time	Periodical	Total	One-time	Periodical	Total
<b>Insurance agreements where the company carries the investment risk</b>						
Capital insurances	-	4	4	-	3	3
Annuities	33	-	33	15	-	15
Mortgages	1	29	30	1	29	30
Term assurance	-	26	26	-	26	26
Other	-	1	1	-	1	1
	<b>34</b>	<b>57</b>	<b>91</b>	<b>16</b>	<b>59</b>	<b>75</b>
<b>Insurance agreements where the parties insured carry the investment risk</b>						
Unit-linked insurances	35	190	225	41	199	240
<b>Gross premium</b>	<b>69</b>	<b>247</b>	<b>316</b>	<b>57</b>	<b>258</b>	<b>315</b>
Reinsurance premiums ceded			11			11
<b>Net earned premium</b>			<b>305</b>			<b>304</b>

## Developments in the life market

We achieved settlement of the Wabeke cases in line with plan. In 2011 we informed policyholders about the arrangements under the cost compensation ruling. This affects both active policyholders and policyholders whose policies had been redeemed, but who were still entitled to compensation. In the meantime we have paid the calculated amount to all involved customers who were entitled to compensation. In addition we help customers to transfer to a bank savings product or to amend the existing product at low cost or we refer them to an adviser.

In the life market Allianz Nederland concentrates on products and segments with good prognoses. Bank savings, pensions and mortgages are products which the customers wants to arrange, as long as they are simple, transparent and cheap. Customers regard bank savings as a safe alternative to traditional life insurance. In the pension market, we see the rise in defined contribution pensions which group pensions offer and manage at low cost. Allianz Nederland sees that there are good opportunities here for new co-operative agreements.

## Our markets

### Small and medium-sized businesses and large corporate customers

Our Pension Lines product is developing according to plan. There is overcapacity in this market too, so that competition is heavier. With Pension Lines we became pension insurer of the year in 2010. The market demanded improvement in our proposition. We researched which changes were necessary and implemented these in the product and pricing.

Allianz Nederland aims increasingly for close co-operation with specialized pension advisers. We organized regional meetings for these partners with a nationwide, professional pension organization. Current trends in pensions are examined there. Also the changing needs of customers and how Allianz can satisfy these are discussed. The above-mentioned changes and initiatives lead to increased demand and more income.

The co-operation with AllNet, the international network insurer of Allianz Group for employee benefits and pensions, expanded. International businesses can arrange insurance for their employees with this insurer against attractive terms and

conditions. We share international expertise and our network with international customers via AllNet.

Allianz Nederland investigates the rise of premium pension arrangements (PPI) as an option. These new players on the pension market offer a simple product, at low cost and with clear communication with their customers. There is still a need for these parties to have insurance protection. We have decided to research how Allianz Nederland can be the insurance partner for several premium pension agreements (PPI).

### Private customers via the intermediary brand Allianz

Consumers are looking for alternatives for traditional life insurance. The interest in bank saving has grown, particularly for guaranteed products, like deposits. However we see that the market finds it less automatic to arrange a mortgage with Allianz Nederland in combination with bank saving. The awareness and with this the take-up of our Allianz Plus bank saving product were behind that seen elsewhere in the market.

We want to meet the customer's wishes more by improving the options and the guaranteed yield. An important step in this is our intention to offer the bank saving product via the Binck Bank platform. With this we are able to offer our customers more options more easily and at lower costs.

We have also not missed the malaise on the housing market. And due to the crisis, funding partners were not able to provide Allianz Nederland with competitive tariffs. Our mortgage funding partner BNP will cease providing mortgages in The Netherlands in 2012. Since the middle of 2011 Allianz Nederland has placed its own mortgage product on the market, combined with our bank savings product. This proposition is developing according to plan and has been received enthusiastically by the market. We are working on this together with a specialized mortgage provider with whom the lines of communication are short. In the mortgage market, Allianz Nederland directs itself at loans with a National Hypotheek Guarantee. Allianz Nederland will continue to offer this arrangement, as it is expected that the playing field for mortgages will offer sufficient opportunities in the coming years.

The service of the portfolio of in-force unit-linked life insurances is maintained at the same high level for the customer. Our account management actively aims to manage this valuable portfolio optimally. We are no longer active in offering these policies.

## Solvency

At the end of the year of account the available and required solvency positions were as follows:

(€ mln)	2011	2010
Required solvency	125	129
Available solvency	223	232
Solvency ratio Life insurance	179%	179%

# Banking Products and Asset Management

## Developments in the financial markets

Allianz Nederland survived the (European) credit crisis and the subsequent downwards spiral on the stock markets. Allianz Group and Allianz Nederland reduced the exposure in Southern Europe early in 2010. We continue with the line which we select for our own investments for the unit-linked funds in which our customers invest. The position which we hold in Southern European government bonds is limited in our funds. Our investment profile is conservative.

We have not made any significant changes in the investment profile since 2010, because we were not persuaded by the market that this was either useful or necessary. We invest in particular in German, Dutch and French government bonds. We have experienced some inconvenience due to the European Central Bank which purchased government bonds from the countries in Southern Europe. Due to this, the interest on government bonds in the steadier countries is very low. This has had an effect on the investment result. Given the situation which has been created in the financial markets, it has been confirmed that we have made the right choices. Despite the reduced yields in the fixed interest bearing part of the portfolio, we have achieved an investment result with which we can be satisfied.

(€ mln)	2011	2010	%
Operating result	7	9	(16)
Profit before tax	6	8	(22)

## Our markets

### Asset management

Our defensive investment policy has led to reasonable performance of the Allianz funds.

The bond funds performed well. The investment policy remains defensive; the mixed funds are under-weighted in shares and the share funds have also done well. Across the board our investment funds perform in line with the benchmark. They are rated on average with 3 stars by Morningstar.

There has understandably not been great consumer interest in investing. However there was only limited withdrawal of funds. Allianz Nederland Asset Management offers customers a savings option as a safe and temporary alternative to investing. Due to the great need for liquidity amongst banks, the competition on the savings market is heavy. Given the defensive nature of our bank, it cannot offer customers a competitive interest rate. As a consequence, savings reduced by € 150 million.

### Sustainable investments

Allianz Group takes sustainable investment very seriously. As a group we have taken the initiative to communicate more about our Socially Responsible Investment policy. In line with this, Allianz shares have been quoted for several years on the Dow Jones Sustainability index. Allianz SE also signed the United Nations Principles for Responsible Investments (UNPRI) in August 2011. Allianz4good project and other policies were formulated on Environmental, Social and Governance (ESG) issues. This means that Allianz takes environmental, social and governmental aspects into account in its investment decisions in addition to economic aspects. As a consequence of this, ESG governance has been institutionalized: asset managers in the group have been given an ESG statement with the investment criteria to which they must adhere. In 2011 the accent lay on the environmental component. The aim for 2012 is to take a step towards the social and governmental aspects.

Allianz works with an exclusion list: it is not permitted to invest in shares and countries which appear on this list. By definition we do not invest in companies which produce cluster bombs or chemical weapons. We also do not invest in countries with dubious regimes. Customers may also consciously elect to invest via the Allianz Sustainable World Fund (Allianz Duurzaam Wereldfonds).

In the annual benchmark Responsible Investment by Insurance Companies in The Netherlands organized by the association of investors in sustainable development (Vereniging van Beleggers voor Duurzame Ontwikkeling), we have shown significant improvement due to the above-mentioned measures.

In December 2011 the members of the Association of Insurers adopted the code for sustainable investment (Code Duurzaam Beleggen). This took effect in 2012. Members of the association must follow the UNPRI.

### Bank saving

With the Allianz Plus bank savings product, Allianz Nederland offers customers a simple and cheap way to build up assets for example for a pension or to pay off a mortgage. In 2008 we were the first financial services provider in the market to offer this form of asset accumulation. Now we have to deal with considerable competition. In order to generate more success and volume, we have agreed a new co-operation with Binck Bank. It is our intention to outsource the internet activities and part of our processes to Binck Bank, which will operate as our Business Processes Outsourcing partner. With this, we can continue to innovate at a low expense level.

### Solvency

Under the current guidelines (Basel II) of De Nederlandsche Bank N.V. demands are set about the amount of capital. The bank's capital is compared with funds lent. These funds are weighed according to the attached risk. Against the general standard for the capacity test of 8%, the BIS ratio of the bank (52%) is very high.

At the end of the financial year the existing and required solvency for Allianz Nederland Asset Management were as follows:

(€ 1,000)	2011	2010
Testing capacity	43.6	46.8
Assets based on risk level	6.7	7.4
Solvency ratio (BIS - ratio)	52%	46%

### Compliance

Allianz Nederland Asset Management holds a banking licence and must satisfy the Basel III rules like any other bank. The solvency of the bank is very good, with a BIS ratio of 52%. Our credit risk is limited, as our banking activities are mainly directed at asset accumulation through investments. Compared with other banks, the bank shows a limited mortgage portfolio and a similar amount of savings on the balance sheet. Allianz Nederland Asset Management already satisfies all the ratios which apply under Basel III.

## Outlook

The macro-economic circumstances and the situation on the financial markets remain uncertain. We do not ignore what is happening in our market. We do place our main focus on the matters which we can influence ourselves.

There are good opportunities where Allianz Nederland can benefit from our strong position. We think we can make progress at this uncertain time. We have strong brands and loyal and well-qualified employees and partners. We can apply the extensive knowledge available in our European network. Furthermore Allianz is very solid and solvent which combined with our longstanding presence makes us a strong partner for our customers. All of this has become even more relevant in The Netherlands and we are even more prominent as part of the largest insurer in Europe. We plan to expand and capitalize on this position.

Our successes and ambitious plans provide a new image from which our employees extract inspiration and motivation. This helps them to continually make that extra effort on behalf of our customers.

With our partnership with Deutsche Bank we are showing that we are capable of innovation even in difficult periods. We produce success with our income insurances and with our direct writer Allsecur. The professional intermediary is very satisfied with our account management. We continue to improve our service, so that we can continue to serve our mutual customers optimally. We are going to offer our customers more freedom, more variety and more comfort with bank savings, through our co-operation with Binck Bank.

We want to extend our range further in the coming years. To this end we will seek even more intense co-operation with Allianz Global Assistance/Mondial, which already provides road-side assistance to a large number of car manufacturers. An example of co-operation with the use of our joint expertise is incorporating service elements like mobility and safety into our products. We will discontinue the re-insurance contract for Unigarant.

Our focus lies with the market and the customer, while we continue to keep a strict eye on our expenses. Everything is aimed at a single ambitious goal: to be the best insurer in The Netherlands in 2017 in real terms.

# Financial Statements 2011 Allianz Nederland Groep

## Consolidated Financial Statements

- Consolidated balance sheet
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of changes in shareholders' equity
- Consolidated cash flow statement

## Supplementary Information to the Consolidated Financial Statements

- 1 Consolidation principles
- 2 Summary of significant accounting and valuation policies

## Supplementary Information to the Consolidated Balance Sheet - assets

- 3 Cash and cash equivalents
- 4 Financial assets carried at fair value through income
- 5 Investments
- 6 Investments in associated enterprises
- 7 Loans and advances to banks and customers
- 8 Amounts ceded to reinsurers from insurance provisions
- 9 Deferred acquisition costs
- 10 Other assets
- 11 Intangible assets

## Supplementary Information to the Consolidated Balance Sheet - equity and Liabilities

- 12 Liabilities carried at fair value through income
- 13 Liabilities to financial institutions
- 14 Liabilities to customers
- 15 Financial liabilities for unit-linked contracts
- 16 Insurance provisions
- 17 Other provisions
- 18 Other liabilities
- 19 Shareholders' equity

## Supplementary Information to the Consolidated Income Statement

- 20 Premiums earned (net)
- 21 Interest, dividend and similar income
- 22 Other income from investments
- 23 Fee and commission income (net)
- 24 Other income
- 25 Insurance benefits (net)
- 26 Interest and similar expenses
- 27 Impairments of investments
- 28 Movement in financial assets and liabilities carried at fair value through income (net)
- 29 Acquisition costs and administrative expenses
- 30 Restructuring charges
- 31 Other expenses
- 32 Income taxes

## Additional Information to the Consolidated Financial Statements

- 33 Risk management
- 34 Derivative financial instruments
- 35 Fair value
- 36 Contingent liabilities, commitments and guarantees
- 37 Employee information
- 38 Share based compensation plans and management compensation
- 39 Related parties transactions
- 40 Auditor's fees

## Corporate Financial Statements

- 41 Notes to the corporate financial statements
- 42 Statutory statement of financial position
- 43 Statutory income statement
- 44 Notes to the statutory statement of financial position
- 45 Notes to the statutory income statement

## Other information

- 46 Subsequent events
- 47 Independent auditor's report
- 48 Consolidated subsidiaries
- 49 Appropriation of result

## Consolidated statement of financial position as of December 31

<b>ASSETS</b>	Note	2011 € 1,000	2010 € 1,000
Cash and cash equivalents	3	49,959	72,768
Financial assets carried at fair value through income	4	451,259	522,753
Investments: available for sale	5	2,126,864	2,193,579
Investments: held to maturity	5	715,313	674,947
Investments: real estate held for investment	5	7,206	-
Investments in associated enterprises	6	374	1,996
Loans and advances to banks and customers	7	458,789	327,862
Financial assets for unit-linked contracts	15	2,755,356	3,202,117
Amounts ceded to reinsurers from insurance provisions	8	125,740	154,134
Deferred acquisition costs	9	70,436	84,871
Deferred tax assets	32	-	937
Other assets	10	235,412	311,968
Intangible assets	11	14,614	12,204
<b>Total assets</b>		<b>7,011,322</b>	<b>7,560,136</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note	2011 € 1,000	2010 € 1,000
Financial liabilities carried at fair value through income	12	440,499	509,661
Liabilities to financial institutions	13	344,924	266,692
Liabilities to customers	14	243,808	313,091
Financial liabilities for unit-linked contracts	15	2,755,356	3,202,117
Insurance provisions	16	2,335,999	2,362,274
Deferred tax liabilities	32	9,166	6,070
Other provisions	17	28,573	54,731
Other liabilities	18	183,061	181,257
<b>Total liabilities</b>		<b>6,341,386</b>	<b>6,895,893</b>
<b>Shareholders' equity</b>	19	<b>669,936</b>	<b>664,243</b>
<b>Total equity and liabilities</b>		<b>7,011,322</b>	<b>7,560,136</b>

Before appropriation of result

## Consolidated income statement January 1 to December 31

	Note	2011 € 1,000	2010 € 1,000
Premiums written		1,145,047	1,225,064
Ceded premiums written		(71,143)	(136,223)
Change in unearned premiums (net)		8,557	16,001
Premiums earned (net)	20	1,082,461	1,104,842
Interest, dividend and similar income	21	130,119	127,148
Other income from investments	22	17,459	39,498
Fee and commission income (net)	23	27,168	34,137
Other income	24	32,882	37,183
<b>Total income</b>		<b>1,290,089</b>	<b>1,342,808</b>
Claims and insurance benefits incurred (gross)		(960,576)	(917,920)
Claims and insurance benefits incurred (ceded)		45,940	59,427
Change in reserves (net)		92,162	20,577
Insurance benefits (net)	25	(822,474)	(837,916)
Interest and similar expenses	26	(3,153)	(1,586)
Impairments of investments	27	(19,633)	(7,466)
Movement in financial assets and liabilities carried at fair value through income (net)	28	(2,761)	(5,200)
Acquisition costs and administrative expenses	29	(296,774)	(306,811)
Restructuring charges	30	(1,966)	(26,800)
Other expenses	31	(40,583)	(37,037)
<b>Total expenses</b>		<b>(1,187,344)</b>	<b>(1,222,816)</b>
Income before taxes		102,745	119,992
Taxes	32	(23,479)	(30,140)
<b>Net income <sup>1</sup></b>		<b>79,266</b>	<b>89,852</b>

1. There is no minority interest to which the result of period under review can be ascribed.

## Consolidated statement of comprehensive income

	2011 € 1,000	2010 € 1,000
<b>Net income</b>	79,266	89,852
Unrealized results charged to equity		
Revaluation available for sale investments	12,866	(8,292)
Changes in current / deferred tax assets and liabilities	(3,439)	2,714
<b>Total unrealized results charged to equity</b>	<b>9,427</b>	<b>(5,578)</b>
<b>Total comprehensive income</b>	<b>88,693</b>	<b>84,274</b>

Figures have been adjusted for comparison reasons

## Consolidated statement of changes in shareholders' equity

	Paid-in capital	Share premium	Revenue reserves	Unrealized gains and losses	Net income	Shareholders equity
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
<b>Balance as of 31/12/2009</b>	<b>59,813</b>	<b>76,667</b>	<b>371,756</b>	<b>59,123</b>	<b>97,610</b>	<b>664,969</b>
Unrealized investment gains and losses	-	-	-	(5,578)	-	(5,578)
Net income	-	-	-	-	89,852	89,852
Transfer profit previous years to reserves	-	-	97,610	-	(97,610)	-
Shareholders' dividend	-	-	(85,000)	-	-	(85,000)
<b>Balance as of 31/12/2010</b>	<b>59,813</b>	<b>76,667</b>	<b>384,366</b>	<b>53,545</b>	<b>89,852</b>	<b>664,243</b>
Unrealized investment gains and losses	-	-	-	9,427	-	9,427
Net income	-	-	-	-	79,266	79,266
Transfer profit previous years to reserves	-	-	89,852	-	(89,852)	-
Shareholders' dividend	-	-	(83,000)	-	-	(83,000)
Reclassification	-	-	(981)	981	-	-
<b>Balance as of 31/12/2011</b>	<b>59,813</b>	<b>76,667</b>	<b>390,237</b>	<b>63,953</b>	<b>79,266</b>	<b>669,936</b>

There is no minority interest to which shareholders' equity of period under review can be ascribed.

## Consolidated cash flow statement

	2011 € 1,000	2010 € 1,000
<b>Operating activities</b>		
Net income	79,266	89,852
Change in provision for unearned premiums	(8,557)	(16,000)
Change in aggregate policy provision	51,714	57,103
Change in provision for loss and loss adjustment expenses	(41,038)	(19,756)
Change in deferred acquisition costs	14,435	11,802
Change in accounts receivable/payable on reinsurance business	(679)	1,966
Change in trading securities <sup>1</sup>	2,332	4,372
Change in liabilities to banks and customers	(70,203)	93,875
Change in other receivables and liabilities	73,241	(5,001)
Change in deferred tax assets/liabilities <sup>2</sup>	(231)	(66,624)
Non-cash investment income/expenses	20,517	6,326
Other non-cash income/expenses	(19,763)	18,513
Other	(7,673)	(1,548)
<b>Net cash flow provided by operating activities</b>	<b>93,361</b>	<b>174,880</b>
<b>Investing activities</b>		
Change in securities available-for-sale	59,658	12,574
Change in securities held-to-maturity	(40,366)	(36,196)
Change investments in real estate	(2,480)	-
Change investments in associated enterprises	1,622	(1,332)
Change in loans and advances to banks	(51,604)	(51,316)
<b>Net cash flow provided by investing activities</b>	<b>(33,170)</b>	<b>(76,270)</b>
<b>Financing activities</b>		
Change in investments held on account and at risk of life insurance policyholders	446,761	(145,241)
Change in insurance provision for life insurance where investment risk is carried by policyholders	(446,761)	145,202
Dividend payouts	(83,000)	(85,000)
<b>Net cash flow provided by financing activities</b>	<b>(83,000)</b>	<b>(85,039)</b>
Change in cash and cash equivalents	(22,809)	13,571
Cash and cash equivalents at beginning of period	72,768	59,197
<b>Cash and cash equivalents at end of period</b>	<b>49,959</b>	<b>72,768</b>

1 Including trading liabilities.

2 Without change in deferred tax assets/liabilities from unrealized investment gains and losses.

# Supplementary Information to the Consolidated Financial Statements

## 1 Consolidation principles

The consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). Furthermore, the consolidated financial statements have been prepared in accordance with Book 2, Chapter 9 of the Dutch Civil Code (BW), where these regulations precede and/ or complement IFRS-EU. All standards currently in force for the years under review have been adopted in the consolidated financial statements, except for IFRS 8 which standard is only applicable for listed companies.

The consolidated financial statements of Allianz Nederland Groep N.V. have been prepared in thousands of euro's (€).

### Group relationships

Allianz Nederland Groep N.V. is legally registered at Coolingsingel 139, Rotterdam. The issued shares in Allianz Nederland Groep N.V. are all held by Allianz Europe B.V. Allianz SE in Germany is the 100% shareholder in Allianz Europe B.V. The financial data of Allianz Nederland Groep N.V. have been included in the consolidated annual report and accounts of Allianz SE in Munich.

The consolidated financial statements include the annual financial statements of Allianz Nederland Groep N.V., domiciled in The Netherlands, and all subsidiaries and investment funds. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

### Subsidiaries

Subsidiaries are those entities controlled by Allianz Nederland Groep. Control exists when Allianz Nederland Groep has the power, directly or indirectly, to govern the financial and operating policies of an entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Positive differences arising on first-time consolidation are capitalized as goodwill.

### Investments in associated enterprises and joint ventures

Associated enterprises are enterprises in which the Allianz Nederland Groep holds directly or indirectly at least 20% but no more than 50% of the voting rights, or in which Allianz Nederland Groep exercises a significant influence in another way, without having control.

A joint venture is an entity over which Allianz Nederland Groep and one or more other parties have joint control. Investments in associated enterprises and joint ventures are generally accounted for using the equity method. Income from investments in associated enterprises and joint ventures is included as a separate component of total income.

### Transactions eliminated on consolidation

Intra-group balances and other unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### Use of estimates and assumptions

The preparation of consolidated financial statements requires Allianz Nederland Groep to make estimates and assumptions that affect items reported in the consolidated balance sheet and income statement and under contingent liabilities. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The actual results may differ from these estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

### Foreign currency translation

Allianz Nederland Groep's reporting and functional currency is the euro (€). Income and expenses are translated at the rate per transaction date. The assets and liabilities in foreign currency are translated at the closing rate on the balance sheet date. Currency gains and losses arising from foreign currency transactions are reported in other income or other expenses respectively.

## 2 Summary of significant accounting and valuation policies

### Supplementary information on assets

#### Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cheques and cash on hand, treasury bills (to the extent that they are not included in trading assets), and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of six months from the date of acquisition. Cash funds are stated at their face value, with holdings in foreign notes and coins valued at year-end closing prices.

#### Financial assets carried at fair value through income

These financial assets are measured at fair value. Changes in fair value are recorded in the consolidated income statement as income from financial assets and liabilities carried at fair value through income (net).

**Derivative financial instruments** are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of interest rate swaps is the estimated amount that Allianz Nederland Groep would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

#### Investments

Investments include securities held-to-maturity and securities available-for-sale. Securities held-to-maturity are comprised of fixed income securities of which Allianz Nederland Groep has the positive intent and ability to hold to maturity. These securities are carried at amortized cost and the related premium or discount is amortized using the effective interest rate method over the life of the security. Amortization of premium or discount is included in interest income. Securities available-for-sale are securities that are not classified as held-to-maturity or financial assets carried at fair value through income. Securities available-for-sale are valued at fair value at the balance sheet date. Unrealized gains and losses, which are the difference between fair value and cost (amortized cost in the case of fixed income securities), are included as a separate component of shareholders' equity, net of deferred taxes. The realized result on securities is determined by applying the average cost method. Fixed income securities and equity investments are subject to regular impairment reviews.

#### Impairment of financial assets

**Held-to-maturity and available-for-sale debt securities** are impaired if there is objective evidence that the cost may not be recovered. If all amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer, the security is considered to be impaired. An impairment is not recorded as a result of decline in fair value resulting from general market interest or exchange rate movements unless Allianz Nederland Groep intends to dispose of the security. If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. In a subsequent period, if the amount of the impairment previously recorded on a debt security decreases and the decrease can be objectively related to an event occurring after the impairment, such as an improvement in the debtor's credit rating, the impairment is reversed through other income from investments.

**An available-for-sale equity security** is considered impaired if the fair value is below the weighted-average cost by more than 20% or if the fair value is below the weighted-average cost for greater than nine months. This policy is applied individually by all subsidiaries. If an available-for-sale equity security is impaired based upon Allianz Nederland Groep's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

#### Real estate held for investment

Real estate held for investment is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. At each reporting date or whenever there are any indications that the carrying amount may not be recoverable, real estate is tested for impairment by determining its fair value using discounted cash flow methods. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

#### Loans and advances to banks and customers

Investments lent under securities lending arrangements continue to be recognized in the balance sheet and are measured in

accordance with the accounting policy for assets 'At fair value through income statement' or 'Available-for-sale' as appropriate. Received cash collateral is recognized under 'Liabilities to financial institutions'. The reinvested cash collateral is recognized under 'Loans and advances to banks'. Income and expenses arising from the securities borrowing and lending business are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

### Reinsurance

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognized in the same period as the related claim. Accordingly, revenues and expenses related to reinsurance agreements are recognized consistent with the underlying risk of the business reinsured.

### Deferred acquisition costs

Deferred acquisition costs related to Life business generally consist of commissions which are directly related to the acquisition of new insurance contracts. These acquisition costs are deferred, to the extent they are recoverable and are amortized based on policy revenues which differ per product. In the case of property-casualty insurance contracts, the amortization period is calculated for each insurance portfolio, based on the average term of the relevant policies. All deferred policy acquisition costs are reviewed regularly to determine if they are recoverable from future operations. Deferred policy acquisition costs which are not deemed to be recoverable are charged to income.

### Other assets

Other assets include equipment, real estate owned by Allianz Nederland and used for its own activities and prepaid expenses.

**Equipment** is carried at cost, less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, taking into account the residual value. The estimated useful life of equipment including information technology equipment is five years. Expenditures to restore the future economic benefit are capitalized if they extend the useful life as improvements. Costs for repairs and maintenance are expensed.

**Receivables** are recorded at face value, net of appropriate valuation allowances.

**Real estate owned by Allianz Nederland and used for its own activities** is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on

the basis of acquisition cost and depreciated over a maximum of 40 years in accordance with their expected useful lives. There is no amortization on the land. Expenditures to restore the future economic benefit are capitalized if they extend the useful lives as improvements. Costs for repairs and maintenance are expensed. An impairment loss is recognized when the recoverable amount of these assets is less than their carrying amount.

### Intangible assets

**Goodwill** represents the difference between the acquisition cost and Allianz Nederland Groep's proportionate share of the net fair value of assets, liabilities and certain contingent liabilities. Goodwill is not subject to amortization. Allianz conducts an annual impairment test, in addition to whenever there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including the goodwill, for all cash generating units. A cash generating unit is not impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and the recoverable amount. Impairments of goodwill are not reversed.

**Software** purchased from third parties or developed internally is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates and is amortized over its useful life on a straight-line basis generally over five years.

**Other intangible assets** represent intangible assets with a definite useful life which are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

## Supplementary information on equity and liabilities

### Liabilities to financial institutions and customers

Interest-bearing liabilities are accounted for at their nominal value. Where liabilities are subject to a discount, such discounts are reported as prepaid expenses and amortized over the life of the respective liabilities, using the effective yield method.

### Insurance provisions

#### *Classification of contracts*

Contracts under which Allianz Nederland accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or another beneficiary, are classified as insurance contracts. Contracts under which the transfer of insurance risk to Allianz Nederland Groep from the policyholder is not significant, are classified as investment contracts. Allianz Nederland Groep issues contracts to policyholders that contain both insurance and an investment component. If the investment component cannot be measured separately, the whole contract is accounted for as an insurance contract. A contract that qualifies as insurance remains an insurance contract until all risks and obligations are extinguished or expired.

#### *Unearned premiums provision*

Gross premiums written is earned over the period to which the risk coverage is related and is calculated on a pro rata temporis basis. Outward reinsurance premium is incurred over the same period and in the same manner as when the gross premium written associated with the reinsured contracts is earned. The unearned premiums provision comprise that portion of net premiums written at the balance sheet date which are expected to be earned in subsequent financial years.

#### *Outstanding claims provisions*

Outstanding claims provisions represent the estimated ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Outstanding claims are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported (IBNR), the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes, past experience and trends. Provisions for outstanding claims are not discounted. Anticipated reinsurance recoveries and estimates of salvage and subrogation recoveries, are

disclosed separately as assets. Salvage and subrogation are only accounted for if it is virtually certain that the value will be recovered.

#### *Unexpired risk provision*

Provision is made, should there be demonstrable commitment to a loss-making contract where Allianz Nederland has entered into multiple year contracts and has a limited ability to change the premium on the contract for future periods. The provision is then calculated with reference to classes of business which are managed together, after taking into account estimates of future claims, costs, premium earned and proportionate investment income where such contracts will continue subsequent to the balance sheet date.

#### *Long duration insurance contracts provision*

The long duration insurance contracts provision principally comprises the actuarially estimated value of Allianz Nederland's liabilities under non-linked contracts, including bonuses already declared and after deducting the actuarial value of future premiums. In particular a net premium valuation method has been adopted for all major classes of business. Although the management considers that the gross long duration insurance contracts provision and the related reinsurance recovery is fairly stated on the basis of the information currently available, the eventual liability may vary as a result of subsequent information and events. The provision, estimation technique and assumptions are periodically reviewed with any changes in estimates reflected in the income statement as they occur. Furthermore a provision for claims resulting from Wabeke has been included in this provision.

#### *Liability adequacy test*

Allianz Nederland Groep performs a loss adequacy test on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs) is sufficient in the light of estimated future cash flows.

Allianz Nederland Groep performs this liability adequacy test on a portfolio basis for homogeneous product groups, based on the characteristics and policy conditions of the products. This test compares the carrying amount of liabilities with the present value of all contractual cash flows. The calculation of the future cash flows is based on realistic scenarios. The calculation of the present value of the expected cash flows is based on the interest rate structure of the Dutch government bonds per year end. This present value is increased with a risk surcharge for risk which cannot be covered in a market. If a shortfall is identified the related deferred acquisition cost and intangible assets are written down and, if necessary, an additional provision is established. The deficiency is recognized through income for the year.

### *Investment contracts*

Investment contracts have been classified as financial liabilities at fair value through income. The revenue arising from these contracts (front-end fees, surrender penalties and annual management charges) is recorded in the revenue from investment management contract lines.

### *Unit-linked products*

The insurance liabilities for unit-linked products where the policyholder bears the investment risk are accounted for at the fair value of the associated investments and presented as financial liabilities carried at fair value through income. Premiums are accounted for when the liability is recognized and exclude any taxes or duties based on premiums.

### **Deferred taxes**

The calculation of deferred taxes is based on temporary differences between the carrying values of assets and liabilities in the balance sheet and their tax values and on differences arising from the application of uniform valuation policies for consolidation purposes as well as consolidation in the income statement. The tax rate used for the calculation of deferred taxes is the local rate per reporting date; changes to tax rates already adopted as at balance sheet date are taken into account. Deferred tax assets are recognized if sufficient future taxable income is available for realization. Deferred tax assets and liabilities are not discounted.

### **Other accrued liabilities**

Other accrued liabilities are long-term obligations calculated on basis of estimation of future cash flows.

### *Employee benefits*

Allianz Nederland uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost. The principal assumptions used are included in Note 17. For each individual defined benefit pension plan, Allianz Nederland Groep recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of a) 10% of the projected benefit obligation at that date or b) 10% of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized in net periodic benefit cost in the consolidated income statement over the expected average remaining working lives of the employees participating in the plans.

### *Accrued taxes*

The expected tax payable on the taxable profit, calculated in accordance with local tax laws and regulations.

### *Provisions for restructuring*

A provision for restructuring is recognized when Allianz Nederland Groep has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

### **Other liabilities**

Other liabilities include funds held under reinsurance business ceded, accounts payable on direct insurance business, accounts payable on reinsurance business and miscellaneous liabilities. These are reported at the redemption value.

### **Shareholders' equity**

#### *Paid-up capital*

Paid-in capital represents the mathematical value per share received from the issuance of shares.

#### *Share premium*

Share premium represents the premium, or additional paid-in capital, received from the issuance of shares.

#### *Revenue reserves*

Revenue reserves include the retained earnings of Allianz Nederland Groep.

#### *Revaluation reserve*

Revaluation reserve includes the unrealized gains and losses from securities available-for-sale.

## **Supplementary information on net income**

### **Property-Casualty insurance**

Premiums are accounted for on a due basis. Should the amount due not be known, estimates are used.

### **Life insurance**

Premiums are accounted for on a due basis. Should the amount due not be known, estimates are used. For unit-linked business the due date for payment is taken as the date the related liability was established. Revenues for unit-linked insurance contracts include the amount that is invested for account of the policyholder.

### Interest, dividend and other income from investments

Interest, dividend and other income from investments comprise interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in the profit or loss, using the effective interest method. Dividend income is recognized in profit and loss account on the date that Allianz Nederland Groep's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### Income from investments in associated enterprises

The income from investments in associated enterprises consists of the share of Allianz Nederland Groep in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves are not recognized as they can be deemed as not realized.

The results of participating interests acquired or sold during the financial year are stated in Allianz Nederland Groep's result from the date of acquisition or until the date of sale respectively.

### Taxes

Taxes comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### Investment contracts income

Amounts received from and paid to holders of investment contracts are accounted for as deposits received (or repaid) and are not included in premiums and claims in the profit and loss account. Revenues from such contracts consist of amounts assessed

against policyholders account balances for policy administration and surrender charged and are recognized in the period in which services are provided.

### Fee and commission income

Allianz Nederland receives fees from transactions in connection with assets and liabilities held by Allianz Nederland in its own name, but for the account of third parties. These are shown as 'Fee and commission income' in the income statement. Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management.

## Other supplementary information

### Consolidated statement of cash flows

The consolidated statement of cash flows, prepared according to the indirect method, shows the structure of and changes in cash and cash equivalents of Allianz Nederland Groep during the financial year from the cash flows arising from operating activities, investing activities and financing activities. The cash flows from investing activities primarily comprise changes in investment securities (such as securities available-for-sale or held-to-maturity). Financing activities include all cash flows from transactions involving the issuing of own shares, participation certificates and subordinated liabilities. Cash flows from operating activities contain all other activities, which belong to the principal revenue-generating activities.

### Leases

Property and equipment holdings are used by Allianz Nederland under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, and are not recorded on Allianz Nederland's consolidated balance sheet. Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

### Equity remuneration plans

The equity remuneration plans are cash settled plans. Allianz Nederland accrues the fair value of the award as compensation expense over the vesting period. In Note 38 further information on the equity remunerations plans is provided.

### **Recently adopted accounting pronouncements (effective January 1, 2011 and early adoption)**

The recently adopted accounting pronouncements effective January 1, 2011 such as IFRIC 14 – prepayments of a minimum funding requirement – did not impact Allianz Nederland Groep's 2011 consolidated financial statements.

### **Recently issued accounting pronouncements (effective on or after January 1, 2012 and not yet early adopted)**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of Allianz Nederland Groep, except for

#### *IAS 1, Presentation of financial statements:*

Amendments regarding the presentation of items of Other Comprehensive Income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

Expected implementation will be as of 1st January, 2012. The impact of this amendment on Allianz Nederland Groep's consolidated financial statements will be limited.

#### *IAS 19 employee benefits:*

The amended IAS 19 includes the following requirements:

- Actuarial gains and losses are recognized immediately in other comprehensive income, this change replaces the current corridor method.
- Expected return on plan assets recognized in profit or loss is based on the rate used to discount the defined benefit obligation.

Expected implementation will be as of 1st January, 2013. The impact of this amendment on Allianz Nederland Groep's consolidated financial statements will be significant

## Supplementary Information to the Consolidated Balance Sheet - assets

### 3 Cash and cash equivalents

	2011 € 1,000	2010 € 1,000
Balances with banks payable on demand	45,281	65,273
Deposits/call money	-	1,002
Balances with central bank	4,674	6,485
Cash on hand	4	8
<b>Total</b>	<b>49,959</b>	<b>72,768</b>

The effective interest rate on deposits/call money at the statement of financial position date is 1.03% (2010: 0.6%). The deposits/call money matures within three months.

### 4 Financial assets carried at fair value through income

This item comprises mainly financial assets in investment funds. Group entities keep these investments separate from other investments and invest them separately, in accordance with the requests of the policyholders and third party investors. Investments are held on account for and at risk of life insurance policyholders and third party investors. Policyholders and third party investors are entitled to all the results recorded and to the total amount of the investment shown under this heading, but they also have to carry any losses.

	2011 € 1,000	2010 € 1,000
Financial assets in investment funds	439,994	509,661
Financial assets held for trading	11,265	13,092
<b>Total</b>	<b>451,259</b>	<b>522,753</b>

#### Financial assets held for trading

	Derivatives € 1,000	Other trading € 1,000	Total € 1,000
<b>Value stated as of 12/31/2009</b>	<b>15,712</b>	<b>1,818</b>	<b>17,530</b>
Purchases	-	839	839
Sales	-	(155)	(155)
Revaluation	(5,096)	(26)	(5,122)
<b>Value stated as of 12/31/2010</b>	<b>10,616</b>	<b>2,476</b>	<b>13,092</b>
Purchases	-	575	575
Revaluation	(1,542)	(860)	(2,402)
<b>Value stated as of 12/31/2011</b>	<b>9,074</b>	<b>2,191</b>	<b>11,265</b>

The positive market values of derivative financial instruments are shown on a net basis, i.e. taking into account existing netting agreements. Further details regarding the derivatives position can be found in Note 34.

## 5 Investments

	2011 € 1,000	2010 € 1,000
Securities available-for-sale	2,126,864	2,193,579
Securities held-to-maturity	715,313	674,947
Real estate held for investment	7,206	-
<b>Total</b>	<b>2,849,383</b>	<b>2,868,526</b>

The total amount of securities held-to-maturity € 715,313 (2010: € 674,947) is related to mortgages. The securities held-to-maturity are 100% linked to obligations to policyholders included in long duration life insurance contracts.

### Securities available-for-sale

	Equity securities € 1,000	Investment Funds € 1,000	Government bonds € 1,000	Corporate bonds € 1,000	Government loans € 1,000	Corporate loans € 1,000	Total € 1,000
<b>Value stated as of 12/31/2009</b>	<b>102,074</b>	<b>67,161</b>	<b>1,387,381</b>	<b>584,686</b>	<b>67,668</b>	<b>15,074</b>	<b>2,224,044</b>
Purchases	175,020	437,264	739,729	321,865	749	453	1,675,080
Sales	(129,710)	(435,812)	(846,476)	(275,611)	-	(45)	(1,687,654)
Impairment	(6,279)	(1,187)	-	-	-	-	(7,466)
Amortization	-	-	(2,982)	(1,424)	4,549	997	1,140
Revaluation	(4,733)	(1,300)	2,869	(4,803)	(3,655)	57	(11,565)
<b>Value stated as of 12/31/2010</b>	<b>136,372</b>	<b>66,126</b>	<b>1,280,521</b>	<b>624,713</b>	<b>69,311</b>	<b>16,536</b>	<b>2,193,579</b>
Purchases	210,746	426,633	289,632	299,234	-	454	1,226,699
Sales	(202,994)	(353,161)	(353,892)	(311,176)	(57,688)	-	(1,278,911)
Acquisitions/divestments of subsidiaries	(7,446)	-	-	-	-	-	(7,446)
Impairment	(15,482)	(4,151)	-	-	-	-	(19,633)
Amortization	-	-	(3,990)	(941)	2,785	1,091	(1,055)
Revaluation	(13,530)	1,784	27,440	957	(2,480)	(540)	13,631
<b>Value stated as of 12/31/2011</b>	<b>107,666</b>	<b>137,231</b>	<b>1,239,711</b>	<b>612,787</b>	<b>11,928</b>	<b>17,541</b>	<b>2,126,864</b>

### Investment funds categories

	2011 € 1,000	2010 € 1,000
Equity securities	14,775	6,479
Bonds	100,862	37,715
Real estate	21,594	21,932
<b>Total</b>	<b>137,231</b>	<b>66,126</b>

	(Amortized) cost		Unrealized gains		Unrealized losses		Market values	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Equity securities	101,431	116,607	7,358	20,624	(1,123)	(859)	107,666	136,372
Investment funds	126,470	57,149	10,769	8,998	(8)	(21)	137,231	66,126
Government bonds	1,184,781	1,253,031	62,472	36,635	(7,542)	(9,145)	1,239,711	1,280,521
Corporate bonds	602,582	615,466	17,046	14,578	(6,841)	(5,331)	612,787	624,713
Government loans	11,224	66,127	704	3,184	-	-	11,928	69,311
Corporate loans	15,545	13,999	1,999	2,537	(3)	-	17,541	16,536
<b>Total</b>	<b>2,042,033</b>	<b>2,122,379</b>	<b>100,348</b>	<b>86,556</b>	<b>(15,517)</b>	<b>(15,356)</b>	<b>2,126,864</b>	<b>2,193,579</b>

	Proceeds from sales		Realized gains		Realized losses	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Equity securities	(209,697)	(146,892)	16,137	16,149	(9,434)	(2,243)
Investment funds	(352,198)	(440,013)	1,413	5,743	(2,376)	(1,542)
Government bonds	(358,179)	(857,762)	11,106	24,451	(7,105)	(15,708)
Corporate bonds	(310,325)	(288,125)	4,429	13,177	(5,279)	(529)
Government loans	-	-	12	-	(3)	-
Corporate loans	-	(45)	-	-	-	-
<b>Total</b>	<b>(1,230,399)</b>	<b>(1,732,837)</b>	<b>33,097</b>	<b>59,520</b>	<b>(24,197)</b>	<b>(20,022)</b>

### Contractual maturities

The amortized cost and estimated fair value of securities available for sale with fixed maturities as of December 31, 2011 by contractual maturity are as follows:

	Securities available-for-sale			
	Amortized cost		Market values	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Contractual term to maturity:				
- due in 1 year or less	119,708	70,788	116,344	69,429
- due after 1 year and in less than 5 years	942,023	835,310	971,278	856,779
- due after 5 years and in less than 10 years	527,886	674,640	547,896	689,250
- due after 10 years	224,513	367,885	246,449	375,623
<b>Total</b>	<b>1,814,130</b>	<b>1,948,623</b>	<b>1,881,967</b>	<b>1,991,081</b>

The actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity buckets, but are shown within their final contractual maturity dates.

### Securities lending

Certain entities within Allianz Nederland Groep participate in securities lending arrangements whereby specific securities are lent to other institutions on an open or term basis. On December 31, 2011 the total volume of securities lent out by Allianz Nederland was € 361,091 (2010: € 264,933). The total fair value of collateral accepted amounted € 363,095 (2010: € 264,039). The fair value of collateral that can be sold or repledged amounted to 2011 € 339,034 (2010: € 259,882). See also Note 7 and Note 13.

### Real estate held for investment

	2011 € 1,000	2010 € 1,000
Purchase price as of end of year	8,116	-
Depreciation as of end of year	(910)	-
<b>Value stated as of 12/31</b>	<b>7,206</b>	-
Value stated as of 1/1	-	-
Additions	2,480	-
Reclassification	4,830	-
Depreciation	(104)	-
<b>Value stated as of 12/31</b>	<b>7,206</b>	-

The market value of real estate held for investment amounted to € 8,345 (2010: € 5,950),

## 6 Investments in associated enterprises

	2011 € 1,000	2010 € 1,000
Investments in associated enterprises	374	1,996
<b>Total</b>	<b>374</b>	<b>1,996</b>

This amount relates to our investment in Euro Nederland B.V.

## 7 Loans and advances to banks and customers

	2011 € 1,000	2010 € 1,000
Reinvested cash collateral	339,034	259,882
Loans to private customers	50,989	-
Loans to Allianz SE	50,000	50,000
Loans Hartford	18,766	17,980
<b>Total</b>	<b>458,789</b>	<b>327,862</b>

Reinvested cash collateral is cash collateral received from securities lending transactions that was reinvested again. The position received collateral is reported under Note 13 Liabilities to financial institutions.

The loans to Allianz SE bare an interest of 4.01% and are repayable in 2020.

The Hartford loans are callable in 2018. To mitigate the credit risk, these debentures are accompanied by a put option which gives us the right until 2018 to sell the loan to Allianz SE against the notional value whenever the rating falls below investment grade.

## 8 Amounts ceded to reinsurers from insurance provisions

	2011 € 1,000	2010 € 1,000
<b>Long duration insurance contracts Life</b>	<b>17,138</b>	<b>19,133</b>
Provisions for outstanding claims Property-Casualty	71,875	94,745
Provisions for incurred but not reported claims Property-Casualty	17,762	13,473
Unearned premiums Property-Casualty	18,965	26,783
<b>Total Property-Casualty</b>	<b>108,602</b>	<b>135,001</b>
<b>Total</b>	<b>125,740</b>	<b>154,134</b>

This note must be read in conjunction with Note 17 (Insurance provisions). The amounts ceded to reinsurers from insurance provisions stated under assets include rights of recourse against reinsurers. Allianz Nederland reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. Allianz Nederland monitors the financial condition of its external reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfil its obligations. The evaluation criteria, which include the claims-paying and debt ratings, capital and surplus levels and marketplace reputation of its reinsurers, are such that Allianz Nederland considers any risks of collectability to which it is exposed as not significant.

## 9 Deferred acquisition costs

	Property-Casualty		Life		Total	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	44,215	47,650	40,656	49,023	84,871	96,673
Additions	193,421	187,030	600	7,212	194,021	194,242
Amortization	(195,801)	(190,465)	(12,655)	(15,579)	(208,456)	(206,044)
Value stated as of 12/31	41,835	44,215	28,601	40,656	70,436	84,871

## 10 Other assets

	2011 € 1,000	2010 € 1,000
Real estate used by the company for its own activities	-	4,849
Equipment and inventories	3,018	2,147
Accounts receivable on insurance business	110,671	97,480
Other receivables	121,723	123,377
Cashpool	-	84,115
<b>Total</b>	<b>235,412</b>	<b>311,968</b>

Further details regarding the cashpool can be found in Note 44 Notes to the statutory statement of financial position.

### Real estate used by Allianz Nederland for its own activities

Changes in the total carrying value of real estate owned by the Group and used for its own activities:

	2011 € 1,000	2010 € 1,000
Purchase price as of end of year	-	5,636
Depreciation as of end of year	-	(787)
Value stated as of 12/31	-	4,849
Value stated as of 1/1	4,849	4,961
Reclassification	(4,830)	-
Depreciation	(19)	(112)
Value stated as of 12/31	-	4,849

### Equipment and inventories

Development of the tangible fixed assets:

	2011 € 1,000	2010 € 1,000
Purchase price as of end of year	20,198	18,378
Depreciation as of end of year	(17,180)	(16,231)
Value stated as of 12/31	3,018	2,147
Value stated as of 1/1	2,147	1,775
Additions	1,678	1,117
Disposals	(1)	(18)
Reclassification	143	(185)
Depreciation	(949)	(542)
Value stated as of 12/31	3,018	2,147

The reclassification concerns software which is transferred to intangible assets.

### Accounts receivable on insurance business

Specification of receivables from insurance:

	2011 € 1,000	2010 € 1,000
Policyholders	20,310	22,124
Intermediaries	84,301	66,035
Reinsurers	16,647	18,734
Allowance for doubtful accounts	(10,587)	(9,413)
Value stated as of 12/31	110,671	97,480

Development of the provision allowance for doubtful accounts:

	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	(9,413)	(10,816)
Additions	(3,074)	(1,789)
Release	1,900	3,192
Value stated as of 12/31	(10,587)	(9,413)

## Other receivables

Specification of other receivables:

	2011 € 1,000	2010 € 1,000
Interest and rental receivables	40,286	38,986
Personnel loans 'Royal Aandelen Plan'	15,965	17,295
Receivables related to investments	2,849	14,276
Receivables related to mortgages	11,925	3,421
Tax receivables	10,970	2,927
Fees to be received	48	3,117
Loans to intermediaries	16,529	16,939
Prepaid expenses	3,606	2,807
Depot leaseplan	4,618	4,791
Other	14,927	18,818
<b>Value stated as of 12/31</b>	<b>121,723</b>	<b>123,377</b>

Except for loans to personnel and intermediaries, the receivables are generally due in less than one year.

## 11 Intangible assets

Intangible assets comprise the following:

	2011 € 1,000	2010 € 1,000
Software	8,755	9,095
Other	5,859	3,109
<b>Total</b>	<b>14,614</b>	<b>12,204</b>

<b>Software</b>	2011 € 1,000	2010 € 1,000
Gross amount capitalized as of 12/31	29,133	24,831
Accumulated amortization as of 12/31	(20,378)	(15,736)
<b>Value stated as of 12/31</b>	<b>8,755</b>	<b>9,095</b>
<b>Value stated as of 12/31 prior year</b>	<b>9,095</b>	<b>11,443</b>
Additions	4,445	2,467
Disposals	-	(1,104)
Reclassification	(143)	185
Amortization	(4,642)	(3,896)
<b>Value stated as of 12/31</b>	<b>8,755</b>	<b>9,095</b>

The statement of financial position value amounting to € 8,755 (2010: € 9,095) includes € 4,128 (2010: € 6,266) for internally developed software and € 4,627 (2010: € 2,829) for software purchased from third parties. As of December 31, 2011 there were no purchase commitments related to software.

### Other

Changes in Other are as follows:

	2011 € 1,000	2010 € 1,000
<b>Value stated as of 1/1</b>	<b>3,109</b>	<b>3,531</b>
Additions	3,371	-
Amortization	(621)	(422)
<b>Value stated as of 12/31</b>	<b>5,859</b>	<b>3,109</b>

The other intangible assets represent acquired intermediary insurance portfolios. The portfolios are amortized over 10 years, which is the expected useful life.

## Supplementary Information to the Consolidated Balance Sheet - equity and liabilities

### 12 Liabilities carried at fair value through income

	2011 € 1,000	2010 € 1,000
Financial liabilities in investment funds	439,994	509,661
Derivatives (refer to Note 34)	505	-
<b>Total</b>	<b>440,499</b>	<b>509,661</b>

The negative market values of derivative financial instruments are shown on a net basis, i.e. taking into account existing netting agreements.

### 13 Liabilities to financial institutions

	2011 € 1,000	2010 € 1,000
Collateral received from securities lending	339,034	259,882
Collateral received from CDS	5,890	6,810
<b>Total</b>	<b>344,924</b>	<b>266,692</b>

The collateral received from securities lending transactions is related to cash collateral we receive against securities lent. The received cash is reinvested again. This position is reported in Note 7 Loans and advances to banks.

Further details regarding our CDS position can be found in Note 34.

### 14 Liabilities to customers

	2011 € 1,000	2010 € 1,000
Saving deposits retail customers	236,308	304,791
Other term liabilities	7,500	8,300
<b>Total</b>	<b>243,808</b>	<b>313,091</b>

All liabilities are due within one year.

### 15 Financial liabilities for unit-linked contracts

Changes in financial liabilities for unit linked insurance contracts and unit-linked investment contracts for the years ended December 31, 2011 were as follows:

	2011 € 1,000	2010 € 1,000
<b>Balance as of 1/1</b>	<b>3,202,117</b>	<b>3,056,915</b>
Premiums collected	139,010	182,489
Interest credited	(147,670)	202,894
Releases upon death, surrender and withdrawal	(240,165)	(218,821)
Policyholder charges	(10,784)	(12,626)
Acquisitions/divestments of subsidiaries	(180,127)	-
Transfers <sup>1)</sup>	(7,025)	(8,734)
<b>Balance as of 12/31</b>	<b>2,755,356</b>	<b>3,202,117</b>

1) These transfers mainly relate to policies transferred to non-linked insurance provision

### 16 Insurance provisions

This note must be read in conjunction with Note 8 (Amounts ceded to reinsurers from insurance provisions).

	2011 € 1,000	2010 € 1,000
<b>Long duration insurance contracts Life</b>	<b>1,218,338</b>	<b>1,168,619</b>
Unearned premiums		
Property-Casualty	207,874	224,249
Provisions for outstanding claims		
Property-Casualty	738,489	796,443
Provisions (gross) IBNR	171,298	172,963
<b>Total Property-Casualty</b>	<b>1,117,661</b>	<b>1,193,655</b>
<b>Total</b>	<b>2,335,999</b>	<b>2,362,274</b>

### Movement table for long duration Life insurance contracts

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
<b>Balance as of 1/1</b>	1,168,619	19,133	1,149,486	1,113,062	20,679	1,092,383
Benefits paid	(78,862)	(1,584)	(77,278)	(56,801)	(1,554)	(55,247)
Premiums received	91,161	1,864	89,297	74,831	2,157	72,674
Technical interest	56,179	693	55,486	55,326	759	54,567
Acquisitions/divestments of subsidiaries	(28)	-	(28)	-	-	-
Technical result	(18,731)	(2,968)	(15,763)	(17,799)	(2,908)	(14,891)
<b>Balance as of 12/31</b>	<b>1,218,338</b>	<b>17,138</b>	<b>1,201,200</b>	<b>1,168,619</b>	<b>19,133</b>	<b>1,149,486</b>

### Movement table for unearned Property-Casualty premiums

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
<b>Balance as of 1/1</b>	<b>224,249</b>	<b>26,783</b>	<b>197,466</b>	<b>239,426</b>	<b>25,960</b>	<b>213,466</b>
Added during the year	828,666	(59,711)	888,377	910,093	125,149	784,944
Released to the income statement	(845,041)	51,893	(896,934)	(925,270)	(124,326)	(800,944)
<b>Balance as of 12/31</b>	<b>207,874</b>	<b>18,965</b>	<b>188,909</b>	<b>224,249</b>	<b>26,783</b>	<b>197,466</b>

### Movement table for total provisions for outstanding Property-Casualty claims (including IBNR)

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
<b>Balance as of 1/1</b>	<b>969,406</b>	<b>108,218</b>	<b>861,188</b>	<b>1,021,466</b>	<b>140,522</b>	<b>880,944</b>
Current year claims reported	534,823	24,006	510,817	546,814	31,710	515,104
Previous years claims reported	24,674	(5,076)	29,750	18,729	(15,687)	34,416
<b>Plus: claims reported</b>	<b>559,497</b>	<b>18,930</b>	<b>540,567</b>	<b>565,543</b>	<b>16,023</b>	<b>549,520</b>
Current year claims paid	(336,817)	(10,893)	(325,924)	(332,333)	(7,017)	(325,316)
Previous years claims paid	(280,634)	(30,907)	(249,727)	(279,940)	(48,096)	(231,844)
<b>Less: claims paid</b>	<b>(617,451)</b>	<b>(41,800)</b>	<b>(575,651)</b>	<b>(612,273)</b>	<b>(55,113)</b>	<b>(557,160)</b>
Movement IBNR	(1,665)	4,289	(5,954)	(5,330)	6,786	(12,116)
<b>Balance as of 12/31</b>	<b>909,787</b>	<b>89,637</b>	<b>820,150</b>	<b>969,406</b>	<b>108,218</b>	<b>861,188</b>

The provision for claims is made at the statement of financial position date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

In the provision for claims an amount of € 46 mln (2010 : € 50 mln) has been included for the long-term risk of asbestosis and other disease claims in the liability portfolio.

### Outstanding claims development table for Property-Casualty insurance (net)

For (calendar) years ended 12/31	2004 € 1,000	2005 € 1,000	2006 € 1,000	2007 € 1,000	2008 € 1,000	2009 € 1,000	2010 € 1,000	2011 € 1,000
<b>Provision for outstanding claims</b>								
Net	909,030	908,986	893,608	886,354	877,676	880,944	861,188	820,150
Reinsured	114,481	79,070	86,214	125,774	134,290	140,522	108,218	89,637
Gross	1,023,511	988,056	979,822	1,012,128	1,011,966	1,021,466	969,406	909,787
<b>Cumulative payments</b>								
1 year later	255,130	225,352	227,073	276,180	279,631	279,940	280,602	
2 years later	360,824	329,179	345,973	397,139	410,403	412,259		
3 years later	441,742	421,449	436,738	489,836	505,421			
4 years later	517,612	493,867	504,176	566,505				
5 years later	578,114	548,820	566,241					
6 years later	625,167	599,788						
7 years later	669,366							
<b>Estimate cumulative claims</b>								
1 year later	965,076	930,292	913,619	967,030	1,002,550	963,825	927,581	
2 years later	932,931	891,381	887,887	971,982	956,088	930,913		
3 years later	921,444	883,267	909,127	956,337	938,384			
4 years later	915,372	887,599	891,436	942,110				
5 years later	924,235	870,917	880,802					
6 years later	910,768	860,405						
7 years later	901,190							
<b>Cumulative surplus (deficit)</b>								
Gross	99,277	100,458	70,696	40,147	9,557	57,642	41,824	
Reinsured	14,992	7,142	6,919	3,086	-737	18,961	12,569	
Net	84,285	93,316	63,777	37,061	10,294	38,680	29,255	
<b>Percentage</b>	<b>9.3%</b>	<b>10.3%</b>	<b>7.1%</b>	<b>4.2%</b>	<b>1.2%</b>	<b>4.4%</b>	<b>3.4%</b>	

The cumulative surplus (deficit) represents the difference between the initial estimation of claims and the most recent estimation of claims as of December 31, 2011.

## 17 Other provisions

	2011 € 1,000	2010 € 1,000
Provisions for post-employment benefits	10,062	16,269
Provision restructuring plans	2,010	20,097
Miscellaneous accrued liabilities	16,501	18,365
<b>Total</b>	<b>28,573</b>	<b>54,731</b>

Allianz Nederland has two defined pension plans and two long-term service plans. The pension plans are financed through two pension funds. Contributions fixed in advance, based on salary, are paid to these institutions. The beneficiary's right to benefits exists against these pension funds. The pension funds involved are Stichting Pensioenfonds Allianz Nederland and Stichting Pensioenfonds Buizerdlaan.

The net amount recognized for the Allianz Nederland defined benefit plans has developed as follows:

	2011 € 1,000	2010 € 1,000
Actuarially calculated present value of pension rights accrued	(333,612)	(332,051)
Pension fund assets	346,966	332,882
Funded status	13,354	831
Unrecognized net actuarial results	(23,416)	(17,100)
<b>Recognized in statement of financial position</b>	<b>(10,062)</b>	<b>(16,269)</b>

The unrecognized net actuarial gains is amortized over the expected remaining service years, using a 10% corridor. The 10% corridor means that the amortization in any year is based on the excess of the unrecognized net gain/loss over 10% of the greater of the plan assets and the actuarially calculated present value of pension rights accrued, both determined as of the end of the preceding year. This calculation is made for each of the four plans separately.

As of December 31, 2011 the total unrecognized gain/loss exceeding the 10% corridor amounted to € 0.0 (2010: € 0.0 mln).

The provision for defined benefit pension plans changed as follows:

	2011 € 1,000	2010 € 1,000
<b>Value stated as of 12/31 prior year</b>	<b>(332,051)</b>	<b>(331,422)</b>
Benefits paid	11,803	11,564
Current service costs	(9,095)	(9,156)
Interest costs	(15,466)	(17,067)
Actuarial gain (loss)	11,197	14,030
<b>Value stated as of 12/31</b>	<b>(333,612)</b>	<b>(332,051)</b>

As of December 31, 2011 the total post-retirement health benefits obligation amounted to € 4.5 mln (2010: € 4.6 mln). In the statement of financial position € 4.2 mln (2010: € 4.3 mln) was recognized.

The pension fund assets changed as follows:

	2011 € 1,000	2010 € 1,000
<b>Value stated as of 12/31 prior year</b>	<b>332,882</b>	<b>302,311</b>
Expected return on plan assets	16,136	16,805
Employer's contribution	11,700	14,903
Participant contributions	2,300	2,650
Benefits paid	(11,571)	(11,332)
Actuarial gain (loss)	(4,481)	7,545
<b>Value stated as of 12/31</b>	<b>346,966</b>	<b>332,882</b>

The actual return on the plan assets in 2011 amounted to € 11.7 mln positive (2010: € 24.4 mln positive).

The actuarial gain (loss) includes the following items:

	2011 € 1,000	2010 € 1,000	2009 € 1,000
Change discount rate	-	(23,590)	(29,292)
Change mortality table	(1,121)	(21,281)	587
Other results on assumptions	-	56,596	9,278
Asset performance	(4,481)	7,545	12,658
Other results on experience	11,918	2,305	7,363
<b>Total</b>	<b>6,316</b>	<b>21,575</b>	<b>594</b>

The result of 11,918 (2010: 2,305) stated in the line "Other results on experience" is mainly caused by outflow of personnel.

The net periodic benefit costs (expenses minus income) include the following components:

	2011 € 1,000	2010 € 1,000
Current service costs	9,095	9,156
Interest costs	15,466	17,067
Expected return on pension fund assets	(16,136)	(16,805)
Amortization unrecognized actuarial gains	-	(250)
Participant contributions	(2,300)	(2,650)
<b>Total</b>	<b>6,125</b>	<b>6,518</b>

During the year ended December 31, 2011 net periodic benefit costs of pension plans (exclusive gains from curtailment) include costs related to post retirement health benefits of € 0.2 mln (2010: 0.2 mln).

### Assumptions

The calculations are based on current actuarially determined mortality estimates. Projected fluctuations depending on age and length of service have also been used, as well as internal retirement projections.

The actuarial assumptions used to determine projected benefit obligation:

	2011 %	2010 %	2009 %	2008 %
Discount rate	4.75	4.75	5.25	6.00
Expected rate of return on pension fund assets	4.70	4.70	5.40	6.00
Rate of compensation increase	3.50	3.50	4.25	4.75
Rate of pension increase	0.75	0.75	1.90	2.25

The discount rate assumptions reflect the market yield at the statement of financial position date of high-quality fixed income investments corresponding to the average duration of the liabilities. The expected rate of return on pension fund assets is based on the strategic asset mix. The return of each category is based on a normalised revenue. The actual rate of compensation increase in 2011 was 0.5% (2010: 2.0%). The actual rate of pension increase in 2011 was 0.0% (2010: 0.5%).

Categories of pension fund assets:

	2011 target	2011 actual	2010 actual
Equity securities	25.0%	17.9%	23.6%
Real estate	5.0%	2.9%	3.2%
Debt securities	67.5%	76.3%	69.7%
Other	2.5%	2.9%	3.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Provision restructuring plans

The provision for restructuring is related to the execution of the Allianz 2012 restructuring plan.

The development of the provision for restructuring plans is as follows:

	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	20,097	-
New provisions	-	(20,097)
Additions to existing provisions	1,966	
Release of provisions via payments	(20,053)	
<b>Value stated as of 12/31</b>	<b>2,010</b>	<b>20,097</b>

### Miscellaneous accrued liabilities

	2011 € 1,000	2010 € 1,000
Run off of activities	-	2,395
Staff related expenses	13,734	9,799
Commission for agents	-	3,042
Other	2,767	3,129
<b>Total</b>	<b>16,501</b>	<b>18,365</b>

Since the development of the other accrued liabilities is uncertain, the other accrued liabilities are classified as long-term.

	2011 € 1,000	Run off of activities € 1,000	Staff related expenses € 1,000	Commission for agents € 1,000	Other € 1,000
<b>Value stated as of 1/1</b>	<b>18,365</b>	<b>2,395</b>	<b>9,799</b>	<b>3,042</b>	<b>3,129</b>
Additions to existing provisions	7,473	-	6,896	-	577
Release of provisions via payments	(2,567)	-	(2,264)	-	(303)
Acquisitions/divestments of subsidiaries	(5,034)	(1,996)	-	(3,038)	-
Amounts released	(1,736)	(399)	(697)	(4)	(636)
<b>Value stated as of 12/31</b>	<b>16,501</b>	<b>-</b>	<b>13,734</b>	<b>-</b>	<b>2,767</b>

## 18 Other liabilities

	2011 € 1,000	2010 € 1,000
Accounts payable on direct insurance business	88,041	73,354
Accounts payable on reinsurance business	22,742	25,508
Interest and rental liabilities	4,472	6,738
Tax liabilities	8,112	8,894
Amounts payable to group companies	8,150	-
Expenses to be paid	13,348	22,476
Staff-related expenses	1,848	2,793
Pension expenses	133	105
Debts from security transactions	751	1,846
Premiums to be invested	45	13
Fees to be paid	2,170	1,811
Brokerage to be paid	6,678	8,572
Amounts payable to pension funds	4,020	3,395
Other	22,551	25,752
<b>Total</b>	<b>183,061</b>	<b>181,257</b>

Accounts payable on direct business and accounts payable on reinsurance business are due within one year. Of the remaining liabilities stated under Other Liabilities € 56,183 (2010 : € 64,958) is due within one year and € 16,095 (2010 : € 17,437) is due after more than one year.

Of the tax liabilities € 0 (2010: € 0) is attributable to corporate tax.

## 19 Shareholders' equity

The shareholders' equity comprises the following:

	2011 € 1,000	2010 € 1,000
Issued capital	59,813	59,813
Share premium	76,667	76,667
Revenue reserves	390,237	384,366
Profit for the year	79,266	89,852
Revaluation reserve	63,953	53,545
<b>Total</b>	<b>669,936</b>	<b>664,243</b>

Issued and paid-up capital amounted to € 59.8 mln. The company has issued only one type of shares which has a par value of € 1,000. The issued shares are owned by Allianz Europe Ltd in Amsterdam. The development of capital and reserves is explained in the notes to the statutory statement of financial position. For the year ended December 31, 2011 the management board will propose to shareholders at the general meeting the distribution of a dividend of € 86 mln (€ 1,438 per share).

## Supplementary Information to the Consolidated Income Statement

### 20 Premiums earned (net)

	Property-Casualty		Life		Total	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Premiums written (gross):						
- from direct insurance	695,970	752,814	316,381	314,970	1,012,351	1,067,784
- from reinsurance assumed	132,696	157,280	-	-	132,696	157,280
<b>Total</b>	<b>828,666</b>	<b>910,094</b>	<b>316,381</b>	<b>314,970</b>	<b>1,145,047</b>	<b>1,225,064</b>
Reinsurance ceded	(59,711)	(125,149)	(11,432)	(11,074)	(71,143)	(136,223)
<b>Premiums written (net)</b>	<b>768,955</b>	<b>784,945</b>	<b>304,949</b>	<b>303,896</b>	<b>1,073,904</b>	<b>1,088,841</b>
Change in unearned premiums gross:						
- from direct insurance	4,741	2,914	-	-	4,741	2,914
- from reinsurance assumed	11,634	12,264	-	-	11,634	12,264
<b>Total</b>	<b>16,375</b>	<b>15,178</b>	<b>-</b>	<b>-</b>	<b>16,375</b>	<b>15,178</b>
Reinsurance ceded	(7,818)	823	-	-	(7,818)	823
<b>Total change in unearned premiums (net)</b>	<b>8,557</b>	<b>16,001</b>	<b>-</b>	<b>-</b>	<b>8,557</b>	<b>16,001</b>
<b>Premiums earned (net)</b>	<b>777,512</b>	<b>800,946</b>	<b>304,949</b>	<b>303,896</b>	<b>1,082,461</b>	<b>1,104,842</b>

### 21 Interest, dividend and similar income

	2011 € 1,000	2010 € 1,000
Income from:		
- securities held-to-maturity	44,539	41,933
- securities available-for-sale	74,002	76,312
- net interest margin from banking business	2,650	2,556
- lending and loans	5,385	3,993
- other interest-bearing instruments	2,390	2,017
- Interest from Cashpool	1,153	337
<b>Total</b>	<b>130,119</b>	<b>127,148</b>

Income from securities available-for-sale include dividend income of € 13,717 (2010 : € 10,890).

## 22 Other income from investments

	2011 € 1,000	2010 € 1,000
Realized gains on securities available-for-sale	33,097	59,520
Realized gains from disposal of consolidated affiliated enterprises	8,816	-
Realized gains on real estate held for investment	(257)	-
Realized losses on securities available-for-sale	(24,197)	(20,022)
<b>Total</b>	<b>17,459</b>	<b>39,498</b>

The amount of € 8,816 reported as realized gains from disposal of consolidated affiliated enterprises is related to Nemian Life & Pensions SA which was sold to Allianz Luxembourg.

## 23 Fee and commission income (net)

	2011 € 1,000	2010 € 1,000
Fee and commission income	30,301	35,949
Fee and commission expenses	(3,133)	(1,812)
<b>Fee and commission income (net)</b>	<b>27,168</b>	<b>34,137</b>

## 24 Other income

Other income consists of the following items:

	2011 € 1,000	2010 € 1,000
Foreign currency gains	2,739	4,966
Income from service activities	27,149	25,633
Income from transfer international accounts to AGCS	-	5,145
Other	2,994	1,439
<b>Total</b>	<b>32,882</b>	<b>37,183</b>

The currency gains are mainly related to US dollar positions. The losses on these positions are reported in Other expenses (Note 31). Income from service activities is related to income from intermediary activities and claims services.

## 25 Insurance benefits (net)

Insurance benefits in Property-Casualty comprise the following:

	Gross		Reinsurance		Net	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Claims:						
- claims paid	617,450	624,533	(41,801)	(55,113)	575,649	569,420
- changes in provisions for loss and loss adjustment expenses	(59,640)	(52,061)	18,581	32,304	(41,059)	(19,757)
<b>Total</b>	<b>557,810</b>	<b>572,472</b>	<b>(23,220)</b>	<b>(22,809)</b>	<b>534,590</b>	<b>549,663</b>

Insurance benefits in Life comprise the following:

	Gross		Reinsurance		Net	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Benefits paid	343,126	293,387	(4,139)	(4,314)	338,987	289,073
Changes in provisions for life insurance:	37,791	35,284	1,959	1,546	39,750	36,830
Other movements in relation to financial assets and liabilities for the risk of policyholders	(90,853)	(37,650)	-	-	(90,853)	(37,650)
<b>Total</b>	<b>290,064</b>	<b>291,021</b>	<b>(2,180)</b>	<b>(2,768)</b>	<b>287,884</b>	<b>288,253</b>

## 26 Interest and similar expenses

	2011 € 1,000	2010 € 1,000
Other interest expenses	2,454	1,570
Interest expenses for loans	699	16
<b>Total</b>	<b>3,153</b>	<b>1,586</b>

## 27 Impairments of investments

	2011 € 1,000	2010 € 1,000
Securities available-for-sale	19,633	7,466
<b>Total</b>	<b>19,633</b>	<b>7,466</b>

Further details can be found in Note 5 Investments.

## 28 Movement in financial assets and liabilities carried at fair value through income (net)

	2011 € 1,000	2010 € 1,000
Result on derivatives	(2,047)	(5,174)
Result on other trading assets	(714)	(26)
Gain/(loss) from financial assets carried at fair value through income	(182,455)	230,090
Gain/(loss) from liabilities carried at fair value through income	182,455	(230,090)
<b>Total</b>	<b>(2,761)</b>	<b>(5,200)</b>

The result on derivatives includes a negative result of € 1,207 (2010: € 3,672 negative ) due to positions held to protect Allianz Nederland Groep against bankruptcy of medium sized bank.

Income from financial assets and liabilities carried at fair value through income includes received dividends and realized and realized results on securities.

## 29 Acquisition costs and administrative expenses

	2011 € 1,000	2010 € 1,000
Property-Casualty	240,970	239,990
Life	47,083	57,884
Asset Management	8,721	8,937
<b>Total</b>	<b>296,774</b>	<b>306,811</b>

	Property-Casualty		Life	
	2011 € 1,000	2010 € 1,000	2011 € 1,000	2010 € 1,000
Acquisition costs:				
- payments	198,190	201,807	17,109	20,012
- change in deferred acquisition costs	1,916	3,536	4,356	7,301
<b>Subtotal</b>	<b>200,106</b>	<b>205,343</b>	<b>21,465</b>	<b>27,313</b>
Administrative expenses	44,427	48,550	27,213	31,999
<b>Underwriting costs (gross)</b>	<b>244,533</b>	<b>253,893</b>	<b>48,678</b>	<b>59,312</b>
Less commissions and profit-sharing received on reinsurance business ceded	(4,579)	(14,878)	(2,875)	(2,949)
<b>Underwriting costs (net)</b>	<b>239,954</b>	<b>239,015</b>	<b>45,803</b>	<b>56,363</b>
Expenses for management of investments	1,016	975	1,280	1,521
<b>Acquisition costs and administrative expenses</b>	<b>240,970</b>	<b>239,990</b>	<b>47,083</b>	<b>57,884</b>

Acquisition costs and administrative expenses include the staff and operating costs of the insurance business allocated to the functional areas 'Acquisition of insurance policies', 'Administration of insurance policies' and 'Asset Management'. Other personnel and operating costs in the insurance business are included in insurance benefits and in other expenses.

All personnel and operating costs in the asset management business are reported under Acquisition costs and administrative expenses.

An overview of personnel expenses is provided in Note 37.

### 30 Restructuring charges

As part of the restructuring plan Allianz 2012 whose execution was started already in 2009, Allianz announced in 2010 to centralize all main activities at its head office in Rotterdam. This reorganization is a direct outcome of the implementation of the Target Operating Model and is aimed at cost savings according to the Operational Transformation Plan.

During the year ended December 31, 2011 Allianz Nederland Groep recognized restructuring charges of € 1,966 (2010: € 26,800). As of December 31, 2011 Allianz Nederland Groep recorded a provision for restructuring costs of € 2,010 (2010: € 20,097) of this € 1,430 (2010: € 15,080) is related to termination cost of personnel.

### 31 Other expenses

Other expenses are comprised of the following:

	2011 € 1,000	2010 € 1,000
Expenses for service activities	36,455	33,434
Foreign transactions currency losses	2,131	1,431
Other	1,997	2,172
<b>Total</b>	<b>40,583</b>	<b>37,037</b>

The currency losses are mainly related to US-Dollar positions. The gains on these positions are reported in other income (Note 24).

### 32 Income taxes

The Group's taxes are comprised of the following:

	2011 € 1,000	2010 € 1,000
Current taxes	(23,710)	(35,141)
Deferred taxes	231	5,001
<b>Total</b>	<b>(23,479)</b>	<b>(30,140)</b>

The company constitutes a single tax entity together with group companies mentioned in Note 48. The corporate tax is stated for each company according to the portion for which the company involved would be assessed if it were an independent tax payer, taking into account of any tax relief facilities available to the company.

Tax deferrals are recognized if a future reversal of the difference is expected. Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization.

The recognized tax charge for 2011 is € 2,207 lower (2010 : € 458 lower) than the expected tax charge. The following table shows the reconciliation of the expected tax charge and the tax charge Effectively recognized:

	2011 € 1,000	2010 € 1,000
Anticipated tax rate in %	25.0%	25.5%
Expected income tax charge	25,686	30,598
Tax exempt (revenues)/cost	(1,879)	2,660
Effects of tax (profits)/losses	(333)	(137)
Effect change tax rate	-	215
Effect of adjustments previous years	-	(3,200)
Other tax settlements	5	4
<b>Current tax charge</b>	<b>23,479</b>	<b>30,140</b>
<b>Effective tax rate</b>	<b>22.9%</b>	<b>25.1%</b>

Deferred tax assets and liabilities comprise the following statement of financial position items:

	2011 € 1,000	2010 € 1,000
<b>Deferred tax assets</b>		
Tax loss carried forward	-	1,277
Insurance provisions	19,599	18,041
Pensions and similar provisions	2,516	3,810
Deferred acquisition costs	16,549	17,821
Other assets	370	921
<b>Total</b>	<b>39,034</b>	<b>41,870</b>
Netting deferred tax assets/ liabilities within fiscal unity	(39,034)	(40,933)
<b>Net deferred tax assets</b>	<b>-</b>	<b>937</b>
<b>Deferred tax liabilities</b>		
Investments	(22,492)	(18,573)
Other liabilities	(25,708)	(28,430)
<b>Total</b>	<b>(48,200)</b>	<b>(47,003)</b>
Netting deferred tax assets/ liabilities within fiscal unity	39,034	40,933
<b>Net deferred tax liabilities</b>	<b>(9,166)</b>	<b>(6,070)</b>

Deferred tax recognized subtracted directly in equity amounted to € 3,439 negative (2010 : € 2,714) and relates to unrealized gains/losses on investments.

# Additional Information to the Consolidated Financial Statements

## 33 Risk management

### Introduction

A coherent and effective risk management system is of vital importance to a financial services company. Risk management entails the identification and assessment of risks together with the formulation and execution of mitigation measures. The ultimate aim of our risk management is to safeguard capital adequacy, thereby protecting the interests of our customers. At the same time it supports the creation of sustainable shareholder value by optimizing the risk-return trade-off, while ensuring that risks taken stay within the company's risk appetite. The risk management system of Allianz Nederland forms an integrated part of the risk management system of Allianz Group.

### Risk governance

Within Allianz Nederland the key players, their roles and responsibilities within the context of risk management are organized as follows:

- The Board of Management is ultimately accountable for ensuring that the company is equipped with an effective risk management system. Whereas specific implementing measures and risk management activities can be delegated to specialized functions and/or committees, the Board of Management remains responsible for determining the risk appetite of the company and, as a consequence, also for prescribing the risk-return strategy. The Chief Risk Officer (CRO) is member of the Board of Management and combines this function with that of Chief Financial Officer (CFO).
- The Risk Committee supervises the overall risk management processes, ensuring that all risks are addressed and managed in an integrated manner. The Risk Committee is a board-level committee and its members include the CEO's of the insurance and bank subsidiaries. It has an advisory role towards the Boards of Management of both the holding and its subsidiaries. In this role it promotes comprehensive risk awareness and it can recommend risk mitigating measures. The Risk Committee meets on a quarterly basis and is chaired by the Chief Risk Officer.
- The Chief Risk Officer performs independent risk oversight and stands for the daily well-functioning of the risk management system. To this end, he plays an interfacing role between the various key players and he is assisted by a dedicated staff function. This staff function is responsible for designing, implementing and maintaining the risk management system within Allianz Nederland, thereby taking into consideration

Allianz Group requirements and local specifics. Using qualitative and quantitative methods, risks are systematically monitored and analysed.

- The Internal Audit department reviews the proper functioning of the risk management system and assesses whether it complies with regulatory and group standards.

Allianz has adopted the "three lines of defence" model. In this model, the business represents the first-line of defence. Business managers are ultimately responsible for the profitability and risk profile of their business. The independent functions risk, legal and compliance comprise the second-line of defence. They are responsible for setting the framework within which the business can take risks. Internal Audit acts as the third-line of defence and ensures that the risk management system is adhered to.

### Capital management

Allianz Nederland is submitted to two capital regimes:

- The capital requirement as calculated with our internal models is at the core of our risk measurement system.
- In addition, meeting the regulatory capital requirement is a prerequisite for being in the insurance business.

In the table below the various capital requirements of Allianz Nederland are depicted.

Capital requirements € mln	2011	2010
Regulatory (Solvency I)	285	306
Internal capital model calibrated at 99,93% confidence level	413	385

Allianz Nederland is dedicated to meeting the above mentioned solvency requirements. Compliance is monitored frequently. We perform stress tests to determine whether the above-mentioned external solvency requirements will also be met under predefined shock scenarios. These so-called stress tests act as early-warning indicators and provide valuable additional information on the potential vulnerability of our capital buffers. The table below shows the effect on solvency of stress tests we have performed:

## Regulatory Solvency (Available/Required)

Solvency I ratios (Available/Required)	2011			2010		
	Life	P&C	Group	Life	P&C	Group
Actual solvency	179%	221%	201%	179%	205%	185%
Internally defined minimum requirement	175%	175%	150%	175%	175%	150%
Stress scenario: Equity -30%	174%	207%	191%	179%	189%	175%
Stress scenario: Interest +200 bp	152%	167%	158%	169%	152%	150%
Stress scenario: Interest -150 bp	189%	262%	228%	178%	245%	209%
Stress scenario: Equity -15%; Interest +100 bp	158%	187%	173%	175%	171%	166%

In our stress tests interest rate shocks in the P/C segment are calculated by multiplying the market value of the interest rate sensitive assets (and/or liabilities) by their average duration and by the magnitude of the interest rate shocks. For the interest rate shocks in our Life business delta MCEV is used as an approximation of the impact on our capital position. Risk mitigating effects of deferred taxes and hedge instruments are taken into consideration, if applicable.

In the regulatory model the insurance liabilities of our P/C business are not discounted and therefore not sensitive to interest rate shocks. Consequently the sensitivity for interest rate risk in the P/C segment is fully determined by the asset side of the balance sheet. The insight into the robustness of our solvency position is limited by the number of stress tests performed. Not all downside scenarios can be predicted and simulated.

### Internal risk capital framework

Risk capital as calculated with our internal model is at the core of our value based management. It serves as a buffer against unexpected losses and is based on the value-at-risk approach. Value-at-risk measures the potential future loss that, under normal market conditions, will not be exceeded in a given period and with a given confidence level.

We define internal risk capital as the difference between the best estimate and worst case net asset value under a full economic balance sheet. The internal model is calibrated with a confidence level of 99.93% with a time horizon of one year. This is consistent with the requirements for an "A" rating from Standard & Poor's. Internal risk capital is calculated quarterly. In the internal model the following risk categories are in scope:

Market Risk	Credit Risk	Actuarial Risk	Business Risk
• Equity risk	• Counterparty default risk	• Premium risk	• Operational risk
• Interest rate risk	• Rating migration risk	• Reserve risk	• Lapse risk
• Currency risk		• Mortality risk	• Cost risk
• Property risk			
• Spread risk			

The risk capital as calculated with our internal model is shown in the table below.

### Internal Risk Capital Life

€ mln	2011	2010
Market Risk	86	65
Credit Risk	110	27
Actuarial Risk	31	41
Business Risk	61	65
Standalone risk capital	287	198
Diversified risk capital	90	57

### Internal Risk Capital P/C

€ mln	2011	2010
Market risk	143	155
Credit risk	29	25
Actuarial risk	345	409
Business risk	51	38
Standalone risk capital	568	627
Diversified risk capital	309	315

Risk capital for Life increased mainly due to a more granular approach to the modelling of credit risk. For the P/C business a new model was introduced in 2011 to calculate actuarial risk.

This new model adopts a simulation-based approach for the calculation of premium risk and reserve risk. Furthermore it explicitly takes into consideration the reinsurance structure.

Risk based capital models have limitations by their very nature and include the following:

- The method of extrapolating historical data may not be sufficient to capture all potential adverse future events, particularly those that are extreme in nature.
- The use of a 99.93% confidence level does not take into account any losses that might occur beyond this level of confidence.
- The assumption that changes in risk factors follow a normal or log-normal distribution may not be the case in reality and may lead to an underestimation of the probability of extreme market movements.
- Counterparty credit ratings from rating agencies serve as key input parameters for credit risk models. These ratings cannot predict individual failures. Moreover, they are often slow to react in response to changes in a firm's risk profile.

Allianz Nederland is aware of these limitations and recognises the importance of the more qualitative risk management skills as amplified on in Pillar II of the Solvency II framework.

### Market risk

Market risk is the risk that the net position of our assets and liabilities is adversely affected by changes in equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices.

### Equity risk

We consolidated our position in equity investments in 2011. However, within the equity portfolio we considerably downsized our exposure to the financial services sector. At the end of 2011 the equity investments as a percentage of the invested assets amounted to 5.7% compared with 6.5% at year-end 2010.

#### Geographic distribution equity investments

	2011	2010
Netherlands	19.1%	13.2%
Eurozone (excl. Netherlands)	78.0%	84.4%
Europe, other	0.0%	0.0%
North America	0.1%	0.1%
Asian Pacific	1.9%	2.0%
World other	0.9%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Interest rate risk

#### *Traditional life segment*

Our traditional life book consists primarily of endowment-type policies with guaranteed maturity benefits and a smaller amount of immediate annuities with guaranteed payments. The ALM committee manages the interest rate risk by matching the duration of the assets and liabilities. In the calculation of the duration of the technical provisions, the actuarial department assumes current capital market rates and no lapses.

#### *Unit-linked segment*

Allianz Nederland offers its unit-linked policyholders a wide range of investment funds. The investment risk of the majority of these funds is borne by the policyholder. Exception to this are a few funds offering a minimum-return guarantee. In 2011 two funds of this type are open to new entrants:

- A guarantee of 2.75% which is currently only offered as an investment in relation to existing pension contracts. This yearly guarantee rate is accrued on a daily basis.
- A fixed income fund offering an end-date guarantee of 3.00%, that is, for investments held till maturity of the policy, with a minimum duration of 5 years.

#### *Property & casualty*

- In our P/C business we are exposed to interest rate risk following a duration mismatch between our fixed-income assets and insurance liabilities. The sensitivity of our capital buffers to changes in the interest rate is monitored on a quarterly basis so that prompt measures can be taken to mitigate the interest rate risk.

#### *Asset management*

- Allianz Nederland Asset Management (ANAM) faces ALM risk as a consequence of holding a bond portfolio to cover the clients' deposits. The ALM committee meets every two weeks as to ensure that the ALM policy is adhered to. Stress tests and daily value-at-risk reports provide the ALM committee with proper insight into the interest rate risk of the bond portfolio and allow the committee to act in a timely manner.

### Foreign exchange risk

Foreign exchange risk relates to losses incurred due to fluctuations in foreign currency exchange rates. Allianz Nederland does not have any significant exposure to foreign currencies. The risk on a fixed-income dollar investment is hedged with currency forwards.

### Real estate risk

Real estate risk is the risk of changes in the market value of real estate property. Due to the small size of the real estate portfolio this risk is not considered material. Allianz Nederland is the owner of the office building of London Verzekeringen in Amsterdam.

### Credit risk

Credit risk relates to losses occurring in the event that a counterparty or debtor will be unable to fully meet its obligations towards Allianz Nederland.

### Investment credit risk

Allianz Nederland is exposed to credit risk on fixed-income securities and deposits with commercial banks. Allianz Group has designed a system to manage counterparty concentrations on a group-consistent basis. Within this system, called CRisP, limits for counterparty exposures are allocated to all operating entities. Limits allocated to an operating entity can be set lower by the local CRO. In this way, the limit allocation is such that the total exposure for the Allianz Group will stay within a predefined group limit, while also the risk appetite of the operating entity is acknowledged. On a monthly basis the counterparty exposures are monitored.

- The portfolio is well diversified except for one exposure. Ultimo 2011 Allianz Nederland has a EUR 340 million gross credit exposure to a medium-sized Dutch bank (2010: EUR 342 million). A significant amount of this third party risk is mitigated with hedging instruments (credit default swaps).
- As a consequence of the financial crisis, the value of these CDS contracts is subject to relatively large fluctuations. By settling the collateral on a weekly basis, the credit risk on the issuers of these credit derivatives is mitigated.
- For the purpose of daily cash flow management, cash and deposits are placed with commercial banks. Allianz Nederland has defined, within the limits of the Group, the maximum exposure limits per bank and these limits are monitored on a daily basis.

The table below provides information on the fixed income investments as at year-end 2011. The information is ranked according to the S&P counterparty credit ratings.

### Intermediary credit risk

Allianz Nederland maintains current accounts with its intermediaries. Furthermore, the company sometimes provides intermediaries with current account financing or loans. With regard to its life business Allianz Nederland is exposed to so-called chargeback risk. This risk emerges when intermediaries are not able to repay pre-paid commission in the event of early surrender, that is, before the time the commission would be fully earned. Allianz Nederland therefore is exposed to credit risk on its intermediary salesforce. Our exposure to this sort of credit risk is monitored closely using a detailed analysis which is discussed quarterly in the management board. Allianz Nederland has taken a number of active measures to mitigate this risk. One of these measures is to receive premiums directly from policyholders without any involvement of the intermediary. In addition extra collateral can be requested.

### Reinsurance credit risk

Reinsurance credit risk is the risk of reinsurers not fulfilling their contractual obligations to the primary insurer. Allianz Group has established a dedicated Security Vetting Team responsible for collecting information on the creditworthiness of reinsurers. This Security Vetting Team establishes a list of reinsurers with which Allianz subsidiaries may reinsure their risks. In case a reinsurer is not on the list, special approval is needed by the Security Vetting Team of the Group prior to final placement. In this way Allianz Nederland benefits from the reinsurance expertise available within the Allianz Group. Furthermore, it ensures that counterparty risk on reinsurers is fully controlled on group level.

### Life actuarial risk

Actuarial risk emerges when actual rates of mortality, surrender and morbidity deviate from their expected rates leading to negative financial consequences for the insurer. This risk is managed using modelling techniques for pricing, underwriting discipline and the calculation of adequate reserves.

	AAA	AA+	AA	AA-	A+	A	A-	≤BBB	Total
Government	1.166	46	45	44	127	44	23	58	1.552
Corporate	99	9	59	35	52	18	20	9	300
<b>Total</b>	<b>1.265</b>	<b>55</b>	<b>103</b>	<b>79</b>	<b>179</b>	<b>62</b>	<b>43</b>	<b>67</b>	<b>1.852</b>
% 2011	68%	3%	6%	4%	10%	3%	2%	4%	100%
% 2010	67%	4%	3%	5%	12%	5%	3%	2%	100%

Within the actuarial discipline, a distinction is made between pricing and reserving. With regard to pricing the Allianz Group has defined minimum standards that include requirements on methodology, assumption setting, control process, validation and sign-off. Consequently a consistent pricing process is ensured within the Allianz Group.

The adequacy of the statutory reserves is monitored annually by means of a liability adequacy test. The test is passed successfully if the actually held reserves (net of deferred acquisition costs and reinsurance reserves) equal or exceed the market value of the reserves, as represented by the sum of the best estimate and a market value margin for unhedgeable risks. For unit-linked contracts with guaranteed minimum benefits we calculate the intrinsic and time value of these guarantees as part of the market value of liabilities. Ultimo 2011 the statutory reserves of the life company were considered adequate. The mortality and morbidity risks are hedged by a number of reinsurance contracts which cover the loss in excess of a certain threshold.

### Actuarial risk P&C

#### *Premium risk*

Premium risk relates to the possibility that premiums earned would not be sufficient to cover actual claims. This can be due to incorrect premium setting caused by inadequate data or unanticipated changes in trends. The premium risk is managed by Allianz Nederland using quantitative models, product development requirements and underwriting guidelines. Further risk control measures consist of exclusions, coverage limits and reinsurance agreements. Every year, the reinsurance agreements are tuned to the desired risk profile. In this context, special attention is given to the effect of reinsurance on available solvency, the desired return and profitability.

Natural disasters such as wind storms present a specific challenge. These types of risks are measured by combining portfolio specific information as input to a special simulation model for natural disaster scenarios. In 2011 Allianz Nederland reinsured a significant part of its modelled 1.429 year worst case exposure to windstorms. For 2012 the catastrophe cover was increased in order to further downsize the own retention under a 1.429 year worst case event.

In 2003, on a combined initiative of the Dutch government and the insurance sector, the Dutch Terrorism Risk Reinsurance Company (NHT) was established. Allianz Nederland participates in this pool which shares terrorism claims up to a yearly maximum of 1 billion euro. To this extent, Allianz Nederland provides terrorism coverage under all of its policies – both Life and P&C - with inception dates from July 2003 onward.

In 2007 Allianz Nederland implemented the Minimum Standards for Underwriting (MSU) as issued by Allianz SE. These underwriting standards are aimed at avoiding exposure to unacceptable risks for commercial lines of business. These standards took effect from 1st January 2008.

#### *Reserve risk*

Reserve risk results when Allianz Nederland holds provisions for liabilities evolving from insurance contracts. In case unexpected changes in estimated payments occur, for example as a consequence of changes in social, economic or legislative conditions, these provisions may not prove sufficient.

The claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. In addition, provisions are also held for losses that have occurred but not yet been reported (IBNR reserves), for future claims settlement expenses (CSE reserves) and for claims incurred but not enough reserved (IBNER reserves). The IBNER reserves are typically held for long-tail business where claims have a long settlement period (e.g. bodily injury). The adequacy of the claims provision is evaluated on a quarterly basis by the actuarial department and is subsequently reported to the Loss Reserve Committee. The CEO, CFO/CRO and the board member responsible for P&C are among the members of this committee. The main responsibilities of the committee are:

- To discuss the quarterly reserve overview as performed by the actuarial department (comparison of the booked reserves with actuarial best estimates per line of business).
- To review and discuss loss reserves, trends and related information.
- To determine the loss reserve provisions for claims and claims settlement expenses at the close of each quarter.

In addition, the adequacy of the loss reserve provisions is also closely monitored by means of independent reviews by Allianz SE every 2 to 3 years.

The Loss Reserve Committee determined the loss and claims settlement expense reserves to be sufficient per year end 2011.

Coverage for asbestosis is excluded from new policies. For old policies where asbestosis has not yet been excluded, separate asbestoses IBNR reserves are held the exposure, number of remaining contracts and asbestosis claims are closely monitored by the actuarial department. The current provision for asbestosis claims has been formed on the basis of prudent assumptions. With this the reserve risk has been limited.

With most lines of business, the settlement of losses takes only a short period of time. With liability and motor third party liability however, loss settlement may take more time. Hence, the loss

provisions for these types of products may be subject to inflation and/or legislative changes. Inflation risk is monitored periodically through actuarial sufficiency tests of insurance liabilities. Regarding legislative amendments that impact outstanding losses, the claims handling department will estimate and modify the scale of losses on a case-by-case basis.

### Liquidity risk

Liquidity risk is the risk that current or future payment obligations cannot be met. This risk arises from mismatches in the timing between incoming and outgoing cash flows. Allianz Nederland has a healthy capital position and is not financed with debt. Consequently it doesn't face any refinancing risk. Insurance companies by their very nature are less exposed to liquidity risk than retail banks, as policyholders cannot withdraw their funds overnight. Nevertheless Allianz Nederland is determined to hold those financial assets that can be traded in liquid markets.

### IFRS 7 hierarchy disclosure

IFRS 7 requires that transparency is given into the fair value hierarchy of all financial instruments which are valued at fair value. This fair value hierarchy consists of three levels and grades the trustworthiness of the underlying information which is used to determine this fair value.

- Level 1: Quoted market prices (unadjusted) in an active market for an identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below depicts the financial instruments measured at fair value at the end of 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised.

IFRS hierarchy disclosure	2011 € 1,000				2010 € 1,000			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments available for sale	2,073	30	24	2,127	2,085	109	-	2,194
Derivative assets held for risk management	1	0	8	9	-	11	-	11
Financial assets for unit-linked contracts	2,528	227	0	2,755	2,762	440	-	3,202
Financial assets designated at fair value through income	440	0	0	440	510	-	-	510
<b>Total</b>	<b>5,042</b>	<b>257</b>	<b>32</b>	<b>5,331</b>	<b>5,357</b>	<b>560</b>	<b>-</b>	<b>5,917</b>

95% of the available-for-sale investments have been granted the highest (Level-1) classification of the IFRS-7 fair value hierarchy, implying a high level of liquidity for these holdings.

On a monthly basis the treasury department prepares a cash flow plan with a 12-month projection period. Aim is to ensure that sufficient liquid assets are held for both the short and the long term. Based on this cash flow planning, the amount of cash available for investments is determined.

The next table depicts the liabilities of the Life and P/C segment at the reporting date analysed by the estimated timing of the cash flows net of reinsurance.

P/C (EUR m)	Total	Within 1 year	1-3 years	3-5 years	Over 5 years
2011	819	320	199	114	186
2010	860	334	217	117	192
Life (EUR m)	Total	Within 1 year	1-5 years	5-15 years	Over 15 years
2011	4,524	204	1,282	2,069	969
2010	5,149	194	1,264	2,368	1,323

### Operational risk

Operational risk includes the risks that arise from human error, process or system failure and from external events. It includes the improper handling of confidential information and the so-called compliance risk when regulatory and legal requirements are not met. The primary responsibility for the effective identification, management, and monitoring of operational risk lies with the line management. In 2011 an Operational Risk Management Committee (ORMCo) was set up to supervise the operational risk management activities. This sub-committee of the Risk Committee allows for more focus on the specific operational risks and a broader organizational representation. The ORMCo meets on a quarterly basis and reports to the Risk Committee. The operational risk management activities are based on three cornerstones:

1. A Risk and Control Self Assessment (RCSA) is carried out by all departments to identify and assess key operational risks and to assure that risk mitigation measures including key controls are in place and sufficiently robust.
2. The Allianz Group operational loss database is populated with all operational losses exceeding a certain threshold. Learning from historical operational losses is key in the identification of process or system weaknesses. Moreover, it facilitates sharing of information between operating entities.

3. An operational risk quantification is carried out. A detailed assessment of operational risk scenarios is supplemented with historical internal and external loss data. The results serve as input for the risk capital calculation. In 2011 Allianz Nederland participated in a pilot project for the development of this internal model component. The internal model for operational risk is scheduled for implementation in 2012.

### Reputational risk

Reputational risk is the risk of financial loss resulting from reputational damage. Given the potential business impact of reputational damage, reputational risk has become a standard agenda item at the Risk Committee meetings. This forces us to be alert to potential reputational risks. Allianz Group has issued guidelines for reputational risk management. These guidelines stipulate activities that are potentially reputation-sensitive.

### Concentration of risks

Concentration risk arises from concentration of activities and/or investments in a certain region or sector. Another source of concentration risk comes from insufficient diversification in the investment portfolio. This can lead to an unacceptable level of concentration in certain counterparties, which may lead to large

losses in case such a counterparty would enter bankruptcy. The following risks contain some degree of concentration:

- Motor business plays a dominant role in our insurance portfolio.
- Cumulation of counterparty credit risk over different asset classes (e.g. equity investments, fixed income investments and bank deposits). For this cumulative counterparty exposure limits have been defined.
- Ultimo 2011 Allianz Nederland had a gross counterparty credit exposure of EUR 340 million (2010: EUR 342 mln) to a mid-sized Dutch bank.
- Exposure to natural catastrophes such as windstorms is another special point of attention.

## 34 Derivative financial instruments

The use of derivatives by individual enterprises is in compliance with 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 hedged risks and the Group's risk management systems is included in Note 33.

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 movements for selected securities or for parts of a portfolio. The settlement risk is virtually excluded in the case of exchange traded products, which are standardized products. By contrast, over-the-counter (OTC) products, which are individually traded contracts, carry a theoretical credit risk amounting to the positive market values. Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives and diversifies the related risk over several counterparties. Pursuant to IAS 39, derivative financial instruments are reported under financial assets or liabilities held-for-trading. Gains or losses arising from valuation at fair value are included under trading income (Note 28).

Derivatives are used for hedging open positions. However, the conditions for hedge accounting are not met. The credit default swap was purchased to insure the credit risk of a counter party. To reduce the counter party risk of this CDS a collateral of € 5,890 (2010: € 6,810) was received.

### Notional principal amounts and market values of open derivative positions as of 12/31\*

	Maturity as of 12/31/2011			2011			2010		
	Up to 1 year	1-5 years	Over 5 years	Notional principal amounts	Positive market values	Negative market values	Notional principal amounts	Positive market values	Negative market values
Put options Hartford									
loans	-	-	1,730	19,852	1,730	-	19,852	1,922	-
Credit default swaps	472	6,872	-	160,000	7,344	-	245,000	8,540	-
Price return swap	-	-	(505)	20,326	-	505	20,326	154	-
<b>Total</b>	<b>472</b>	<b>6,872</b>	<b>1,225</b>	<b>200,178</b>	<b>9,074</b>	<b>505</b>	<b>285,178</b>	<b>10,616</b>	<b>-</b>

\* Positive and negative market values are shown on a gross basis, i.e. not taking into account netting effects.

## 35 Fair value

The fair value of a financial instrument is defined as the amount for which a 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 of future cashflows method or another appropriate valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cashflows. Specific financial instruments are discussed below.

Allianz Nederland uses the following methods and assumptions to determine fair values:

### Cash and cash equivalents

The carrying amount corresponds to the fair value due to its short term nature.

### Investments (including trading assets and liabilities)

The fair value of fixed-term securities is based on market prices, provided these are available. If fixed-term securities are not actively traded, their fair value is determined on the basis of valuations by independent data suppliers. The fair value of equities is based on their stock-market prices. The carrying amount and the fair value for fixed-term securities and equities do not include the fair value of derivative contracts used to hedge the related fixed-term securities and securities.

The fair value of derivatives is derived from the value of the underlying assets and other market parameters. Exchange-traded derivative financial instruments are valued using the fair value method and based on publicly quoted market prices. Valuation models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle in full all the future rights and obligations arising from the financial contract.

### Financial assets and liabilities carried at fair value through income

The fair values of the assets were determined using the market value of the underlying investments. Fair values of separate account liabilities are equal to the fair value of the separate account assets.

## 36 Contingent liabilities, commitments and guarantees

Group companies are involved in legal proceedings, involving claims by and against them, which arise in the ordinary course of their business. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of the proceedings will have a material effect on the financial position or results of operations of the Group, after consideration of any applicable provisions.

Allianz Nederland occupies leased premises and has entered into various operating leases covering the long term use of real estate, motor vehicles, data processing equipment and other office items.

As of the date of the statement of financial position an amount equal to € 34.9 mln (2010 : € 44.3 mln) related to rental, lease contracts and other long term agreements.

As of December 31, 2011 the future minimum lease payments under non-cancellable operating leases were as follows:

	€ 1,000
2012	7,884
2013	6,833
2014	5,561
2015	933
2016	104
Thereafter	95
<b>Total</b>	<b>21,410</b>

As of the end of the year, an amount equal to € 24.1 mln (2010 : € 11.6 mln), has been granted in respect of guarantees, of which 13.1 mln relates to pensions, and € 7.3 mln (2010 : € 7.4 mln) relates to participation in the terrorism pool.

## 37 Employee information

At the end of 2011 Allianz Nederland employed a total of 1,210 (2010: 1,367) employees.

### Personnel expenses

	2011 € 1,000	2010 € 1,000
Salaries and wages	64,417	79,895
Social security contributions and employee assistance	7,148	8,205
Expenses for pensions and other post-retirement benefits	6,979	8,772
<b>Total</b>	<b>78,544</b>	<b>96,872</b>

The 2010 figures have been adjusted for comparison reasons.

The line salaries and wages 2010 included an amount of € 5,203 employee termination benefits related to the restructuring program Allianz 2012.

Further details with regard to the pension expenses are provided in Note 18.

## 38 Share based compensation plans and management compensation

### Share based compensation plans

#### Share Purchase plans for employees

Shares in Allianz SE are offered to qualified employees within predefined timeframes at favourable conditions. In order to be qualified, employees must have been employed in continuous service, or had a position as an apprentice, for a period of six months prior to share offer and notice of termination of employment must not have been served. Share purchase plans also include restrictions relating to the amount that the employee can invest in purchasing shares.

The shares are freely disposable after the expiration of the minimum holding period of one year. The number of shares sold to employees under these plans was 3,504 (2010 : 2,138). The difference between the exercise price and the market price of Allianz shares of € 13.04 (2010 : € 16.67) was reported as part of compensation expense.

### Stock Appreciation Rights (SAR) plan

Allianz SE has awarded stock appreciation rights on Allianz shares to members of the management board. Following a two-year vesting period, the stock appreciation rights may be exercised at any time between the 2nd and the 7th anniversary of the effective date of the relevant plan, provided that:

- during their contractual term, the price of Allianz SE shares has outperformed the Dow Jones Europe STOXX Price Index (600) at least once for a period of five consecutive trading days; and
- the share price outperforms the reference price by at least 20% at the time when the rights are exercised.

Under the conditions of the SAR plan, group companies are obligated to pay in cash the difference between the stock market price of Allianz SE shares on the day the rights are exercised and the reference price as specified in the respective plan. The maximum difference is capped at 150% of the reference price. Upon exercise of the appreciation rights, payment is made in the relevant local currency by the company granting the stock appreciation rights. Stock appreciation rights not exercised by the last day of a plan will be exercised automatically where the necessary conditions have been met. Where these conditions have not been met or a plan participant ceases to be employed, the plan participant's appreciation rights are forfeited.

In 2011 Allianz SE did not award any stock appreciation rights on Allianz shares to members of the management board.

The SAR plan has been granted as follows:

Grant date	Vesting period years	Reference price €	SARs granted	SARs forfeited/ exercised	SARs re-maining
May 03	2	66	21,031	21,031	0
May 04	2	83	12,338	4,499	7,839
May 05	2	93	16,275	5,776	10,499
May 06	2	132	10,315	3,687	6,628
March 07	2	160	10,144	3,689	6,455
March 08	2	117	16,771	3,296	13,475
March 09	2	52	7,739	-	7,739
March 10	2	87	17,922	-	17,922
March 11	na	na	-	-	-

As of December 31, 2011 the intrinsic value of outstanding SARs amounted to € 170 (2010 : € 367).

Allianz Nederland has entered into call options on Allianz SE stock to hedge its future obligations under the SAR plans. As of December 31, 2011 the total value of the Allianz call options was € 294 (2010 : € 781).

The total compensation expense related to the SAR plan is calculated as the amount by which the quoted Allianz SE share price exceeds the SAR reference price. The total compensation expense is remeasured at each reporting period based on changes in the Allianz SE share price and is accrued over the two-year vesting period.

In 2011 the total compensation expense related to the outstanding appreciation rights was € 83 negative (2010 : € 26 negative).

Taking into account the expired portion of the vesting period, a provision of € 199 ( 2010 : € 419) was established on December 31, 2011 and reported under the heading Other accrued liabilities.

### Restricted Stock Units (RSU) plan

The restricted stock units granted to a plan participant obligate Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or issue one Allianz SE share, or other equivalent equity instrument, for each restricted stock unit granted. The restricted stock units vest after five years. Allianz Group will exercise the restricted stock units on the first stock exchange day after their vesting date. On the exercise date Allianz Group can choose the settlement method for each restricted stock unit.

A summary of the number and the weighted-average grant date fair value of the nonvested restricted stock units are as follows:

	Number	Weighted average grant date fair value (€)
<b>Nonvested as of 1/1</b>	<b>22,587</b>	<b>72.90</b>
Granted	6,972	82.55
Forfeited/Exercised	(100)	100.11
<b>Nonvested as of 12/31</b>	<b>29,459</b>	<b>76.73</b>

The restricted stock units are accounted for as cash settled plans as Allianz Group intends to settle in cash. Therefore Allianz Group accrues the fair value of the restricted stock units as compensation expense over the 5 year vesting period. During the year ended December 31, 2011, Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 329 (2010: € 493). Taking into account the expired portion of the vesting period, a provision of € 1,204 (2010: € 885) was established on December 31, 2011 and reported under the heading Other accrued liabilities.

### Allianz France Stock Option plan

Allianz France has awarded stock purchase options on Allianz France shares to directors and managers. The primary objective of the stock option plan is to encourage the retention of key personnel of Allianz Nederland Groep and to link their compensation to the performance of Allianz France. Due to Allianz SE obtaining the full ownership of all outstanding Allianz France shares, and with that the ending of the quotation on the stock exchange, the Allianz France stock option plan was closed. The valuation of the remaining outstanding options (16,175) will now be dependent on the price of the Allianz SE shares.

### Compensation management board

	2011 € 1,000	2010 € 1,000
Short-term employee benefit	2,142	2,175
Expenses for pensions and other post-retirement benefits	285	296
Stock-based compensation	576	839
<b>Total remuneration</b>	<b>3,003</b>	<b>3,310</b>

As of December 31, 2011 the management board had five (2010: five) members. The information on compensation concerns the members of the management board who were active at the end of the year.

### Pensions and similar benefits

Allianz Nederland paid € 259 (2010: € 257) premiums to pension funds for active member of the management board.

As of December 31, 2011 the pension provisions and provisions for similar benefits for the then active members of the management board amounted to € 3,297 (2010: € 3,037).

### Remuneration for the supervisory board

In fiscal year 2011, remuneration for the supervisory board amounted to € 111 (2010: € 110). This board has five (2010: five) members.

### 39 Related parties transactions

In the normal course of business, Allianz Nederland Groep enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions with related parties have taken place on an at arm's length basis. The related party transactions are related to reinsurance transactions and to transactions with the pension funds.

	2011 € 1,000	2010 € 1,000
Reinsurance premiums	35,321	51,521
Reinsurance claims/ commissions	10,580	13,735
Reinsurance assets	59,307	69,574
Reinsurance liabilities	30,938	34,532
Realized gains from disposal of affiliated enterprises	8,816	-
Pension fund related expenses	10,032	12,070
Pension fund related assets	455	344
Pension fund related liabilities	4,020	3,395
Financial assets held for trading	1,731	1,922
Loans and advances to banks	69,766	68,982

Transactions with key management personnel (management board and supervisory board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in Note 17 Other provisions and Note 38 Share based compensation plans and management compensation.

### 40 Auditor's fees

Auditor's fees can be specified as follows:

	2011 KPMG Accountants N.V. € 1,000	2011 KPMG other € 1,000	2011 Total KPMG € 1,000	2010 Total KPMG € 1,000
Year end audit services	717	-	717	735
Other audit services	41	13	54	24
Tax advice	-	186	186	212
Other non-audit services	5	412	417	228
<b>Total</b>	<b>763</b>	<b>611</b>	<b>1,374</b>	<b>1.199</b>

## Corporate Financial Statements

### 41 Notes to the corporate financial statements

#### General

The corporate financial statements are part of the 2011 financial statements of Allianz Nederland Groep N.V. With reference to the corporate profit and loss account of Allianz Nederland Groep N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Dutch Civil Code (BW2).

#### *Principles for the measurement of assets and liabilities and the determination of the result*

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its corporate financial statements, Allianz Nederland Groep N.V. makes use of the option provided in section 2:362 (8) of The Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the corporate financial statements of Allianz Nederland Groep N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see the Notes to the Consolidated financial Statements for a description of these principles.

The share in the result of participating interests consists of the share of Allianz Nederland Groep N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Allianz Nederland Groep N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

## 42 Statutory statement of financial position as of December 31

	Note	2011 € 1,000	2010 € 1,000
<b>ASSETS</b>			
<b>Financial assets</b>			
Participations in group companies and subsidiaries	44	656,960	691,096
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from group companies	44	23,464	42,848
Tax receivable		7,173	155
Receivable Cashpool	44	54,415	84,115
Other receivables	44	6,546	5,285
Other assets		3,247	38
		94,845	132,441
Investments	44	2,191	2,476
Cash and cash equivalents	44	373	5,103
<b>Total assets</b>		<b>754,369</b>	<b>831,116</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Payables</b>			
Payables to group companies		3,650	3,098
Taxes payable		4,050	4,425
Payables Cashpool		20,415	84,115
Other payables and accrued liabilities	44	6,911	5,211
		35,026	96,849
<b>Provisions</b>			
Deferred tax liability	44	22,821	24,194
Other provisions	44	26,586	45,830
		49,407	70,024
<b>Shareholders' equity</b>			
Paid in capital	44	59,813	59,813
Share premium		76,667	76,667
Revaluation reserves of subsidiaries	44	63,953	53,545
Legal reserves	44	4,128	6,266
Revenue reserves	44	386,109	378,100
Profit for the year	43	79,266	89,852
		669,936	664,243
<b>Total liabilities</b>		<b>754,369</b>	<b>831,116</b>

## 43 Statutory income statement as of December 31

	2011 € 1,000	2010 € 1,000
Result of subsidiaries	94,187	119,781
Result sale participations	8,816	-
Operating expenses	(616)	(796)
Interest income and similar revenue	1,130	1,308
Revaluation of investments held for trading	(345)	106
Interest cost and similar expenses	(427)	(407)
<b>Result before taxes</b>	<b>102,745</b>	<b>119,992</b>
Taxes	23,479	30,140
<b>Result after taxes</b>	<b>79,266</b>	<b>89,852</b>

## 44 Notes to the statutory statement of financial position

The development of participations in group companies and subsidiaries is as follows:

	2011 € 1,000	2010 € 1,000
<b>Value stated as of 1/1</b>	<b>691,096</b>	<b>693,386</b>
Additions	18	-
Disposals	(16,184)	-
Revaluation result	9,427	(5,578)
Result after tax	70,713	89,288
Dividends received	(98,000)	(90,000)
Increase of capital	-	4,000
Other	(110)	-
<b>Value stated as of 12/31</b>	<b>656,960</b>	<b>691,096</b>

In 2011 an upstream merger was realized between the group companies Allsecur B.V. and Orion Direct Nederland B.V. This merger did not impact the value. The disposal is related to Nemian Life & Pensions SA, which is sold to Allianz Luxembourg.

### Receivables from group companies

The receivables from group companies are generally due in less than one year.

### Receivable Cashpool

This is a treasury account with Allianz SE, which is used to invest temporary cash surpluses of the Allianz Nederland Groep N.V. and its subsidiaries. The portion held by the subsidiaries is reported under liabilities cashpool. The cashpool balance is payable on demand.

### Other receivables

The other receivables are generally due in less than one year.

### Investments

Development of the investments during the year is as follows:

	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	2,476	1,818
Additions	575	839
Sales	-	(155)
Revaluation	(860)	(26)
<b>Value stated as of 12/31</b>	<b>2,191</b>	<b>2,476</b>

### Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, checks and cash on hand.

### Shareholders' equity

#### Paid in capital

Company capital amounted to € 113.4 mln, of which € 59.8 mln issued capital. The company has issued only one type of share which has a par value of € 1,000. The issued shares are owned by Allianz Europe Ltd in Amsterdam.

#### Revaluation reserves of subsidiaries

	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	53,545	59,123
Effect of tariff change	-	342
Reclassification	981	-
Revaluation result	9,427	(5,920)
<b>Value stated as of 12/31</b>	<b>63,953</b>	<b>53,545</b>

### Legal reserve

The legal reserve relates to internally generated software capitalized per year-end.

#### Revenue reserves

	2011 € 1,000	2010 € 1,000
Value stated as of 1/1	378,100	365,455
Addition from profit	89,852	97,610
Dividend paid	(83,000)	(85,000)
Reclassification	(981)	-
Transferred to legal reserves	2,138	35
<b>Value stated as of 12/31</b>	<b>386,109</b>	<b>378,100</b>

### Deferred tax liabilities

Tax deferrals are recognized if a future reversal of the difference is expected.

### Other provisions

Other provisions are comprised of the following:

	2011 € 1,000	2010 € 1,000
Provisions for post-employment benefits	10,062	16,269
Provision restructuring plans	1,689	18,056
Other staff related provisions	13,432	10,201
Other	1,403	1,304
<b>Total</b>	<b>26,586</b>	<b>45,830</b>

The other provisions are explained in the note 17 to the Consolidated balance sheet.

### Other payables and accrued liabilities

	2011 € 1,000	2010 € 1,000
Pension expenses	133	105
Other	6,778	5,106
<b>Total</b>	<b>6,911</b>	<b>5,211</b>

### Solvency

The available solvency margin expressed as a percentage of the required solvency margin for the group companies amounted to 201% at the end of 2011 (2010: 185%). Further information regarding the internal determined minimum required solvency level and the minimum required solvency level determined by Allianz SE is provided in the risk management paragraph (Note 33).

### Liabilities not included in the statement of financial position

With regard to shares held by the company in the subsidiaries there is a conditional obligation to pay up in full to a total of € 69.4 mln (2010 € 69.4 mln).

With regard to group companies, guarantees have been given for an amount of € 1.8 mln (2010: € 1.8 mln).

## 45 Notes to the statutory income statement

### Revaluation of investments held for trading

The revaluation of investments held for trading is explained in Note 5 to the Consolidated Statement of financial position.

### Taxes

Taxes are explained in Note 32 to the Consolidated balance sheet.

Rotterdam, March 14, 2012

#### Management board

R. van het Hof (chairman)  
P.S. Grimberg  
S.L. Laarberg  
C.J.A.M. Schneijdenberg  
H.J.J. Schoon

#### Supervisory board

R.J.W. Walvis (chairman)  
G.J. de Boer-Kruyt  
F.W. Fröhlich  
H. Gloaguen  
J. Weber

## Other information

### 46 Subsequent events

Between the statement of financial position date and the date when the annual report was authorized for issue (March 14, 2012) by the supervisory board no events have occurred that should be mentioned in this paragraph.

### 47 Independent auditor's report

To: the General Meeting of Shareholders of Allianz Nederland Groep N.V.

#### Report on the financial statements

We have audited the accompanying financial statements 2011 of Allianz Nederland Groep N.V., Rotterdam, which comprise the consolidated and company statement of financial position as at 31 December 2011, the consolidated and company income statement 2011, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report from group management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report from group management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that report from group management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 14 March 2012

KPMG ACCOUNTANTS N.V.

## 48 Consolidated subsidiaries

	%
	owned
Allianz Nederland Levensverzekering N.V., Utrecht <sup>1</sup>	100
Allianz Nederland Schadeverzekering N.V., Rotterdam <sup>1</sup>	100
Allianz Nederland Asset Management B.V., Utrecht <sup>1</sup>	100
Allianz Nederland Administratiekantoor B.V., Utrecht <sup>1,2</sup>	100
AllSecur B.V., Den Bosch <sup>1,2</sup>	100
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100
Havelaar & van Stolk B.V., Rotterdam <sup>1,2</sup>	100
Helviass Verzekeringen B.V., Rotterdam <sup>1,2</sup>	100
Iteb Schadeservices B.V., Gouda <sup>1,2</sup>	100
London Verzekeringen N.V., Amsterdam <sup>1</sup>	100
Managed Insurance Operations B.V. <sup>1,2</sup>	100

1 Subsidiary forms part of the fiscal unity of Allianz Nederland Groep.

2 General guarantees as referred to in section 403, book 2, of the Dutch Civil Code, have been given by Allianz Nederland Groep N.V. to these subsidiaries.

All consolidated subsidiaries are located in The Netherlands. As per January, 1 2011 Orion has merged with Allsecur.

## 49 Appropriation of result

### Proposed profit appropriation

In accordance with article 35 of the articles of association, the General Meeting of Shareholders can dispose of the profit.

The proposed profit appropriation over 2011 is as follows:

	2011
	€ 1,000
Dividend	86,000
Addition to the other reserves	(6,734)
<b>Total profit to be appropriated</b>	<b>79,266</b>

## Addresses

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### Allianz Nederland Schadeverzekering N.V.

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### Business Unit Agency:

#### Allianz Nederland Schadeverzekering

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### Business Unit Brokers and International:

#### Allianz Nederland Corporate

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### Business Unit Income Insurance:

#### Allianz Inkomensverzekeringen

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### Allianz Nederland Levensverzekering N.V.

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### Allianz Nederland Asset Management B.V.

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### London Verzekeringen N.V.

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### Managed Insurance Operations B.V. (MIO Insurance)

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### Text

Bondt Communicatie, Breda

### Design

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