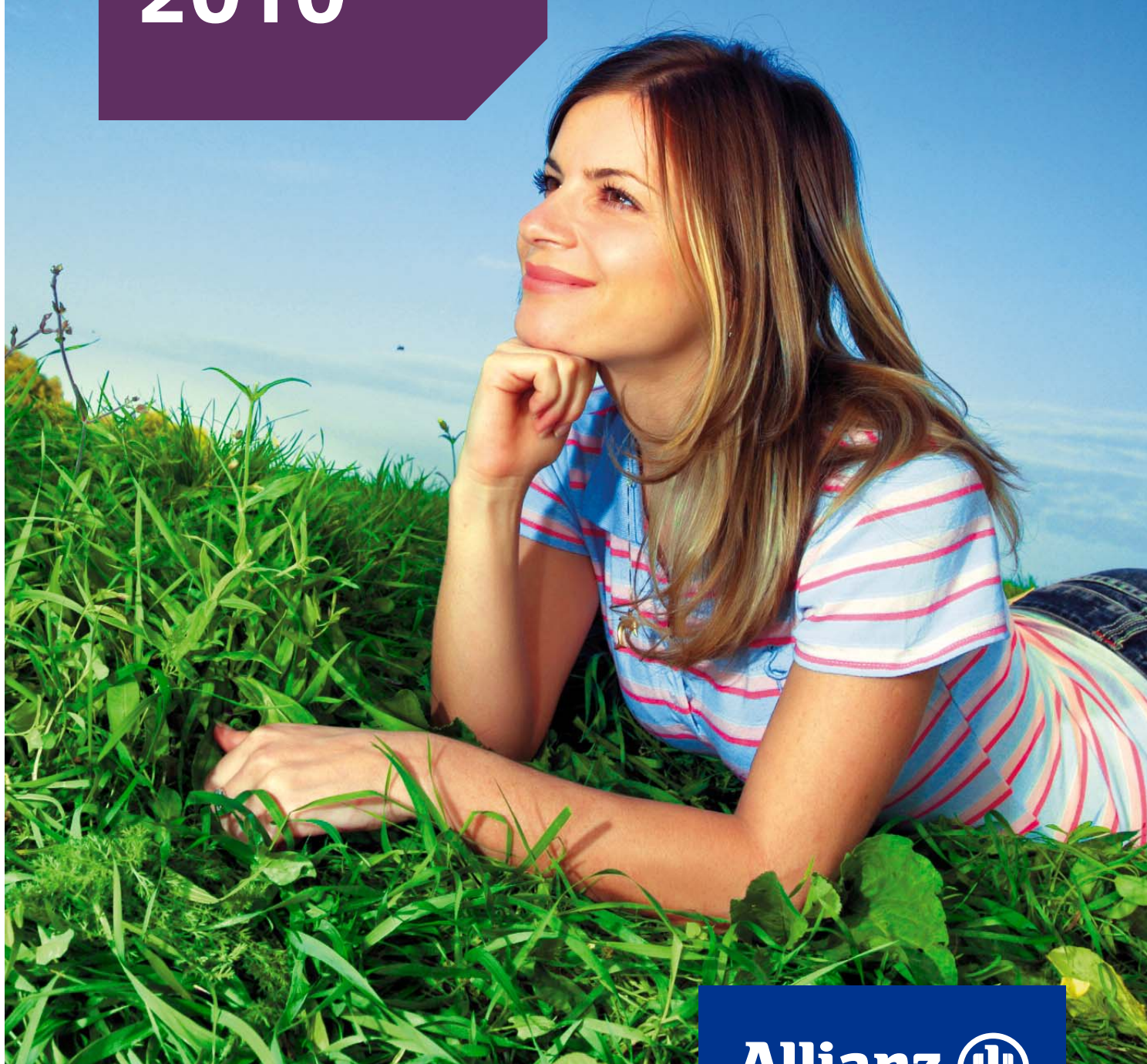


Allianz pojišťovna, a. s.

Annual Report 2010



Allianz 

Basic Economic Facts

Brief Summary (in CZK mln)	2010	2009	Change 2010/2009
Gross premiums written	10 651	10 244	4,0%
Life insurance	3 621	2 986	21,2%
Non-life insurance	7 030	7 258	-3,1%
Claims paid	5 913	5 091	16,2%
Life insurance	1 975	1 497	32,0%
Non-life insurance	3 938	3 594	9,6%
Net claims ratio retention in non-life insurance	63,9%	57,9%	6,0 p.p.
Gross expenses ratio	22,5%	22,6%	-0,1 p.p.
Technical result	1 035	1 537	-32,7%
Profit before tax	1 260	1 650	-23,6%
Financial placements	18 541	18 630	-0,5%
Equity	4 960	4 916	0,9%
Equity ratio (in % of net earned premiums)	54,5%	55,4%	-0,9 p.p.
Technical provisions	20 614	19 198	7,4%
Life insurance	11 402	10 228	11,5%
Non-life insurance	9 212	8 970	2,7%
Number of contracts in portfolio (ths)*	1 602	1 557	2,9%
Number of employees	738	744	-0,8%
Number of agents	1 863	1 647	13,1%

* new business in travel insurance

Allianz pojišťovna, a. s.

Annual Report **2010**



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Introduction of the Chairman of the Board of Management

Dear Ladies and Gentlemen,

I present to you the Annual Report of Allianz pojišťovna for the year 2010, one of the most complicated, and yet successful, years in the company's history to date.

Although in 2010 the country suffered from several natural calamities and the reverberations of the financial crisis, which reduced the purchasing power of its citizens, Allianz pojišťovna succeeded in generating a sound profit. Its net profit (according to Czech accounting standards) totalled CZK 1.083 billion in 2010. The equity of Allianz pojišťovna was CZK 4.96 billion and the balance sheet sum grew to CZK 25.6 billion.

Allianz pojišťovna's total gross written premiums amounted to CZK 10.7 billion in 2010, an increase of 4% compared to 2009. Despite the great increase in the segment of entrepreneurial insurance in 2010, total premiums written by Allianz pojišťovna in non-life insurance dropped to CZK 7 billion, a 3.1% decrease year-on-year. Life insurance products were the most successful, with premiums written increasing by more than 21% to CZK 3.62 billion in 2010.

The positive trends in both our sales results and financial reports are a clear signal for our clients that Allianz pojišťovna continues to be a reliable and stable partner. Our strong capital base facilitates continued development and innovation of our products and the improvement of our client service.

In 2010, our claims settlement was put to the test by several calamities. At the beginning of the year, it was the weight and slides of abundant snowfalls, followed by floods in Moravia in May and June; in August, there were more floods in Northern Bohemia, and the worst disasters altogether were the hailstorms in the second half of August. Owing to our successful transformation and the enormous efforts of our personnel, we handled all of these calamities and our clients continued to perceive our claims settlement during these tempestuous times as a prompt, transparent and client-oriented service, being the peer of the world's top insurers. Numerous new features and improved procedures, particularly in online communications between our insurance company and its clients, added to greater speed and, consequently, to our clients' satisfaction with our claims settlement.

New products and innovations to client service implemented by Allianz pojišťovna during the course of 2010 won a number of local and international awards. We are pleased to have “scored” both in public opinion polls and professional competitions. For us, these awards are not only a form of appreciation for our work, but, above all, a major commitment for the future.

I would like to thank all the employees, insurance advisors and business partners of Allianz pojišťovna for their continued professional work. The success of Allianz pojišťovna achieved in 2010 is particularly due to their efforts. I would also like to thank all our clients for the confidence they have placed in us through their concluded insurance contracts. The ultimate goal of Allianz pojišťovna is to never fail our clients’ trust. We work diligently for Allianz pojišťovna to continue offering highly professional products and services as well as the solid background of a strong and trustworthy insurer – and to do all this in a prompt, shrewd and friendly manner.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jakub Strnad', with a stylized flourish at the end.

Jakub Strnad
Chairman of the Board of Management

Company Profile

Allianz pojišťovna is a 100% subsidiary of Allianz New Europe Holding GmbH and a member of the world's leading insurance group Allianz. Allianz pojišťovna entered the Czech market in 1993 and has become one of the top three insurers in the Czech Republic over the years.

It started out by offering life insurance. It has gradually expanded its product portfolio and now offers comprehensive products tailored to both individuals and corporations, ranging from life insurance to private property, liability, travel insurance, entrepreneurial and industrial insurance to comprehensive vehicles insurance.

Allianz pojišťovna is the sole shareholder of Allianz penzijní fond, a. s., established in 1994. The comprehensive product portfolio, thus, includes supplementary pension schemes offered by one of the market's leading pension funds.

In 1999, Allianz pojišťovna was among the first twelve insurance companies to offer motor third party liability insurance.

Prompt, transparent and modern claims settlement of Allianz pojišťovna forms an integral part of services rendered to clients and ranks at the top on the local market.

Superior and high-quality assistance also provides a significant benefit for the company's clients. In this particular area, Allianz pojišťovna collaborates with Mondial Assistance.

In reinsurance, Allianz pojišťovna maintains exclusive cooperation with renowned companies, such as Allianz SE, Swiss Re, Munich Re and others.

The long tradition and experience, international know-how and capital power of Allianz Group are a guarantee of the company's stability and continued development.

In 2010, Allianz pojišťovna became the pioneer in a motor third party liability insurance product offering the most comprehensive coverage of risks in the Czech Republic.

Awards and Prizes

Various prizes awarded to Allianz pojišťovna during 2010 in professional competitions, contests and public opinion polls are, again, a proof of the supreme quality of the company's products and its client service.

In the second annual Hospodářské noviny Awards, Allianz pojišťovna placed third in the respective category and confirmed its result for the previous year. Last year, Allianz pojišťovna also achieved significant success with its PRO život risk life insurance product, having been awarded Insurance Innovator 2010.

In the prestigious Bank of the Year 2010 competition, Allianz pojišťovna maintained its third position among insurers. Every year, Bank of the Year awards the market's leading financial companies, services and products and is considered to provide a representative view of the Czech financial market. The organizer of the competition is Fincentrum, an independent analyst company.

Allianz pojišťovna placed seventh in the annual Czech Top 100 competition for the year 2010. This competition, organized by Comenius, aims at promoting and awarding companies operating in the Czech Republic, which have been achieving excellent results in the long term.

Other awards marked the success of individual products and services of Allianz pojišťovna. The company's travel insurance ranked second in the TTG Travel Awards competition.

Allianz pojišťovna won another major award by placing third in the sixth annual competition of Firm of the Year: Equal Opportunities 2010. This competition is organized by the non-profit organization Gender Studies and awards go to companies that implement the concept of equal opportunities for women and men in their practice.

Board of Management

Jakub Strnad

Member since 26 March 2010
Chairman since 29 March 2010

Zuzana Kepková

Deputy Chairman until 7 May 2010

Stefan Markschies

Member

Christoph Plein

Member

Petr Sosík

Member

Supervisory Board

Werner Eduard Zedelius

Chairman until 5 March 2010

Manuel Bauer

Chairman until 10 March 2010

Torsten Stephan Günter Leue

Member since 15 February 2010 until 31 August 2010

Christian Sebastian Müller

Member



Christoph Plein

Petr Sosík

Stefan Markschies

Jakub Strnad

Organisational Structure

SECTION 01

Jakub Strnad

Chairman of the Board of Management

Václav Bálek

Internal and External Communications

Michael Barta

Board Secretary and External Affairs

Ivana Fischerová

HR Development Division

Drahomír Kubáň

Legal and Compliance Division

Maya Mašková

Internal Audit and Control Department

Dalibor Šajar

Market Management

SECTION 02

Jakub Strnad

Chairman of the Board of Management

Radek Baštýř

Motor Fleet Division

Václav Bohdanecký

Industrial Corporate Clients Division

Petr Jandek

Corporate Clients – Claims Division

Zdeněk Kučera

Retail Property and Liability Insurance Division

Josef Lukášek

Actuarial and Product Controlling Division

Libor Novák

Life Insurance Division

Pavel Prokš

Motor Retail Division

Jana Slavíková

Division of Travel Insurance, Public Tenders and Offers

SECTION 03

Petr Sosík

Member of the Board of Management

Petr Kmínek

Risk Controlling

Robert Mareš

Asset Management

Radek Stamenov

Controlling Division

Anna Švehlová

Accounting Department

Jan Tichý

Tax Department

Martin Vítek

Reinsurance Division

Daniela Volhejnová

Inkaso/Exkaso Department

SECTION 04**Christoph Plein**

Member of the Board
of Management

Robert Kufa

Project Department

Pavel Novotný

Retail Non-life Claims Division

Miroslav Šrámek

Facility Management Division

Jaroslav Šubrt

Life and Health Claims Division

Karel Waisser

IT and Operations Division

SECTION 05**Stefan Markschies**

Member of the Board
of Management

Martin Grabmüller

Training Division

Andrea Kupková

Car Dealers Department

Josef Moravec

Central Brokers
Sales Division

Daniela Nováková

Sales Support Division

Jiří Tesař

Alternative Distribution
Channels Division

Josef Zelenka

Regional Sales Division

REGIONAL OFFICES**Jakub Vyšehradský**

Brno

Václav Wurm

České Budějovice

Petr Fiala

Liberec

Petr Hanousek

Olomouc

Petr Hladný

Ostrava

Jana Krčilová

Pardubice

Martin Davídek

Plzeň

Ivo Sebera

Prague

Petr Benda

Central Bohemia

Lenka Černajová

Ústí nad Labem

Products

Allianz pojišťovna is one of the three leading insurers in the Czech Republic. Its wide offer of products ranges from life insurance to non-life insurance, allowing individuals as well as corporations to choose optimal insurance coverage.

Motor Insurance

2010 marked a significant increase in motor insurance for Allianz pojišťovna. The number of vehicles with motor third party liability (MTPL) insurance grew by over 53 thousand year-on-year and exceeded 667 thousand in total at the end of 2010.

Intending to follow up on this trend in 2011, Allianz pojišťovna launched a brand new product that is revolutionary in terms of the motor insurance market in the Czech Republic. The current MTPL insurance has been supplemented by basic risk riders for motor hull and accidents. We have chosen such risk coverage as may be easily envisioned by customers.

The new MTPL insurance includes coverage of elementary loss, accident insurance, collision of the vehicle with an animal, among others. Structured into several packages, NORMAL, OPTIMAL and EXCLUSIVE, the comprehensive offer of MTPL insurance is quite unique in the Czech market in terms of its content and available variants. It will satisfy both clients who place particular emphasis on a low premium and clients requiring the maximum scope and comfort in the services rendered.

When designing this new motor insurance product, we strove to distinguish ourselves from other insurers and do more than just merely cut the price. This intent was supported by frequent occurrences of natural disasters in 2010 as well as empirical experience that, over time, people have grown accustomed to using assistance services or other supplementary services. One of the packages also includes what is known as a direct settlement, which means that damage resulting from operation of another vehicle is also paid by the insurance company from which the damaged party has its MTPL insurance. This manner of claims settlement is not standard in the Czech market.

Rather extensive changes were also made in motor hull insurance, the most significant of them being the option of insuring new vehicles against total loss or theft up to the amount of their acquisition price (GAP insurance). Allianz pojišťovna is the only insurer in the Czech Republic that does not take off the deductible from motor hull insurance in case of total loss or theft of a vehicle, if the clients have concluded motor hull insurance with GAP insurance.

A man in a dark pinstriped suit and orange shirt is smiling while talking on a mobile phone. He is standing next to a silver car with its hood open, revealing the engine. The background is a bright blue sky with scattered white clouds. The scene is set outdoors on a paved surface.

1

*One thing:
It is always a good
idea to be on the safe
side with a strong
partner standing by.*

Motor Fleet Insurance

Allianz motor fleet insurance is one of the top products in the Czech insurance market. Its sophisticated building-block system combining all options of motor and motor fleet insurance gives this product a strong competitive edge, facilitating tailor-made solutions for each fleet depending on the unique circumstances of the given company. The system provides excellent care and easy administration for all clients.

Highly competitive premium rates and the pro-active approach of the Motor Fleet Division in 2010 had a positive impact on the growing number of insured vehicles. A combination of high-quality products and outstanding rates along with excellent claims adjustment services forms grounds for the success attained by Allianz motor fleet insurance.

In 2010, the Risk Service Department continued contributing to decreasing the client's claims ratio and provided companies with the know-how necessary to reduce the risk rate. This department employs modern procedures shared within the entire Allianz group. The high-quality work in risk management leads to sustainable profitability of the product. As a part of risk control, Allianz pojišťovna offers motor third party liability insurance with a deductible. This deductible is a significant tool motivating drivers to drive safely.

Entrepreneurial and Private Property Insurance

Allianz pojišťovna's offer of high-quality comprehensive property and liability insurance for private clients covers virtually all risks related to movable property and real estate. The three basic packages – NORMAL, OPTIMAL and EXCLUSIVE – provide insurance coverage for property and homes that are occupied year-round, or on a recreational basis. Allianz pojišťovna adjusts its products over time in order to simplify the conclusion of insurance and make them more attractive to its clients. In 2010, we significantly extended and improved our coverage, particularly in real estate insurance.

Allianz pojišťovna was the first insurer in the Czech Republic to offer Home Assistance services to holders of real estate or household insurance policies. Continuously developed, this highly competitive service provides clients with assistance during severe household problems requiring immediate intervention, such as fire or flooding, or with less serious, yet annoying situations such as locked out keys, clogged drainage or broken windows. The Home Assistance service has been modified and expanded over time. Presently, it is available to private individuals as well as clients with entrepreneurial risk insurance policies. Since 2009, the truly exceptional scope of the Home Assistance service has been made available to owners of apartment houses.

To entrepreneurs, Allianz pojišťovna offers a wide range of customised products, including Comprehensive Entrepreneurial Insurance Noe Plus. It is designed specially for medium-size and small entrepreneurs in the area of trade, manufacturing and services, but it can just as easily be used by owners of real estate. This product went through further extensions and modifications in 2010.

These high-quality insurance products can be written very easily and quickly, covering all types of usual commodities, including insurance of operating and production facilities or inventory, cargo, buildings and other structures serving for business purposes, as well as liability insurance. Noe Plus is available in the form of packages, with the three variations, NORMAL, OPTIMAL and EXCLUSIVE, covering the entire segment of risks. All that clients need to do is choose the combination which matches their needs. In acknowledgement of its qualities, Comprehensive Entrepreneurial Insurance Noe was awarded the Zlatá koruna award for the best financial product of the year in 2004 and 2005. The product's exceptional success in this competition continued in 2009, winning the silver medal in the Entrepreneurs Award category. Promotional offers prepared for selected segments of businesses based on our previous experience became largely popular among our clients and produced very good business results in 2010.

In 2010, Allianz pojišťovna also focused on further modernisation and designing of new attractive property insurance products. In addition to its traditional products, such as extended warranty, vessel insurance, guarantee insurance, multiple dwelling insurance, and liability insurance for social services providers, committees of owners' societies or practical training teachers, Allianz pojišťovna has further expanded its professional liability insurance offer and has prepared new products and services for a wide spectrum of its clients.

Industrial and Corporate Risk Insurance

In 2010, industrial insurance was adversely influenced by multiple external factors – premiums written continued to decrease as a result of the premium rates dropping in both international and local markets, and the aggravated economic situation, particularly the declining hire-purchase and development projects market, caused a significant drop in the demand for new insurance. This situation was partially alleviated by successful underwriting of insurance for photovoltaic power plants. On the other hand, claim performance was negative due to the series of extensive floods, hailstorms and several major individual damages in property insurance.

Allianz pojišťovna maintained its focus on the local market and Czech industrial entities. Owing to its rich portfolio of products, competitive prices and a high-quality reinsurance programme, the company succeeded in coping with these adverse market effects.

Despite the strongly competitive environment, Allianz pojišťovna will continue to focus on the Czech market in 2011. The goals of its projects will be to further improve its quality of services, increase the efficiency of processes and develop further cooperation with its insurance brokers.

Travel Insurance

Allianz travel insurance is a comprehensive package of products providing optimal insurance protection to clients travelling in the Czech Republic and abroad. Allianz travel insurance offers the widest range of insurance coverages and is unique for having unlimited coverage of medical care expenses abroad. The insurance

coverage of medical care expenses also includes risks related to terrorism, search and rescue activities of the Mountain Rescue Service and selected types of risk-involving sports.

The basic product is medical care expense insurance, which is supplemented by luggage insurance, including luggage and flight delay, liability insurance, accident insurance and insurance of a cancellation penalty, with unlimited coverage and a common amount of deductible. In addition to individual and group tariffs and business travel products for corporate clients, Allianz pojišťovna offers advantageous annual or semi-annual travel insurance policies that cover long-term foreign travel as well as repeated trips.

On-line underwriting through the Internet or by telephone has become increasingly popular for travel insurance. More than two-thirds of our travel insurance policies were concluded through these modern distribution channels in 2010.

An integral part of Allianz travel insurance is extensive and high-quality assistance service, offered free-of-charge via Mondial Assistance. Prompt and transparent claims settlement forms an integral part of a successful insurance product.

Life Insurance

2010 was a record year for Allianz pojišťovna. The total premiums written for life insurance exceeded CZK 3.6 billion, marking an increase of over 21% compared to 2009. The fact that Allianz pojišťovna continuously expands its cooperation with various distribution channels significantly contributed to this result. While the tied-agent sales force remains the pillar of our life insurance sales, cooperation with broker networks and other types of distribution channels became considerably more intense in 2010. Allianz pojišťovna expects further increases for this business in the future.

Allianz pojišťovna focuses on individual clients as well as the employer sector. To employers, we offer AMMIS, an insurance programme combining life and supplementary pension insurance. This product allows both employers and employees to fully utilize tax relief on both coverages within one policy and represents a very popular benefit as well as stabilizing element. Clients may also use discounts on other Allianz insurance products, such as motor or household insurance.

The pillars of current Allianz pojišťovna's life insurance products are Rytmus, PRO život, Pastelka (Crayon) and various tranches of single premium unit-linked insurance products.

Rytmus is an insurance product designed for a broad group of clients, where a single insurance policy permits insurance coverage for up to two adults and four children; they do not need to be relatives. Each of them may take out different additional coverages, opt for individual sums insured, add or remove coverages at their



*One thing:
Make allowances for
whatever may come.*

discretion and without any link to the other person(s). A number of riders may be added to the master policy, covering all usual risks such as death, accident, disability, hospitalisation or loss of income, serious illness, waiver of premium payment and others.

Flexibility is also a great advantage for Rytmus. During the term of the insurance, it is possible to make extraordinary payments, partially surrender the policy, change the investment strategy or transfer units from one fund to another. Thus, the insurance can be adjusted to the financial situation of the client at any given moment.

At the beginning of 2010, a number of changes were made in Rytmus insurance to make this product even more attractive: the fee structure for the master policy was modified, changes were made in input/output parameters, and rates were reduced for some of the riders. Similar changes were also made in the Pastelka unit-linked insurance for children.

It is also owing to these changes that Rytmus insurance has maintained its position as the best-selling life insurance product. In April 2010, we introduced the PRO život (FOR life) product, which shortly after its launch became the second best-selling life insurance product.

PRO život is a new type of comprehensive risk life insurance with an optional investment component, offering insurance coverage for a number of risks for individuals as well as entire families in various life situations. Up to two adults and four children may be insured under a single policy. During the term of the insurance, the policy may be adjusted to changing life situations, so that the product will fully meet the insurance needs of all groups of clients. The investment part provides an opportunity for cost-effective extraordinary premium contributions; there is no need to save regularly, clients invest funds only when possible or when they so wish.

During the course of 2010, Allianz pojišťovna also launched new tranches of single premium unit-linked insurance with capital protection. Until January 2010, we had been selling a tranche of the GEOinvest product, building the investment return on development in the prices of gold, oil, natural gas and other mineral resources. The product's unique quick-win feature allows for gaining the invested funds before the planned end of the insurance term. If, at the end of the fifth year of the insurance term or in any of the following quarters, the investment's value adds 40% to the original amount, the invested and yielded funds will be paid out immediately and the insurance ceases.

During 2010, we also sold another product with capital protection of invested funds – BONUSinvest. The development of BONUSinvest is derived from the yield on the BNP Paribas PLATINIUM Index Series 2. This index is based on four strategies allowing for mutual diversification (share trading strategy, currency-interest strategy, commodity trading strategy and market fluctuation monitoring strategy). In the event of any adverse developments, 100% returnability of the invested funds is guaranteed; the maximum return is not limited.

Claims Settlement

Our clients, their satisfaction, transparent nature and open approach to communications with clients are a priority. Allianz pojišťovna was the first in the insurance market to allow its clients an anonymous online view of the status of a claim's settlement.

Claims Settlement – Motor, Property and Liability Insurance

Efficient and professional claims settlement in motor, property and liability insurance has been an integral part of the business services offered by Allianz pojišťovna. In line with its corporate business strategy, claims settlement has contributed to improvement of standards of Allianz pojišťovna as a client-oriented company.

In 2010, we completed a series of changes aimed at increasing customer satisfaction. These new claims settlement procedures build on a higher quality in the company's approach to clients, changing the way of thinking and using modern technology.

The year 2010 was extremely challenging in terms of claims settlement. Not only did we have to provide for training of all our personnel in working with our new technological tool, but we also faced a steep increase in damages resulting from many natural calamities. Owing to our new processes, resilient technology background and a professional team of adjusters, Allianz pojišťovna has handled settlement of these claims to the full satisfaction of its clients.

Transfer to a new processing system increased the company's efficiency and clients now appreciate the benefits brought by our centralization of services. Allianz pojišťovna is now well prepared for changing market conditions and developing structures of claims. The implemented changes accelerated the entire process of claims settlement and increased our customer's satisfaction.

The time between occurrence of a claim and its reporting is now shorter by more than 8 days. The time between delivering the last document for the claim settlement procedure and payment of indemnity is now a mere one quarter of the former time required.

Allianz pojišťovna actively communicates with its clients in the form of satisfaction surveys regarding claims settlement. Evaluations of the claims settlement services of Allianz pojišťovna continued to be highly positive in 2010.

Claims are reported mostly by telephone and online over the Internet. Reporting by telephone is the most common, but online reporting is on the rise, its share having doubled over the past year. This confirms that the investments made in the technological development of claims reporting over the Internet were effective. The new method of reporting claims has brought greater comfort to clients and has cut their costs to a minimum.

Our clients, their satisfaction, transparent nature and open approach to communications with clients are a priority. Allianz pojišťovna was the first in the insurance market to allow its clients an anonymous online view of the status of a claim's settlement. It has also improved the feature for attaching documents online, including a confirmation of delivery. This new type of online reporting generates immediate information about the claim number in the form of an SMS or e-mail.

Optimization of claims settlement processes will continue in 2011. This will no longer involve fundamental changes to the processes, but rather their finetuning and supplementing. Allianz pojišťovna will be further able to support its clients by these investments. We may say today that Allianz pojišťovna possesses one of the most state-of-the-art tools for process management.

Claims Settlement – Life and Health

In addition to professional, prompt and convenient claims settlement, the primary tasks in this area include effective prevention and detection of insurance fraud.

Client satisfaction is monitored by means of the Net Promoter Score indicator. In 2010, the figures for claims settlement life and health. Compared to the previous year was a significant improvement.

In the long term, injuries account for the vast majority of claims raised by clients. It is these claims where adjustment tends to proceed in a particularly prompt and flexible way, and without delays. These claims may be reported by telephone or using an online form, which substantially shortens the time of the main adjustment process. In 2010, nearly every fifth report of a claimed injury was received by telephone or over the Internet. The promptness of claims adjustment is evidenced by the fact that 69% of claims in cases of child injuries are adjusted by the next day after they are reported (the time from delivery of the report until the adjuster's decision); 94% of the total number of claims are closed within one week of being reported.

An integral part of claims settlement is the system for prevention and detection of insurance fraud. Through these activities, the claims settlement section in charge of life and health claims saved over CZK 8 million in this area in 2010.

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One thing:

You may take out an insurance policy with a consultant at our branch or over the Internet.



Sales

Similarly to offering various types of insurance for different types of clients, their specific risks and needs, Allianz pojišťovna aims at offering various distribution channels. Allianz pojišťovna has a thorough sales strategy and corresponding management model for every distribution channel.

Tied Agent Sales Force

The tied agent sales force is the largest distribution channel of Allianz pojišťovna, having generated nearly 50% of its sales in 2010. At year's end, there were 11 regional branches within the Czech Republic, managing more than 1,850 insurance advisors. Sales development is also supported by over 250 insurance offices and other points of contact located all over the Czech Republic.

The tied agent sales force is Allianz pojišťovna's largest production channel and its role is and will remain crucial for the company.

An important tool for further development in the performance of the tied-agent sales force is a thorough training system for all categories of personnel. It is focused on acquiring and improving sales skills and product knowledge, as well as acquiring knowledge of the sales process. Managing staff have the opportunity to improve their management skills as they are well aware that their focus always is on customers, satisfying their needs and providing consultations and services.

Brokers

In 2010, Allianz pojišťovna successfully continued in developing cooperation with insurance brokers. Business results confirmed the dynamic growth of this distribution channel, such as the new sales growth index of 150.3% for regional brokers and the client base growth index of 124.8% for regional brokers compared to 2009. Overall, brokered sales, including central brokers, grew by 128.2% compared to 2009, having accounted for 32% of the total production of Allianz pojišťovna in 2010.

In order to boost its regional business and cooperation with regional brokers, Allianz pojišťovna launched a reorganization of its broker business on 1 September 2010 and its division to central and regional broker businesses.

Central broker business is managed by the central broker business division in close cooperation with individual product units and, above all, the management of the company. Regional broker business is within the competence of regional directors and is managed by the regional business management division.

Results of the broker business confirm that the correct concept of cooperation with external partners – brokers, along with the organizational changes made, have created suitable prerequisites for further development of this distribution channel in 2011.

Direct Sales

Allianz pojišťovna has been one of the pioneers of online underwriting of products and services in the Czech market. Today, clients can use the Internet or telephone to take out travel, MTPL, comprehensive motor insurance, supplementary pension schemes as well as property, household or individual liability insurance.

Allianz Direct, member of the Allianz group, has been arranging for online conclusion of insurance policies for the company since 2006. The services rendered by Allianz Direct also include electronic administration of insurance policies or possible online payment of the first premiums.

One of the sales priorities of Allianz pojišťovna is direct sales of its products. The company expects a further increase in online sales and an expansion of its electronic communications with clients. This expectation is justified by the year-on-year increase in the number of policies in individual areas and clients' responses to our gradually expanding online services.

Bancassurance

In April 2010, Allianz pojišťovna began cooperating with UniCredit Bank, which offers Allianz's private property insurance to clients at its branch offices. The mutual cooperation further expanded in July, when Allianz pojišťovna began offering mortgage loans of UniCredit Bank. The shared objective of both companies is to continue developing their cooperation.

In October, LBBW Bank launched sales of Allianz insurance products. It offers life and non-life insurance products of Allianz at all of its branches and its clients may also conclude Allianz supplementary pension insurance.

At the wholesale centres of the Makro C&C chain store, Allianz pojišťovna offers a brand new product of “extended guarantee,” which clients may take out through M-servis. The product is an appealing supplement for the business clientele of Makro.

MLM

In 2010, Allianz pojišťovna continued developing its cooperation with MLM external networks. We began working more intensely with major partners, such as OVB, AWD and Fincentrum. In the middle of the year, Allianz pojišťovna also concluded an agreement on cooperation with Partners. Cooperation particularly flourished with OVB, where the production in life insurance grew severalfold compared to 2009.

In mid 2010, a specialized service team was created to focus solely on MLM external partners. This service works to assist individual financial consultants. The decision to form this service has proven to be very good and has indirectly contributed to increasing production. As part of this, Allianz pojišťovna is now able to prepare for its partners offers for entrepreneurial, motor fleet and major property insurance.

Life insurance accounts for most of the volume of cooperation with MLM networks. Our priorities include long-term and stable cooperation in order to ensure high-quality products and smooth service for our key partners. Collaboration with MLM networks represents a major benefit and a great potential for the future; the importance of cooperation with external partners increases every year.

Allianz pojišťovna also sees great potential with MLM networks in non-life insurance, which is easier to establish and fosters cooperation with new partners.

Public Contracts

Allianz pojišťovna participates in tenders for public contracts in the area of insurance. With our extensive portfolio of products and services, we cover nearly all of the risks requested by potential clients.

A man with grey hair and a beard, wearing a bright yellow raincoat, is looking upwards and to the right. He is standing on the deck of a ship, with the wooden railing in front of him. The background shows the ship's rigging and masts against a clear blue sky. The lighting is warm, suggesting late afternoon or early morning.

1

*One thing:
Success goes hand in
hand with social
accountability.*

Social Responsibility

As a successful player on the Czech market and one of the market leaders, Allianz pojišťovna acknowledges its responsibilities toward our clients, employees and Czech society.

Accordingly, it largely focuses on business ethics, maintaining good relationships with clients, shareholders and business partners, observing human rights, equal opportunities and standards of conduct. As part of its corporate philanthropy, Allianz pojišťovna has chosen mostly family projects, as well as culture and charity, as the central focus of its sponsorship and material support.

In 2008, Allianz pojišťovna took an active part in the global environmental programme of Allianz Group with the aim of decreasing the volume of CO₂ emissions generated by its operations by 25% by the year 2012.

Sponsorship

Allianz pojišťovna supports financially and is actively involved in many important projects focused on children, youth and family. This segment is also linked to areas that Allianz pojišťovna emphasizes: culture, sports and charity. These efforts go beyond promoting the brand of Allianz and associating it with interesting projects. Their purpose is always long-term cooperation built on trust, professionalism and responsibility to both partners and communities taking part in these projects.

Key Projects

THEATRE MINOR

Since 2003, Allianz pojišťovna has been the “general friend” of the puppet theatre of the Capital Prague – Theatre Minor. In its shows, Minor brings exceptional theatrical experiences to more than 80,000 children every year.

PRAGUE BOTANICAL GARDEN

This joint project of Allianz pojišťovna and the Prague Botanical Garden is one of the smaller, but highly family-oriented partnerships. During 2010, visitors to the Prague Botanical Garden had an opportunity to encounter interesting information from the world of plants on carriers reflecting the natural environment of the garden. The information provided combined the garden’s items with products of Allianz pojišťovna in an educational, yet untraditional form.

CZECH MISS

For four years now, Allianz has been the general partner to the Czech Miss beauty contest. Winners of the contest fully enjoy products of Allianz pojišťovna throughout the year and represent the Czech Republic at Miss World or Miss Universe shows.

PRAGUE INTERNATIONAL MARATHON

Allianz pojišťovna has been a long-term official partner to one of the largest sports events in the Czech Republic. More than 30,000 people from 71 countries take part in the event every year. On routes designed for professional racers as well as children and their parents, in-line skaters or relay runners, the support from Allianz pojišťovna is visible everywhere and contributes to encouraging a sporting and active approach to life in all age categories.

In 2009, Allianz pojišťovna also assumed patronage over the 2 km ECO WALK, bringing the atmosphere of a major sporting event even for those who do not like running, yet long to win a marathon medal. This is an ideal event for all those who wish to promote a good thing and welcome a walk through the streets of a Prague free of automobiles.

Allianz pojišťovna also supports projects that do not receive extensive coverage in the media, but are all the more important. In 2010, it supported the civic association ABECEDA and Livia Klausová's Foundation with its advent "Concert of Stars."

Apart from the above nationwide projects, individual regional offices of Allianz pojišťovna participate in sponsorship activities in their respective regions every year.

Environmental

Back in 2008, Allianz pojišťovna became actively involved in a global environmental programme of Allianz Group aimed at minimizing its impact on the environment. With specific measures and savings in consumption of energy, water and paper, in waste management and in the area of business trips, the group is striving to decrease the volume of CO₂ emissions generated by its own operations by 25% by the year 2012.

Innovations

Since 2006, Allianz pojišťovna has had in place a programme for promoting innovations, entitled "i2s – Ideas to Success." This programme supports innovations and ideas of employees and work teams, agents or clients, and promotes their implementation. Ideas building on day-to-day practice significantly contribute to the success of Allianz pojišťovna in the area of new products and services, improving client service as well as internal procedures and processes.

Employees

Allianz pojišťovna relies upon its strong focus on the customer, meaning the provision of high-quality insurance protection and flexible satisfaction of the customer's insurance needs, as the foundation of its success. The superior quality of products and services and their continued improvement are an imperative. The company maintains a highly professional team of motivated experts and systematically develops their potential.

Employee Training and Development

Employee training and professional development receive a high priority at Allianz pojišťovna. The company provides its employees with a number of courses, training as well as comprehensive programmes in order to enhance their professional, personal and managerial development. As part of this training system, the company offers the following to its employees:

- Development of soft skills at Allianz Knowledge Academy;
- In-house training courses;
- Professional education courses;
- Language courses;
- Induction training for new employees;
- Training abroad for selected specialized professions;
- Participation of employees in conferences and professional gatherings; and
- Extra-work education (such as expert certification or ACCA).

Employee Benefits

Allianz pojišťovna aims at continuously reinforcing its position among leading insurers as well as among important employers. The company fully appreciates that its excellent results are, to a large extent, owed to the high commitment of its employees. To motivate them and award them for their efforts, the company provided the following employee benefits package in 2010:

- A week of vacation in addition to the time prescribed by law;
- Working week shortened to 37.5 hours;
- Free beverages at the workplace;
- Catering at the company's head office at reduced prices; a catering allowance for employees working outside the head office;
- Significantly reduced tariffs on all Allianz pojišťovna insurance products; with selected products, the offer extended to family members and partners as well;
- Employer contributions to the employee's supplementary pension scheme;
- Basic life insurance for the case of death due to any cause;
- Maintenance of bank accounts and some other services with LBBW Bank at preferential terms;
- 50% discount on tickets to Theatre Minor;
- As part of a partnership with the Botanical Garden, 50% discount on tickets;
- T-Mobile programme – special tariffs for employees and their family members; and
- Discounts for products of the computer company DELL.

Corporate Culture

Allianz pojišťovna's corporate culture is based on corporate values adopted by Allianz SE, aiming at fulfilling the group's mission and a uniform culture of governance in all of its member companies.

Its main principles include personal accountability and high performance, open communications, mutual cooperation and trust. Its constituent parts are entrepreneurial spirit and customer focus.

The Allianz Code of Conduct, Business Ethics and Compliance reiterates the company's strong emphasis on the professional conduct of its employees and their adherence to internal rules. In 2005, the Allianz Group introduced this uniform code in all of its companies. Observance of the rules of equal opportunities and intolerance of any discrimination form an integral part of our corporate culture.

The corporate culture of Allianz pojišťovna is supported by regular management meetings with employees for official anniversaries or on other occasions.

To ensure fluent communications with employees about important corporate events and changes in the company, Allianz pojišťovna publishes the company journal INFO, operates a new intranet portal and makes use of other electronic informational media.

A Word of Thanks from the Board of Management

The Board of Management would like to thank all sales agents, brokers, external partners, business partners and all employees for their work for Allianz pojišťovna, their dedication, enthusiasm and professionalism. We also thank the shareholders for their support and cooperation and clients for the trust they have placed in Allianz pojišťovna.

Board of Management

Financial Part



KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Allianz pojišťovna, a. s.

Financial statements

On the basis of our audit, on 25 February 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Allianz pojišťovna, a. s., which comprise the balance sheet as of 31 December 2010, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note I.1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Allianz pojišťovna, a. s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of 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 the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 controls 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 controls. 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996



Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Allianz pojišťovna, a. s. as of 31 December 2010, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Allianz pojišťovna, a. s. for the year ended 31 December 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of Company’s personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Allianz pojišťovna, a. s. for the year ended 31 December 2010 contains material factual misstatements.


Annual report

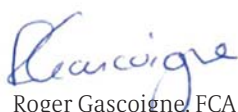
We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of Company’s statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.


We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
14 April 2011


KPMG Česká republika Audit, s.r.o.
Licence number 71


Roger Gascoigne, FCA
Partner


Romana Benešová
Partner
Licence number 1834

Balance sheet as at 31 December 2010

(In thousands of Czech crowns TCZK)

	2010 Gross	2010 Adjustment	2010 Net	2009 Net
I. ASSETS				
A. Receivables for subscribed registered capital				
B. Intangible fixed assets, thereof	578 949	459 266	119 683	93 459
a) Incorporation expenses				
b) Goodwill				
C. Financial placements (investments)	18 541 060		18 541 060	18 629 582
I. Land and buildings (real estate), thereof				
a) Land and buildings - self-occupied				
II. Investments in affiliated undertakings and participating interests	554 759		554 759	667 678
1. Participating interests with controlling influence	184 007		184 007	184 007
2. Debt securities issued by, and loans to, undertakings - controlling influence				
3. Participating interests with significant influence				
4. Debt securities issued by, and loans to, undertakings - significant influence	370 752		370 752	483 671
III. Other financial placements	17 986 301		17 986 301	17 961 904
1. Shares and other variable-yield securities, other participating interests	176 899		176 899	109 234
2. Bonds and other fixed-income securities	17 272 695		17 272 695	17 168 105
a) bonds and other fixed-income securities valued at fair value through profit and loss	15 258 186		15 258 186	15 658 092
b) "OECD" bonds held to maturity	2 014 509		2 014 509	1 510 013
c) other bonds and other fixed-income securities held to maturity				
3. Financial placements in investment associations				
4. Other loans	17 227		17 227	16 766
5. Deposits with financial institutions	535 591		535 591	509 649
6. Other financial placements	-16 111		-16 111	158 150
IV. Deposits with ceding undertakings				
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	4 485 545		4 485 545	3 445 805

	2010	2010	2010	2009
	Gross	Adjustment	Net	Net
E. Debtors	2 117 580	391 621	1 725 959	1 392 631
I. Receivables arising from direct insurance operations	1 166 969	376 255	790 714	690 644
1. Receivables due from the policyholders, thereof	1 062 944	274 867	788 077	686 843
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
2. Receivables due from intermediaries, thereof	104 025	101 388	2 637	3 801
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
II. Receivables arising from reinsurance operations, thereof	524 860		524 860	327 997
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
III. Other receivables, thereof	425 751	15 366	410 385	373 990
a) Receivables due from entities in which the Company has a controlling influence	538		538	1 609
b) Receivables due from entities in which the Company has a significant influence				
F. Other assets	440 252	193 412	246 840	377 277
I. Tangible fixed assets other than land and buildings (real estate), and inventories	279 163	193 412	85 751	98 987
II. Cash on accounts in financial institutions and cash in hand	161 089		161 089	278 290
III. Other assets				
G. Temporary asset accounts	472 471		472 471	381 305
I. Accrued interest and rent	2 964		2 964	7 985
II. Deferred acquisition costs	372 336		372 336	246 640
a) in life-assurance business	231 852		231 852	141 756
b) in non-life insurance	140 484		140 484	104 884
III. Other temporary asset accounts, thereof	97 171		97 171	126 680
a) Estimated receivables	59 037		59 037	93 445
TOTAL ASSETS	26 635 857	1 044 299	25 591 558	24 320 059

Balance sheet as at 31 December 2010

(In thousands of Czech crowns TCZK)

		2010		2009
II. LIABILITIES				
A. Equity		4 960 439		4 915 829
I. Registered capital, thereof		600 000		600 000
a) Changes in registered capital				
II. Share premium		29 782		29 782
III. Revaluation fund				
IV. Other capital funds		549 890		586 678
V. Statutory reserve fund and other funds from profit		331 253		265 712
VI. Profit or loss brought forward		2 366 117		2 122 838
VII. Profit or loss for the financial year		1 083 397		1 310 819
B. Subordinated liabilities				
C. Technical provisions		14 318 941		14 096 095
1. Provision for unearned premiums				
a) gross amount	1 983 275		1 867 648	
b) reinsurance share (-)	337 595	1 645 680	282 708	1 584 940
2. Life assurance provision				
a) gross amount	6 099 368		6 051 637	
b) reinsurance share (-)	21 429	6 077 939	22 999	6 028 638
3. Provision for outstanding claims				
a) gross amount	6 764 742		6 464 248	
b) reinsurance share (-)	1 433 013	5 331 729	1 332 375	5 131 873
4. Provision for bonuses and rebates				
a) gross amount	196 496		170 469	
b) reinsurance share (-)		196 496		170 469
5. Equalization provision				
a) gross amount	399 160		599 438	
b) reinsurance share (-)		399 160		599 438
6. Other technical provisions				
a) gross amount				
b) reinsurance share (-)				
7. Provision for liabilities from the technical interest rate applied				
a) gross amount	115 390		46 466	
b) reinsurance share (-)		115 390		46 466
8. Non-life insurance provision				
a) gross amount				
b) reinsurance share (-)				
9. Provisions for liabilities of the Bureau				
a) gross amount	570 428		551 912	
b) reinsurance share (-)	17 881	552 547	17 641	534 271
D. Life assurance technical provision where the investment risk is borne by the policyholders		4 485 545		3 445 805
a) gross amount				
b) reinsurance share (-)				
E. Provisions		196 744		379 063
1. Provisions for pensions and similar obligations				
2. Provisions for taxation		181 737		345 362
3. Other provisions		15 007		33 701

	2010	2009
F. Deposits received from reinsurers	53 018	51 551
G. Creditors	1 255 516	1 115 745
I. Payables arising from direct insurance operations, thereof	689 624	560 838
a) Payables to entities in which the Company has a controlling influence	167	89
b) Payables to entities in which the Company has a significant influence		
II. Payables arising from reinsurance operations, thereof	432 442	404 666
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
III. Debenture loans		
a) Payables to entities in which the Company has a controlling influence, thereof		
aa) Convertible loans		
b) Payables to entities in which the Company has a significant influence, thereof		
ba) Convertible loans		
IV. Amounts owed to credit institutions, thereof		
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
V. Other payables, thereof	133 450	150 241
a) Tax liabilities and payables due to social security and health insurance institutions	21 339	15 443
b) Payables to entities in which the Company has a controlling influence		
c) Payables to entities in which the Company has a significant influence		
VI. Guarantee Fund of the Bureau		
H. Temporary liability accounts	321 355	315 971
I. Accrued expenses and deferred revenues	77 268	70 086
II. Other temporary liability accounts, thereof	244 087	245 885
a) Estimated payables	244 087	245 885
TOTAL LIABILITIES	25 591 558	24 320 059

Profit and loss account for the year 2010

(In thousands of Czech crowns TCZK)

	2010	2010	2010	2009
	Base	Subtotal	Result	Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	7 030 290	x	x	x
b) outward reinsurance premiums (-)	1 511 504	5 518 786	x	x
c) change in the gross provision for unearned premiums (+/-)	119 453	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	54 921	64 532	5 454 254	5 782 847
2. Allocated investment return transferred from the non-technical account	x	x	242 948	435 684
3. Other technical income, net of reinsurance	x	x	1 092 510	1 364 766
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	3 938 306	x	x	x
bb) reinsurers' share (-)	652 812	3 285 494	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	296 902	x	x	x
bb) reinsurers' share (-)	98 618	198 284	3 483 778	3 350 882
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	18 276	195 444
6. Bonuses and rebates, net of reinsurance	x	x	252 064	210 455
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	605 833	x	x
b) change in deferred acquisition costs (+/-)	x	-35 600	x	x
c) administrative expenses	x	1 123 658	x	x
d) reinsurance commissions and profit participation (-)	x	267 647	1 426 244	1 494 948
8. Other technical expenses, net of reinsurance	x	x	1 014 810	1 191 443
9. Change in the equalisation provision (+/-)	x	x	-200 278	
10. Sub-total on the technical account for non-life insurance	x	x	794 818	1 140 125

	2010	2010	2010	2009
	Base	Subtotal	Result	Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	x	3 620 927	x	x
b) outward reinsurance premiums (-)	x	39 672	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-3 792	3 585 047	2 948 512
2. Income from financial placements (investments):	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings (real estate)	x	x	x	
bb) income from other financial placements (investments)	675 984	675 984	x	x
c) value adjustments on financial placements	x	x	x	x
d) income from disposal of financial placements	x	4 176 918	4 852 902	4 316 364
3. Unrealised gains on financial placements	x	x	1 634 347	2 142 053
4. Other technical income, net of reinsurance	x	x	264 440	214 789
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	1 975 436	x	x	x
bb) reinsurers' share (-)	14 179	1 961 257	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	3 592	x	x	x
bb) reinsurers' share (-)	2 020	1 572	1 962 829	1 474 256
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	47 731	x	x	x
bb) reinsurers' share (-)	-1 570	49 301	x	x
b) other technical provisions, net of reinsurance	x	1 108 665	1 157 966	1 376 570
7. Bonuses and rebates, net of reinsurance	x	x	18 782	12 622
8. Net operating expenses	x	x	x	x
a) acquisition costs	x	478 585	x	x
b) change in deferred acquisition costs (+/-)	x	-90 096	x	x
c) administrative expenses	x	290 797	x	x
d) reinsurance commissions and profit participation (-)	x	18 878	660 408	559 388
9. Expenses connected with financial placements (investments):	x	x	x	x
a) investment management charges, including interest	x	1 063	x	x
b) value adjustments on financial placements	x	x	x	x
c) book value of disposed financial placements	x	4 063 144	4 064 207	3 760 170
10. Unrealised losses on financial placements (investments)	x	x	1 514 568	1 266 402
11. Other technical expenses, net of reinsurance	x	x	268 675	199 812
12. Allocated investment return transferred to the non-technical account (-)	x	x	449 177	575 806
13. Sub-total on the technical account for life assurance	x	x	240 124	396 692

Profit and loss account for the year 2010

(In thousands of Czech crowns TCZK)

	2010	2010	2010	2009
	Base	Subtotal	Result	Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	794 818	1 140 125
2. Result of the technical account for life assurance	x	x	240 124	396 692
3. Income from financial placements:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	x	x	x	x
bb) income from other financial placements (investments)	x	x	x	x
c) value adjustments on financial placements	x	x	x	x
d) income from disposal of financial placements	x	x	x	x
4. Allocated investment return transferred from the technical account for life-assurance	x	x	449 177	575 806
5. Expenses connected with financial placements:	x	x	x	x
a) investment management charges, including interest	x	x	x	x
b) value adjustments on financial placements	x	x	x	x
c) book value of disposed financial placements	x	x	x	x
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	242 948	435 684
7. Other income	x	x	105 935	98 113
8. Other expenses	x	x	86 749	124 583
9. Income tax on ordinary activities	x	x	176 538	337 128
10. Profit or loss on ordinary activities after tax	x	x	1 083 819	1 313 341
11. Extraordinary income	x	x	x	x
12. Extraordinary expenses	x	x	x	x
13. Extraordinary profit or loss	x	x	x	x
14. Income tax on extraordinary activities	x	x	x	x
15. Other taxes not shown under the preceding items	x	x	422	2 522
16. Profit or loss for the financial year	x	x	1 083 397	1 310 819

Statement of changes in equity for the year 2010

(In thousands of Czech crowns TCZK)

	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 1.1.2009	600 000		29 782	218 705	555 714	36 901	2 973 846	4 414 948
Correction of fundamental errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						-5 937		-5 937
Net profit/loss for accounting period*)							1 310 819	1 310 819
Dividends							-804 001	-804 001
Transfers to funds				47 007			-47 007	
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
Balance at 31.12. 2009	600 000		29 782	265 712	555 714	30 964	3 433 657	4 915 829
Balance at 1.1. 2010	600 000		29 782	265 712	555 714	30 964	3 433 657	4 915 829
Correction of significant errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						-36 788		-36 788
Net profit/loss for accounting period*)							1 083 397	1 083 397
Dividends							-1 002 000	-1 002 000
Transfers to fund				65 541			-65 541	
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes							1	1
Balance at 31.12. 2010	600 000		29 782	331 253	555 714	-5 824	3 449 514	4 960 439

*) Net profit/loss shall comprise profit or loss from financial placement (investments) operations stated in items C.III.1 and C. III.2 of assets.

Notes to the financial statements 31 December 2010

I. GENERAL CONTENTS

I. 1. Description and principal activities

Allianz pojišťovna, a. s. ("the Company") was entered into the Commercial Register on 23 December 1992 (Identification number 47115971).

The Company's sole shareholder is Allianz New Europe Holding GmbH based in Vienna, Austria.

The Company received a license to carry on insurance activities on 17 December 1992. The Company commenced its insurance activities in 1993.

The Company carries on the following classes/groups of insurance:

Life assurance

- Assurance on death, assurance on survival to a certain age, and assurance on death or survival to a certain age
- Pension insurance
- Insurance connected with an investment fund / Unit-linked assurance
- Accident or sickness (where it is a supplement to the above types of insurance)

Non-life insurance

- Motor insurance
- Damage to or loss of aircraft
- Motor third-party liability insurance
- Aviation liability insurance
- Machinery insurance
- Damage to ships
- Travel health insurance
- Hospital daily benefits insurance
- Personal accident insurance
- Loss of earnings insurance
- Medical malpractice insurance
- Dread disease rider
- Travel insurance
- Travel cancellation expenses insurance
- Guarantees where a travel agency goes bankrupt
- Directors & officers insurance
- Personal liability insurance
- Private property insurance
- Commercial insurance
- Industrial risk insurance
- Credit insurance
- Guarantee insurance

The Company further writes facultative reinsurance business in the following groups of non-life insurance:

- Insurance against damage to or loss of property (except Insurance against damage to or loss of transport vehicles, Insurance of goods in transit and of luggage)
- Liability insurance for damage arising out of ownership or use of aircraft

Registered office of the Company

Allianz pojišťovna, a. s.
Ke Štvanici 656/3
186 00 Prague 8

The Company is incorporated in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1815.

Members of the Board of Directors as at 31 December 2010

Chairman: RNDr. Jakub Strnad, Ph.D., Dobřejovice
Members: Dr. Christoph Plein, Prague
Ing. Petr Sosík, Ph.D., CFA, Prague
Stefan Markschies, Prague

Zuzana Kepkova resigned as a Vice-chairperson of the Board of Directors of Allianz pojišťovna, a. s., with effect as of 7 May 2010.

Two members of the Board of Directors or one member of the Board of Directors together with a proxy shall always act jointly on behalf of the Company. Signing for the Company shall be carried out in such a way that their signatures shall be jointly attached to the printed or written name of the Company.

Members of the Supervisory Board as at 31 December 2010

Chairman: Manuel Bauer, Munich, Germany
Members: Christian Sebastian Müller, Mainburg, Germany

Torsten Stephan Günter Leue resigned as a member of the Supervisory Board of Allianz pojišťovna, a. s., with effect as of 31 August 2010.

Proxies of the Company as at 31 December 2010

In order to sign for the Company, the signature of the proxies, plus an amendment indicating that the person is acting as a proxy, shall be attached to the registered name of the Company:

Ing. Zdeněk Kučera, Prague
Drahomír Kubáň, Prague
Ing. Miroslav Šrámek, Prague
RNDr. Maya Mašková, Odolná Voda

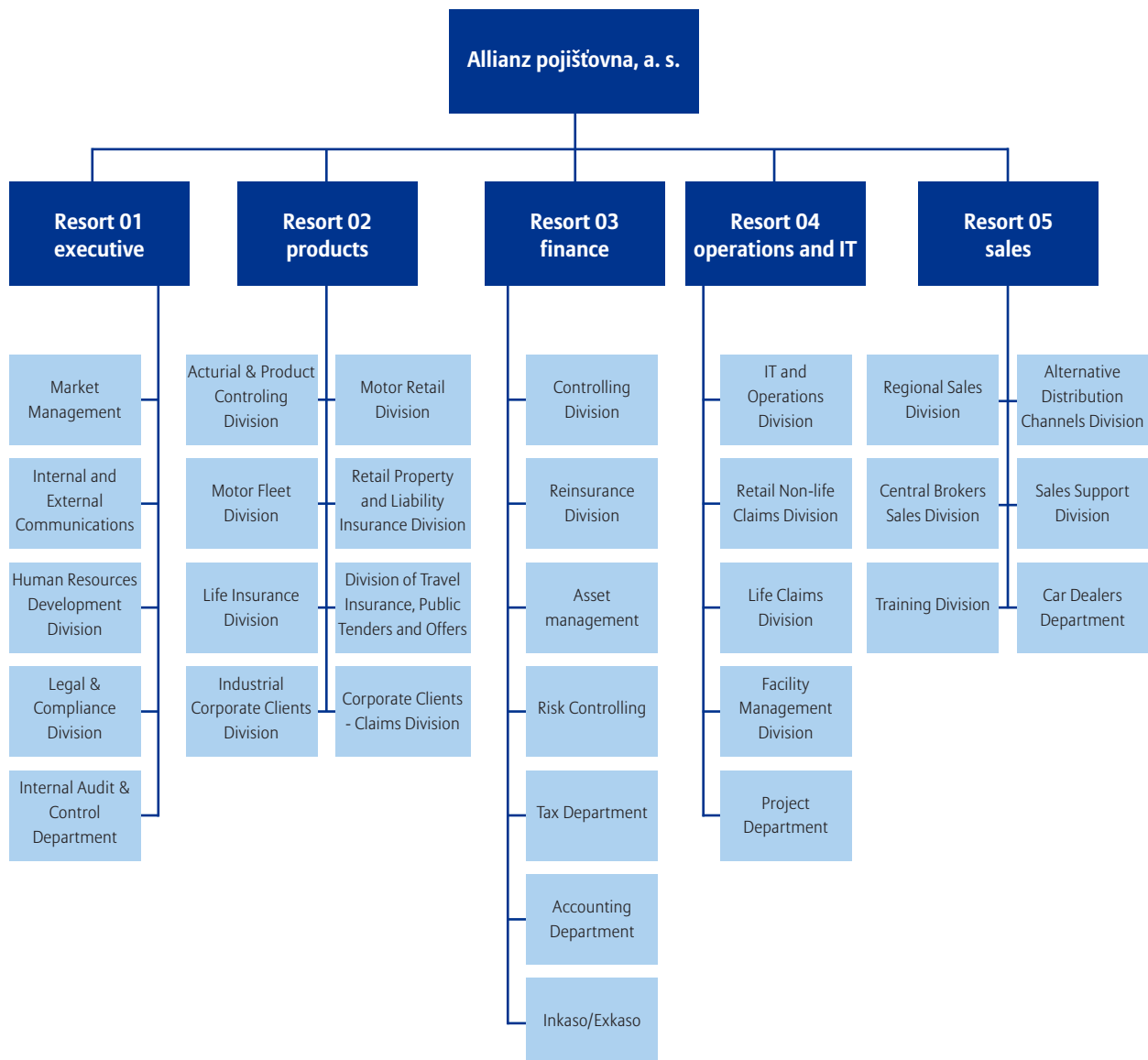
Proxies who act on behalf of the Company independently:

Ing. Václav Bohdanecký, Roztoky
Ivana Fischerová, Prague
Ing. Pavel Prokš, Poděbrady
Mgr. Radek Baštýř, Beroun
Ing. Pavel Novotný, Mníšek pod Brdy

Significant events

On 8 June 2004 the Company informed the Ministry of Finance of its intention to extend its operations to the territory of all Member States of the European Union and countries forming the European Economic Area based on freedom of services. In 2010, the Company carried on its operations in the Slovak Republic, Poland, Austria, Germany, Hungary, Bulgaria, Lithuania, Latvia, Romania and Estonia based on freedom of services.

Organisational structure



I. 2. Compliance with legislation

At the balance sheet date the Company fully complied with Act No. 277/2009 Coll., on Insurance, as amended (“the Insurance Act”), Act No. 37/2004 Coll., on Insurance Contracts, as amended, Act No. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, as amended, Act No. 168/1999 Coll., on the Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended (“the Act on Motor Third-Party Liability Insurance”) including the applicable implementing regulations, and with other legislation in force. The Company carries on both life assurance and non-life insurance classes.

I. 3. Basis for the preparation of the financial statements

The accounting records of the Company are maintained and the financial statements of the Company have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, as amended (“Decree No. 502/2002 Coll.”), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Decree No. 502/2002 Coll. and other relevant legislation.

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on these records present a true and fair view of the accounting and financial position of the Company.

Since 1 January 2008, the Company’s accounts have been kept by Allianz Business Services, spol. s r.o. based in Bratislava, Slovakia.

I. 4. Significant accounting policies

(a) *Tangible and intangible fixed assets*

Tangible and intangible fixed assets are stated at acquisition cost.

Tangible fixed assets costing less than TCZK 40 and intangible fixed assets costing less than TCZK 60 are charged to the profit and loss account in the year in which they are acquired. The annual depreciation rate reflects the assets’ expected useful lives.

The following depreciation rates are used for the individual asset classes:

Fixed Assets	Method	Depreciation rate in %
Software	straight-line	33.3
Machinery and technical equipment	straight-line	25
Motor vehicles	straight-line	20
Office equipment	straight-line	16.7
Special technical equipment	straight-line	8.3
Investments in rented buildings	straight-line	According to the duration of lease contract
(grouped according to material subclasses with the same depreciation rate)		

(b) Financial placements (investments)

Debt securities

At the acquisition date debt securities are stated at acquisition cost.

Acquisition cost is the amount for which a debt security has been acquired and includes a proportionate part of any accrued interest and expenses directly associated with the acquisition.

The Company amortises premiums and discounts on all debt securities. Premiums and discounts are amortised to the profit and loss account on the basis of the effective interest rate method from the date of acquisition to their maturity.

Amortised debt securities are revalued at their fair value as at the balance sheet date with the exception of bonds held to maturity that have been issued by a member state of the Organisation for Economic Co-operation and Development and awarded a rating at the level of the Czech Republic or higher by at least two reputable rating agencies ("OECD bonds held to maturity").

The Company recognises the OECD bonds held to maturity at their amortised cost as at the balance sheet date.

Fair value means the price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If there is no available price or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate.

Amortised cost means the price used when first recognised (the acquisition cost), which is gradually increased by accrued interest income, adjusted by amortisation of the discount/premium and decreased by the amount of adjustments.

Debt securities are classified as securities valued at fair value through profit and loss or securities available for sale, OECD bonds held to maturity and other securities held to maturity.

A change in the fair value of debt securities valued through profit and loss and available for sale is recognised in the profit and loss account. A change in the fair value of debt securities held to maturity that are revalued at fair value is recognised in the profit and loss account.

Where debt securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("ČNB"). The appropriate exchange rate difference is included in the fair value.

For debt securities where, due to legislative amendments, the accounting policy has been changed since they were acquired such that changes in fair value are now recognised in the profit and loss account rather than in equity, the cumulative revaluation differences previously recognised in equity are derecognised and recognised in the profit and loss account only at the moment of sale or maturity of the relevant security.

Shares and other variable-yield securities

At the acquisition date, shares and other variable-yield securities are accounted for at acquisition cost.

Acquisition cost is the amount for which the shares or other variable-yield securities were acquired and includes all expenses directly associated with the acquisition.

At the balance sheet date, shares and other variable-yield securities are revalued at their fair value.

Fair value means the price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market price is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate.

The change in fair value of shares or other variable-yield securities is recognised in the profit and loss account.

Where shares and other variable-yield securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by ČNB. The appropriate exchange rate difference is included in the fair value.

Participating interests

Participating interests in controlled persons are participations in another enterprise in which the company holds a controlling influence. In addition, other cases where the insurance company is a controlling person are reported under this item.

Participating interests with substantial influence are participations in another enterprise in which the company holds a substantial influence. Unless proven to the contrary, substantial influence is considered to be a holding of at least 20% of the voting rights.

At the acquisition date, participating interests are stated at their acquisition cost. The acquisition cost is the amount for which the participating interests were acquired and includes all expenses directly associated with the acquisition.

The fair value of participating interests is determined based on a qualified estimate or the opinion of a qualified external appraiser.

At the balance sheet date, participating interests are revalued at their fair value. Changes in fair value are recognised in equity.

As it is not possible to determine the fair value of some participating interests within the group at the end of the balance sheet date reliably, the Company uses acquisition cost as the carrying value of participating interests pursuant to the Section 25 of Act No. 563/1991 Coll., on Accounting.

Deposits with financial institutions

Deposits with financial institutions are initially recognised at nominal value. The fair value of short-term deposits with financial institutions is determined as their nominal value including accrued interest.

Other financial placements denominated in foreign currency are translated based on the current exchange rate published by ČNB and the appropriate exchange rate difference is included in the fair value. Changes in fair value are reflected in the Company's profit and loss account.

Derivatives

Derivatives are valued at fair value. The fair value of financial derivatives is determined as the present value of expected cash flows from these transactions, using valuation models generally accepted on the market. The parameters used in these models, such as foreign exchange rates, yield curves, volatility of financial instruments, etc., are ascertained on the active market.

Hedging derivatives

Hedging derivatives are carried at fair value. The method of recognizing fair value depends on the model of hedge accounting applied.

Hedge accounting is only applied where:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is highly effective throughout the accounting period,
- in the case of hedging expected transactions, it is highly probable that the transaction will occur.

If the derivative hedges the exposure to changes in the fair value of assets and liabilities, the hedged item attributable to the risk being hedged is also carried at fair value. Gains and losses arising from revaluation of the hedged item and hedging derivative are recorded in the profit and loss account.

If the derivative hedges the exposure to changes in cash flows related to recorded assets and liabilities, the change in its fair value is recognised in equity.

Embedded derivatives

In certain cases a derivative may be a component of a hybrid (combined) financial instrument that comprises both a host contract (instrument) and a derivative (referred to as "embedded derivative"), which influences cash flows or otherwise modifies the characteristics of the host instrument.

The embedded derivative is separated from the host instrument and accounted for separately provided all of the following criteria are met at the same time:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- the host instrument is either not revalued at fair value or it is revalued at fair value but the revaluation is reported in the balance sheet.

(c) Financial placements for the benefit of life assurance policyholders who bear the investment risk

Financial placements for the benefit of life assurance policyholders who bear the investment risk are accounted for separately from other financial placements.

At the balance sheet date, financial placements for the benefit of life assurance policyholders who bear the investment risk are revalued at their fair value. In order to preserve the true and fair view of the Company's result for the year, all changes resulting from revaluation at fair value have been reflected in the Company's profit and loss account.

(d) Adjustments

The Company creates adjustments to receivables and other assets except for financial placements reported at fair value. Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined on the basis of a professional risk assessment carried out by the management of the Company.

Adjustments to receivables from policyholders are calculated based on an analysis of their recoverability. Adjustments to individual receivables are established based on the due date of the respective receivable.

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers. Adjustments to OECD bonds held to maturity are accounted for only if there is a risk that the notional principal amount of the bond or the bond yield or both the value and the yield would not be repaid.

(e) Impairment of assets

At the balance sheet date the Company assesses whether those assets, which are not carried at fair value or for which changes in fair value are recognised in equity, are impaired. Impairment of an asset is recognised in the profit and loss account.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of the acquisition costs incurred during the current financial year that relates to the revenues of subsequent financial years. At the end of each financial year the Company carries out a liability adequacy test to determine whether the amount of the deferred acquisition costs is appropriate.

Non-life insurance

In respect of non-life insurance, deferred acquisition costs are based on total acquisition costs incurred in the current period. Direct acquisition costs are deferred on an individual basis according to the deferrals of premium of individual insurance contracts. As for the additional acquisition costs, the ratio of the gross provision for unearned premiums at the balance sheet date to the total gross premiums written for the financial year is used.

Life assurance (except Unit-linked assurance)

For life assurance, the Company determines deferred acquisition costs using the zillmerisation method, which is applied to calculate the life assurance provision, see section I.4.(i).

Unit-linked assurance (life assurance where the investment risk is borne by the policyholder)

In unit-linked assurance the Company determines deferred acquisition costs using actuarial methods, based on the value of expected future deductions from initial units determined to cover the acquisition costs.

(g) Income tax

Income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises the tax liability calculated from the tax base using the effective tax rate and any additional payments or refunds of tax for previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and other temporary differences (tax losses carried forward, if any) multiplied by the income tax rates expected to be valid for the periods in which the tax asset/liability is expected to be utilized.

A deferred tax asset is recognized only to the extent that there is no doubt that future taxable profits will be available against which this asset can be utilized.

(h) Provision for unearned premiums

The provision for unearned premiums is created in respect of life assurance and non-life insurance, except for single premium life assurance. The provision amount represents the part of gross premiums written which is to be allocated, in terms of time, to the subsequent financial year or to future financial years and is determined as the sum of all amounts calculated for individual contracts using the "pro rata temporis" method.

(i) Life assurance provision

The life assurance provision comprises the sum of the provisions for individual life assurance policies. The life assurance provision is calculated using actuarial methods, including profit shares declared and allocated and a provision for expenses, related to the administration of contracts, after deducting the value of future premiums.

The Company accounts for the provision using the zillmerisation method. The zillmerisation method results in the deferral of acquisition costs for life assurance contracts. These costs are included within the life assurance provision through actuarial methods after eliminating temporary negative balances, which are capitalised and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

(j) Provision for outstanding claims

The provision for outstanding claims in respect of both life and non-life insurance comprises the amount of expected costs in respect of claims:

- a) Reported but not settled during the period (RBNS),
- b) Incurred but not reported during the period (IBNR).

The provision for outstanding claims reported by the end of the year represents the sum of all amounts calculated for individual claims.

The provision for outstanding claims created for claims incurred but not reported as at the balance sheet date is determined using statistical methods.

The provision for outstanding claims includes all relating external and internal claims handling costs.

The provision is reduced by the estimated value of salvage and subrogation recoveries, such as claims enforced against debtors (the party that caused the damage) or other insurance companies arising from general liability insurance. In the case where the provision for outstanding claims related to the applied recourse had been reverse due to the completed claims settlement process, the estimated value of the refundable recourse was reported in estimated receivables, see section II. 7. (b).

When calculating the provision for outstanding claims of motor third-party liability insurance, some associated claims are paid in the form of an annuity.

Where the claim payment for individual types of insurance is provided in the form of annuities, the provision for outstanding claims is established based on actuarial methods.

When creating the provision for outstanding claims in respect of claims where the insurance company acts as the leading co-insurer, the applicable provisions of the Act on Insurance Contracts are taken into consideration.

Although the Board of Directors considers that the provision for outstanding claims is fairly stated on the basis of the information available to them as at the balance sheet date, the ultimate liability may vary as a result of subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used in making estimates are reviewed regularly.

(k) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts. In respect of non-life insurance, the provision is created principally in cases where the Company is liable to refund to policyholders a portion of the premiums relating to the current financial year due to favourable claims experience. In respect of life assurance, the provision for bonuses and rebates includes shares of surpluses arising as at 31 December of the current period, which have not been allocated to individual insurance contracts and thus are not included within the provision for life assurance.

Changes in the provision for bonuses and rebates in the profit and loss account are presented in "Bonuses and rebates".

(l) Equalisation provision

The equalisation provision is created for settling the technical loss or the above-average claims experience during the relevant financial year in the credit insurance class and the surety insurance class.

The creation and release of the equalisation provision are in compliance with Decree No. 434/2009 Coll.

The Company creates the equalisation provision only if the total amount of written premiums in the relevant class of non-life insurance for the financial year equals or exceeds 4% of the total written premiums in non-life insurance for the financial year, or exceeds CZK 67 500 000.

To calculate the equalisation provision, the Company has chosen method No. 1 in compliance with Decree No. 434/2009 Coll.

The equalisation provision for a domestic insurance company equals the sum of equalisation provisions that were calculated separately for the credit insurance class and the surety insurance class.

The Company decided to release the difference between the equalisation provision created in compliance with Decree No. 303/2004 Coll. and the new Decree No. 434/2009 Coll. on a straight-line basis within three years. The total difference will therefore be released by the year 2012 at the latest.

(m) Provision for liabilities arising from the applied technical interest rate and other calculation parameters

The Company carries out a life assurance liability adequacy test as at the balance sheet date (“the liability adequacy test”) in order to assess the adequacy of the life assurance provisions (provision for unearned premiums, life assurance provision, provision for outstanding claims, provision for bonuses and rebates and life assurance provision, where the investment risk is borne by the policyholder).

The liability adequacy test is performed using discounted projected cash flows. Future policyholder bonuses are considered in the liability adequacy test consistently with the past practice of bonus allocations. Management of the Company decides about the amount of the future profit shares paid to policyholder. The future profit shares paid to policyholders are included in the liability adequacy test in accordance with medium-term and long-term plans of the Company.

The minimum value of liabilities to policyholder is determined using best estimates of the future development of entry parameters adjusted by market value margins.

Where this amount exceeds the amount of the life assurance provisions reduced by any unamortised acquisition costs and other intangible assets, the deficiency is recognised through the creation of a provision for liabilities arising from the applied technical interest rate and other calculation parameters.

In compliance with Section 66 (2) of the Insurance Act, the Company informed ČNB about the method for calculating the provision for liabilities arising from the applied technical interest rate and other calculation parameters.

The change in this provision is presented in item II. 6. (b) in the profit and loss account.

(n) Provision for liabilities of the Bureau

The Company is a member of the Czech Bureau of Insurers (“the Bureau”). Pursuant to Section 18 (6) of the Act on Motor Third-Party Liability Insurance a member of the Bureau must guarantee the liabilities of the Bureau in an amount calculated pro rata based on the respective amounts of members’ contributions. To meet this requirement, members must create technical provisions for liabilities that are not covered by relevant assets of the Bureau.

The amount of the provision for liabilities of the Czech Bureau of Insurance is determined using actuarial methods pursuant to the Insurance Act.

Based on information available to them, the Board of Directors of the Company believes that the provision established is adequate to cover the cost of claims incurred corresponding to the liability assumed by the Company in relation to statutory motor liability insurance. The ultimate claims expenses will remain unknown for several years. The Company’s share of these outstanding claims will be determined according to its share of the market for this class of insurance at the time these claims are finally settled.

(o) Life assurance provision where the investment risk is borne by the policyholder

The life assurance provision where the investment risk is borne by the policyholders is intended to cover the liabilities of the Company due to insured persons in those classes of life assurance where, based on an insurance contract, the investment risk is borne by the policyholders.

The amount of the provision is calculated as the sum of liabilities due to insured persons in the amount of their shares of invested premiums from individual life assurance contracts in accordance with the principles included in the insurance contracts.

When life assurance where the investment risk is borne by the policyholders also includes payment of a guaranteed amount, this liability is included within the life assurance provision.

(p) Reinsurers' share of technical provisions

Technical provisions are presented as a net liability, i.e. after deduction of the reinsurers' share. The amount of this share is calculated based on the terms of the related reinsurance contracts, the method of settlement with reinsurers and in consideration of the prudence principle.

The Company presents the reinsurers' share of the provision for unearned premiums, the life assurance provision, the provision for outstanding claims and the provision for the liabilities of the Czech Bureau of Insurers. The reinsurers do not participate in the other technical provisions.

(q) Provisions

Provisions are intended to cover risks, losses and other respective payables, which are clearly defined and the occurrence of which is either probable or certain but whose amount or timing are uncertain.

Provision for taxes

The provision for taxes is created at the balance sheet date and amounts to the estimated corporate income tax liability due. The use (release) of the provision is accounted for when the tax return is filed.

(r) Gross premiums written

Gross premiums written comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to future financial years.

(s) Claims paid

Claims paid comprise the amount assessed for payment based on the claims investigation process, external and internal claims handling costs and a deduction for the salvage value and other recoveries.

Claims paid are recorded upon completion of the investigation of the claim and in the amount of the assessed settlement.

(t) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

(u) Expenses and income from financial placements

Allocation of expenses and income from financial placements between life assurance and non-life insurance accounts

All expenses and revenues from financial placements are recorded initially in the technical account for life assurance. Expenses and revenues from financial placements, which are not related to life assurance activities, are subsequently

transferred to the non-technical account. The relevant amount of the expenses and revenues from financial placements to cover the non-life insurance provisions is subsequently transferred to the technical account for non-life insurance from the non-technical account.

The allocation is calculated using internal evidence of financial placements related to the respective technical life provisions and technical non-life provisions. According to this allocation a part of expenses and revenues from life and non-life insurance is determined and the rest of expenses and revenues remains on the non-technical account.

Method of accounting for realised gains and losses upon disposal of financial placements

The disposal of financial placements is presented on a gross basis, whereby the revenues from disposal in the amount of the selling price of the relevant financial instruments are recorded separately from the carrying value of the related financial placements.

(v) Allocation of items between life assurance and non-life insurance

In order to account for items common to both life assurance and non-life insurance, the Company uses a method in compliance with Decree No. 502/2002 Coll. Under this method individual items are grouped according to the class of insurance to which they relate. For items that cannot be allocated directly, the following basis is used:

Expenses and revenues from financial placements

Expenses and revenues from financial placements are allocated between life assurance and non-life insurance using the method stated in point I. 4.(u).

Other revenues and expenses

During the accounting period clearly attributable expenses and revenues are accounted for directly in the technical account for life assurance or non-life insurance or the non-technical account. Expenses and income that cannot be directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life assurance or non-life insurance. The allocation is carried out using the activity-based-costing method (ABC). The Company analyzed the activities of the business and assigned them to the life and non-life technical segments. The rate for allocation of other income and expenses between life and non-life technical accounts is calculated based on the ratio of those segments.

The allocation is not applied to taxes, fees, or other expenses incurred outside insurance or reinsurance activities.

(w) Foreign currency translation

Transactions during the year are recorded at the ČNB rate effective on the transaction date or at the rate at which the transaction was realised.

At the balance sheet date, foreign currency assets and liabilities are translated at the ČNB official rate on that date. Unless stated otherwise, foreign currency gains and losses are recorded in Company's profit and loss account.

(x) Consolidation

Pursuant to Section 38a of Decree No. 502/2002 Coll., the financial statements of the Company have been included in the consolidated financial statements of Allianz SE, with its registered office in Munich, Federal Republic of Germany, prepared

in compliance with International Financial Reporting Standards. The consolidated financial statements of Allianz SE will be published in accordance with s. 38a (2c) of Decree No. 502/2002 and in accordance with Section 21a of the Act on Accounting. As all requirements stipulated in Decree No. 502/2002 Coll. have been met, the Company will not prepare consolidated financial statements.

I. 5. Change in accounting policies and procedures

During the year 2010, there were no changes in accounting policies and procedures made by the Company, and during the financial year the Company did not apply any deviations from these policies and procedures.

I. 6. Risk management

In compliance with Decree No. 434/2009 Coll., to implement certain provisions of the Act on Insurance, the Company has ensured that the set-up of the internal control system covers all of its operations.

The set-up of the internal control system enables consistent and systematic risk management. The risk management system, which forms an inseparable part of the internal control system, is governed by an internal policy defining the major requirements for this area. The Board of Directors is fully responsible for compliance with the statutory requirements and delegates the competence to the Risk Committee. The Chief Risk Officer (CRO) of the Company is the chairman of the Risk Committee. The Risk Committee is responsible for introducing and maintaining infrastructure, management and processes that pro-actively identify, monitor and manage any risks at the Company level.

The Company is mainly exposed to insurance risk, which naturally results from the underwritten insurance contracts as well as other risks, such as the market risk, credit risk, operational risk, liquidity risk and concentration risk.

The policies and procedures for risk management are comprehensive and interrelated with the policies and procedures for maintenance of the capital determined to cover these risks, which comply with legislative requirements and with the standards of the entire Allianz group.

(a) Non-life insurance risk

The Company is exposed to insurance risk and underwriting risks following from the sale of non-life insurance products. The basic quantification of risk capital in the case of underwriting risks in non-life instance is reflected in the S&P capital model, which covers two basic risks – the premium risk and the reserve risk.

Insurance risk relates to uncertainty in respect of the period, frequency and amount of damage covered by insurance contracts.

The most significant components of insurance risk are the reserve risk and the premium risk. The premium amount is determined using historical assumptions, which may differ from the actual situation. The risk of trend, risk of estimate, change in assumptions etc. may have a significant impact on determining the amount of provisions. The liability adequacy tests and analysis of sensitivity to change in assumptions are used to eliminate the reserve risk.

In order to manage the insurance risk the Company applies internal policies: process of creating a new product and changing the product, creation and use of technical provisions, minimum standards for underwriting in non-life insurance and reinsurance strategy.

Concentration of insurance risk

Concentration of insurance risk may exist in the event that a particular event or a series of events may impact significantly upon the Company's liabilities. The concentration of insurance risk then determines the extent of the possible impact of these events on the amount of the Company's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relates to circumstances that gave rise to significant liabilities. Concentration of insurance risk may arise from accumulation of risks in frame of several individual groups of contracts; it may also arise in low-frequency, high-severity events (e.g. natural disasters) or in the event of significant litigations or legislative amendments.

Geographic concentration

The risks underwritten by the Company are primarily located in the Czech Republic. In order to manage exposure to natural hazards risks, in particular the flood risk, the Company uses a geographic information system (GIS). In addition to controlling the concentration of insured amounts, it contributes to the adequate valuation of potential insurance liabilities.

(b) Life assurance risk

The Company is exposed to risks resulting from an unfavourable development of assumptions compared to their determining at the moment of valuation of products. This involves, for example, the risk of unfavourable development of mortality or survival, risk of a different development of investment return, risk resulting from an unexpected development of cost inflation or behaviour of clients upon cancellation of the contract. In the above cases the Company is exposed to the danger of a loss resulting from the discrepancy between collected premiums and claims paid, investment returns and expenses.

Other risks are, for example, the objective and subjective risk of the insured. The objective risk is determined by objective factors such as the age, sex, health condition or profession. The subjective risk is determined by subjective factors such as the effort of the insured to survive or maintain a healthy life or the poor financial condition of the insured.

Other risks to which the Company is exposed are as follows:

- Risks with a low-frequency occurrence and a significant impact, which in life assurance may represent any claim that affects several persons insured at the same time and in the same place (e.g. natural disasters),
- Risk of concentration of high sums assured, which do not constitute a significant part of the portfolio but which may have significant impact on the amount of settlements and as a result also the profit (loss) of the Company.

The goal of risk management is identification, quantification, elimination and monitoring of risks in order to prevent changes that have a negative impact on the profit (loss) of the Company and the Company's equity.

In order to quantify and monitor the risks the Company applies a model created by the Group to calculate the risk capital. The model covers all significant and quantifiable risks and the calculation is made regularly, on a quarterly basis.

The Company applies profit testing when valuing insurance products and further the liability adequacy test. Profit testing is used to determine adequate insurance rates for the insurance and financial guarantees for individual products and for the determined assumptions.

The purpose of the liability adequacy test is to assess the amount of the life assurance provisions in terms of the updated assumptions. The level of sensitivity of the results to a change in the individual assumptions is also a component of these procedures.

In respect of the objective and subjective risks of the insured, these risks must be assessed individually upon conclusion of the contract, primarily in the event of a higher sum assured. There are procedures for identifying and assessing these risks; as part of such procedures it is necessary to carry out a qualified assessment of the health condition, or, if appropriate, the financial condition of the client, or to assess the level of risk to which the insured is exposed. Based on information on the health condition, subjective risk and other actuarial risks, the premium rate is determined. In addition to a discount or a surcharge on the premium, certain risks, types of injury or illnesses may be excluded from the insurance, or the amount of the sum assured may be limited.

The Company has no significant concentration of exposure to any group of persons insured.

In order to manage the insurance risk, the Company primarily uses reinsurance and a prudent underwriting policy.

Reinsurance strategy

The Company reinsures some of the risks it underwrites in order to control its exposures to losses and protect its own capital resources. The Company has based its reinsurance scheme on a complementary combination of contracts with external reinsurers and reinsurance contracts with its parent company.

The Company concludes a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure. The maximum net exposure limits (own retentions) for particular business lines are reviewed annually. To provide additional protection the Company uses facultative reinsurance for certain insurance contracts.

(c) Market risk

The Company is exposed to market risk, which follows from trading positions in interest rate, currency and equity instruments that are all exposed to common and specific changes in the market.

The main exposure is that the revenues from investments will not be sufficient to cover the liabilities from insurance contracts. Market risks are part of the above models for calculating risk capital.

The market risk is constantly monitored, measured and managed using Asset/Liability management (ALM). The basic method of ALM involves adjusting the due date of assets to the liabilities from insurance contracts. The Company regularly approves the strategic asset allocation (SAA) with the parent company.

Asset/Liability management (ALM)

The basic goal of ALM is to achieve balance in the structure of assets and liabilities, in particular from the point of view of their maturity, interest rates and currency structure. The aim is to ensure that the assets permanently generate sufficient cash flows in the required currency structure necessary to cover the due liabilities to clients (including the guaranteed revenues) and at the same time to ensure that the system enables the generation of adequate profit for shareholders.

For this purpose the Company performs regular monitoring of assets and liabilities, followed by ALM calculation, which enables the Company to monitor and compare the structure of its assets and liabilities in terms of their maturity, achieved and guaranteed interest rates and in terms of their currency structure. This type of output is one of the underlying tools for making decisions on the further allocation of financial investments.

Interest rate risk

The Company is exposed to interest rate risk due to the impact of up-to-date market interest rate fluctuations. The fair value and investment return may both grow or decrease as a result of these fluctuations.

Besides changes in the value of assets, the interest rate fluctuations may also result in changes of liabilities.

Based on a cash flow analysis, the Company prepares the portfolio of securities the value of which changes together with a change in the value of liabilities upon a change in the interest rate.

The risk of changes in cash flows as a result of a change in interest rate represents exposure primarily to the insurance contracts with a guaranteed interest rate, where the client compares the revenue guaranteed by the contract with the revenue offered in the market. Where the market interest rates increase, some types of contracts may show an increase in the lapse rate, and on the other hand, in the event of decrease in the interest rates, an increased number of clients claiming a settlement in the form of pension may be observed, or the payment of settlements from contracts with a guaranteed revenue higher than the revenue offered in the market, may be deferred.

Price fluctuation risk

The Company is exposed to a price fluctuation risk, which consists in the fact that the value of the financial instrument will change due to changes in the market prices. These changes may be caused by factors specific to a single instrument or by the issuers of the instruments or by factors affecting all instruments traded in the capital or money markets.

The Company manages its use of equity investments by maintaining a diversified portfolio and by monitoring the limits for investments.

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the currency in which the Company presents its financial statements is the Czech crown (CZK), movements in the exchange rates between these currencies and the CZK affect the Company's financial statements.

The Company uses derivatives in order to hedge against currency risk.

(d) Credit risk

The Company is exposed to the credit risk, which follows from the counterparty failing to pay the amounts due in full. Credit risks are part of the above models for calculating risk capital.

The main areas of the Company's exposure to the credit risk:

- Reinsurers' share in insurance liabilities,
- Reinsurer's debt, which relates to a claim that has already been paid,
- Outstanding premiums,
- Counterparty risk relating to derivative transactions,
- Risk of failure to repay the principal or income from financial investments.

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The credit risk is limited by external limits regulating the structure of financial placement (Decree No. 434/2009 Coll., to implement certain provisions of the Act on Insurance).

The Company further sets its own limits for individual issuers/counterparties depending on their credit quality and regularly monitors whether these limits are met. The limits are subject to a regular reassessment.

The outstanding premiums are regularly monitored, and the method of creating adjustments is described in note I.4.(d). Recovery of debt from insurance is carried out by the Company in cooperation with an external partner.

When concluding reinsurance contracts with reinsurers, the Company adheres to the Allianz Group Reinsurance Security Guideline and thus influences its credit risk from reinsurance contracts. The basic principle of this Guideline is the set up of a security limit for automatic concluding of reinsurance contracts based on the Allianz Security List (a basic guideline is the requirement for the minimum S&P rating "A" for "short-tail business" and S&P rating "A+" for "long-tail business"). Any requirements for variations from the rules are negotiated as part of the Allianz Group Security Vetting process. The Company regularly monitors the financial position of its reinsurers and their rating development.

(e) Operational risk

Operational risk is the risk of a potential loss following from missing or insufficient internal processes, human resources and systems or other causes, which may arise due both to internal and external events.

The Company analyses these risks and designs modifications to work procedures and processes to eliminate the risks associated with operational events.

(f) Liquidity risk

The Company is exposed to requirements for liquidity on a daily basis. These requirements are related to claim settlements. The liquidity risk is a risk that the cash necessary for payment of liabilities will not be available at the due date and at adequate cost.

The need for liquidity is continuously monitored in order to ensure necessary resources.

The Company has access to a diverse funding base, and in compliance with the legislation in force it has invested a sufficient portion of its financial placement in liquid financial instruments.

II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET (in tsd of Czech Crowns)

II. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2010 comprised the following items:

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2010	490 221	9 090	499 311
Additions	69 879	20 553	90 432
Disposals	-1 704	-9 090	-10 794
Acquisition cost at 31/12/2010	558 396	20 553	578 949
Accumulated depreciation at 1/1/2010	405 852	-	405 852
Depreciation expense	53 414	-	53 414
Disposals	-	-	-
Accumulated depreciation at 31/12/2010	459 266	-	459 266
Net book value at 1/1/2010	84 369	9 090	93 459
Net book value at 31/12/2010	99 130	20 553	119 683

II. 2. Investment

(a) Participating interests

Participating interests with controlling influence

2010						
Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní fond, a.s. Ke Stvanici 656/3 186 00 Praha 8	100	183 607	183 607	*60 000	*976 802	*309 753
Allianz kontakt, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*3 535	*1 301
Allianz generální služby, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*163	*-10
Total	-	184 007	184 007	60 400	980 500	311 044

*) unaudited financial data

2009

Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní fond, a.s. Ke Stvanici 656/3 186 00 Praha 8	100	183 607	183 607	*60 000	*800 057	*251 099
Allianz kontakt, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*2 235	*773
Allianz generální služby, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*173	*-9
Total	-	184 007	184 007	60 400	802 465	251 863

*) unaudited financial data

Participating interests with significant influence**2010**

Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
VERONIA SHELF, s.r.o. Mánesova 917/28 120 00 Praha 2, Vinohrady	49	7 526	0	*200	*-18 503	*69 863
Total	-	7 526	0	200	-18 503	69 863

*) unaudited financial data

2009

Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
VERONIA SHELF, s.r.o. Mánesova 917/28 120 00 Praha 2, Vinohrady	49	7 526	0	*200	*-88 366	*884
Total	-	7 526	0	200	-88 366	884

*) unaudited financial data

There are no differences between the ownership percentage and the voting rights in respect of the above companies.

(b) Loans to associated companies

	Fair value		Acquisition cost	
	2010	2009	2010	2009
VERONIA SHELF, s.r.o.	370 752	483 671	413 273	510 311
Total	370 752	483 671	413 273	510 311

(c) Shares and participation certificates

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Issued by financial institutions				
Listed elsewhere	50 441	31 915	58 649	46 147
Other				
Listed elsewhere	126 458	77 319	152 747	100 387
Total	176 899	109 234	211 396	146 534

(d) Debt securities recognised at fair value through profit and loss and available-for-sale securities

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Issued by financial institutions				
Listed on a recognised CR exchange	-	703 753	-	730 007
Listed elsewhere	2 823 187	2 716 221	2 512 879	2 462 853
Issued by non-financial institutions				
Listed on a recognised CR exchange	156 382	530 151	155 515	520 627
Listed elsewhere	70 873	266 554	70 655	264 464
Issued by government sector				
Listed on a recognised CR exchange	11 581 986	11 325 948	11 175 393	10 925 932
Listed elsewhere	124 171	115 465	81 404	81 404
Issued by insurance institutions				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	501 587	-	492 300	-
Total	15 258 186	15 658 092	14 488 146	14 985 287

(e) OECD debt securities held to maturity

	Fair value		Amortised value		Acquisition cost	
	2010	2009	2010	2009	2010	2009
Listed on a recognised CR exchange	2 014 509	1 510 013	1 966 588	1 476 508	1 966 456	1 475 606
Total OECD debt securities held to maturity	2 014 509	1 510 013	1 966 588	1 476 508	1 966 456	1 475 606

(f) Other loans

As at 31 December 2010, the Company had provided other loans to policyholders, guaranteed by the insurance contract entered into, in the amount of TCZK 17 227 (2009: TCZK 16 766).

(g) Deposits with financial institutions

As at 31 December 2010 deposits due within one year with financial institutions totalled TCZK 535 591 (2009: TCZK 509 649).

(h) Other financial placements

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Fixed-term transactions	1 085 224	770 604	-23 102	-18 159
Loans to related parties	-	163 766*	-	170 403
Options			6 991	5 906
Total	1 085 224	934 370	-16 111	158 150

*The loan to related parties was repaid as at 21 December 2010.

(i) Derivatives**Hedging derivatives**

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Fixed-term contracts with a negative fair value				
Term currency transactions	1 085 224	770 604	-23 102	-18 159
Total	1 085 224	770 604	-23 102	-18 159

The above derivatives hedge the currency risk resulting from foreign currency financial placements.

Remaining maturity of derivatives

At 31 December 2010	3 months to 1 year	1 to 5 years	Total
	Hedging derivatives		
Term currency transactions	-640	-22 462	-23 102
At 31 December 2009			
Hedging derivatives			
Term currency transactions	-11 104	-7 055	-18 159

II. 3. Financial placements relating to life assurance where the investment risk is borne by the policyholder

Description	Fair value		Acquisition cost	
	2010	2009	2010	2009
Shares and other variable-yield securities	3 917 103	2 947 984	3 729 245	2 768 858
Debt securities	558 467	484 510	517 288	452 543
Deposits with financial institutions	10 428	17 548	10 428	17 548
Derivatives	-453	-4 237	-	-
Total	4 485 545	3 445 805	4 256 961	3 238 949

II. 4. Currency structure of financial placements

Currency	Variable-yield securities		Fixed income securities		Deposits and other financial placements		Securities where the investment risk is borne by the policyholder	
	2010	2009	2010	2009	2010	2009	2010	2009
CZK	12 977	-	16 312 158	16 746 802	705 050	852 074	1 819 083	791 760
EUR	163 922	109 234	864 920	330 789	386 416	500 169	2 666 462	2 654 045
USD	-	-	95 617	90 514	-	-	-	-
Total	176 899	109 234	17 272 695	17 168 105	1 091 466	1 352 243	4 485 545	3 445 805

II. 5. Receivables

31 December 2010	Receivables from policy holders	Receivables from insurance brokers	Receivables from reinsurance transactions	Other receivables	Total
	Not overdue	116 731	1 435	451 740	413 967
Overdue	946 213	102 590	73 120	11 784	1 133 707
Total	1 062 944	104 025	524 860	425 751	2 117 580
Adjustment	274 867	101 388	-	15 366	391 621
Total net	788 077	2 637	524 860	410 385	1 725 959

31 December 2009	Receivables from policy holders	Receivables from insurance brokers	Receivables from reinsurance transactions	Other receivables	Total
	Not overdue	108 201	6 427	264 200	373 011
Overdue	1 027 048	51 252	63 797	12 423	1 154 520
Total	1 135 249	57 679	327 997	385 434	1 906 359
Adjustment	448 406	53 878	-	11 444	513 728
Total net	686 843	3 801	327 997	373 990	1 392 631

(a) Other receivables

	2010	2009
Inter-company receivables	1 916	3 234
Deferred tax asset	11 385	2 660
Income tax prepayments	345 162	323 319
Other receivables	51 922	44 777
Total other receivables	410 385	373 990

II. 6. Other assets**(a) Tangible fixed assets**

	Tangible fixed assets
Acquisition cost at 1/1/2010	282 456
Additions	16 556
Disposals	-19 849
Acquisition cost at 31/12/2010	279 163
Accumulated depreciation at 1/1/2010	183 469
Depreciation expense	28 468
Disposals	-18 525
Accumulated depreciation at 31/12/2010	193 412
Net book value at 1/1/2010	98 987
Net book value at 31/12/2010	85 751

II. 7. Temporary asset accounts**(a) Deferred acquisition costs for life assurance contracts**

	2010	2009
Traditional life assurance	4 204	5 000
Unit-linked life assurance	227 648	136 756
Total	231 852	141 756

(b) Estimated receivables

	2010	2009
Estimated written premiums	19 356	59 590
Estimated reinsurance commissions	8 721	668
Recourses	29 412	31 799
Other	1 548	1 388
Total	59 037	93 445

II. 8. Equity

(a) Registered capital

The registered capital of the Company consists of 600 registered shares in book-entry form with a nominal value of TCZK 1 000 per share. As at 31 December 2010, 100%, i.e. TCZK 600 000, of the share capital was paid up.

The amount of registered capital complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorised to carry on insurance activities.

Based on the decision of the sole shareholder, the Company paid out dividends amounting to TCZK 1 002 000 (2009: TCZK 804 001).

(b) Other capital funds

	2010	2009
Other capital funds	555 714	555 714
Revaluation of assets and liabilities	-5 824	30 964
Total	549 890	586 678

Revaluation of assets and liabilities at fair value

	2010	2009
Balance at 1/1	30 964	36 901
Change in fair value of financial placements (excl. hedging derivatives)	-	-
Change in fair value of hedging derivatives	-1 790	-1 331
Net losses on financial placements reclassified to the Profit and loss account on disposal, impairment or maturity	-43 627	-6 685
Change in deferred tax	8 629	2 079
Balance at 31/12	-5 824	30 964

Proposed distribution of current period profit

Current period profit	1 083 397
Transfer to statutory reserve fund	54 170
Profit to be added to retained earnings	1 029 227

II. 9. Technical provisions

(a) Summary of technical provisions

Type of provision	Year	Gross	Reinsurers' share	Net
Provision for unearned premiums	2010	1 983 275	337 595	1 645 680
	2009	1 867 648	282 708	1 584 940
Life assurance provision	2010	6 099 368	21 429	6 077 939
	2009	6 051 637	22 999	6 028 638
Provision for outstanding claims	2010	6 764 742	1 433 013	5 331 729
	2009	6 464 248	1 332 375	5 131 873
Provision for bonuses and rebates	2010	196 496	-	196 496
	2009	170 469	-	170 469
Equalisation provision	2010	399 160	-	399 160
	2009	599 438	-	599 438
Provision for liabilities arising from the applied technical interest rate	2010	115 390	-	115 390
	2009	46 466	-	46 466
Provision for liabilities of the Bureau	2010	570 428	17 881	552 547
	2009	551 912	17 641	534 271
Life assurance technical provision where the investment risk is borne by the policyholder	2010	4 485 545	-	4 485 545
	2009	3 445 805	-	3 445 805
Total	2010	20 614 404	1 809 918	18 804 486
	2009	19 197 623	1 655 723	17 541 900

(b) Provision for unearned premiums (gross)

	2010	2009
Non-life insurance	1 868 797	1 749 344
Life assurance	114 478	118 304
Total	1 983 275	1 867 648

(c) Life assurance provision

	2010	2009
Unzillmerised provision	6 443 795	6 394 058
Zillmer adjustment	-349 232	-348 173
Elimination of negative reserves	4 805	5 752
Zillmerised provision presented in the balance sheet	6 099 368	6 051 637

(d) Provision for outstanding claims

The provision for outstanding claims at the end of the financial year is established as follows:

	2010	2009
RBNS	5 400 829	4 968 180
IBNR	1 363 913	1 496 068
Celkem	6 764 742	6 464 248

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2009, the claims payments during 2010 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2010.

The net run-off result is as follows:

Class of insurance	2010	2009
Motor	195 772	213 756
Motor third party liability	763 745	575 064
Industry	13 454	26 107
Commercial	17 998	28 494
Private property	14 519	7 403
Accident	-	-
Sickness	-	-
Travel	7 029	5 487
Other	-	-
Total	1 012 517	856 311

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities is, after discounting, TCZK 626 027 (2009: TCZK 764 804).

The Company used a wage valorisation rate and a disability pension valorisation rate of 5.2% and a life annuity valorisation rate of 4.6% to calculate the provision for outstanding claims paid in the form of annuities from statutory motor third-party liability insurance for the subsequent years. The provision was then discounted at 2%. Annualised annuities amount to TCZK 14 011 (2009: TCZK 17 504).

The expected average period of time that will elapse before all annuity claims included within the above provision have been paid is 22 years.

(e) Provision for bonuses and rebates (gross)

Class of insurance	2010	2009
Non-life insurance	92 795	85 551
Life assurance	103 701	84 918
Total	196 496	170 469

(f) Equalisation provision

	2010	2009
Insurance against damage to property caused by storm, natural forces, landslide or subsidence, hailstorm or frost, and other types of property insurance	84 299	127 147
Insurance against damage caused by nuclear energy	2	4
Credit insurance	1 411	2 117
Insurance against damage to ground transportation vehicles	309 497	464 244
Other classes	3 951	5 926
Total	399 160	599 438

The Company has decided that the difference between the equalisation provision established in accordance with Decree No. 303/2004 Coll. and the new Decree No. 434/2009 Coll. will be released on a straight-line basis over a period of three years. The total difference will thus be released by no later than 2012.

(g) Provision for liabilities of the Bureau

	Opening balance	Additions	Utilisation	Closing balance
Provision for liabilities of the Bureau	551 912	26 746	8 230	570 428
Total	551 912	26 746	8 230	570 428

The reinsurer's share in the provision for liabilities of the Bureau amounts to TCZK 17 881 (2009: TCZK 17 641).

II. 10. Provisions

Type of provision	Opening balance	Additions	Utilisation	Closing balance
Provision for taxes	345 362	262 439	426 064	181 737
Other provisions	33 701	11 849	30 543	15 007
Total	379 063	274 288	456 607	196 744

II. 11. Payables

31 December 2010	Payables to policyholders	Payables to brokers	Payables from reinsurance transactions	Other payables	Total
Not overdue	501 132	109 613	412 535	131 324	1 154 604
Overdue	517	78 362	19 907	2 126	100 912
Total	501 649	187 975	432 442	133 450	1 255 516

31 December 2009	Payables to policyholders	Payables to brokers	Payables from reinsurance transactions	Other payables	Total
Not overdue	408 367	83 751	280 599	143 163	915 880
Overdue	8 564	60 156	124 067	7 078	199 865
Total	416 931	143 907	404 666	150 241	1 115 745

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 15 898 (2009: TCZK 10 732), of which TCZK 11 116 (2009: TCZK 7 467) relates to social security and TCZK 4 782 (2009: TCZK 3 265) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities

Tax liabilities amount to TCZK 5 441 (2009: TCZK 4 711). None of these liabilities are overdue.

(c) Long-term payables (maturity over five years)

Long-term payables with a remaining period to maturity in excess of five years as at the balance sheet date totalled TCZK 24 162 (2009: TCZK 26 245).

(d) Payables and receivables due to or from the reinsurer

The Company has a net receivable from reinsurers of TCZK 39 399 (2009: a net payable of TCZK 128 220).

II. 12. Temporary liability accounts

Estimated payables

	2010	2009
Estimated reinsurance premiums	71 458	44 328
Commissions to brokers	94 895	104 223
Services	27 629	22 231
Employee bonuses	27 240	50 572
Other	22 865	24 531
Total	244 087	245 885

II. 13. Inter-company receivables and payables

(a) Receivables and payables due to or from companies in which the Company has a controlling influence

Company name	Receivables		Payables	
	2010	2009	2010	2009
Short-term				
Allianz penzijní fond, a.s.	538	1 609	-	-
Allianz kontakt, s.r.o	-	-	167	89
Allianz generální služby, s.r.o.	-	-	-	-
Total	538	1 609	167	89

(b) Other inter-company receivables and payables

Company name	Receivables		Payables	
	2010	2009	2010	2009
Allianz SE	361 476	162 179	269 501	209 086
Allianz Cornhill International	-	14	-	193
AGR US Los Angeles	89	157	1 194	191
Allianz Global Risk Nederland	62	-	6 811	-
AGR US New York	-	216	-	-
Allianz GCS Switzerland	109	26	631	148
Allianz S.p.A	482	1 239	-	1 289
Stanislas Haine	350	351	-	30
Allianz Elementar	47	780	47	1 667
AGF Assurances	-	14	-	-
Mondial Assistance International AG	9 105	14 302	15 541	5 555
Allianz Global Risk US	1 974	1 106	11 701	7 282
Allianz Global Corporate & Specialty Mnichov	4 497	12 116	8 142	17 747
Allianz GCS, Hamburg	63	1 209	-	1 183
Allianz Corporate Ireland p.l.c.	-	13	-	76
Allianz Compañía de Seguros	2	191	28	2 235
AGF La Lilloise	24	21	25	16
Allianz GCS München	8 270	3 865	7 965	2 117
Allianz Slovenská poisťovňa, a. s.	1 602	12 003	1 433	3 524
Allianz Mexico	-	64	-	166
Allianz Zagreb d.d., Chorvatsko	196	544	-	-
T.U. Allianz Polska S.A.	2 418	3 910	114	353
Allianz Hungária Biztosító Zrt.	1 384	1 120	-	4 488
Allianz GCS UK	2 051	1 576	13 596	11 128
Allianz GCS Austria Branch	144	32	680	32
Allianz SE RI Branch Asia Pacific	-	56	-	56
AGCS AG Italy Branch	281	289	1 073	1 172
Allianz Business Services, spol. s r.o.	-	421	-	1 099
Mondial Assistance s.r.o.	-	-	3 451	2 221
Allianz Tiriatic Asigurari S.A.	369	313	-	-
Allianz Direkt, s.r.o	-	-	1 453	-
ZAO Allianz Russia	-	40	-	-
Allianz GCS Nordic Region	25	-	306	-
Total	395 020	218 167	343 692	273 054

All material transactions with related parties were carried out based on the arm's length principle.

III. ADDITIONAL DISCLOSURES IN RESPECT OF THE PROFIT AND LOSS ACCOUNT

III. 1. Non-life insurance

Non-life insurance for 2010 and 2009 divided by classes of insurance:

	Insurance class	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsur. balance
Direct insurance						
Accident and sickness	1,2,18					
2010		181 208	180 518	52 761	33 736	-2 333
2009		176 059	160 852	41 901	35 197	-1 533
Motor – other classes	3					
2010		2 148 535	2 108 336	1 507 505	500 788	66 230
2009		2 264 693	2 255 986	1 313 404	555 880	-35 738
Motor – liability	10					
2010		2 206 885	2 175 747	1 009 338	504 676	-198 588
2009		2 366 025	2 327 015	1 141 357	567 685	-279 779
Aviation, marine and transport	4,5,6,7,11,12					
2010		141 042	140 027	58 633	25 253	-111 944
2009		147 092	146 885	98 741	25 265	-9 471
Fire and other damage to property	8,9,15,16					
2010		1 924 784	1 886 358	1 458 319	525 984	-22 787
2009		1 908 596	1 932 847	536 479	494 985	*-786 714
Liability	13					
2010		427 836	419 851	148 652	103 454	-167 844
2009		395 630	389 050	121 799	96 916	-145 954
Total						
	2010	7 030 290	6 910 837	4 235 208	1 693 891	-437 266
	2009	7 258 095	7 212 635	3 253 681	1 775 928	-1 259 189

*) The difference in the balance is due to the release of provisions relating to extraordinary claims of TCZK 371 000 in 2009.

III. 2. Life assurance

Gross premiums written in life assurance:

	2010	2009
Individual (special) premium	3 606 194	2 969 982
Premiums under group contracts	14 733	16 420
Total	3 620 927	2 986 402
Regular premium	1 870 938	1 826 195
Single premium	1 749 989	1 160 207
Total	3 620 927	2 986 402
Premiums from non profit-sharing contracts	776 563	479 997
Premiums from profit-sharing contracts	674 556	711 642
Premiums from contracts where the investment risk is borne by the policyholder	2 169 808	1 794 763
Total	3 620 927	2 986 402
Reinsurance balance	-13 385	-10 209

III. 3. Gross premiums written by country

Analysis of gross premiums written by country in which the insurance contract was concluded:

Country	2010	2009
Czech Republic	10 599 850	10 225 374
Bulgaria	1 379	-
Estonia	55	29
Lithuania	88	30
Latvia	42	28
Hungary	2 139	43
Netherlands	1 808	-
Poland	2 868	742
Austria	12	25
Romania	2 254	25
Slovakia	29 789	6 908
Germany	10 583	11 293
Cyprus	350	-
Total	10 651 217	10 244 497

III. 4. Bonuses and rebates

The Company granted the following bonuses and rebates based on policy conditions and insurance contracts:

	2010	2009
Non-life insurance	244 819	197 594
Life assurance	-	-
Total bonuses and rebates	244 819	197 594

In accordance with the methods described in note I. 4. (k), the Company recorded the following changes in the provision for bonuses and rebates:

	2010	2009
Non-life insurance		
Additions	328 273	262 993
Utilisation	-321 028	-250 132
Change	7 245	12 861
Life assurance		
Additions	68 354	27 115
Utilisation	-49 572	-14 493
Change	18 782	12 622
Total change	26 027	25 483

III. 5. Commissions and other acquisition costs for insurance contracts

	2010			2009		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	375 876 ³⁾	316 280	692 156	333 483 ¹⁾	185 390	518 873
Renewal	543 542 ⁴⁾	65 338	608 880	510 817 ²⁾	86 892	597 709
Total commissions	919 418	381 618	1 301 036	844 300	272 282	1 116 582
Other acquisition costs	229 957	162 305	392 262	203 725	116 226	319 951
Change in deferred acquisition costs	-35 600	-90 096	-125 696	64 218	-35 272	28 946
Total commissions and other acquisition costs	1 113 775	453 827	1 567 602	1 112 243	353 236	1 465 479

¹⁾ of which TCZK 21 040 relates to assumed facultative reinsurance

²⁾ of which TCZK 2 681 relates to assumed facultative reinsurance

³⁾ of which TCZK 30 899 relates to assumed facultative reinsurance

⁴⁾ of which TCZK 21 400 relates to assumed facultative reinsurance

The Company discloses renewal commissions under administrative expenses.

Other acquisition costs primarily comprise expenses relating to other bonuses, promotion, advertising and other administrative expenses associated with the conclusion of insurance contracts.

III. 6. Administrative expenses

	2010	2009
Personnel expenses (payroll, social and health insurance)	408 885	450 997
Rental	86 372	95 004
Depreciation and net book value of disposed of fixed assets	66 582	94 629
Renewal commissions	608 880	597 709
Telephone and fax fees, postage	59 127	56 851
Consultancy fees	41 917	27 373
Travel and entertainment	15 099	15 942
Materials consumption	9 802	15 263
Other services	74 213	87 563
Other administrative expenses	3 626	3 285
Hardware maintenance and repair	7 090	6 242
Software maintenance and repair	19 138	21 534
Data network maintenance and repair	13 724	8 628
Total administrative expenses	1 414 455	1 481 020

The amounts in table III. 6. Administrative expenses are inclusive of expenses allocated to claims paid.

III. 7. Other technical expenses and income

2010	Gross	Reinsurer's share	Net
Non-life insurance			
Other technical expenses	1 014 810	-	1 014 810
Other technical income	1 092 510	-	1 092 510
Balance – non-life insurance	-77 700	-	-77 700
Life assurance			
Other technical expenses	268 675	-	268 675
Other technical income	264 440	-	264 440
Balance – life assurance	4 235	-	4 235
2009	Gross	Reinsurer's share	Net
Non-life insurance			
Other technical expenses	1 191 443	-	1 191 443
Other technical income	1 144 766	*220 000	1 364 766
Balance – non-life insurance	46 677	220 000	-173 323
Life assurance			
Other technical expenses	199 812	-	199 812
Other technical income	214 789	-	214 789
Balance – life assurance	-14 977	-	-14 977

*Income from a commutation payment (share of the reinsurer Allianz SE in a quota share reinsurance contract for a motor third party liability insurance deficit).

The balance of other technical expenses and income in non-life insurance comprises the following items:

2010	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	-136 588	-	-136 588
Write-off of receivables	74 105	-	74 105
Foreign exchanges losses (+)/gains (-)	5 273	-	5 273
Other technical expenses and income	-20 490	-	-20 490
Balance of other expenses and income	-77 700	-	-77 700

2009	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	-43 100	-	-43 100
Write-off of receivables	84 948	-	84 948
Foreign exchanges losses (+)/gains (-)	726	-	726
Other technical expenses and income	4 103	220 000	-215 897
Balance of other expenses and income	46 677	220 000	-173 323

The balance of other technical expenses and income in life assurance comprises the following items:

2010	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	14 482	-	14 482
Write-off of receivables	11 625	-	11 625
Foreign exchanges losses (+)/gains (-)	131	-	131
Other technical expenses and income	-22 003	-	-22 003
Balance of other expenses and income	4 235	-	4 235

2009	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	-19 936	-	-19 936
Write-off of receivables	23 618	-	23 618
Foreign exchanges losses (+)/gains (-)	-17 296	-	-17 296
Other technical expenses and income	-1 363	-	-1 363
Balance of other expenses and income	-14 977	-	-14 977

III. 8. Other expenses and income

	2010	2009
Non-technical account		
Other expenses	86 749	124 583
Other income	105 935	98 113
Balance of other expenses and income	-19 186	26 470

The balance of other expenses and income comprises the following items:

	2010	2009
Foreign exchange gains and losses	1 387	40 352
Foreign exchange differences on revaluation	-1 111	-17 344
Provisions	-21 047	22 604
Other	1 585	-19 142
Balance of other expenses and income	-19 186	26 470

III. 9. Employees and executives

Average adjusted number of employees and executives and remuneration for 2010 and 2009:

2010	Average adjusted number	Payroll expense	Social and health insurance	Other expenses
Employees	650	313 783	102 890	6 835
Executives	88	110 373	27 750	873
Total	738	*424 156	*130 640	*7 708
2009	Average adjusted number	Payroll expense	Social and health insurance	Other expenses
Employees	660	344 365	100 149	7 247
Executives	84	125 167	24 939	787
Total	744	*469 532	*125 088	*8 034

*) These amounts are inclusive of expenses allocated to claims paid.

(a) Remuneration of members of statutory, management and supervisory bodies

In 2010 members of statutory and supervisory bodies received remuneration totalling TCZK 29 624 (2009: TCZK 32 245).

(b) Loans, other receivables and advances provided to the existing members of statutory, management and supervisory bodies

In 2010 and 2009 the Company had no receivables from members of the Board of Directors or the Supervisory Board relating to loans or advances provided.

III. 10. Expense allocation between technical accounts and the non-technical account

As at the balance sheet date the total amount of expenses allocated between the technical accounts for life assurance and non-life insurance and the non-technical account based on the method stated in note I. 4. (u) amounted to TCZK 225 459 (2009: TCZK 219 626).

III. 11. Result of the non-technical account

The result of the non-technical account as at 31 December 2010 amounted to TCZK 225 415 (2009: TCZK 113 652).

III. 12. Profit before tax

The Company's profit before tax as at 31 December 2010 amounted to TCZK 1 260 357 (2009: TCZK 1 650 469).

III. 13. Taxation

(a) Income tax in the profit and loss account

	2010	2009
Provision for current period income tax	181 737	345 362
Difference between prior period income tax and the release of the prior period income tax provision	-707	-2 436
Current income tax relating to prior periods	-4 396	-2 354
Change in deferred tax asset/liability	-96	-3 444
Income tax in the profit and loss account	176 538	337 128

The current income tax relating to prior periods comprises additional tax assessed based on an inspection by the tax authority.

(b) Deferred tax assets/liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Tangible fixed assets	2 256	-	-	2 249	2 256	-2 249
Intangible fixed assets	2 720	160	-	-	2 720	160
Receivables	3 884	5 662	-	-	3 884	5 662
Provisions	1 611	5 677	-	-	1 611	5 677
Losses carried forward	-	-	-	-	-	-
Other temporary differences recorded in Profit and Loss account	1 313	2 438	-	-	1 313	2 438
Effect on Profit and Loss account	11 784	13 937	-	2 249	11 784	11 688
Revaluation of assets and liabilities	2 678	4 749	3 077	13 777	-399	-9 028
Other temporary differences recorded in Equity	-	-	-	-	-	-
Effect on Equity	2 678	4 749	3 077	13 777	-399	-9 028
Deferred tax asset/(liability) pohledávka/(závazek)	14 462	18 686	3 077	16 026	11 385	2 660
Offset of related deferred tax assets and liabilities	-	-	-	-	-	-
Deferred tax asset/(liability)	14 462	18 686	3 077	16 026	11 385	2 660

In accordance with the accounting policy described in note I. 4. (g), deferred tax was calculated using the tax rate valid for the period in which the tax asset/liability is expected to be utilised, i.e. 19%.

IV. OTHER DISCLOSURES

IV. 1. Group relations

The Company has not concluded a controlling agreement with its majority shareholder, Allianz New Europe Holding GmbH, having its registered office in Vienna, Austria. A report on relations between related parties will form part of the annual report.

IV. 2. Transactions not disclosed in the balance sheet

As at the balance sheet date the Company had the obligation to buy, on 15 April 2011, financial instruments from BNP Paribas S.A., totalling TCZK 284 150.

IV. 3. Contingent liabilities

(a) Co-insurance

The Company is the leading co-insurer in several coinsurance contracts in respect of which a claim of a material amount has been reported as at the balance sheet date.

The Company considers it improbable that the beneficiary will file a legal claim against the Company, as the leading co-insurer, in the full amount pursuant to Section 30 of Act No. 37/2004 Coll., on Insurance Contracts, and has therefore established a provision for outstanding claims only in the amount of its share.

(b) Membership of the Czech Bureau of Insurers (the Bureau)

As a member of the Bureau, the Company has undertaken to guarantee the liabilities of the Bureau pursuant to Section 18 (6) of the Act on Motor Third Party Liability Insurance. To that end, the Company contributes to the guarantee fund and establishes a provision for liabilities of the Bureau. The amount of contributions and of the provision for liabilities of the Bureau is determined using actuarial methods.

If any of the members of the Bureau was unable to meet their obligations arising from statutory motor third-party liability insurance due to insolvency, the Company could incur an obligation to make additional contributions to the guarantee fund.

(c) Membership of the Czech Nuclear Pool

The Company is a member of the Czech Nuclear Pool. Under a "Joint and Several Liability" agreement, it has undertaken that, should one or more members of the Czech Nuclear Pool be unable to fulfil their obligation, it will assume such an obligation in proportion to its net retention for the given contract. The total contingent liability of the Company, including joint and several liability, is contractually limited to double its net retention for the specific insured risk.

IV. 4. Subsequent events

The Company's management is not aware of any other significant subsequent events that would have a material impact on the Company's financial statements.

In Prague, 25 February 2011



Jakub Strnad
Chairman of the Board of Directors



Petr Sosík
Member of the Board of Directors

Report on Relationships between Related Parties

We provide this report on relationships between related parties based on the duty as stipulated by the Czech Commercial Code. By relationships, we mean commercial relationships to controlling, controlled and other related parties. The parties involved are companies of the Allianz Group. During accounting period 2010, or during preceding periods, Allianz pojišťovna, a. s. did not conclude any controlling agreement and transfer of profit agreement.

Below we have listed those companies of the Allianz Group, with which Allianz pojišťovna, a. s. has major commercial relationships.

Summary

Controlling party

Allianz New Europe Holding GmbH, Vienna, Austria;

Allianz Holding eins GmbH, Vienna, Austria;

Allianz SE, Munich, Germany.

Controlled parties

Allianz penzijní fond, a. s., Prague;

Allianz Direct, s. r. o., Prague;

Allianz kontakt, s. r. o., Prague;

Allianz generální služby, s. r. o., Prague;

Alfa Trade Corporation, s. r. o., v likvidaci, Prague;

KEVA spol. s r. o., v likvidaci, Bratislava, Slovakia.

Other Related Parties

Allianz – Slovenská poisťovňa, a. s., Bratislava, Slovakia;

Allianz Business Services, spol. s r. o., Bratislava, Slovakia;

Mondial Assistance s.r.o., Prague;

Allianz Lebensversicherungs-AG, Stuttgart, Germany;

Mondial Assistance International AG, Wallisellen, Switzerland, through its branch Mondial Assistance International AG – organizační složka, Prague;

Allianz Global Corporate & Specialty AG, Munich, Germany;

Euler Hermes Čescob Service, s. r. o., Prague;

Euler Hermes Čescob, úvěrová pojišťovna, a. s., Prague;

Allianz Managed Operations & Services SE, formerly Allianz Shared Infrastructure Services GmbH, Unterföhring, Germany;

Allianz Global Investors Advisory GmbH, Frankfurt am Main, Germany;

Allianz Deutschland AG, Munich, Germany;

Allianz Global Investors Kapitalanlagegesellschaft mbH, formerly Deutscher Investment – Trust Gesellschaft für Wertpapieranlagen mbH, Frankfurt am Main, Germany;

Allianz Global Investors Luxembourg S.A., Luxembourg;

PIMCO Europe Ltd., London, Great Britain.

Relationships to Controlling and Controlled Parties, other than via Reinsurance

Allianz New Europe Holding GmbH

Since 11 May 2006, Allianz New Europe Holding GmbH has been the parent company of Allianz pojišťovna, a. s. Allianz New Europe Holding GmbH acquired a 100% shareholding in Allianz pojišťovna, a. s. from Allianz Aktiengesellschaft¹⁾. Allianz New Europe Holding GmbH, as the debtor, and Allianz pojišťovna, a. s., as the creditor, entered into loan agreements in 2006 and 2007. The agreements are being performed in accordance with the agreed terms and conditions; all of these loans have been paid up.

¹⁾ Effective as of 16 October 2006, Allianz Aktiengesellschaft changed its legal form from Aktiengesellschaft to Societas Europea.

Allianz Holding eins GmbH

Allianz Holding eins GmbH is the parent company of Allianz New Europe Holding GmbH. As the parent company of Allianz New Europe Holding GmbH, Allianz SE transferred its holding in this company to a concern company, Allianz Holding eins GmbH, on 7 April 2010.

Allianz SE

Allianz SE is the group holding company. Allianz SE and Allianz pojišťovna, a. s. signed an agreement on management services in 2003, which replaced the service agreement concluded in 1994. The agreement on management services is automatically renewable for one year at a time, unless terminated by either party. It provides for cooperation in management, marketing, IT, services in the area of human resources processes (sales techniques training, personnel development programmes), temporary or permanent secondment of employees and support of quality control, development and implementation of a corporate controlling system. The contract has been concluded under the standard terms and conditions as would apply to third parties. In 2006 and 2007, Allianz SE and Allianz pojišťovna, a. s. concluded an agreement on sharing IT system costs in common holding operations. An agreement on cost sharing and provision of services in human resources and an agreement on provision of software licences and related services were entered into in 2009. In 2010, Allianz pojišťovna, a. s. purchased a bond issued by Allianz SE in the amount of EUR 20 million, which is due in 2012. In 2010, Allianz pojišťovna, a. s. also concluded an agreement on cash pooling with Allianz SE.

Allianz penzijní fond, a. s.

Allianz penzijní fond, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their sales activities. In 1995, the two companies signed an agreement on cooperation

regarding the sale of supplementary pension schemes by Allianz pojišťovna, a. s. sales agents. The contract is automatically renewable for one year at a time, with the option of termination by notice. Contracts on supplementary pension scheme brokerage, including commission arrangements, have been concluded under the standard terms and conditions as would apply to third parties.

In order to use synergic effects, Allianz pojišťovna, a. s. and Allianz penzijní fond, a. s. closely cooperate and coordinate their activities in the area of management, management of Allianz pojišťovna, a. s. sales agents in the sale of supplementary pension schemes, asset management, marketing, IT, and services in the area of human resources processes (sales techniques training, personnel development programmes, parallel employment). To provide for this type of cooperation and to fairly divide the related operating costs, Allianz pojišťovna, a. s. and Allianz penzijní fond, a. s. signed an agreement on cooperation in 2004. The contract is signed for an unlimited period of time, with the option of termination by notice.

In 2004, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. concluded an agreement on cooperation in using IT infrastructure, which replaced the service agreement concluded in 1997. The current agreement provides for the sharing of operating costs related to the use of IT infrastructure of Allianz pojišťovna, a. s. by Allianz penzijní fond, a. s. The agreement is concluded for an indefinite period of time, with the option of termination by notice. In 2005, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. entered into an amendment to the above agreement on cooperation in using IT infrastructure, which provides for the sharing of costs related to the Alfa information system used by Allianz penzijní fond, a. s. for administering supplementary pension schemes and by Allianz pojišťovna, a. s. for administering the joint product named "Future." In 2006, the above arrangement from 2004 was replaced by an agreement on cooperation in using IT infrastructure with a similar subject matter and similar terms and conditions. In 2007, the companies concluded an agreement on cooperation in using IT, which replaced the agreement on cooperation in using IT infrastructure from 2006.

In 2002, the companies concluded a sublease agreement concerning non-residential premises that house the registered office of Allianz penzijní fond, a. s. In connection with the change of Allianz penzijní fond's registered office, the above agreement was replaced by a new sublease agreement in 2006. In 2006, the companies entered into an agreement on the lease of interior equipment. The agreements have been concluded under the standard terms and conditions as would apply to third parties.

Allianz Direct, s. r. o.

Until April 2007, Allianz Direct, s. r. o. had been a 100% subsidiary of Allianz pojišťovna, a. s. Established in 2006, Allianz Direct, s. r. o. is an insurance broker that sells insurance exclusively for Allianz pojišťovna, a. s. In April 2007, Allianz pojišťovna, a. s. transferred its participation interest to Allianz Direct New Europe Spółka z Ograniczona Odpowiedzialnoscia, based in Warsaw. Allianz pojišťovna, a. s. and Allianz Direct, s. r. o. have concluded an agreement on cooperation and cost sharing, an agreement on the sublease of non-residential premises, an agreement on the lease of interior equipment and an agreement on cooperation in the use of IT. The agreement on the lease of interior equipment was terminated as of 31 March 2009. The agreements have been concluded under the standard terms and conditions as would apply to third parties. Allianz pojišťovna, a. s. uses its influence to appoint the company's statutory bodies.

Allianz kontakt, s. r. o.

Allianz kontakt, s. r. o. is a 100% subsidiary of Allianz pojišťovna, a. s. Established in 2005, the company brokers insurance for Allianz pojišťovna, a. s. on the basis of a sales representation agreement from 2005. In connection with the change of Allianz kontakt's registered office, a sublease agreement was concluded in 2006 to replace the sublease agreement of 2005. The sublease agreement has been concluded under the standard terms and conditions as would apply to third parties. An agreement on the lease of interior equipment was signed in 2007, replacing a similar agreement from 2006. In 2009, the companies entered into an agreement on cooperation in the use of information technologies.

Allianz generální služby, s. r. o.

Allianz generální služby, s. r. o. is a 100% subsidiary of Allianz pojišťovna, a. s. It was founded in December 2007 and incorporated in January 2008. Its scope of business includes, without limitation, facility management and maintenance.

Alfa Trade Corporation, s. r. o., v likvidaci

Alfa Trade Corporation, s. r. o. is a subsidiary of Allianz Lebensversicherungs-AG and an Allianz Group member. Until February 2007, Allianz pojišťovna, a. s. leased premises at Rubešova 162/8, Prague 2, from Alfa Trade Corporation, s. r. o., where it had conducted its insurance operations until May 2006. Their mutual relationships under the lease agreements were settled in 2007. Allianz pojišťovna, a. s. uses its influence to appoint the statutory bodies of the company. Alfa Trade Corporation, s. r. o., v likvidaci, entered into winding-up proceedings on 1 June 2009, which proceedings were concluded as of 30 September 2009. On 3 February 2010, Alfa Trade Corporation, s. r. o. was deleted from the Commercial Register of the Municipal Court in Prague. This company will no longer be included in the report on related parties.

KEVA spol. s r. o., v likvidaci

KEVA spol. s r. o. is a subsidiary of Allianz Lebensversicherungs-AG and an Allianz Group member. Until February 2007, KEVA spol. s r. o. had leased its premises at Římská 103/12, Prague 2, to Allianz pojišťovna, a. s., where the headquarters and insurance operations of Allianz pojišťovna, a. s. were housed until May 2006. Their mutual relationships under the lease agreements were settled in 2007. Allianz pojišťovna, a. s. uses its influence to appoint the statutory bodies. KEVA spol. s r. o., v likvidaci, entered into winding-up proceedings on 1 June 2009, which proceedings were concluded as of 27 October 2009. On 1 May 2010, KEVA spol. s r. o. was deleted from the Commercial Register of the District Court for Bratislava 1. This company will no longer be included in the report on related parties.

Relationships to Related Parties, other than via Reinsurance**Allianz – Slovenská poisťovňa, a. s.**

Allianz – Slovenská poisťovňa, a. s. is an Allianz Group member. The mutual cooperation between the two companies is based on an agreement on cooperation concluded in 1997, which is automatically renewable. The contract involves cooperation in insurance product development and IT. The contract has been concluded under the standard terms and conditions as would apply to third parties. The two companies also collaborate in the field of investments.

Allianz Business Services, spol. s r. o.

Allianz Business Services, spol. s r. o. is a subsidiary of Allianz – Slovenská poisťovňa, a. s. and Allianz New Europe Holding GmbH. In December 2007, Allianz pojišťovna, a. s. and Allianz Business Services, spol. s r. o. concluded an agreement on outsourcing of accounting activities. At the same time, the two companies collaborate in implementation of insurance activities management models. The contract has been concluded under the standard terms and conditions as would apply to third parties.

Mondial Assistance s. r. o.

Mondial Assistance s.r.o. is a subsidiary of Swiss insurer Mondial Assistance International AG and an Allianz Group member. On a contractual basis, Mondial Assistance s.r.o. provides Allianz pojišťovna clients with assistance services in medical expense insurance abroad, travel insurance, motor hull insurance, motor third party liability insurance and household insurance. The assistance service contracts have been concluded under the standard terms and conditions as would apply to third parties.

Euler Hermes Čescob Service, s. r. o.

Euler Hermes Čescob Service, s. r. o. is a subsidiary of Euler Hermes Čescob, úvěrová pojišťovna, a. s., and an Allianz Group member. On the basis of an agency agreement concluded in 1999, Euler Hermes Čescob Service, s. r. o. brokers guarantee insurance and insurance of receivables for Allianz pojišťovna, a. s. The contract has been concluded under the standard terms and conditions as would apply to third parties.

Euler Hermes Čescob, úvěrová pojišťovna, a. s.

Euler Hermes Čescob, úvěrová pojišťovna, a. s. is a subsidiary of Euler Hermes Kreditversicherungs-Aktiengesellschaft and an Allianz Group member. Allianz pojišťovna, a. s. and Euler Hermes Čescob, úvěrová pojišťovna, a. s. coordinate their activities in the sale of credit and warranty insurance products. In 2006, the two companies concluded an agreement on cooperation. Sales of insurance products are brokered for the said company by Euler Hermes Čescob Service, s. r. o.

Allianz Managed Operations & Services SE

Allianz Managed Operations & Services SE is a member of Allianz Group. In April 2008, Allianz pojišťovna, a. s., Allianz SE and the said company entered into an agreement on the assignment of rights and obligations under an agreement on sharing cost of information systems concluded between Allianz SE and Allianz pojišťovna, a. s. to Allianz Managed Operations & Services SE. Further, the agreement newly provides for certain other relationships within the cooperation between Allianz pojišťovna, a. s. and the new contracting partner. In 2009, the two companies entered into a framework agreement on the provision of IT infrastructure services.

Allianz Global Corporate & Specialty AG

Allianz Global Corporate & Specialty AG is a member of Allianz Group. The company renders consulting services to Allianz pojišťovna, a. s. in the area of large-scale and special risks insurance.

Allianz Global Investors Advisory GmbH

Allianz Global Investors Advisory GmbH is a member of Allianz Group. The company renders investment consulting services to Allianz pojišťovna, a. s. under an agreement dated February 2008.

Allianz Deutschland AG

Allianz Deutschland AG is a member of Allianz Group. The two companies collaborate in the area of client projects under an agreement dated October 2008.

In addition, Allianz pojišťovna, a. s. uses instruments of investment companies Allianz Global Investors Kapitalanlagegesellschaft mbH, Allianz Global Investors Luxembourg S.A. and PIMCO Europe Ltd. for placement of its financial assets.

Relationships to Controlling and Related Parties in the Area of Reinsurance

The following Allianz Group companies take part in the reinsurance programme of Allianz pojišťovna, a. s.:

Allianz SE;

Allianz Global Corporate & Specialty AG;

Mondial Assistance International AG - organizační složka;

Other group members are active and passive facultative reinsurers of Allianz pojišťovna, a. s. Reinsurance is invoiced on the basis of reinsurance contracts concluded between Allianz pojišťovna, a. s., and the above Allianz Group companies under the standard terms and conditions as would apply to third parties. The reinsurers' shares are stated in accordance with valid accounting principles.

Allianz SE

Allianz SE, as the Group reinsurer, has a major stake in the reinsurance programme of Allianz pojišťovna, a. s. in both life and non-life insurance.

Allianz Global Corporate & Specialty AG

Allianz Global Corporate & Specialty AG acts as the Allianz pojišťovna, a. s. reinsurer of property insurance, aviation insurance and of directors and officers liability insurance (D&O).

Mondial Assistance International AG – organizační složka

Mondial Assistance International AG – organizační složka acts as the Allianz pojišťovna, a. s. reinsurer of medical care expense insurance abroad, travel insurance and technical assistance insurance for vehicles.

During the respective accounting period, Allianz pojišťovna, a. s. provided no guarantees or loans, save for the above, and assumed no other financial obligations with respect to the related persons.

Closing Statement of the Board of Management of Allianz pojišťovna, a. s.

We declare that, according to Section 66a (9) of the Commercial Code, the report of Allianz pojišťovna, a. s. on related parties for the accounting period starting 1 January 2010 and ending 31 December 2010 includes all of the following items, known to us as of the execution date of this report to have been concluded or carried out during this period:

- Contracts between related parties;
- Services provided to or by related parties;
- Other legal acts undertaken in the interest of these parties; and
- Any decisions or arrangements made in the interest, or upon request, of these parties.

We hereby declare that we are not aware of any of the above agreements or arrangements being detrimental to the assets of Allianz pojišťovna, a. s.

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