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 2012

Allianz

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Introduction

Allianz Nederland reports healthy performance

While 2011 was the year of 'One Company' for Allianz Nederland: one company, one team and uniformity in working methods, 2012 was a year of further integration of key activities to achieve ongoing cost optimisation and quality improvement.

Solid performance

In the light of the current challenging market conditions, we are satisfied with our financial performance in 2012. 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 with a strong brand. However, we remain concerned about the high claims incurred in some lines of business, especially in income insurance and motor insurance.

Added value

We work together with professional intermediaries who recognize a strong partner and a strong brand in Allianz. Together, we strive to maintain the highest quality of service, of advice and of the best customer/product combinations. We intend to intensify our cooperation with the intermediaries even more, in order to be able to guarantee the desired quality to our customers.

Continued focus on customers

Everything we do is in order to provide our customers with the best quality product for the right price. To this end, we have further centralized our support functions in Rotterdam. Together with the simultaneous restructuring of the organization, structural cost savings have been achieved.

Consumer confidence remains low against the continued background of the unsure macro-economic situation in Europe and the related uncertainties about investments in government bonds. Income and investment results in the insurance industry also remain under pressure due to this situation. The Dutch insurance market continues to show high expense levels. This is the reason why our focus on cost savings remains crucial.

Ambitious employees

We also continue to expect a lot from our employees and they do the same from us as employer. The results of our annual employee engagement survey give us the opportunity to learn from our employees and thus to increase the understanding of our strategy and targets at every level. In this way we are able to help employees see how they can personally contribute to achieving our goals. It is clear that this mutual investment leads to higher job satisfaction and more company success.

Allianz Benelux

As part of its commitment to the region, Allianz SE has decided to integrate its activities in The Netherlands, Belgium and Luxembourg.

The cooperation between Belgium and The Netherlands started on 1 January 2013. In the years to come possible integration initiatives will be reviewed and implemented. It is very important to Allianz Benelux to keep the service levels at the expected high levels. During the integration process, our main focus will be on maintaining high quality service to all our customers at all times.

S.L. Laarberg,
General Manager Allianz Nederland Groep

About Allianz

Profile

Allianz Nederland is part of Allianz Group, one of the largest financial institutions in the world. In Europe Allianz SE is market leader when it comes to risk acceptance and the development and offering 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 are able to lead in the areas of expert advice and product development.
With approximately 1,200 employees, Allianz Nederland is a medium-sized financial services player. The strength of our size is that we are able to take advantage of changes in the market in a flexible and effective way. The need for adequate and quick response to the developments in the market requires employees who can act accordingly. This is why we give them space to develop them selves and to play a meaningful role in achieving our goals and strategy. In addition we actively control expenses in order to be able to offer our customers the best quality and service at a keen price. It is also in the best interest of our customers that we intend to innovate continuously.

Allianz Nederland offers its services and products within the disciplines of P-C and life insurance, asset management and income-related insurance and has its head office in Rotterdam. Our regional offices and the short lines of communication make the company more accessible. We serve our customers via intermediary and direct writer which enables them to choose which way is most appropriate for them.

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 a leading employer in the industry. From the results of our NPS research, we learn that our customers see us as a stable, transparent and sympathetic company. We listen to and learn from our customers and we use that valuable input when 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 and have the constant goal to achieve maximum customer satisfaction. They have international and local professional expertise at their disposal with which they want to serve Allianz customers.

Our key activities

P-C insurance

Allianz Nederland is an important player on the Dutch non-life 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 combine professional expertise in risk underwriting well with entrepreneurship.

We operate in three markets:
- Retail: personal lines are serviced both under the Allianz Nederland Schadeverzekering and London Verzekeringen labels.
- SME: the SME market is serviced under the Allianz Nederland Schadeverzekering label via the intermediary.
- Large corporate: Allianz Nederland Corporate insures large, complex commercial risks for local companies in the co-insurance market and motor fleets.

Allsecur is Allianz's motor insurer in the direct market.

Life insurance

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 term, immediate annuities and NHG mortgages which can be linked with a bank savings account.

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 also offers bank savings products via intermediaries in order to accumulate assets for various purposes, also combined with life insurances from Allianz Nederland Levensverzekering.

Its 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 2012 (2011: € 5.6 billion). Total assets under management with Allianz Nederland Asset Management for policyholders amounted to € 3.0 billion at the end of 2012 (2011: 2.8 billion).

Key figures

(€ mln)	2012	2011	2010	2009	2008
Income					
Gross premiums written					
- Property-Casualty	714	829	910	916	913
- Life	276	316	315	354	371
Total gross premiums written	**990**	**1,145**	**1,225**	**1,270**	**1,284**
Investment income	159	147	166	210	214
Other income	29	33	37	31	28
Income	**1,178**	**1,325**	**1,428**	**1,511**	**1,526**
Net premiums written	914	1,074	1,089	1,135	1,155
Operating result	92	108	111	91	102
Profit before taxes					
Property-Casualty	22	36	69	60	70
Life	80	52	43	60	35
Asset Management	9	6	8	12	7
Other profit/loss	1	9	-	1	(1)
Total result before taxes	**112**	**103**	**120**	**133**	**111**
Total result after taxes	83	79	90	98	84
Return on Equity	12%	12%	14%	15%	12%
Investments					
At the risk of the company	2,669	2,850	2,869	2,863	2,464
At the risk of the policyholders	2,976	2,755	3,202	3,057	2,773
Total investments	**5,645**	**5,605**	**6,071**	**5,920**	**5,237**
Technical provisions					
Gross	5,094	5,537	5,564	5,431	5,015
Net	4,930	5,411	5,410	5,244	4,829
Shareholders' equity					
Paid-up capital	60	60	60	60	60
Reserves	680	610	604	605	588
	740	**670**	**664**	**665**	**648**
Average number of staff (converted to full-time equivalent)	**1,085**	**1,135**	**1,281**	**1,328**	**1,346**

Board members

Management Board Allianz Nederland Groep

R.F. Franssen (per March 25, 2013)

J.-P. Vialaron (per March 25, 2013)

S.L. Laarberg

C.J.A.M. Schneijdenberg

R. van het Hof (until January 1, 2013)

P.S. Grimberg (until January 1, 2013)

T.P. Merkle (until December 1, 2012)

Supervisory board Allianz Nederland Groep

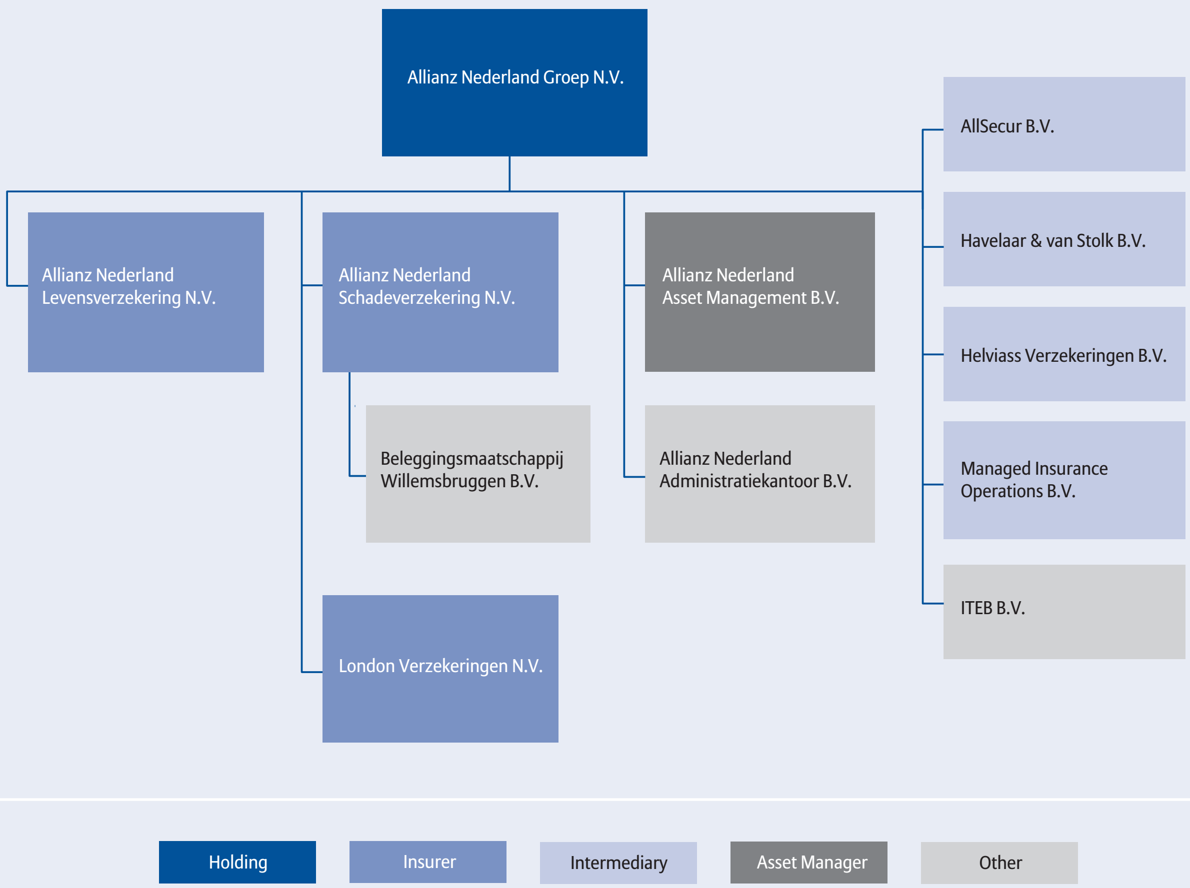
R.J.W. Walvis (chairman)

G.J. de Boer-Kruyt

F.W. Fröhlich

J. Weber

Organizational chart of Allianz Nederland Groep N.V.



Report from group management

Allianz Nederland in 2012

Vision

We make a conscious decision to aim for long-term high performance. Our underwriting policy is supported by professional risk models and knowledge of our business and our customers. In addition we have made significant progress in recent years to achieve structural cost controls. In 2012 Allianz Nederland remained a profitable insurance company.

It is our vision that strong brands and customer-oriented concepts reinforce each other. Customers need brands and service concepts which will continue to exist. Allianz has shown – throughout the crisis – that it is a strong brand.

Financial result

Income, expenses, result

Total premium income in 2012 decreased by 14% to € 990 million, (2011: € 1,145 million). Premiums written in P-C came to € 714 million (2011: € 829 million). € 151 million of this was caused by the decision not to renew the reinsurance contract with Unigarant. Premium income in life amounted to € 276 million (2011: € 316 million). Due to the absence of guaranteed long-tail risks in the life portfolio, Allianz Nederland was less troubled by the low interest rate 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 centralization of activities in Rotterdam will be completed in 2013 which will afford sustainable, annual expense savings.

Net profit increased by 5% to € 83 million (2011: € 79 million). The operating result in 2012 came to € 92 million (2011: € 108 million). The combined ratio came to an unacceptable 103.3% (2011: 99.6%).

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 € 740 million at the end of 2012, an increase of 9% compared with 2011. The solvency ratio remained strong at 225% and improved in comparison with 2011 (201%). In November Standard & Poor ‘s rated our insurance companies (Allianz Nederland Schadeverzekering, Allianz Nederland Levensverzekering and London Verzekeringen) as AA- with a ‘Stable Outlook’.

Risk profile

General

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, thus 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 our risk appetite. The risk management system of Allianz Nederland forms an integral part of the risk management system of Allianz Group.

Developments in 2012

Sovereign debt crisis

Concerns about rising government deficits and debt levels across the globe together with a wave of downgrading of European government debt continued to cause turmoil in financial markets. Allianz Nederland further de-risked the asset portfolio by selling the majority of its equity investments in the summer of 2012. Per year-end our exposure to sovereign debt of the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) was restricted to € 68 million in Italian debt. The current low interest rate environment is challenging in particular for life insurers with sizable blocks of long-term interest rate guarantees. As unit-linked contracts comprise the largest part of our life book, our exposure to mismatch risk is relatively small.

Preparation for Solvency II

Allianz Nederland has decided to calculate its Solvency II capital requirement using an internal capital model. 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 and the Dutch supervisory authority.

In 2012 several regulatory on-site visits were held as part of the internal model approval process. 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. The further improvement of the ORSA process will remain a top priority for 2013. Solvency II requires the risk, compliance, internal audit and actuarial functions to be established as part of its system of governance. These four functions are well embedded in our risk management framework.

In Note 33 of the Financial Statements a more detailed description of our Risk management is given.

Focus in 2012

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 customers can acquire our products more easily. We modernized our consumer websites at the beginning of 2012, so that private customers have better access to our products and services (www.allianz.nl).

We serve SME customers via specialized intermediaries.

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 2012 we had 1,194 employees (1,075 FTE) compared with 1,210 employees in 2011 (1,086 FTE).

Staff

Development

Allianz Group has an international career policy in which Allianz Nederland participates actively. Using this policy we work on management development, as fitting with the needs of Allianz Nederland. In 2012 training plans for 2013 were drawn up per department. In addition to the usual professional courses, we want to pay attention to personal development too.

Business integrity and complaints

Allianz Nederland follows a code of conduct which is based on the models of Allianz Group and of 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 2012 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 online.

Governance

Code of Conduct for Insurers (Code Verzekeraars)

Compliance

The Code of Conduct, which the Association of Insurers has compiled, has been in effect since 1 January 2011. The code applies to all insurers who are licensed under the terms of the Financial Services Act (Wft). In the code, the roles 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.

In recent years, Allianz Nederland Groep N.V. has applied the principles of the code of conduct for insurers to its organization except where stated otherwise.

Supervisory board

Composition and qualifications

During the year of account, the members of the supervisory board of Allianz Nederland Groep N.V. were Mr. R.J.W. Walvis, chairman, Mrs G.J. de Boer-Kruyt, Mr F.W. Fröhlich and Mr J. Weber.

The supervisory board is comprised in such a way that it can perform its role as required. Following the departure of one of the board members with effect from 1 January 2012, the supervisory board consisted of four people. This still satisfies the requirement in the articles of association which require that the board comprises at least three members. It is anticipated that the vacancy will be filled in 2013 using a profile which the supervisory board will draw up.

In its current composition, 25% of the supervisory board members is female. The supervisory director who was appointed last was Mr. J. Weber. When a profile for a vacancy is drawn up, the supervisory board takes into account the fact that the composition of the supervisory board is not equally divided between men and women.

As the other members, individually and as a group, offer a very wide range of experience and expertise due to previous management positions and as board member of various companies, the required level of knowledge and experience is more than satisfied in spite of the vacancy. The vacancy also has no influence on the requirements with respect to having a complementary, diverse and collegial board.

One of the board members: Mr J. Weber, works for 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 fitting 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 with the aim of maintaining and expanding the level of expertise of the supervisory and management boards. The chairman has been advised about the content and planning of the programme by the company secretary and an external adviser. During the year of account, two education sessions took place. The subjects were ‘trends and developments in regulations’ and ‘financial risks’. All of the board members attended the sessions. After each education session, the board members made a list of subjects on which they wished to receive more information in the next sessions. The contents of the programme will be further defined in the course of the year, in order to respond to current developments.

Self evaluation

Following one of its meetings, the supervisory board reviewed its performance during the year of account, in accordance with the requirements of the code of conduct for insurers. Minutes of this self-evaluation were taken and an action plan was prepared.

Task and working method

The regulation, already implemented by the supervisory board in 2011 and containing the principles of the code of conduct, did not change during the year of account. The supervisory board met four times during the year of account. Minutes are recorded of the supervisory board meetings and of its committees and these minutes record the attendees, decisions and the most important arguments for such decisions.

The role of the risk committee of the supervisory board is part of the audit committee, a committee that advises the supervisory board about how to perform its role with regard to risk management. The audit committee works under its own charter. During the year of account, the audit committee comprised Mr F.W. Fröhlich and Mr J. Weber and there was one vacancy. Both members have a broad financial and/or audit background and in this way they satisfy the requirements with regard to competences and experience. The audit committee met twice during the year of account to discuss risk management. Subsequently, the minutes of the audit committee were discussed by the supervisory board.

In addition to the audit committee, the supervisory board has a compensation committee. This committee’s most important task is to assess and agree the overall remuneration policy of Allianz Nederland Groep N.V. and to decide on the remuneration of the individual members of the management board, with the exception of the chairman. In 2012 the compensation committee comprised Mr R. Walvis, Mr J. Weber and Mr R. van het Hof (chairman of the management board of Allianz Nederland Groep N.V.).

Management board

Composition and qualifications

During the year of account, the management board of Allianz Nederland Groep N.V. comprised Mr R. van het Hof (Chief Executive Officer), Mr P.S. Grimberg (Chief Operating Officer), Mr T.P. Merkle (Chief Financial Officer), Mr S.L. Laarberg (Chief Sales Officer) and Mr C.J.A.M. Schneijdenberg (Chief Operating Manager).

The members of the management board have extensive knowledge and experience with regard to their roles and in this way, the board is designed to fulfill its tasks as required. The requirements with regard to forming a complimentary, diverse and collegial board are met.

With effect from 1 December 2012 Mr T.P. Merkle was released from his duties by a general meeting. As part of the reorganization which was announced, Mr R. Van het Hof and Mr P.S. Grimberg were also released from their duties with effect from 1 January 2013. The general meeting proposed Mr R.F. Franssen and Mr J.-P. Vialaron to fill the vacancies. De Nederlandsche Bank has approved these appointments with effect from 25 March 2013.

In the proposed composition of the new management board, a woman will not be appointed as managing director. This is because the shareholders intend to integrate the management boards of the Belgian and Dutch activities, as a first step to further integration, with the ultimate goal of strengthening the position of Allianz in the Benelux. The Belgian board currently does not include a woman. If and when a vacancy may arise in future, the management board will take into account the fact that the composition of the management board is not equally divided between men and women.

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. During the year of account several sessions were organized during which the board members were informed about themes such as 'Solvency II' and 'financial risks'. All of the members of the management board participated in one or more of these meetings.

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, no change was introduced into the regulation which was implemented in 2011 by the supervisory board and which includes the principles of the code of conduct for insurers.

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 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

The risk governance framework that was introduced in 2011 and in which the functions and reporting lines of the various risk committees are set out, was further embedded in the organization during the year of account. The various risk committees have an advisory role. It is guaranteed that decision making about risks lies with the statutory management. Members of the management board are members of the risk committees. In this way, the supervisory board is made aware quickly of any (material) risks which Allianz Nederland Groep N.V. may run, as well as risks of subsidiaries, so that mitigating measures can be taken in time for these risks.

The supervisory board monitors the risk management of the management board. In the meetings of the supervisory board, the risks of Allianz Nederland Groep N.V. are discussed regularly after the risks have already been discussed in the audit committee. Different risk functions from the organization, as well as the external accountant are invited to report to the audit committee. The external accountant reports in the first quarter about their checking of the report and accounts and presents the management letter at the end of the year. The supervisory board approved the proposed risk appetite and audit planning of the management board during the year of account. The annual planning of Allianz Nederland Groep N.V., as well as the important strategic business cases which may influence the risk appetite, is discussed with the supervisory board.

Property-Casualty insurance

P-C premiums written reduced by 14% to € 714 million (2011: € 829 million). Of this decrease an amount of € 151 million was caused by the decision not to continue the reinsurance contract of Unigarant. Without this contract, an increase was realized of 5%.

Claims frequency was positively influenced by a further reduction of glass breakage claims. However, claims severity was negatively influenced by increases in bodily injury claims, both new and outstanding, due to various factors including general inflation, increase of pension age and increase of VAT with effect from 1 October 2012. The increase is visible in all motor portfolios. Premium rates appear to be increasing in the market. Both Allianz and London increased prices by 4% during 2012 to compensate for the adverse developments.

The result in the fire market in the first half of the year was negatively influenced by a number of large losses but these remained absent in the second half of 2012, so that the year ended positively. Premiums continue to decrease in the commercial market, reflecting ongoing competition.

In addition, during 2012, discussions in the market started around the WGA-ERD product in the income protection market. As the first claims started to materialize since privatization of this market in 2006, uncertainty about pricing levels of products sold in the past increased and it was decided to strengthen reserves in the second half of 2012.

We continue to focus strongly on increased efficiency along the total value chain, including claims handling and support functions, while maintaining service and customer focus at a high level. Examples of how we achieve this focus are ongoing training programs in all claims departments and eliminating unnecessary processes within support functions.

(€ mln)	2012	2011	%
Premium income	714	829	(14)
Operating result	17	44	(62)
Profit before tax	**22**	**36**	**(39)**

Developments in the P-C market

Competitive relationships

Aggressive pricing reflects the ongoing overcapacity in the P-C market. This situation is aggravated by new players from outside the European Union, especially in the commercial market.

The motor insurance market seems to be more balanced. Premium rates are increasing, although not yet sufficient to cover the adverse effects in claims incurred. The warning from the Dutch national bank (DNB) about loss-making pricing levels in especially Motor TPL insurance supports rate increases in the market. Allianz has not participated in the price war and increased prices in 2012 by 4%. 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 intermediaries are forced to change themselves into professional advisors with a transparent remuneration model.

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

Supervision of the insurance industry continues to tighten. The way in which an intermediary approaches and advises its customers, 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.

Our markets

Retail via our intermediary brand London

After moving the London Verzekeringen operation to Rotterdam in 2011, which enabled the organization to become more agile in personal lines insurances, 2012 was a relatively stable year. As expected, pressure on prices continued, which led to ongoing focus in efficiency and effectiveness. Improving efficiency is the main challenge for London; the new IT system LondonNet will contribute to achieving this efficiency.

London is one of the largest underwriting agency insurers in The Netherlands. There is an increasing trend to approach the personal lines market via underwriting agencies and service providers. In this segment we perceived the increase in claims severity for bodily injury as in all our motor portfolios.

Small and medium-sized business via our intermediary brand Allianz

In the commercial market we are well equipped to work together with intermediaries. They offer us a granular network, expertise, ambition and business acumen, which lead to synergies. In addition our intermediaries select their customers in such a way that they contribute to the quality of our portfolio. Our account management works on four locations in the country, close to the intermediary and the end customer. This business approach has led to a market growth above average in SME with positive results. In 2012, Allianz was recognized in an independent survey by IG&H as a leading insurer of products, services and staff in this market segment.

Large corporate customer via Allianz Nederland Corporate

The Allianz Nederland Corporate team serves large corporate customers with customized solutions. The cooperation with Allianz Global Corporate & Specialty adds leverage to Allianz Nederland in order to succeed in the corporate market. Allianz Nederland leads market development by constantly focusing on prevention, technical inspection and by responsible pricing.

Retail also via our direct brand Allsecur

Allsecur is recognized by customers who appreciate both our products and our service. In 2012, Allsecur won several awards again from independent institutions. For the fourth consecutive year, Allsecur won the 'best choice in motor insurance' from Verzekeringssite.nl, who also rewarded Allsecur for having the 'most transparent policy wordings'. For the third consecutive year, Independer recognized the brand as 'best buy'. The WUA Web Performance Scan awarded Allsecur as second best website for car insurance.

The customer base of Allsecur increased again and resulted in 26% growth when compared with 2011.

Solvency

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

(€ mln)	2012	2011
Required solvency	142	146
Available solvency	368	323
Solvency ratio Property-Casualty insurance	**259%**	**221%**

Results by class of business

(€ mln)	Total		Fire		Motor		Marine		Other Accident	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Gross premium	714	829	127	130	432	550	20	22	135	127
Premium earned	684	778	110	116	463	545	19	15	92	102
Payments	512	535	63	75	346	388	9	9	94	63
Company expenses	194	241	38	43	116	156	6	6	34	36
Technical result	(22)	2	9	(2)	1	1	4	-	(36)	3
Allocated investment income	31	33	3	4	20	21	1	1	7	7
Insurance result	9	35	12	2	21	22	5	1	(29)	10

Key figures										
Loss ratio	75%	69%	57%	65%	75%	71%	48%	62%	102%	62%
Expense ratio	28%	31%	35%	37%	25%	29%	32%	39%	37%	35%
Combined ratio	103%	100%	92%	102%	100%	100%	80%	101%	139%	97%

Life insurance

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 € 80 million.

(€ mln)	2012	2011	%
Premium income	276	316	(13)
Operating result	68	57	19
Profit before tax	**80**	**52**	**54**

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)	2012	2011
Net asset value	298	275
Present value future profit	255	268
Total cost required capital	(6)	(8)
Costs of non-financial risk	(33)	(17)
Value of options and guarantees	(5)	(7)
Embedded Value	**509**	**511**

The net asset value increased by 8% mainly driven by the increase of unrealized capital gains on assets. The drop in present value future profits is caused by the low new business volume which is not able to compensate the run off of the business in-force. The increase in the costs of non-financial risk is caused by a change in methodology.

Developments in the life market

In the life market, Allianz Nederland concentrates on products and segments that fit current market conditions. Annuities, pensions and mortgages are products which the customers want to buy, as long as they are simple, transparent and cheap.

In 2012 we settled more Wabeke cases. Allianz Nederland also decided to implement Flankerend Beleid, through which a number of extra changes have been implemented. The most important change is the introduction of compensation for expenses charged in the past under certain policies.

Our Pension Lines product is developing according to plan. There is also overcapacity in this market which leads to heavy competition. The market demanded improvement in our proposition. We researched which changes were necessary and implemented these in the products and pricing.

Allianz Nederland aims increasingly for close cooperation with specialized pension advisors.

Solvency

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

(€ mln)	2012	2011
Required solvency	121	125
Available solvency	248	223
Solvency ratio Life insurance	**205%**	**179%**

Life insurance premiums

(€ mln)	2012			2011		
	One-time	Periodical	Total	One-time	Periodical	Total
Insurance agreements where the company carries the investment risk						
Capital insurances	-	4	4	-	4	4
Annuities	23	-	23	33	-	33
Mortgages	2	29	31	1	29	30
Term assurance	-	21	21	-	26	26
Other	-	1	1	-	1	1
	25	55	80	34	57	91
Insurance agreements where the parties insured carry the investment risk						
Unit-linked insurances	27	169	196	35	190	225
Gross premium	52	224	276	69	247	316
Reinsurance premiums ceded			12			11
Net earned premium			264			305

Banking Products and Asset Management

Developments in the financial markets

Despite the ongoing financial crisis Allianz Nederland managed to do well. At the beginning of 2010 Allianz Group and Allianz Nederland already reduced the exposure in Southern Europe. Up till now this strategy has led to positive results. Since mid-year, spreads in so-called periphery countries have contracted and equities rallied. However, our exposure in Southern European government bonds is still limited in our funds and our investment profile remains conservative.

We have not made any significant changes in our investment allocation in 2012, because we were not convinced that the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) were able to recover, given the poor economic conditions in these countries. We have reduced our exposure towards equity and we invested primarily in government (related) bonds in the core EU countries like Germany, France and the Netherlands. Additionally we invested in sovereign debt from emerging countries and we have built up a mortgage book with NHG loans.

(€ mln)	2012	2011	%
Operating result	7	7	(0)
Profit before tax	**9**	**6**	**50**

Our markets

Asset management

Our defensive investment policy has led to a good performance of the Allianz fixed income and balanced funds in 2012. In general, equity funds performed satisfactorily.
The fixed income funds performed well, due to the lack of exposure in the periphery countries, although this performance reduced in the second half of the year, due to the rally of the periphery. These balanced funds also responded well to the recovery in equities. Across the board, our investment funds performed better than the benchmark. On average they are rated with 4 stars by Morningstar.

Sustainable investments

Allianz Group takes sustainable investment 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.

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).

Solvency

Under the current guidelines, De Nederlandsche Bank N.V. in conjunction with the Basel II guidelines sets the minimal required amount of capital. The bank's capital is set off against its liabilities. These liabilities are weighed according to the risk involved. Compared with the general standard for the capacity test of 8%, the BIS ratio of the bank (46%) is considered very high.

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

(€ 1,000)	2012	2011
Testing capacity	39.2	39.2
Assets based on risk level	6.8	6.7
Solvency ratio (BIS - ratio)	46%	46%

Compliance

Allianz Nederland Asset Management holds a banking licence and must comply with the Basel III rules like all banks.

The solvency of the bank is very good, with a BIS ratio of 46%. 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 complies with all the ratios which apply under Basel III.

Outlook

The macro-economic circumstances and the situation on the financial markets remain uncertain. At this moment we do not expect the economic crisis to end in 2013. Nevertheless Allianz Nederland remains confident, based on its financial strength. We are fully aware of and constantly monitoring what is happening in our market. However, our main focus is on the matters that we can influence ourselves, such as innovation of our products and services, excellent quality of our services and cost reduction. We shall increasingly share best practices within the Benelux. There are good opportunities in which Allianz Nederland can benefit from the strong position of Allianz Group. 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. We make use of international pricing models, underwriting techniques and loss prevention. Furthermore Allianz is very solid and solvent which, in combination with our longstanding presence, makes us a strong partner for our business partners and a reliable party for our customers. These qualities have become even more important drivers to succeed in the current uncertain Dutch market. Allianz Nederland has an excellent position being a part of the largest insurer in Europe. We plan to expand and capitalize on this position. Integrating activities in Allianz Benelux will offer us the opportunities to realize these goals and further strengthen our market position. This makes innovation and investment possible - in cooperation with Belgium and Luxembourg.

Against the background of the performance in 2012, we expect the plans in 2013 to lead to stable income and performance. Our successes and ambitious plans will provide a new image from which our employees will extract inspiration and motivation. This will help them to continually make that extra effort on behalf of our customers.

We focus on the market and the customer and we continue to keep a strict eye on our operational excellence. Everything is aimed to improve our footprint in the Benelux broker market.

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Consolidated balance sheet

ASSETS	Note	2012 € 1,000	2011 € 1,000
Cash and cash equivalents	3	43,679	49,959
Financial assets carried at fair value through income	4	469,531	451,259
Investments: available for sale	5	1,917,306	2,126,864
Investments: held to maturity	5	745,928	715,313
Investments: real estate held for investment	5	6,069	7,206
Investments in associated enterprises	6	-	374
Loans and advances to banks and customers	7	680,947	385,759
Financial assets for unit-linked contracts	15	2,976,404	2,755,356
Amounts ceded to reinsurers from insurance provisions	8	164,080	125,740
Deferred acquisition costs	9	45,473	70,436
Deferred tax assets	32	-	-
Other assets	10	235,265	218,358
Intangible assets	11	11,558	14,614
Total assets		7,296,240	6,921,238

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2012 € 1,000	2011 € 1,000
Financial liabilities carried at fair value through income	12	461,463	440,499
Liabilities to financial institutions	13	346,463	254,840
Liabilities to customers	14	208,013	243,808
Financial liabilities for unit-linked contracts	15	2,976,404	2,755,356
Insurance provisions	16	2,338,647	2,335,999
Deferred tax liabilities	32	40,034	9,166
Other provisions	17	21,367	28,573
Other liabilities	18	164,070	183,061
Total liabilities		6,556,461	6,251,302
Shareholders' equity	19	739,779	669,936
Total equity and liabilities		7,296,240	6,921,238

Before appropriation of result

Consolidated income statement January 1 to December 31

	Note	2012 € 1,000	2011 € 1,000
Premiums written		990,594	1,145,047
Ceded premiums written		(77,043)	(71,143)
Change in unearned premiums (net)		34,974	8,557
Premiums earned (net)	20	948,525	1,082,461
Interest, dividend and similar income	21	135,054	129,862
Other income from investments	22	24,110	17,716
Fee and commission income (net)	23	29,765	27,168
Other income	24	28,678	32,882
Total income		1,166,132	1,290,089
Claims and insurance benefits incurred (gross)		(960,928)	(960,576)
Claims and insurance benefits incurred (ceded)		36,346	45,940
Change in reserves (net)		160,798	92,162
Insurance benefits (net)	25	(763,784)	(822,474)
Interest and similar expenses	26	(2,944)	(3,153)
Impairments of investments	27	(4,678)	(19,633)
Movement in financial assets and liabilities carried at fair value through income (net)	28	(2,850)	(2,761)
Acquisition costs and administrative expenses	29	(234,310)	(296,774)
Restructuring charges	30	(3,700)	(1,966)
Other expenses	31	(41,934)	(40,583)
Total expenses		(1,054,200)	(1,187,344)
Income before taxes		111,932	102,745
Taxes	32	(28,684)	(23,479)
Net income [1]		83,248	79,266

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

Statement of profit or loss and other comprehensive income

	2012 € 1,000	2011 € 1,000
Net income	83,248	79,266
Unrealized results charged to equity		
Revaluation available for sale investments	96,804	12,866
Changes in current / deferred tax assets and liabilities	(24,209)	(3,439)
Total unrealized results charged to equity	72,595	9,427
Total comprehensive income	155,843	88,693

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
Balance as of 31/12/2010	**59,813**	**76,667**	**384,366**	**53,545**	**89,852**	**664,243**
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	-	-
Balance as of 31/12/2011	**59,813**	**76,667**	**390,237**	**63,953**	**79,266**	**669,936**
Unrealized investment gains and losses	-	-	-	72,595	-	72,595
Net income	-	-	-	-	83,248	83,248
Transfer profit previous years to reserves	-	-	79,266	-	(79,266)	-
Shareholders' dividend	-	-	(86,000)	-	-	(86,000)
Balance as of 31/12/2012	**59,813**	**76,667**	**383,503**	**136,548**	**83,248**	**739,779**

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

Consolidated cash flow statement

	2012 € 1,000	2011 € 1,000
Operating activities		
Net income	83,248	79,266
Change in provision for unearned premiums	(34,974)	(8,557)
Change in aggregate policy provision	(24,713)	51,714
Change in provision for loss and loss adjustment expenses	23,995	(41,038)
Change in deferred acquisition costs	24,963	14,435
Change in accounts receivable/payable on reinsurance business	(11,281)	(679)
Change in trading securities[1]	2,692	2,332
Change in liabilities to banks and customers	(13,627)	(70,203)
Change in other receivables and liabilities	(25,588)	73,241
Change in deferred tax assets/liabilities[2]	6,659	(231)
Non-cash investment income/expenses	8,289	20,517
Other non-cash income/expenses	(1,153)	(19,763)
Other	(1,889)	(7,673)
Net cash flow provided by operating activities	**36,621**	**93,361**
Investing activities		
Change in securities available-for-sale	299,025	59,658
Change in securities held-to-maturity	(30,615)	(40,366)
Change investments in real estate	-	(2,480)
Change investments in associated enterprises	374	1,622
Change in loans and advances to banks	(225,685)	(51,604)
Net cash flow provided by investing activities	43,099	(33,170)
Financing activities		
Change in investments held on account and at risk of life insurance policyholders	(221,048)	446,761
Change in insurance provision for life insurance where investment risk is carried by policyholders	221,048	(446,761)
Dividend payouts	(86,000)	(83,000)
Net cash flow provided by financing activities	**(86,000)**	**(83,000)**
Change in cash and cash equivalents	(6,280)	(22,809)
Cash and cash equivalents at beginning of period	49,959	72,768
Cash and cash equivalents at end of period	**43,679**	**49,959**

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 Coolsingel 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 ore 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 identifieds 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, 2012 and early adoption)

The recently adopted accounting pronouncements effective January 1, 2012 such as IFRS 7 Financial Instruments: Disclosures transfers of financial assets - did not impact the Groep of Allianz Nederland 2012 consolidated financial statements

Recently issued accounting pronouncements (effective on or after January 1, 2013 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 2012, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Groep of Allianz Nederland, except for

IAS 1, Presentation of financial statements:
Amendments regarding the presentation of items of Other Comprehensive Income. The amendments require that an entity presents 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, 2013. The impact of this amendment on the Groep of Allianz Nederland consolidated financial statements will be limited

Amendments to IAS 19 – Employee benefits
In June 2011, the IASB issued an amended version of IAS 19 which will be effective for annual periods beginning on or after January 1, 2013. The amendments eliminate the corridor approach and require all actuarial gains and losses to be recognized in the other comprehensive income (OCI). While all remeasurements need to be recorded in the OCI, service and interest costs have to be recognized in the profit and loss account. The long-term return on plan assets has to be calculated using the same discount rate that is used to measure the defined benefit obligation (DBO). Disclosure requirements are increased under the amended IAS 19, e.g. regarding plan characteristics and cash flow variations. The impact of this amendment on the Groep of Allianz Nederland consolidated financial statements will be significant.

IFRS 13, Fair Value Measurement
IFRS 13, Fair Value Measurement, was issued in May 2011 and is effective for annual periods beginning on or after January 1, 2013. It defines the term ‘fair value’, sets out a framework how fair value is to be measured as well as the disclosure requirements when fair value is applied. The requirements of IFRS 13 regarding measurement and disclosure apply when another IFRS requires or permits an item to be measured at fair value. The adoption of this standard is not expected to have a material impact on the financial position and financial results of the Groep of Allianz Nederland.

Supplementary Information to the Consolidated Balance Sheet - assets

3 Cash and cash equivalents

	2012 € 1,000	2011 € 1,000
Balances with banks payable on demand	41,993	45,281
Balances with central bank	1,683	4,674
Cash on hand	3	4
Total	**43,679**	**49,959**

The effective interest rate on deposits/call money at the statement of financial position date is 1% (2011: 1.03%). 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.

	2012 € 1,000	2011 € 1,000
Financial assets in investment funds	461,463	439,994
Financial assets held for trading	8,068	11,265
Total	**469,531**	**451,259**

Financial assets held for trading

	Derivatives	Other trading	Total
	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2010	**10,616**	**2,476**	**13,092**
Purchases	-	575	575
Revaluation	(1,542)	(860)	(2,402)
Value stated as of 12/31/2011	**9,074**	**2,191**	**11,265**
Purchases	-	432	432
Reclassification	294	(294)	-
Sales	(1,731)	-	(1,731)
Revaluation	(2,713)	815	(1,898)
Value stated as of 12/31/2012	**4,924**	**3,144**	**8,068**

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

	2012 € 1,000	2011 € 1,000
Securities available-for-sale	1,917,306	2,126,864
Securities held-to-maturity	745,928	715,313
Real estate held for investment	6,069	7,206
Total	2,669,303	2,849,383

The total amount of securities held-to-maturity € 745,928 (2011: € 715,313) is related to mortgages. The secrutities held-to-maturity are 100% linked to obligations to policyholders included in long duration life insurance contracts.

Securities available-for-sale

	Equity securities	Investment Funds	Government bonds	Corporate bonds	Government loans	Corporate loans	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2010	**136,372**	**66,126**	**1,280,521**	**624,713**	**69,311**	**16,536**	**2,193,579**
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
Value stated as of 12/31/2011	**107,666**	**137,231**	**1,239,711**	**612,787**	**11,928**	**17,541**	**2,126,864**
Purchases	90,232	477,172	191,574	37,074	-	454	796,506
Sales	(171,548)	(486,084)	(316,233)	(110,367)	(11,299)	-	(1,095,531)
Impairment	(3,678)	-	-	-	-	-	(3,678)
Amortization	-	-	(3,767)	(1,615)	529	1,194	(3,659)
Revaluation	(1,687)	8,460	51,855	38,173	(694)	697	96,804
Value stated as of 12/31/2012	**20,985**	**136,779**	**1,163,140**	**576,052**	**464**	**19,886**	**1,917,306**

Investment funds categories

	2012 € 1,000	2011 € 1,000
Equity securities	4,626	14,775
Bonds	109,350	100,862
Real estate	22,803	21,594
Total	136,779	137,231

	(Amortized) cost		Unrealized gains		Unrealized losses		Market values	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Equity securities	16,438	101,431	4,647	7,358	(100)	(1,123)	20,985	107,666
Investment funds	117,558	126,470	19,224	10,769	(3)	(8)	136,779	137,231
Government bonds	1,056,355	1,184,781	107,259	62,472	(474)	(7,542)	1,163,140	1,239,711
Corporate bonds	527,674	602,582	48,468	17,046	(90)	(6,841)	576,052	612,787
Government loans	454	11,224	10	704	-	-	464	11,928
Corporate loans	17,192	15,545	2,694	1,999	-	(3)	19,886	17,541
Total	1,735,671	2,042,033	182,302	100,348	(667)	(15,517)	1,917,306	2,126,864

	Proceeds from sales		Realized gains		Realized losses	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Equity securities	(177,542)	(209,697)	12,074	16,137	(6,080)	(9,434)
Investment funds	(489,621)	(352,198)	5,915	1,413	(2,378)	(2,376)
Government bonds	(329,122)	(358,179)	13,348	11,106	(475)	(7,105)
Corporate bonds	(112,027)	(310,325)	2,719	4,429	(1,059)	(5,279)
Government loans	(11,344)	-	46	12	-	(3)
Corporate loans	-	-	-	-	-	-
Total	(1,119,656)	(1,230,399)	34,102	33,097	(9,992)	(24,197)

Contractual maturities

The amortized cost and estimated fair value of securities available for sale with fixed maturities as of December 31, 2012 by contractual maturity are as follows:

	Securities available-for-sale			
	Amortized cost		Market values	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Contractual term to maturity:				
- due in 1 year or less	63,378	119,708	64,217	116,344
- due after 1 year and in less than 5 years	846,236	942,023	905,347	971,278
- due after 5 years and in less than 10 years	491,349	527,886	551,589	547,896
- due after 10 years	200,711	224,513	238,389	246,449
Total	1,601,674	1,814,130	1,759,542	1,881,967

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 bucket, but are shown within their final contractual maturity dates.

Securities lending

Certain entities within the Group participate in securities lendingarrangements whereby specific securities are lent to other institutions on an open and term basis. On December 31, 2012 the volume of securities lent out by Allianz Nederland was € 327,768 (2011: € 361,091). The total fair value of collateral accepted Amounted € 332,435 (2011: € 363,095) The fair value of collateral accepted that can be sold or repledged amounted to 2012 € 318,405 (2011: € 248,950). See also Note 7 and Note 13

Real estate held for investment

	2012 € 1,000	2011 € 1,000
Purchase price as of end of year	8,116	8,116
Depreciation as of end of year	(2,047)	(910)
Value stated as of 12/31	**6,069**	**7,206**
Value stated as of 1/1	**7,206**	-
Additions	-	2,480
Reclassification	-	4,830
Impairment	(1,000)	-
Depreciation	(137)	(104)
Value stated as of 12/31	**6,069**	**7,206**

The market value of real estate held for investment amounted to € 6,069 (2011: € 8,345). This valuation is based on a a real estate agent taxation report.

6 Investments in associated enterprises

	2012 € 1,000	2011 € 1,000
Investments in associated enterprises	-	374
Total	**-**	**374**

The investment in Euro Nederland BV will be liquidated in 2013. The settlement of this liquidation has been included in the 2012 figures. Consequently the value of the investment is nihil.

7 Loans and advances to banks and customers

	2012 € 1,000	2011 € 1,000
Reinvested cash collateral	318,405	248,950
Loans to private customers	295,966	50,989
Loans to Allianz SE	50,000	50,000
Loans Hartford	-	18,766
Loans to intermediaries	15,551	16,529
Other	1,025	525
Total	680,947	385,759

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 Hartford loans were fully repaid through an early redemption. The loans to Allianz SE bare an interest of 4.01% and are repayable in 2020.

8 Amounts ceded to reinsurers from insurance provisions

	2012 € 1,000	2011 € 1,000
Long duration insurance contracts Life	**17,103**	**17,138**
Provisions for outstanding claims Property-Casualty	79,175	71,875
Provisions for incurred but not reported claims Property-Casualty	33,776	17,762
Unearned premiums Property-Casualty	34,026	18,965
Total Property-Casualty	**146,977**	**108,602**
Total	**164,080**	**125,740**

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 reinsures. Allianz Nederland reinsurers 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	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	**41,835**	**44,215**	**28,601**	**40,656**	**70,436**	**84,871**
Additions	150,224	193,421	101	600	150,325	194,021
Amortization	(164,779)	(195,801)	(10,509)	(12,655)	(175,288)	(208,456)
Value stated as of 12/31	**27,280**	**41,835**	**18,193**	**28,601**	**45,473**	**70,436**

10 Other assets

	2012 € 1,000	2011 € 1,000
Real estate used by the company for its own activities	-	-
Equipment and inventories	2,840	3,018
Accounts receivable on insurance business	112,740	110,671
Other receivables	119,685	104,669
Total	**235, 265**	**218,358**

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:

	2012 € 1,000	2011 € 1,000
Purchase price as of end of year	-	-
Depreciation as of end of year	-	-
Value stated as of 12/31	-	-
Value stated as of 1/1	-	4,849
Reclassification	-	(4,830)
Depreciation	-	(19)
Value stated as of 12/31	-	-

Equipment and inventories

Development of the tangible fixed assets:

	2012 € 1,000	2011 € 1,000
Purchase price as of end of year	20,991	20,198
Depreciation as of end of year	(18,151)	(17,180)
Value stated as of 12/31	**2,840**	**3,018**
Value stated as of 1/1	**3,018**	**2,147**
Additions	795	1,678
Disposals	(2)	(1)
Reclassification	-	143
Depreciation	(971)	(949)
Value stated as of 12/31	**2,840**	**3,018**

The reclassification concerns software which is transferred to intangible assets.

Accounts receivable on insurance business

Specification of receivables from insurance:

	2012 € 1,000	2011 € 1,000
Policyholders	18,505	20,310
Intermediaries	95,379	84,301
Reinsurers	16,196	16,647
Allowance for doubtful accounts	(17,340)	(10,587)
Value stated as of 12/31	**112,740**	**110,671**

Development of the provision allowance for doubtful accounts:

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	(10,587)	(9,413)
Additions	(7,910)	(3,074)
Release	1,157	1,900
Value stated as of 12/31	**(17,340)**	**(10,587)**

Other receivables

Specification of other receivables:

	2012 € 1,000	2011 € 1,000
Interest and rental receivables	35,797	40,286
Personnel loans 'Royal Aandelen Plan'	15,771	15,965
Receivables related to investments	4,548	2,849
Receivables related to mortgages	9,177	11,925
Tax receivables	2,120	10,970
Fees to be received	874	48
Prepaid pensions	26,025	-
Prepaid expenses	3,408	3,606
Depot leaseplan	4,408	4,618
Other	17,557	14,402
Value stated as of 12/31	119,685	104,669

11 Intangible assets

Intangible assets comprise the following:

	2012 € 1,000	2011 € 1,000
Software	6,085	8,755
Other	5,473	5,859
Total	11,558	14,614

Software	2012 € 1,000	2011 € 1,000
Gross amount capitalized as of 12/31	30,781	29,133
Accumulated amortization as of 12/31	(24,696)	(20,378)
Value stated as of 12/31	6,085	8,755
Value stated as of 12/31 prior year	8,755	9,095
Additions	1,648	4,445
Reclassification	-	(143)
Amortization	(4,318)	(4,642)
Value stated as of 12/31	6,085	8,755

The statement of financial position value amounting to € 6,085 (2011: € 8,755) includes € 2,467 (2011: € 4,128) for internally developed software and € 3,618 (2011: € 4,627) for software purchased from third parties. As of December 31, 2012 there were no purchase commitments related to software.

Other

Changes in Other are as follows:

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	5,859	3,109
Additions	241	3,371
Amortization	(627)	(621)
Value stated as of 12/31	5,473	5,859

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

	2012 € 1,000	2011 € 1,000
Financial liabilities in investment funds	461,463	439,994
Derivatives (refer to Note 34)	-	505
Total	461,463	440,499

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

	2012 € 1,000	2011 € 1,000
Collateral received from securities lending	318,405	248,950
Collateral received from CDS	2,940	5,890
Liabilities to banks	25,118	-
Total	346,463	254,840

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

	2012 € 1,000	2011 € 1,000
Saving deposits retail customers	160,133	236,308
Other term liabilities	47,880	7,500
Total	208,013	243,808

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, were as follows:

	2012 € 1,000	2011 € 1,000
Balance as of 1/1	2,755,356	3,202,117
Premiums collected	145,524	139,010
Interest credited	384,205	(147,670)
Releases upon death, surrender and withdrawal	(325,290)	(240,165)
Policyholder charges	(10,699)	(10,784)
Acquisitions/divestments of subsidiaries	-	(180,127)
Transfers [1]	27,308	(7,025)
Balance as of 12/31	2,976,404	2,755,356

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).

	2012 € 1,000	2011 € 1,000
Long duration insurance contracts Life	1,193,590	1,218,338
Unearned premiums Property-Casualty	187,961	207,874
Provisions for outstanding claims Property-Casualty	761,879	738,489
Provisions (gross) IBNR	195,217	171,298
Total Property-Casualty	1,145,057	1,117,661
Total	2,338,647	2,335,999

Movement table for long duration Life insurance contracts

	2012			2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	1,218,338	(17,138)	1,201,200	1,168,619	(19,133)	1,149,486
Benefits paid	(131,460)	1,845	(129,615)	(78,862)	1,584	(77,278)
Premiums received	79,573	(1,508)	78,065	91,161	(1,864)	89,297
Technical interest	53,490	(659)	52,831	56,179	(693)	55,486
Acquisitions/divestments of subsidiaries	-	-	-	(28)	-	(28)
Technical result	(26,351)	357	(25,994)	(18,731)	2,968	(15,763)
Balance as of 12/31	**1,193,590**	**(17,103)**	**1,176,487**	**1,218,338**	**(17,138)**	**1,201,200**

Movement table for unearned Property-Casualty premiums

	2012			2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	**207,874**	**(18,965)**	**188,909**	**224,249**	**(26,783)**	**197,466**
Added during the year	714,096	64,716	778,812	828,666	59,711	888,377
Released to the income statement	(734,009)	(79,777)	(813,786)	(845,041)	(51,893)	(896,934)
Balance as of 12/31	**187,961**	**(34,026)**	**153,935**	**207,874**	**(18,965)**	**188,909**

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

	2012			2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	**909,787**	**(89,637)**	**820,150**	**969,406**	**(108,218)**	**861,188**
Current year claims reported	437,066	(13,092)	423,974	534,823	(24,006)	510,817
Previous years claims reported	105,756	(26,043)	79,713	24,674	5,076	29,750
Plus: claims reported	**542,822**	**(39,135)**	**503,687**	**559,497**	**(18,930)**	**540,567**
Current year claims paid	(263,812)	3,801	(260,011)	(336,817)	10,893	(325,924)
Previous years claims paid	(255,619)	28,034	(227,585)	(280,634)	30,907	(249,727)
Less: claims paid	**(519,431)**	**31,835**	**(487,596)**	**(617,451)**	**41,800**	**(575,651)**
Movement IBNR	23,918	(16,014)	7,904	(1,665)	(4,289)	(5,954)
Balance as of 12/31	**957,096**	**(112,951)**	**844,145**	**909,787**	**(89,637)**	**820,150**

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 (2011 : € 46 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	2005 € 1,000	2006 € 1,000	2007 € 1,000	2008 € 1,000	2009 € 1,000	2010 € 1,000	2011 € 1,000	2012 € 1,000
Provision for outstanding claims								
Net	908,986	893,608	886,354	877,676	880,944	861,188	820,150	844,145
Reinsured	79,070	86,214	125,774	134,290	140,522	108,218	89,637	112,951
Gross	988,056	979,822	1,012,128	1,011,966	1,021,466	969,406	909,787	957,096
Cumulative payments								
1 year later	225,352	227,073	276,180	279,491	279,940	280,602	255,619	
2 years later	329,179	345,973	397,139	410,263	412,259	406,389		
3 years later	421,449	436,738	489,836	505,281	503,218			
4 years later	493,867	504,176	566,505	574,281				
5 years later	548,820	566,241	621,429					
6 years later	599,788	609,847						
7 years later	635,403							
Estimate cumulative claims								
1 year later	930,292	913,623	967,030	1,002,409	963,825	927,581	953,423	
2 years later	891,385	887,887	971,981	955,948	930,913	933,840		
3 years later	883,267	909,126	956,337	938,244	928,967			
4 years later	887,598	891,436	942,110	927,367				
5 years later	870,917	880,802	922,975					
6 years later	860,405	859,791						
7 years later	838,284							
Cumulative surplus (deficit)								
Gross	100,458	70,696	40,147	9,557	57,642	41,824	(43,635)	
Reinsured	7,142	6,919	3,086	(737)	18,961	12,575	(19,454)	
Net	93,316	63,777	37,061	10,294	38,680	29,249	(24,181)	
Percentage	**10.3%**	**7.1%**	**4.2%**	**1.2%**	**4.4%**	**3.4%**	**(2.9%)**	

The cumulative surplus (deficit) represents the difference between the initial estimation of claims and the most recent estimation of claims as of December 31, 2012.

17 Other provisions

	2012 € 1,000	2011 € 1,000
Provisions for post-employment benefits	5,285	10,062
Provision restructuring plans	2,193	2,010
Miscellaneous accrued liabilities	13,889	16,501
Total	**21,367**	**28,573**

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:

	2012 € 1,000	2011 € 1,000
Actuarially calculated present value of pension rights accrued	(425,616)	(333,612)
Pension fund assets	406,708	346,966
Funded status	**(18,908)**	**13,354**
Unrecognized net actuarial results	39,648	(23,416)
Recognized in statement of financial position	**20,740**	**(10,062)**
Liability recognized in Note 17 Other provisons	(5,285)	(10,062)
Asset recognized in Note 10 Other receivables	26,025	-
Net position	**20,740**	**(10,062)**

The unrecognized net actuarial results are 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, 2012 the total unrecognized loss exceeding the 10% corridor amounted to € 2.2 mln (2011: € 0.0 mln).

The provision for defined benefit pension plans changed as follows:

	2012 € 1,000	2011 € 1,000
Value stated as of 12/31 prior year	**(333,612)**	**(332,051)**
Benefits paid	11,952	11,803
Current service costs	(8,219)	(9,095)
Interest costs	(15,559)	(15,466)
Curtailment	19,669	-
Actuarial gain (loss)	(99,847)	11,197
Value stated as of 12/31	**(425, 616)**	**(333,612)**

As of December 31, 2012 the total post-retirement health benefits obligation amounted to € 5.5 mln (2011: € 4.5 mln). In the statement of financial position € 5.3 mln (2011: € 4.2 mln) was recognized.

The pension fund assets changed as follows:

	2012 € 1,000	2011 € 1,000
Value stated as of 12/31 prior year	**346,966**	**332,882**
Expected return on plan assets	16,053	16,136
Employer's contribution	16,408	11,700
Participant contributions	2,400	2,300
Benefits paid	(11,713)	(11,571)
Actuarial gain (loss)	36,594	(4,481)
Value stated as of 12/31	**406,708**	**346,966**

The actual return on the plan assets in 2012 amounted to € 52.6 mln positive (2011: € 11.7 mln positive).

The actuarial gain (loss) includes the following items:

	2012 € 1,000	2011 € 1,000	2010 € 1,000
Change discount rate	(93,914)	-	(23,590)
Change mortality table	(3,172)	(1,121)	(21,281)
Other results on assumptions	1,074	-	56,596
Asset performance	36,594	(4,481)	7,545
Other results on experience	(3,835)	11,918	2,305
Total	**(63,253)**	**6,316**	**21,575**

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

	2012 € 1,000	2011 € 1,000
Current service costs	8,219	9,095
Interest costs	15,559	15,466
Expected return on pension fund assets	(16,053)	(16,136)
Amortization unrecognized actuarial gains	1,079	-
Curtailment unrecognized actuarial (gains)/losses	(890)	-
Curtailment recognized actuarial (gains)/losses	(19,669)	-
Participant contributions	(2,400)	(2,300)
Total	**(14,155)**	**6,125**

The curtailment gain of € 20.6 mln is related to the new Collective Labour Agreement in which it was agreed that from January 1st, 2013 the compensation for inflation changed from unconditional to conditional. As a result the employer will no longer pay premiums to the pension fund to cover for the indexation rights of the employees.

During the year ended December 31, 2012 net periodic benefit costs of pension plans (exclusive gains from curtailment) include costs related to post retirement health benefits of € 1.3 mln (2011: 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:

	2012 %	2011 %	2010 %	2009 %
Discount rate	3.25	4.75	4.75	5.25
Expected rate of return on pension fund assets	4.10	4.70	4.70	5.40
Collective agreed rate of compensation increase	1.75	1.75	1.75	1.75
Rate of pension increase	0.50	0.75	0.75	1.90

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 2012 was 1.75% (2011: 0.5%). The actual rate of pension increase in 2012 was 0.0% (2011: 0.0%).

Categories of pension fund assets:

	2012 target	2012 actual	2011 actual
Equity securities	25.0%	21.8%	17.9%
Real estate	5.0%	3.4%	2.9%
Debt securities	67.5%	71.6%	76.3%
Other	2.5%	3.2%	2.9%
Total	**100.0%**	**100.0%**	**100.0%**

Estimated impact of future adoption IAS 19 (2011)

IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 and must be applied retrospectively. Allianz Nederland Groep expects the principal impacts to be as follows. The amendment abolishes the 'corridor' method of recognising actuarial gains and losses, which must now be recognised immediately in other comprehensive income (OCI), and also requires immediate recognition in profit or loss of past service cost. Under the amended IAS 19 the interest income on plan assets recognised in profit or loss is calculated by applying the rate used to discount the plan's liabilities, rather than their long-term expected rate of return, which changes the amount of the total return on plan assets recognised in OCI. The expected amount of administration costs was previously charged against interest income in profit or loss but under the amended standard asset management costs are charged to OCI while other administration costs are charged to operating profit.

The combined effect of these changes will change the net defined benefit asset from € 20.7 mln into a net defined benefit liability of € 18.9 mln which will decrease shareholders' equity (31 December 2012) by € 29.7 mln. The operating profit 2012 would be positively impacted by € 0.2 mln due to higher income from plan assets.

Provision restructuring plans

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

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

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	2,010	20,097
Additions to existing provisions	3,849	1,966
Release of provisions via payments	(3,424)	(20.053)
Amounts released	(242)	-
Value stated as of 12/31	**2,193**	**2,010**

Miscellaneous accrued liabilities

	2012 € 1,000	2011 € 1,000
Staff related expenses	9,734	13,734
Other	4,155	2,767
Total	**13,889**	**16,501**

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

	2012 € 1,000	Staff related expenses € 1,000	Other € 1,000
Value stated as of 1/1	**16,501**	**13,734**	**2,767**
Additions to existing provisions	9,120	7,133	1,987
Release of provisions via payments	(8,629)	(8,337)	(292)
Amounts released	(3,103)	(2,796)	(307)
Value stated as of 12/31	**13,889**	**9,734**	**4,155**

18 Other liabilities

	2012 € 1,000	2011 € 1,000
Accounts payable on direct insurance business	77,989	88,041
Accounts payable on reinsurance business	11,010	22,742
Interest and rental liabilities	3,098	4,472
Tax liabilities	7,130	8,112
Amounts payable to group companies	23,452	8,150
Willemsbruggen B-certificates held by employees	15,918	16,095
Expenses to be paid	7,206	13,348
Staff-related expenses	1,865	1,848
Pension expenses	133	133
Debts from security transactions	96	751
Premiums to be invested	95	45
Fees to be paid	1,336	2,170
Brokerage to be paid	4,607	6,678
Amounts payable to pension funds	-	4,020
Other	10,135	6,456
Total	**164,070**	**183,061**

Accounts payable on direct business and accounts payable on reinsurance business are due within one year. Of the remaining liabilities stated under Other Liabilities € 59,153 (2011: € 56,183) is due within one year and € 15,918 (2011: € 16,095) is due after more than one year.

Of the tax liabilities € 488 (2011: € 0) is attributable to corporate tax.

19 Shareholders' equity

The shareholders' equity comprises the following:

	2012 € 1,000	2011 € 1,000
Issued capital	59,813	59,813
Share premium	76,667	76,667
Revenue reserves	383,503	390,237
Profit for the year	83,248	79,266
Revaluation reserve	136,548	63,953
Total	**739,779**	**669,936**

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, 2012 the Management Board will propose to shareholders at the General Meeting the distribution of a dividend of € 105 mln (€ 1,756 per share).

Supplementary Information to the Consolidated Income Statement

20 Premiums earned (net)

	Property-Casualty		Life		Total	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Premiums written (gross):						
- from direct insurance	732,470	695,970	276,498	316,381	1,008,968	1,012,351
- from reinsurance assumed	(18,374)	132,696	-	-	(18,374)	132,696
Total	**714,096**	**828,666**	**276,498**	**316,381**	**990,594**	**1,145,047**
Reinsurance ceded	(64,716)	(59,711)	(12,327)	(11,432)	(77,043)	(71,143)
Premiums written (net)	**649,380**	**768,955**	**264,171**	**304,949**	**913,551**	**1,073,904**
Change in unearned premiums gross:						
- from direct insurance	(15,442)	4,741	-	-	(15,442)	4,741
- from reinsurance assumed	35,355	11,634	-	-	35,355	11,634
Total	19,913	16,375	-	-	**19,913**	**16,375**
Reinsurance ceded	15,061	(7,818)	-	-	15,061	(7,818)
Total change in unearned premiums (net)	34,974	8,557	-	-	**34,974**	**8,557**
Premiums earned (net)	**684,354**	**777,512**	**264,171**	**304,949**	**948,525**	**1,082,461**

21 Interest, dividend and similar income

	2012 € 1,000	2011 € 1,000
Income from:		
- securities held-to-maturity	46,200	44,539
- securities available-for-sale	64,827	74,002
- net interest margin from banking business	2,282	2,650
- lending and loans	19,719	5,385
- Income from rent from real estate held for investment	(391)	(257)
- other interest-bearing instruments	2,317	2,390
- Interest from Cashpool	100	1,153
Total	**135,054**	**129,862**

Income from securities available-for-sale include dividend income of € 13,429 (2011 : € 13,717).

22 Other income from investments

	2012 € 1,000	2011 € 1,000
Realized gains on securities available-for-sale	34,102	33,097
Realized gains from disposal of consolidated affiliated enterprises	-	8,816
Realized losses on securities available-for-sale	(9,992)	(24,197)
Total	24,110	17,716

23 Fee and commission income (net)

	2012 € 1,000	2011 € 1,000
Fee and commission income	34,226	30,301
Fee and commission expenses	(4,461)	(3,133)
Fee and commission income (net)	**29,765**	**27,168**

24 Other income

Other income consists of the following items:

	2012 € 1,000	2011 € 1,000
Foreign currency gains	1,558	2,739
Income from service activities	27,081	27,149
Other	39	2,994
Total	**28,678**	**32,882**

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	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Claims:						
- claims paid	519,431	617,450	(31,836)	(41,801)	487,595	575,649
- changes in provisions for loss and loss adjustment expenses	47,309	(59,640)	(23,314)	18,581	23,995	(41,059)
Total	566,740	557,810	(55,150)	(23,220)	511,590	534,590

Insurance benefits in Life comprise the following:

	Gross		Reinsurance		Net	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Benefits paid	441,497	343,126	(4,510)	(4,139)	436,987	338,987
Changes in provisions for life insurance	(24,678)	37,791	342	1,959	(24,336)	39,750
Other movements in relation to financial assets and liabilities for the risk of policyholders	(160,457)	(90,853)	-	-	(160,457)	(90,853)
Total	256,362	290,064	(4,168)	(2,180)	252,194	287,884

26 Interest and similar expenses

	2012 € 1,000	2011 € 1,000
Other interest expenses	2,774	2,454
Interest expenses Cashpool	170	699
Total	2,944	3,153

27 Impairments of investments

	2012 € 1,000	2011 € 1,000
Securities available-for-sale	3,678	19,633
Real Estate held for investment	1,000	-
Total	4,678	19,633

Further details can be found in Note 5 Investments.

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

	2012 € 1,000	2011 € 1,000
Result on derivatives	(4,500)	(2,047)
Result on other trading assets	1,650	(714)
Gain/(loss) from financial assets carried at fair value through income	445,882	(182,455)
Gain/(loss) from liabilities carried at fair value through income	(445,882)	182,455
Total	(2,850)	(2,761)

The result on derivates includes a negative result of € 3,256 (2011: € 1,207 negative) due to positions held to protect Allianz Nederland Groep against bankruptcy of a medium sized bank.

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

29 Acquisition costs and administrative expenses

	2012 € 1,000	2011 € 1,000
Property-Casualty	194,496	240,970
Life	32,802	47,083
Asset Management	7,012	8,721
Total	**234,310**	**296,774**

	Property-Casualty		Life	
	2012 € 1,000	2011 € 1,000	2012 € 1,000	2011 € 1,000
Acquisition costs:				
- payments	158,945	198,190	7,246	17,109
- change in deferred acquisition costs	13,527	1,916	10,408	4,356
Subtotal	**172,472**	**200,106**	**17,654**	**21,465**
Administrative expenses	28,572	44,427	17,471	27,213
Underwriting costs (gross)	**201,044**	**244,533**	**35,125**	**48,678**
Less commissions and profit-sharing received on reinsurance business ceded	(7,693)	(4,579)	(3,447)	(2,875)
Underwriting costs (net)	**193,351**	**239,954**	**31,678**	**45,803**
Expenses for management of investments	1,145	1,016	1,124	1,280
Acquisition costs and administrative expenses	**194,496**	**240,970**	**32,802**	**47,083**

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 headoffice in Rotterdam. This reorganisation is a direct outcome of the implementation of the Target Operating Model and intends cost savings according to the Opertional Transformation Plan.

During the year ended December 31, 2012 Allianz Nederland Groep recognized restructuring charges of € 3,700 (2011: € 1,966). As of December 31, 2012 Allianz Nederland Groep recorded a provision for restructuring costs of € 2,193 (2011: € 2,010). Hereof € 1,856 (2011: € 1,430) is related to termination cost of personnel.

31 Other expenses

Other expenses are comprised of the following:

	2012 € 1,000	2011 € 1,000
Expenses for service activities	34,662	36,455
Foreign transactions currency losses	1,916	2,131
Other	5,356	1,997
Total	**41,934**	**40,583**

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:

	2012 € 1,000	2011 € 1,000
Current taxes	(22,025)	(23,710)
Deferred taxes	(6,659)	231
Total	**(28,684)**	**(23,479)**

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 2012 is € 701 higher (2011: € 2,207 lower) than the expected tax charge.

The following table shows the reconciliation of the expected tax charge and the tax charge effectively recognized:

	2012 € 1,000	2011 € 1,000
Anticipated tax rate in %	25.0%	25.0%
Expected income tax charge	27,983	25,686
Tax exempt (revenues)/cost	704	(1,879)
Effects of tax (profits)/losses	-	(333)
Other tax settlements	(3)	5
Current tax charge	**28,684**	**23,479**
Effective tax rate	**25.6%**	**22.9%**

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

	2012 € 1,000	2011 € 1,000
Deferred tax assets		
Insurance provisions	24,724	19,599
Pensions and similar provisions	-	2,516
Deferred acquisition costs	12,204	16,549
Other assets	370	370
Total	**37,298**	**39,034**
Netting deferred tax assets/ liabilities within fiscal unity	(37,298)	(39,034)
Net deferred tax assets	**-**	**-**
Deferred tax liabilities		
Investments	(47,091)	(22,492)
Other liabilities	(30,241)	(25,708)
Total	**(77,332)**	**(48,200)**
Netting deferred tax assets/ liabilities within fiscal unity	37,298	39,034
Net deferred tax liabilities	**(40,034)**	**(9,166)**

Deferred tax recognized subtracted directly in equity amounted to € -24,209 (2011: € -3,439) 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 our risk appetite. The risk management system of Allianz Nederland forms an integrated part of the risk management system of Allianz Group.

Risk governance

Roles and responsibilities within the risk management system are organised 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 and, as a consequence, also for defining the risk-return strategy.
- The Risk Committee supervises the overall risk management processes, ensuring that all risks are addressed and managed in an integrated manner. The CEO's of the insurance entities and the banking entity are member of this board-level committee. In this role they serve as linking pin with the statutory entities. The Risk Committee promotes comprehensive risk awareness and has an advisory role towards Allianz Nederland Groep as well as the statutory entities. It meets on a quarterly basis and is chaired by the Chief Risk Officer. To further improve effectiveness, committee meetings have recently been split into a technical session where technical issues are pre-discussed in more detail, and an executive session.
- The Chief Risk Officer (CRO) executes 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 is assisted by a dedicated risk function.
- The risk 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 Operational Risk Management Committee (ORMCo) is a subcommittee of the Risk Committee. It was set up to supervise the operational risk management activities. The ORMCo is chaired by the Chief Operating Officer who is the linking pin with the Risk Committee. The key domains of the insurance value chain are represented in this committee.
- The Internal Audit department reviews the proper functioning of the risk management system and assesses whether it complies with regulatory and internal 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.

Risk appetite

Risk appetite and risk tolerance are key considerations in our risk management approach. Allianz Group determines the overarching framework and boundaries for risk taking. Within this framework, the operating entity is responsible for further substantiation of the risk appetite within the local context. The risk appetite is approved by the Supervisory Board of Allianz Nederland Groep on a yearly basis in adherence with the "Code of Conduct for Insurers". The next elements together shape our risk appetite:

- We have a structured process in place to identify and assess important risks that may not be captured by our internal model and that are difficult to quantify by nature (e.g. strategic risks and emerging risks). By setting explicit risk tolerances, the risk appetite with respect to those identified "top risks" is defined.
- We define minimum capital ratios and target capital ratios for the internal risk capital and regulatory capital position. Furthermore, for our internal model we set the solvency probability (confidence level) over a given time horizon.
- To manage concentration risks, we additionally define quantitative limits for disproportionally large risks (e.g. counterparty exposure, natural catastrophy, financial risks).
- Minimum standards, guidelines and policies (e.g. minimum standards underwriting and minimum standards reputational risk) further define our risk tolerances for specific risk categories.

Capitalization

In the interest of our policyholders we are dedicated to be adequately capitalized at all times. Our internal risk capital model plays a major role in the management of capital. In addition, we consider regulatory capital requirements as binding constraints. We closely monitor our capital position and carry out stress tests on a quarterly basis. This allows us to anticipate pro-actively on changing market conditions. Allianz Nederland is well capitalized and meets its internal and regulatory solvency targets as of December 31, 2012.

Regulatory capital position	Life		P&C	
	2012	2011	2012	2011
Available financial resources	248	223	368	323
Capital requirement	121	125	142	146
Capital ratio (available/required)	205%	179%	260%	221%

Internal model capital position	Life		P&C	
	2012	2011	2012	2011
Available financial resources	449	451	384	346
Capital requirement	118	90	239	309
Capital ratio (available/required)	381%	501%	161%	112%

Internal capital model

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 (VaR) 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 calibrate our internal model at a confidence level of 99.5% with a time horizon of one year.

The following risk categories are in scope of our internal model:

Market Risk	Credit Risk	Underwriting Risk	Business Risk
• Equity risk	• Default risk	• Biometric risk	• Operational risk
• Interest rate risk	• Migration risk	• Premium risk	• Lapse risk
• Currency risk		• Reserve risk	• Cost risk
• Real estate risk			
• Credit spread risk			

Internal risk capital is defined as the difference between the best estimate and worst case net asset value under a full economic balance sheet. The worst case net asset value is determined in three steps using a Monte Carlo simulation. First, distributions are fitted to the identified risk drivers (e.g. interest rates, lapse rates, mortality rates) underlying the above mentioned risk categories. Second, value distributions are derived for the respective risk categories by translating movements in risk drivers into movements of the market (consistent) value of sensitive assets and/or liabilities. Finally, we draw 50,000 correlated samples from these value distributions to derive the 99.5% worst case net asset value.

The risk capital as calculated with our internal model is shown in the table below. Please note that the figures for 2011 are not the same as reported in the annual report of 2011. An extra run was performed based on year-end 2011 data but taking into account 2012 model changes and confidence level shift at the same time. For comparability, the results of this 'year end restatement run' are included in the table below in the 2011 columns.

Internal model risk capital	Life		P&C	
	2012	2011	2012	2011
Market risk	66	91	77	117
Credit risk	62	29	28	26
Underwriting risk	28	30	266	248
Business risk	214	222	50	52
Pre-diversified risk capital	370	372	421	443
Diversified risk capital	118	113	239	242

Pre-diversified risk capital reflects the diversification effect within each risk category (i.e. market, credit, underwriting and business risk), but does not include diversification effects across risk categories. Diversified risk capital, in contrast, captures the total diversification effect across all risk categories. Pre-diversified risk capital is used to measure concentration risks.

P&C market risk capital shows a strong decrease from Q4 2011 to Q4 2012, mainly due to the fact that the equity portfolio was sold in 2012. For life, the most significant increase in risk capital is observed for credit risk, which is mainly explained by the downgrade of van Lanschot during 2012.

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 99,5% 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.

We are well aware of these limitations and recognise the importance of the more qualitative risk management skills as amplified on in Pillar II of the Solvency II framework.

Stress testing
We stress our regulatory capital position to assess whether these 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 of a selection of shock scenarios on our regulatory capital position:

Regulatory capital ratio	Life		P&C	
	2012	2011	2012	2011
Base case	205%	179%	260%	221%
Equity -30%	201%	174%	259%	207%
Interest rates +100 bps	184%	166%	233%	194%
Interest rates -100 bps	227%	189%	286%	248%
Equity -15% and interest rates +100 bps	180%	160%	232%	180%

Interest rate shocks are calculated by multiplying the market value of the interest rate sensitive assets by their average duration and by the magnitude of the interest rate shocks. Risk mitigating effects of deferred taxes and hedge instruments are taken into consideration if applicable. Both in Life and P&C the sensitivity to interest rate risk is fully determined by the asset side of the balance sheet; insurance liabilities of our P/C business are not discounted and insurance liabilities of our traditional life business are discounted against fixed rates in the statutory accounts. 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.

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
Per year-end 2012 our exposure to equity risk is marginal. During the summer we sold our entire equity portfolio in the P&C segment. The proceeds of this transaction were primarily re-invested in NHG mortgages. NHG mortgages are mortgage loans benefiting from a guarantee under the so-called National Mortgage Guarantee ("Nationale Hyptheek Garantie") scheme. NHG-mortgages are fixed-income assets which are not necessarily matched with our insurance liabilities. Therefore our exposure to interest rate risk slightly increased.

Interest rate risk
Having interest sensitive assets and liabilities in our balance sheet, we are exposed to interest rate risk. The current low interest rate environment in particular is challenging for life insurers with sizable blocks of long-term interest rate guarantees. As unit-linked contracts form the largest part of our life book, our exposure to this type of risk is relatively small.

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.

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. A few funds offer a minimum-return guarantee though. In 2012 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 interest rate risk as a consequence of holding a bond portfolio to cover the clients' deposits. The ALM committee meets every two weeks. 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.

Currency risk
Currency risk relates to losses incurred due to fluctuations in foreign currency exchange rates. Allianz Nederland does not have any significant exposure to foreign currencies.

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 spread risk
Credit spread risk is the risk of declining market values of our fixed income assets due to any widening of credit spreads. It should be noted though, that the cash flows of our insurance liabilities are to a large degree predictable, limiting the risk that we are forced to sell bonds prior to maturity at a loss.

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. Per year-end 2012 our exposure to sovereign debt of the so-called PIGGS countries (Portugal, Ireland, Italy, Greece and Spain) is restricted to EUR 68 m in Italian debt.

The internal credit risk capital model is based on obligor ratings, estimates of exposure at default, loss given default and default correlations between obligors. Exposures to the national governments of EEA states are modeled as risk free in the credit risk internal model.

Investment credit risk
Allianz Nederland is exposed to credit risk on fixed-income securities and deposits with commercial banks.

- The portfolio is well diversified except for one exposure. Ultimo 2012 Allianz Nederland has a EUR 325 million gross credit exposure to a medium-sized Dutch bank (2011: EUR 325 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 2012. 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.

	AAA	AA+	AA	AA-	A+	A	A-	≤BBB	Total
Government	660	288	91	33	19	5	0	67	1163
Corporate	136	40	5	109	92	79	31	84	576
Total	**796**	**328**	**96**	**142**	**111**	**84**	**31**	**151**	**1739**
% 2012	46%	19%	6%	8%	6%	5%	2%	9%	100%
% 2011	68%	3%	6%	4%	10%	3%	2%	4%	100%

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.

Underwriting risk

Underwriting risk consists of premium and reserve risk in the P&C segment and biometric risk in the Life segment.

Biometric risk (Life)

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.

Within the actuarial discipline, a distinction is made between pricing and reserving. With regard to pricing, 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 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 2012 the statutory reserves of the life company were adequate. The mortality and morbidity risks are hedged by a number of reinsurance contracts which cover the loss in excess of a certain threshold.

Premium risk (P&C)

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. Premium risk is actively managed using quantitative models, product development guidelines and underwriting guidelines. Allianz Group has defined clear underwriting limits and restrictions. In addition, local limits are in place that take the local business environment into account. Reinsurance is our most important instrument to mitigate underwriting risk and to optimize our risk profile. Our internal risk capital model plays a major role in the reinsurance optimization process.

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 2012 Allianz Nederland reinsured a significant part of its modelled 1.429 year worst case exposure to windstorms. For 2013 the catastrophe cover was increased in order to further downsize the own retention under a 1.000 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 (P&C)

We estimate and hold reserves for past claims that have not yet been settled. If the reserves were not sufficient to cover the claims to be settled in the future due to unexpected changes, we would experience losses. In our internal risk capital model, the volatility of past claims development defines our reserve risk. 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.

The Loss Reserve Committee determined the loss and claims settlement expense reserves to be sufficient per year end 2012. The adequacy of the loss reserve provisions is also closely monitored by means of independent reviews by Allianz Group every 2 to 3 years.

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.
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.

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 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.

P/C (EUR m)	Total	Within 1 year	1-3 years	3-5 years	Over 5 years
2012	844	325	205	125	189
2011	819	320	199	114	186
Life (EUR m)	**Total**	**Within 1 year**	**1-5 years**	**5-15 years**	**Over 15 years**
2012	4,548	311	1,445	1,994	798
2011	4,524	204	1,282	2,069	969

The table below depicts the financial instruments measured at fair value at the end of 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	2012 € mln				2011 € mln			
IFRS hierarchy disclosure	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments Available for Sale	1,871	21	25	1,917	2,072	29	25	2,127
Derivative Assets Held for Risk Management	4	-	4	8	4	-	7	11
Financial Assets for unit-linked Contracts	2,755	222	-	2,977	2,528	227	-	2,755
Financial Assets designated at Fair Value through income	461	-	-	461	440	-	-	440
Total	5,091	243	29	5,363	5,045	257	32	5,334

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.

The following table shows the movements for the investments available for sale and the non-trading derivatives.

	Available for sale investments	Non-trading derivatives	Total
Opening value stated as of 1/1	25,059	7,344	32,403
Gains (losses) recognized in income statement	-	(3,257)	(3,257)
Gains (losses) recognized in other comprehensive income	1,177	-	1,177
Transfers into (out of) level 3	(990)	-	(990)
	25,246	4,087	29,333

Available for sale investments mainly consists of private equity fund investments that are valued at net asset value as calculated by the fund asset manager. The transfer out of level 3 concerns non-listed bonds for which the fair value is determined by using valuation techniques based on observable market data, therefore as an adjustment to the hierarchy this financial instrument was transferred to level 2.

The value of the non-trading derivatives is based on weekly mark-to-market valuations. Once agreed upon with the various counterparties, these valuations form the basis for the weekly collateral management.

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 organisational 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 fully implemented in 2012 and part of the regular risk capital model runs since Q1 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

Diversification is key to our business model. Diversification helps us to manage our risks effectively by limiting the economic impact of any single event. The degree to which the diversification effect can be realized depends not only on the correlation between risks, but also on the relative concentration level of those risks. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risks. We identify and measure concentration risks in terms of pre-diversified internal risk capital. Within the individual risk categories, we use supplementary approaches to manage those concentration risks.

In order to manage aggregated market and credit risk (financial risk hereafter) in line with our risk appetite, the following measures are in place:

- Top-down process for determining the asset allocation including leeways. In this way exposure to single market risk type is restricted.
- Financial value-at-risk (VaR) limits focus on the aggregation of market and credit risk of assets and liabilities.
- Equity and interest rate sensitivity limits address risks of single risk types in addition to the total boundary for risk taking given by the above mentioned financial VaR limit.

To avoid disproportionally large losses that might accumulate and have the potential to produce substantial losses (e.g. credit events or natural catastrophy events), Allianz Group closely monitors those risks on a standalone basis (before diversification) within a global limit framework.

- Allianz Group has designed a system to manage counterparty concentrations relating to credit and equity exposures on a group-consistent basis. Within this limit framework (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.
- Also for natural catastrophy risk Group-wide as well as operating entity level limits have been implemented. Aim is to reduce earnings volatility and restrict potential losses from events having an occurance probability of once in 250 years. In addition to these limits, we purchase reinsurance to protect ourselves to a 10 bps (1 in 1,000 years) worst case event. These limits are subject to annual review.

34 Derivative financial instruments

Derivatives derive their market values from one or more underlying assets or specified reference values. The use of derivatives by individual enterprises in the Group is in compliance with the relevant supervisory regulations and the Group's own internal guidelines. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Group. Further information on the 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 counter parties. 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 € 2,940 (2011: € 5,890) was received.

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

	Maturity as of 12/31/2012			2012			2011		
	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	-	-	-	-	-	-	19,852	1,730	-
Credit default swaps	96	3,991	-	135,000	4,087	-	160,000	7,344	-
Price return swap	-	-	-	-	-	-	20,326	-	505
Options SAR	-	-	837	-	837	-	-	-	-
Total	**96**	**3,991**	**837**	**135,000**	**4,924**		**200,178**	**9,074**	**505**

* 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 approciate 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, the 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 an 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 € 50,0 mln (2011 : € 34,9 mln) related to rental, lease contracts and other long term agreements.

As of December 31, 2012 the future minimum lease payments under non-cancellable operating leases were as follows:

	€ 1,000
2013	7,285
2014	4,434
2015	5,688
2016	5,248
2017	4,791
Thereafter	9,531
Total	**36,977**

As of the end of the year, an amount equal to € 24,7 mln (2011 : € 24,1 mln), has been granted in respect of guarantees, of which € 7,3 mln (2011 : € 7,3 mln) relates to participation in the terrorism pool.

37 Employee information

At the end of 2012 Allianz Nederland employed a total of 1194 (2011: 1210) employees.

Personnel expenses

	2012 € 1,000	2011 € 1,000
Salaries and wages	62,278	64,417
Social security contributions and employee assistance	7,841	7,148
Expenses for pensions and other post-retirement benefits	(12,755)	6,979
Total	**57,364**	**78,544**

Further details with regard to the pension expenses are provided in Note 17.

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 1492 (2011 : 3504). The difference between the exercise price and the market price of Allianz shares of € 17,76 (2011 : € 13,04) was reported as part of compensation expense.

Stock Appreciation Rights (SAR) plan

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 2012 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 remaining
May 05	2	93	16,275	16,275	-
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

As of December 31, 2012 the intrinsic value of outstanding SARs amounted to € 722 (2011 : € 170).

Allianz Nederland has entered into call options on Allianz SE stock to hedge its future obligations under the SAR plans. As of December 31, 2012 the total value of the Allianz call options was € 837 (2011 : € 294).

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 2012 the total compensation expense related to the outstanding appreciation rights was € 525 negative (2011 : € 83 negative).

Taking into account the expired portion of the vesting period, a provision of € 724 (2011 : € 199) was established on December 31, 2012 and reported under the heading Other accrued liabilities.

Restricted Stock Units (RSU) plan

De restricted stock units (RSU) 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 exercize 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 (€)
Nonvested as of 1/1	**29,459**	**76.73**
Granted	6,227	69.38
Forfeited/Exercised	(3,249)	134.95
Nonvested as of 12/31	**32,437**	**69.49**

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, 2012, Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 1,213 (2011: € 329). Taking into account the expired portion of the vesting period, a provision of € 2,124 (2011: € 1,204) was established on December 31, 2012 and reported under the heading Other accrued liabilities.

Allianz France Group Stock Option plan

Allianz France Group 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 Group. Due to Allianz SE obtaining the full ownership of all outstanding Allianz France shares, and with that the ending of the quotation on te stock exchange, the Allianz France Group stock option plan was closed. The valuation of the remaining outstanding options (14.150) will now be dependent on the price of the Allianz SE shares.

Compensation management board	2012 € 1,000	2011 € 1,000
Short-term employee benefit	2,502	2,142
Expenses for pensions and other post-retirement benefits	289	285
Transition Payment	850	-
Severance	190	-
Stock-based compensation	428	576
Total remuneration	**4,259**	**3,003**

As of December 31, 2012 the management board had four (2011 : five) members.

The information on compensation concerns the members of the management board who were active at the end of the year. Compensation to former members of the board amounted in 2012 € 938 (2011: € 0).

Pensions and similar benefits

Allianz Nederland paid € 347 (2011: € 259) premiums to pension funds for active members of the management board.

As of December 31, 2012 the pension provisions and provisions for similar benefits for the then active members of the management board amounted to € 2562 (2011: € 3297).

Remuneration for the supervisory board

In fiscal year 2012, remuneration for the supervisory board amounted to € 115 (2011: € 111). This board has four (2011: 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.

	2012 € 1,000	2011 € 1,000
Reinsurance premiums	38,971	35,321
Reinsurance claims/ commissions	17,925	10,580
Reinsurance assets	50,605	59,307
Reinsurance liabilities	24,340	30,938
Realized gains from disposal of affiliated enterprises	-	8,816
Pension fund related expenses	10,221	10,032
Pension fund related assets	942	455
Pension fund related liabilities	-	4,020
Financial assets held for trading	-	1,731
Loans and advances to banks	51,000	69,766

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:

	2012	2012	2012	2011
	KPMG Accountants N.V. € 1,000	KPMG other € 1,000	Total KPMG € 1,000	Total KPMG € 1,000
Year end audit services	692	-	692	717
Other audit services	-	70	70	54
Tax advice	-	249	249	186
Other non-audit services	8	188	196	417
Total	700	507	1,207	1,374

Corporate Financial Statements

41 Notes to the corporate financial statements

General

The corporate financial statements are part of the 2012 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

ASSETS	Note		2012 € 1,000		2011 € 1,000
Financial assets					
Participations in group companies and subsidiaries	44		736,155		656,960
Current assets					
Receivables					
Receivables from group companies	44	27,744		23,464	
Tax receivable		-		7,173	
Receivable Cashpool	44	49,832		54,415	
Other receivables	44	6,872		6,546	
Other assets		28,613		3,247	
			113,061		94,845
Investments	44		3,981		2,191
Cash and cash equivalents	44		1,096		373
Total assets			**854,293**		**754,369**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note		2012 € 1,000		2011 € 1,000
Payables					
Payables to group companies		2,290		3,650	
Taxes payable		4,197		4,050	
Payables Cashpool		50,032		20,415	
Other payables and accrued liabilities	44	8,572		6,911	
			65,091		35,026
Provisions					
Deferred tax liability	44	29,872		22,821	
Other provisions	44	19,551		26,586	
			49,423		49,407
Shareholders' equity					
Paid in capital	44	59,813		59,813	
Share premium		76,667		76,667	
Revaluation reserves of subsidiaries	44	136,548		63,953	
Legal reserves	44	2,467		4,128	
Revenue reserves	44	381,036		386,109	
Profit for the year	43	83,248		79,266	
			739,779		669,936
Total liabilities			**854,293**		**754,369**

43 Statutory income statement as of December 31

	2012 € 1,000	2011 € 1,000
Result of subsidiaries	111,298	94,187
Result sale participations	-	8,816
Operating expenses	(603)	(616)
Interest income and similar revenue	907	1,130
Revaluation of investments held for trading	515	(345)
Interest cost and similar expenses	(185)	(427)
Result before taxes	111,932	102,745
Taxes	28,684	23,479
Result after taxes	**83,248**	**79,266**

44 Notes to the statutory statement of financial position

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

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	656,960	691,096
Additions	-	18
Disposals	-	(16,184)
Revaluation result	72,595	9,427
Result after tax	83,200	70,713
Dividends received	(84,100)	(98,000)
Increase of capital	7,500	-
Other	-	(110)
Value stated as of 12/31	736,155	656,960

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 surplusses of the Allianz Nederland Groep 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:

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	2,191	2,476
Additions	432	575
Revaluation	1,358	(860)
Value stated as of 12/31	3,981	2,191

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

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	63,953	53,545
Reclassification	-	981
Revaluation result	72,595	9,427
Value stated as of 12/31	136,548	63,953

Legal reserve

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

Revenue reserves

	2012 € 1,000	2011 € 1,000
Value stated as of 1/1	386,109	378,100
Addition from profit	79,266	89,852
Dividend paid	(86,000)	(83,000)
Transferred to legal reserves	1,661	2,138
Reclassification	-	(981)
Value stated as of 12/31	381,036	386,109

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:

	2012 € 1,000	2011 € 1,000
Provisions for post-employment benefits	5,285	10,062
Provision restructuring plans	1,952	1,689
Other staff related provisions	9,466	13,432
Other	2,848	1,403
Total	19,551	26,586

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

Other payables and accrued liabilities

	2012 € 1,000	2011 € 1,000
Pension expenses	133	133
Other	8,439	6,778
Total	8,572	6,911

Solvency

The available solvency margin expressed as a percentage of the required solvency margin for the group companies amounted to 225% at the end of 2012 (2011: 201%). 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 (2011 € 69.4 mln).

With regard to group companies, guarantees have been given for an amount of € 1.9 mln (2011: € 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 4 to the Consolidated Statements of financial position.

Taxes

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

Rotterdam, May 15, 2013

Management board	Supervisory board
R. Franssen (chairman)	R.J.W. Walvis (chairman)
S.L. Laarberg	G.J. de Boer-Kruyt
C.J.A.M. Schneijdenberg	F.W. Fröhlich
J.P. Vialaron	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 (May 15, 2013) by the supervisory board no events have ocurred 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 2012 of Allianz Nederland Groep N.V., Rotterdam. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the statement of profit or loss and other comprehensive income, the consolidated statement changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The corporate financial statements comprise the statutory statement of financial position as at 31 December 2012, the statutory income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these 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 with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2012 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.

Opinion with respect to the corporate financial statements

In our opinion, the corporate financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2012 and of its result for the year then ended in accordance 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 whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the 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, 15 May 2013

KPMG ACCOUNTANTS N.V.
A.J.H. Reijns RA

48 Consolidated subsidiaries

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

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 2012 is as follows:

	2012 € 1,000
Dividend	105,000
Deducted from other reserves	(21,752)
Total profit to be appropriated	**83,248**

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