

Annual report 2016

Allianz pojišťovna, a.s.



S vámi od A do Z

Allianz 



Basic Economic Fact

Selected indicators (in CZK mil.)	2016	2015	2014	2013
Gross premiums written	13 003	12 031	12 247	11 871
Life insurance	2 968	3 125	4 036	4 481
Non-life insurance	10 035	8 906	8 211	7 390
Claims paid	8 945	7 739	7 204	7 119
Life insurance	3 078	2 837	2 699	2 527
Non-life insurance	5 867	4 902	4 505	4 592
Net claims ratio retention in non-life insurance	65,1%	61,1%	54,3%	54,8%
Gross expenses ratio	26,0%	24,7%	27,8%	28,4%
Technical result	810	886	1 070	933
Profit before tax	865	981	1 280	1 105
Financial placements	21 532	19 127	18 761	18 171
Equity	4 500	4 615	4 693	4 486
Equity ratio (in % of net written premiums)	38,3%	42,6%	44,2%	41,8%
Technical provisions	26 965	25 286	25 505	24 089
Life insurance	16 167	16 364	16 738	15 588
Non-life insurance	10 268	8 922	8 767	8 501
Number of contracts in portfolio (ths)	2 142	2 038	1 972	1 832
Number of employees	885	827	818	831
Number of agents	1 337	1 530	1 674	1 776

In basic economic facts 2016 there is a merger of companies Allianz pojišťovna, a.s. (successor company) Wüstenrot pojišťovna (expiring company) and Wüstenrot, životní pojišťovna, a.s. (expiring company) Economic facts 2013-15 show only data for Allianz pojišťovna, a.s.



Contents

Introduction of the Chairman of the Board of Management	06
Company profile	08
Awards and Prizes	09
Board of Management and Supervisory Board	10
Organisational Structure	12
Motor Insurance	14
Entrepreneurial and Private Property Insurance	18
Life Insurance	22
Travel Insurance	26
Claims settlement	30
Sales	34
Tied Agent Sales Force, Central Brokers	36
Online Underwriting, Bancassurance, External Distribution Channels	37
Human resources	38
Employees, Employee training and development	39
Employee Benefits	40
Corporate Culture	40
Nonfinancial information	42
A Word of Thanks from the Board of Management	46
Financial Part	50
Independent Auditor's Report to the Shareholders of Allianz pojišťovna, a.s.	52
Balance sheet as at 31 December 2016	54
Profit and loss account for the year 2016	58
Statement of changes in equity for the year 2016	61
Notes to the financial statements 2016	62
Report on Relations between Related Parties	110
Contacts	118



14
Motor Insurance



18
Entrepreneurial
and Private Property
Insurance



22
Life Insurance



26
Travel Insurance



30
Claims Settlement



34
Sales



38
Human resources



42
Nefinanční informace



Introduction of the Chairman of the Board of Management

Dear Ladies and Gentlemen,

When looking at prestigious awards, our new motor insurance and economic results, it is clear that 2016 was very successful year for Allianz pojišťovna.

At the beginning of the year we gained authorization from ČNB (Czech National Bank) and primarily the shares of life and non-life insurance company Wüstenrot whose clients became clients of Allianz after merger at the end of June.

Besides a lot of claims settlement we also focused on new products and extension of our services. We implemented new assistance services that are tolerant of drivers' mistakes, we started to provide replacement cars for unrivalled number of days and we started weekend operation on the line for general care for clients.

The company's net profit (according to Czech accounting standards) totalled CZK 745 million in 2016. The equity of Allianz pojišťovna is CZK 4,5 billion and the balance sheet sum grew to CZK 32,2 billion. The total gross written premiums amounted to CZK 13 billion in 2016 and compared to 2015, the premium billing increased/decreased 8,1 %. According to new methodology of the Czech Association of Insurance Companies, this increase amounts to 10,1 %, with the market having increased by 2,1 %.

Owing to our motor insurance, 2016 became an important milestone in history of Czech insurance business. As the first insurer in the market, we started to provide drivers with MTPL and casco insurance based on driven kilometres, however, without any obligation to install monitoring equipment to the cars. Our motor insurance became conclusively the fairest insurance and at the same time, in case of low number of driven kilometres, it gained unbeatable price advantage.

Also the awards were historical this year. After warm-up in the form of 1st place in the survey Automotive Fleet Award where we won in the category Fleet vehicle insurance, the quadruple win in all categories of insurance business in the frame of competition Fincentrum Bank of 2016 came. Allianz became Insurer of the Year 2016 and won gold medals also in the categories Life insurance, Motor insurance and Pension company.

In non-life insurance, our premiums written increased by 12,3 % to a total of CZK 9,7 billion according to methodology of the Czech Association of Insurance Companies, which is the best result among 10 biggest insurance companies in our market. In life insurance, premiums written decreased by 3,2 % to CZK 2,8 billion. These (good) results show our decision to stop offering life insurance that combines risk insurance with investment. At the end of the year we finished this offer and we provide our clients only with risk insurance without any absurd fees.



The market gives gradually the truth our steps which predestined development of Czech insurance business. However, we will not enjoy our success. I am convinced that we have space for further improvement of our products and services.

I appreciate our employees, insurance advisors and business partners to work very professionally. I would like to thank all clients who trust us and at the same time I want to assure them that we will not disappoint them.

Sincerely,

Jakub Strnad
Chairman of the Board of Management



Company Profile

Allianz pojišťovna is a 100% subsidiary of Allianz New Europe Holding GmbH and as a member of the world's leasing instance 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 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 a 100% shareholder of Allianz penzijní fond, a.s., established in 1994 (from 1 January 2013 the fund has been transformed to Allianz penzijní společnost). 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 offering motor third party liability insurance. In 2010, Allianz pojišťovna became the pioneer in a motor third party liability insurance product offering the most comprehensive coverage of all risks in the Czech Republic.

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

Awards and Prizes 2016

In 2016, Allianz pojišťovna defended victory in prestigious competition **Fitcentrum Banka roku (Bank of the Year)** and was winner in all categories in the sphere of insurance business again.

In 2016, Allianz pojišťovna got into hundred best companies in the market in the Czech Republic. In the ladder **Czech Top 100** it got the 11th place. The quality of its products and services is evidenced by a lot of other prestigious awards from 2016.

In the Survey **Pojišťovna roku (Insurer of the Year)**, which is declared by Association of Czech Insurance Brokers, the company reached medal results. It got altogether four third places in Motor Insurance, Industrial and Entrepreneurial Insurance, Citizens Insurance and also in Life Insurance.

But it is not all. The company won still more valuable metals in competition **Zlatá koruna (Golden Crown)** - two Golden Crowns in category Non-Life Insurance for Motor Insurance and in category Pension saving. Further, two Silver Crowns in category Life Insurance for the product Rytmus Risk and in category Insurance for entrepreneurs for Comprehensive Entrepreneurial Insurance.

Allianz reached the top in the award of **Hospodářské noviny Nejlepší banka (The best Bank)** and **Nejlepší pojišťovna 2016 (The best Insurer 2016)** in category **Pojišťovací inovátor 2016 (Insurance Innovator 2016)**, for the product Rytmus Risk again.

The travel insurance was successful in competition **TTC Travel Awards**, where it got 3rd place and even better result was in competition of comprehensive fleet insurance where it became Fleet product of 2016 in category Insurance of vehicle fleet.

In evaluation of 100 best companies in the Czech Republic **Czech Top 100**, Allianz got 2nd place on the ladder of 100 most admired companies in the Czech Republic in category Insurance companies and pension funds.

Thank to the above mentioned success, Allianz got points in the ladder **TOP employer of 2016** which is declared by Czech student union based on the survey among university students and got silver in the sphere of Insurance business.

The previously announced and biggest triumph was in November, similarly to last year, in the competition **Fincentrum Banka roku 2016 (Bank of 2016)** Allianz found no competitor in any category- neither in main nor in two partial ones- and won all three first places as last year. The 1st place in category **Pojišťovna roku 2016 (Insurance company of 2016)** is the most valuable, gold in category Life insurance of 2016 followed and, at the same time, Allianz defended the 1st place in category Motor Insurance of 2016. Last award is added to the golden quatrefoil- first place for **Penzijní společnost of 2016 (Pension company of 2016)**.

The achieved awards confirm excellent results from last year and success of Allianz brand in all spheres. It was shown again that the products and services have points on the market and in the competitions that go with time, develop permanently, update and overtake time in a lot of directions. And such products are offered by Allianz pojišťovna.



Board of Management



Jakub Strnad
Chairman



Sonia Slavtcheva
Member



Petr Hrbáček
Member
(1.6.2016)



Josef Lukášek
Member
(1.4.2015)



Aleš Jelínek
Member

Supervisory Board

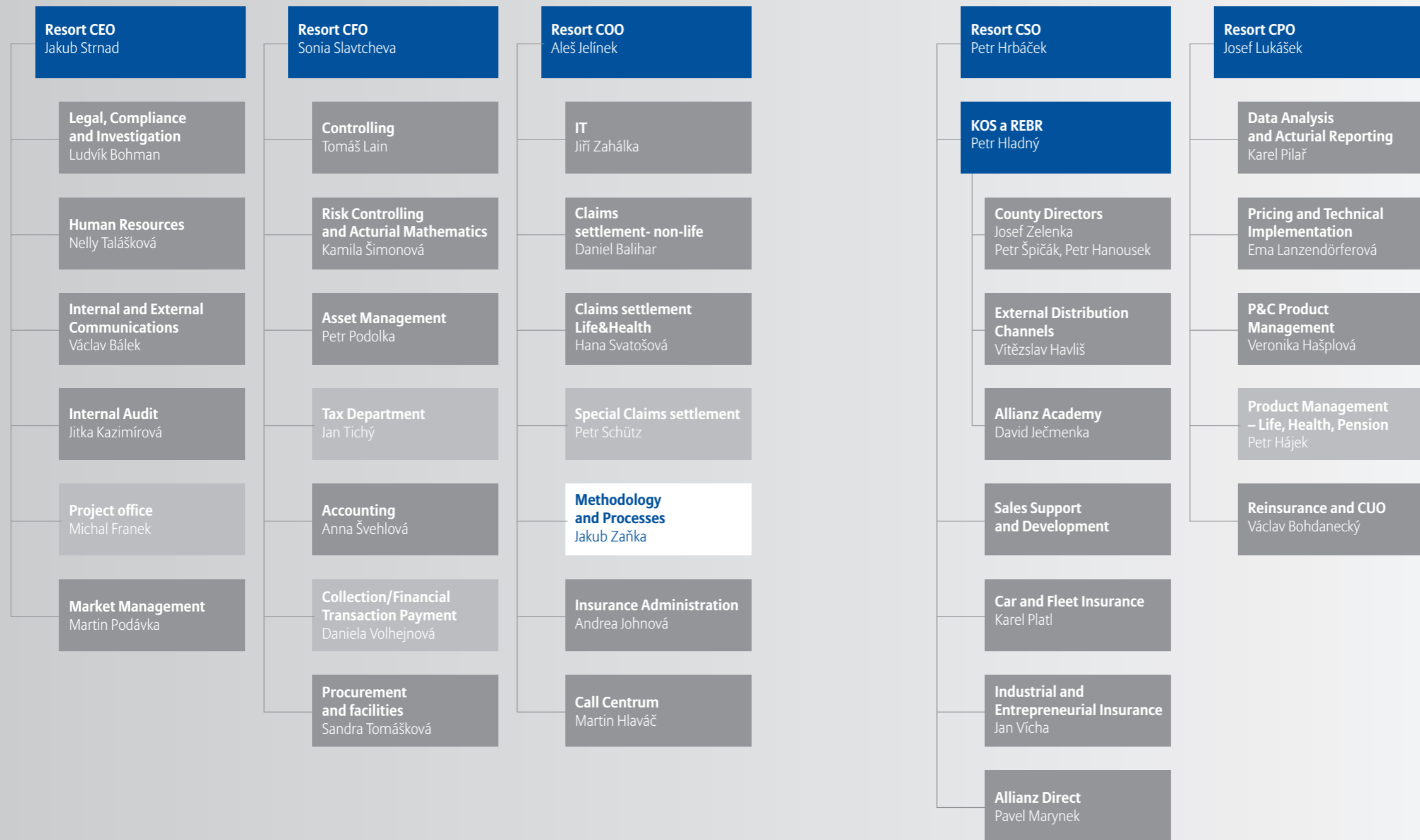
Petros Papanikolaou
Chairman
(31.7.2015)

Alexander Protsenko
Member
(10.12.2015)

Kay Müller
Member
(25.6.2015)



Organisational Structure





MOTOR INSURANCE

2016 was under the motto “Revolution in MTPL” at motor insurance product.



Motor Insurance

2016 was under the motto “Revolution in MTPL” at motor insurance product. Newly, the rates are calculated to clients according to driven kilometres under slogan “I drive little, I pay little”.

As the first insurance company in this country, Allianz started to calculate the rates of MTPL (also casco insurance and glass insurance) according to the driven kilometres last year.

New principle of premium calculation comes out from easy consideration: the shorter time a driver spends on the roads, the lower risk it is. However, it is not essential, how strong car he/she drives. Allianz aims at those drivers who are less dangerous based on long-term analysis.

For the drivers who drive up to 10.000 kilometres every year, Allianz has the cheapest MTPL (possibly in combination with glass insurance) in the Czech Republic since October 2016. This annual volume of driven kilometres concerns half of drivers. The drivers who drive more have policy that increases progressively.

How is the new concept working? Version according to estimation of annually driven kilometres is set by each driver him/herself in the beginning. Final statement has similar logic to gas or electricity statement. In case the driver drives fewer kilometres during the year, the insurance company will return him/her money after the anniversary. Who will drive more than was the estimated limit, will have to pay more money.

The whole conception is based on trust in the client. Only the photo of tachometer made by client at policy conclusion and then after each anniversary is the proof of driven kilometres. The clients send photo in the electronic way. Allianz installs no telemetric units to the cars, the drivers do not have to be afraid of permanent monitoring. However, the specialists from Allianz pojišťovna are prepared for attempted frauds and the company will be uncompromising towards the fraudsters.

Despite the above-mentioned innovations, the product Allianz Motor Insurance is preserved with its modules. The clients have possibility to arrange insurance coverage exactly according to their needs and they can see premium for individual risks transparently.

Number of driven kilometres is not the only criterion which Allianz pojišťovna takes into consideration newly. The price of MTPL is influenced by these facts: how old is the driver, from which town or village he/she is and how safely he/she drives, i.e. if without accidents or not.





ENTREPRENEURIAL AND PRIVATE PROPERTY INSURANCE

Several years Allianz pojišťovna offers property and liability insurance and belongs to the high-quality and most awarded insurers in the Czech insurance market.



Entrepreneurial and Private Property Insurance

Several years Allianz pojišťovna offers property and liability insurance and belongs to the high-quality and most awarded insurers in the Czech insurance market. It offers a high-quality insurance protection not only for households and common kinds of property but also for apartment houses and recreational houses.

In 2016 Allianz pojišťovna introduced new insurance **Allianz Domov (Allianz Home)**. Its main advantage is that it is modular insurance. The clients can create the product exactly according to his/her need for permanently inhabited property. It is possible to conclude insurance even for three buildings and three households within one policy, and new kinds of buildings, new risks, subjects and places of insurance were added to this product.

Besides the modern way of product creation, Allianz prepared next innovations. The mobile houses can be insured within building insurance and newly the house owners can conclude very demanded machinery breakdown insurance relating e.g. to by-pass doors, automatic garage gates, control rooms of intelligent houses. The policies can newly include also the subjects brought by visitors, things which were put off to the particular place (e.g. cloakrooms, waiting rooms), in the hotels and boarding houses, in campus, boarding schools or personal things in the cars.

There were big changes in insurance of buildings and households also in the limits. The clients can choose low, middle and high version instead of fixed amounts, and, in addition, they can choose various amounts for various risks.

The innovations occurred also in the sphere of **liability insurance**, where Allianz increased the limits of basic risks to CZK 30 million. Newly, the company will cover damages in accommodation facilities and on taken over things and also liability of employee towards employer was increased. Assistance offers now IT help via distant access, e.g. in case of forgotten password, but it can help also cyclists in emergency.

Allianz pojišťovna extended also its offer in liability insurance with damage cover or injury caused by function in statutory body in cooperative while managing the apartment house.

In the sphere of entrepreneurial insurance, Allianz pojišťovna offers a wide range of possibilities. Entrepreneurial insurance covers the needs of various subjects, from entrepreneurs, contributory and budgetary organizations to community of housing unit owners. The product **PRO Podnikatele** is for clients who require big variability and flexibility and offers "customised" insurance according to current specific needs. Comprehensive Entrepreneurial Insurance is designed especially for medium-size and small entrepreneurs and is available in bargain packages in three variations of insurance cover- Normal, Optimal and Exclusive Plus.

By means of these high-quality and continuously innovated insurance products, the entrepreneurs are offered to write easily and quickly both insurance of entrepreneurial property (building and other structures serving for business purposes, production and operating facilities etc) and liability insurance and cargo. In the past years, Allianz pojišťovna focused on smaller entrepreneurs. In 2016, more attention was paid to middle and larger enterprises with ownership exceeding CZK 100 million.

The **Home Assistance** services are integral part of property insurance for private persons and entrepreneurs. There is a special kind of assistance for apartment houses. Allianz pojišťovna always increases the range and quality of provided assistance services.

The profession liability insurance providing the professional services where the insurance is mostly mandatory pursuant to the law is solved by means of an independent product. Other traditional products are e.g. insurance of car showrooms, car repair shops, used cars, vessel insurance and deposit for lease of holiday vessel.

In 2016, Allianz pojišťovna continued on improvement of the services provided to clients and on improvement and simplification of client's communication. Insurance company continues on improving the communication style of information. Its goal is to communicate with clients in the easy, brief and understandable way under all circumstances.



LIFE INSURANCE

Year 2016 continued on initiated strategy of last year and with the claim “Life insurance without absurd fees” the insurance Rytmus risk consolidated its position on number one in product offer of life insurance that replaced the product Rytmus.



Life Insurance

Year 2016 continued on initiated strategy of last year and with the claim “Life insurance without absurd fees” the insurance Rytmus risk consolidated its position on number one in product offer of life insurance that replaced the product Rytmus.

Easy construction, no absurd fees, focus on risk insurance and clear separation of investment component were so much interesting for both clients and professional public, that Allianz pojišťovna won the 1st position in competition Bank of Year 2016 in category Life insurance and next 1st position was in competition The best Insurance company- award of Hospodářské noviny in category Insurance innovator.

2016 was not as rich as last year concerning new products. Rytmus risk preserved its qualities of insurance coverage in the form of Warranty of highest settlement at accident supplementary insurance, the first comprehensive cancer insurance in the Czech market called PRO boj s rakovinou (FOR fight with cancer), supplementary insurance PRO ženy (FOR ladies) or disability insurance for both adults and children. Next progress was seen in the sphere of electronic communication with clients and intermediaries due to digitalization, and, last but not least, in process of insurance conclusion, where on-line conclusion has bigger and bigger importance. There was an important and long time expected legislative change in the sphere of commission regulation for life insurance conclusion at the end of the year. The goal of this amendment to law is strengthening the consumer protection.

Adaptation to clients´ requirements was basic stone of products adjustments and driving force for a lot of diffident decisions in insurance business this year. The sale of investment life insurance containing starting fees was finished at the end of the year. A lot of considerations and discussions about future trend of Czech business market were initiated. Allianz pojišťovna left definitely the model with extent and complicated fee structure and replaced it with easy and transparent construction.





TRAVEL INSURANCE

Allianz travel insurance is a comprehensive package of risks providing optimal insurance protection to clients travelling in the Czech Republic and abroad.



Travel insurance

Allianz travel insurance is a comprehensive package of risks providing optimal insurance protection to clients travelling in the Czech Republic and abroad. Allianz travel insurance offers the widest range of insurance coverage and at the same time is a unique for having unlimited coverage of medical care expense abroad.

The insurance coverage of medical care expense also includes risks related to terrorism, search and rescue activities of the Mountain Rescue Service and selected types of leisure time activities.

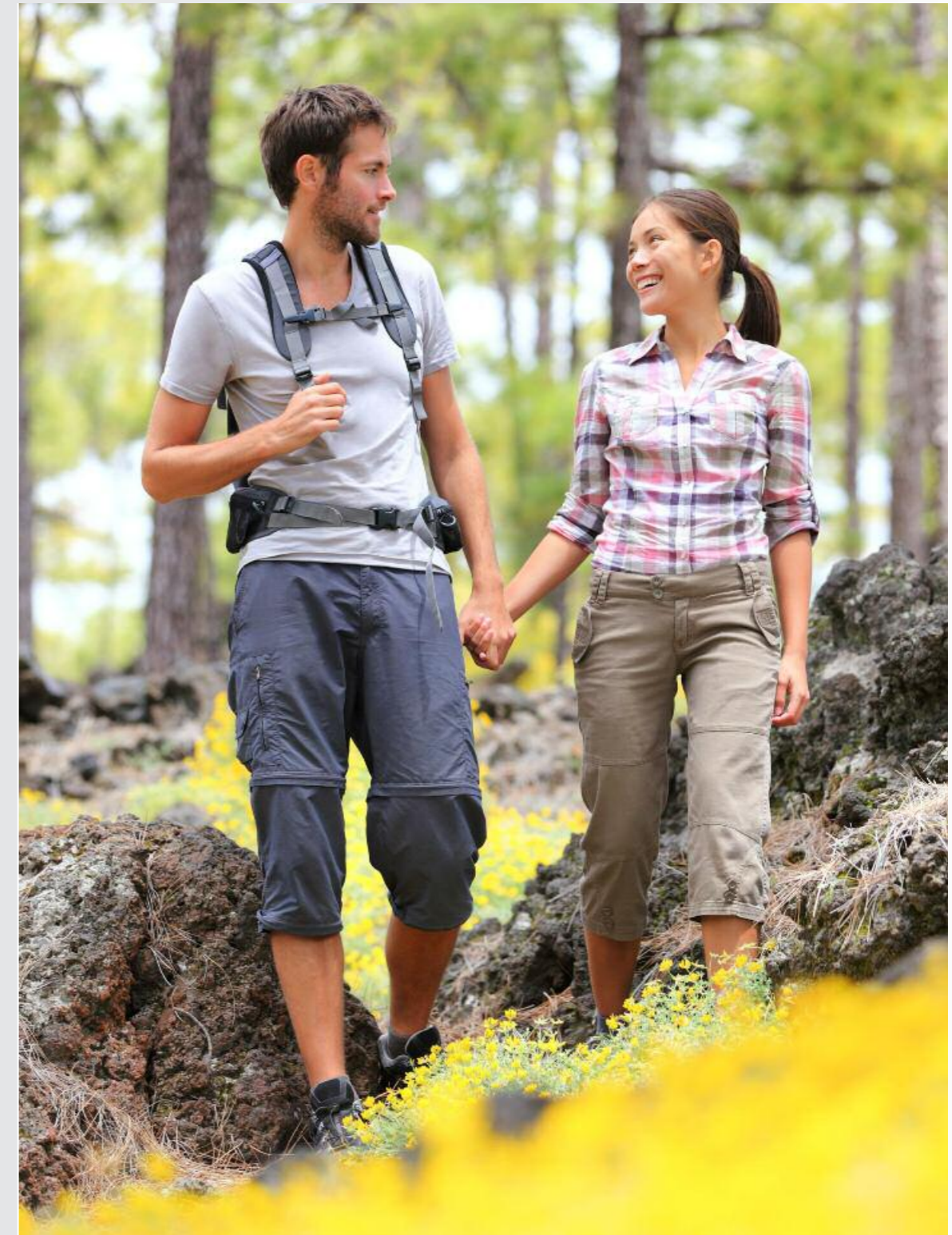
The basis of insurance is medical care expense insurance with unlimited coverage which is supplemented by luggage insurance, including luggage and flight delay, liability insurance and other loss, accident insurance and insurance of cancellation penalty with a common amount of deductible. In addition to individual and group tariffs for mass tourism 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 short trips abroad or annual insurance for repeated short trips.

More than 150 sports activities are included in the basic insurance. Allianz pojišťovna offers sports supplementary insurance to insure more risky sports.

On-line underwriting through the Internet or by phone has become increasingly popular for travel insurance; the clients can arrange all themselves from their home. For clients travelling only short part from the Czech border, a cost effective package that includes medical care expenses insurance with limited coverage of CZK 3 million and liability insurance is offered.

An integral part of Allianz travel insurance is extensive and high-quality assistance service, offered free-of-charge via Allianz Assistance.

Prompt and transparent claims settlement forms are an integral part of our travel insurance.





CLAIMS SETTLEMENT

Claims settlement has an essential influence on creation of client's experience with insurance company, also on its good reputation and results of its economic activity.



Claims settlement

Claims settlement has an essential influence on creation of client's experience with insurance company, also on its good reputation and results of its economic activity. The experts in claims settlement department are fully aware of it and that is why we continued on modernization of claims settlement process.

Claims settlement in the life and health focused on the quick and high-quality process of claims services as every year. The main and prior goal for 2016 was digitalization, IT systems innovation, simplification and minimization of paper processing.

We managed to implement a lot of partial adjustments for user-friendly work and acceleration of claims settlement, a new process minimizing processing of claims in paper work in life damages. At the same time, we managed to start the first changes within new digital information system (TeamWorks) for processing insurance cases.

From the point of view of claims settlement in life and health, 2016 was focused on increasing client's satisfaction and increasing of client's attitude. We managed to reach this goal, which is evidenced by positive responses from the clients and from business network, but especially by increasing Net Promoter Score.

Main goal for 2017 is to finish digitalization process in new information system (TeamWorks- 2nd phase), Allianz promises from it maximal users' comfort, effective control process and positive impact on speed of insurance cases investigation.

Claims settlement in non-life insurance continued on previous regime, next financial costs and human capacities were donated to important adjustment of used software that led to simplification and acceleration of the process with positive impact on both clients and employees.

Employees from claims settlement department in motor insurance dealt with claims from new brand insurance for vehicles AUDI, SEAT and VW, which increased the current important business portfolio to ŠKODA vehicles.

In property insurance, innovation was solution to claims arising from concluded new insurance of private property and liability which is tailored for each client, it has not package form any more.

In private property insurance and liability insurance, Allianz pojišťovna increased the scope of cooperation with external claims adjusters, besides existing contractual relations with reconstruction companies, in order to react more promptly and to solve the claims especially of calamity range.

Brand new innovation in history of Allianz pojišťovna was solution to insurance cases from the converted policies on motor insurance, when retail clients started with the latest product Autopojištění 2015 (Motor Insurance 2015), and, very often, also with change of assistance services. It placed and during 2017 till the conversion finishing will place big demands on good orientation and claims settlement within the whole process. The goal of this big change is to make the situation in insurance more transparent, for both clients and business sphere (business representatives, brokers etc), and, in a lot of cases, to improve the scope of insurance and services, and to ensure also positive impact on simplified and cheaper internal and external processes in the company.

Not only the above-mentioned important changes, but also a lot of smaller ones, fit to long-term frame and final goal- to be insurance company with simple and transparent products, modern communication tools and high-quality claims settlement, which is shown in high indicator of Net Promoter Score.



SALES

Sales mixture of Allianz pojišťovna contributed, that insurance company can review 2016 as commercially successful year, we managed to increase portfolio premium.



Sales

Sales mixture of Allianz pojišťovna contributed, that insurance company can review 2016 as commercially successful year, we managed to increase portfolio premium.

Tied Agent Sales Force

The so called tied agent sales service plays the key role within multichannel distribution model which is created by exclusive business representatives. That is why Allianz pojišťovna invests into professional and personal development of its representatives, it implemented new talent programmes and, thanks to this, the number of professionally senior advisors is growing. The newly improved career system encourages business people in their development and leads to increase of successful managers in sales force. In retail insurance, this distribution channel always arranges majority of production and keeps more than one half of portfolio and that is why it has a strategic importance for the company. In 2016, portfolio of tied agent sales forces increased almost CZK 100 million, the most of branches participated in it.

Online Underwriting

In the context of insurance conclusion by means of direct distribution, 2016 was successful in a lot of spheres. At the beginning of the year, Allianz implemented a new version of commercial web for smart phones and mobile devices which brought not only higher interest in offer of motor insurance, but also regularly absolute increase of concluded products by means of internet. In consequence of successful updating of clients database, Allianz pojišťovna started to implement its long-term plan of commercial campaigns in the half of 2016. The first campaigns brought higher production on the client and, at the same time, they showed meaningfulness of company's investment in processes optimization while collecting and evaluating the data. In autumn 2016, Allianz implemented principle of setting the price based on really driven kilometres every year also in the offer of iAuto (iCar), which is motor insurance concluded on-line. From the client's point of view, the meaningfulness of this change meant multiple increase in offers on internet and in the last quarter of the year it brought record-breaking number of policies by means of direct sales channels since 2010.

Call centre

In 2016, Allianz pojišťovna continued on sales growth by means of call centre. Year-on-year we managed to increase the number of commercial cases which were handed over from on-line to call centre with 50% due to investments into simplification and optimization of on-line conclusion. Owing to that and also owing to increase in successful sales from incoming calls, we achieved year-on-year growth of new business production in call centre with 30%. At the same time, we managed to stabilize the quality of clients' attendance, especially availability which belongs to the top not only in financial market. In April 2016, client line started operating also at the weekends, both for claims report and for general attendance. Allianz offers the widest opening time of the clients' centre in the market. The implementation of clients' identification according to phone number was a pleasant innovation and availability of services in the clients' centre was simplified significantly. In 2017 we will continue on further strengthening the position of direct distribution channels in sales, because popularity of this simple and fast conclusion is growing constantly. Allianz intends to increase product portfolio with possibility of on-line conclusion above the current motor, property and travel insurance.

MLM and broker pools

2016 was a year of significant growth for external distribution by means of so-called MLM partners and broker pools. Despite unequal commission environment in the market, the company managed to ensure the production increase at most external business partners, especially owing to above-standard business relations. In January 2016, the new version of risk life insurance Mercury mini in network OVB Allfinanz, a.s was implemented and in June 2016 there was an adjustment of commission setting at the product F1 Safety for company Partners Financial Services. In life insurance, Allianz pojišťovna increased more than 59% compared to 2015. The production increase in MLM networks and broker pools culminated in the 4th quarter of 2016, when Allianz exceeded CZK 60 million of incoming premium for life and non-life products. The most important partners in sale of life insurance were companies Partners (38%), OVB (32%), Fincentrum (9%) and Broker Trust (9%), in non-life insurance OVB (22%), Fincentrum (18%), Broker Trust (18%) and Partners (11%). Also in 2016 the following of quality of intermediary activities of individual business partners, especially in form so-called "welcome calls" and NPS phone calls.

Central Brokers and Industrial Insurance

In 2016, Allianz pojišťovna managed to start successful cooperation with the biggest business partners from previous years. Commercially successful year was in the sphere of both industrial insurance and entrepreneurial insurance. The results in entrepreneurial insurance show, that Allianz has a good direction within changes of this segment. Allianz pojišťovna registers the growth in agriculture insurance again.

Leasing and Dealers

In 2016, Allianz continued on strengthening its position in the market where insurance is sold within instalments of financing. Jointly with number of newly insured cars the company managed to improve the profitability of this insurance segment, owing to new attitude to the insurance setting. At this type of motor insurance, similarly to retail policies, the segmentation criteria start to be used- system bonus/malus, client's age etc. Allianz focused on interconnection of communication for sales and service part at insurance sale at vehicle sellers in order to achieve "unified face" at these business partners. At the same time, the company continued on support of branded products development, e.g. Toyota Insurance, ŠKODA Insurance, BMW Insurance, Volvo Car Insurance and KIA Insurance. Last but not least, Allianz became a partner and provider of products Volkswagen Insurance, Audi Insurance and Seat Insurance.

Bancassurance and Allianz finance

At the beginning of 2016, Allianz pojišťovna transferred its entrepreneurial activities in sales intermediation of bank products to its subsidiary company Allianz kontakt, s.r.o. By means of this step, the company fulfilled the condition for newly prepared legislation in insurance business.

In 2016, the strategic cooperation with UniCredit Bank continued and, newly, cooperation with Wüstenrot stavební spořitelna (Wüstenrot building society) and Wüstenrot hypoteční banka (Wüstenrot mortgage bank) developed. Commercially most important, from the point of view of the volume of intermediated mortgage loans by tied agent sales force of Allianz pojišťovna and selected business partners are Komerční banka and UniCredit Bank, newly also Raiffeisenbank. The volume of intermediated mortgage loans and consumer loans increased year-on-year significantly again. This time more than 50% and exceeded the limit CZK 2 billion. Owing to this, Allianz was among the biggest loans intermediaries in the Czech market.

From the point of view of insurance products sale in distribution channels of bank partners, new cooperation in the sphere of sale of property insurance with Moneta Money Bank was concluded, but especially with Wüstenrot stavební spořitelna that became the most important partner of Allianz pojišťovna in the sphere of bancassurance. The intermediation of investment by means of company Pioneer Investments and Conseq Invest Management became an innovation, owing to this, financial services portfolio that is offered by representatives of tied agent sales force was completed.



HUMAN RESOURCES

From the HR point of view, 2016 was one of the most successful years in history of Allianz in the Czech Republic again.



Human resources

From the HR point of view, 2016 was one of the most successful years in history of Allianz in the Czech Republic again. This year the company invested both into its people and into adjustments of working space according to last trends. Within project WORK WELL, Allianz opened a gym in the building of headquarters, where the regular courses in yoga, health exercises and relaxation are organized. We placed 2nd in the prestigious competition TOP Employer.

Allianz pojišťovna is aware fully that the basis of its success are the employees. The employees, who are motivated to provide their clients with the best services. They create and improve products of Allianz, they offer products that best reflect the customer's needs. In case of insured accident they will provide high-quality insurance protection which will provide our clients with unmatched settlement service. 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:

- Soft skills – Work argumentation and negotiation, Conflicts solution and assertiveness, Successful presentation
- Special courses for management- Project proceedings, Personnel brand, Enneagram, Mindfulness
- Professional training- Excel- on all levels in collaboration with PC Alphabet
- We learn each other-system of internal professional training with topics: Project management, work as adrenalin sport; Controlling, commissions and planning in Allianz from A to Z; Investments and liquidity management
- Language courses- group and individual training
- Induction training for new employees
- Training abroad for selected specialized professions
- Participation of employees in conferences and professional gatherings
- Allianz Academy- system of in-house training for business service
- Extra-work education, such as expert certification or ACCA etc.

In 2016, the employees of Allianz pojišťovna had possibility to attend a lot of interesting trainings that were focused on professional, personnel and managerial development. Increase of MS Excel knowledge was taken into consideration, almost half of employees attended a course based on categorization test. Further, we continued on successful concept under the title We learn each other. Within this project, the employees share their knowledge and introduced the department, in which they work. Further, the employees could attend the large-scale lecture with Marián Jelínek. All managers attended e.g. course in project proceedings besides soft skills training.

Employee Benefits

Allianz pojišťovna aims at continuously reinforcing its position among leading insurers as well as among important employers. The company fully appreciates that the excellent results are, to a large extent, owed to the high commitment of its employees. The most significant benefits in 2016:

- A week of vacation in addition to the time prescribed by law
- Three sick days
- Possibility to work from home
- 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
- Employer contribution to catering
- Significantly reduced tariffs on all Allianz pojišťovna insurance products, with selected products, the offer extended to family members and partners
- Employer contribution to the employee's supplementary pension scheme
- Basic life insurance for the case of death due to any cause
- 50% discount on tickets to Theatre Minor
- As a part of partnership with the Botanical Garden, 50% discount on tickets
- T-Mobile programme- special tariffs for employees and their family members
- And newly Cafeteria system from 2014 (BENshop)
- One working day for voluntary activity

Corporate Culture

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

Our corporate culture also includes regular annual survey of employees' motivation in order to monitor the atmosphere in the company and invite new suggestions for increasing employee satisfaction. The long-term strong participation in these voluntary surveys reflects the interest of employees in expressing their opinions and contributing to the further development

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 are an integral part of our corporate culture.

The corporate culture of Allianz pojišťovna is supported by regular meetings with employees for official anniversaries and on other occasions, as well as other sporting and social events for employees to promote team spirit.



NONFINANCIAL INFORMATION

Allianz is highly transparent company which barges the attitude of zero tolerance to fraudulent behaviour and corruption in the long term.



Nonfinancial information

Allianz is highly transparent company which barges the attitude of zero tolerance to fraudulent behaviour and corruption in the long term. Clients' trust and good reputation are result of its professional and fair business attitude. That is why, in 2015 Allianz pojišťovna as financial institution in the Czech Republic started close cooperation with Transparency International.

Open company

The results of global research by Transparency International in which the enterprise transparency of particular companies was assessed in 2014, give evidence about extraordinary position of Allianz in worldwide comparison. Allianz placed among the best- it placed 25th position from 124 companies and was the only insurance company among these 25 ones that went through the "openness filter". The unique research dealt with information openness about internal anti-corruption mechanisms, whistleblowers protection and internal corporation structure, incl. all subsidiaries in the world. Further, the research was focused on fulfilment of tax liability and information rate about profits in particular countries. From the following of enterprise openness rate it is obvious, that global supranational corporations publish only little information about the operations out of their mother countries, or they publish no information at all. Allianz is one of clear exceptions. Comprehensive report with results and research methodology "Transparency in Corporate Reporting: Assessing the World's Largest Companies" is available on www.transparency.cz.

Fight against corruption and bribery

In 2016, Allianz continued on controls of suppliers or on trainings of business representatives with the topic fight against corruption. It is included in the opening training for both new employees and new business representatives. Some suppliers of Allianz or all recipients of presents from Allianz Nadační fond were controlled during the year ad hoc. Allianz opened communication campaign on Whistleblowing and SpeakUp application again. The basis of fight against corruption and bribery are internal documents and regulations, especially nr. 167- Handbook for application the anti-corruption rules in Allianz, nr. 168- Politics of Allianz for presents, entertainment and hospitality, nr. 182- Instructions for Whistleblowing and nr. 185- Anti-corruption measures during cooperation with intermediaries and Code of behaviour, business ethic and compliance with regulations.

Data protection

The topic protection of personal data and privacy becomes more and more important during last years, not only from the point of view of individual persons whose privacy has to be protected, but also from the point of view of these people who are in contact with personal data of foreign people at their work and who should ensure protection of clients' privacy. In Allianz, the basic principles concerning work with personal data are e.g. setting the purpose of processing, gaining the consent with processing or information about processing. The rules and processes of personal data and privacy protection are standardized in regulation nr. 197.02- Protection of personal data and privacy. Other regulation regulates the Allianz employees' handling with sensitive information for development of capital markets. The employees are obliged to secure the confidentiality of such information and use it only for legitimate business purposes. The illegal publishing of internal information is not allowed, so-called insider dealing, manipulation with market. The regulation nr. 178.02- Rules of Capital Markets Compliance which includes the binding rules for all employees of Allianz pojišťovna and Allianz penzijní společnost is devoted to this topic.

Social responsibility

Allianz pojišťovna pays a big attention to the following areas: enterprise ethic, good relations with clients, business partners, compliance with human rights, equality of opportunities and compliance of work standards. It is an integral part of corporate culture of Allianz pojišťovna. Not only company Allianz but also its employees can feel responsibility for other people. D Day- Day that counts arose from this idea.

Company's volunteering

The employees take a keen interest in the company's volunteer project "D Day- A Day That Counts" which helps non-profit organizations. All employees have a possibility to participate in various activities in cooperation with non-profit organizations. In 2016, 207 Allianz employees helped 14 non-profit organizations - 33% men and 67% women devoted one working day to the help. Allianz supports this idea by providing each employee with a paid day off.

Ecology

Allianz pojišťovna has been engaged in global ecological project of Allianz Group since 2008 (by means of signature the so-called Kyoto Protocol) which aims to minimize negative influence on environment, by means of savings in the sphere of energy, water and paper consumption, handling with waste and in the sphere of working ways. In this sphere, volume of CO₂ emissions generated by own activity decreased 25%. In the headquarters, recuperation of air is used and heat pumps operate on cooling and heating (until - 50 degrees Celsius). All leaseholders assort also rubbish.

Contributions to people and organizations for special care

Within company's philanthropy, the company supports financially or materially family projects and also selected cultural and charity events. Long-term support of various projects brought the company to the idea to establish Allianz nadační fond (Allianz Endowment Fund) in 2012. The mission of this Fund is security on the roads, health protection of all participants in traffic operation and active cooperation on the projects with traffic-security topic.

Employees' health

Human resources are basic differentiation factor in current competitive fight. Work with them is priority for Allianz. The company makes an effort to create the best conditions for its employees.

Allianz puts emphasize on Work Well and healthy life style of its employees, not only within working conditions - flexible working time, home office, 3 sick days etc. In 2016, all events for employees were focused on employees' health support.

- 2x Den zdraví (Day of health) with support of Oborová zdravotní pojišťovna - ergonomics of working place, physical exercise in the office, check up of freckles and birthmarks or special project with charity impact which is focused on very often female and male illnesses.
- Support of movement activities and reimbursement of start fee with charity impact, Night Run and Ride a bike to work.

The company also supported sport day on water for employees and other activities. It offers wide sport and cultural activities, closed cyclo-garages and showers for people who ride a bike to work. The company canteen offering warm and cold meals for advantageous price is available 10 hours daily.

Open communication

The employees are informed about all important events and changes at regular meetings with company management, but also by means of digital information media, as regular electronic newsletter INFO or broadcasting of Allianz TV or intranet portal. The e-mail address is available for employees, where they can send their questions. Or the box LISTÁRNA, where they can throw their questions, also anonymously. As we have already mentioned, the big emphasis is put on professional behaviour of employees and compliance with internal company's rules, to which the Code of behaviour and other regulations belong. Respecting the rules of equal employment and intolerance of any discrimination are an integral part of corporate culture. Team cooperation is supported by regular meetings of employees with the company management, similarly to sport and social events for employees- sport day, film broadcasting, Christmas party...

The summary of all nonfinancial information concerning Allianz Group, incl. Allianz pojišťovna, a.s. in the Czech Republic, is included in special report of parent company Allianz SE

https://www.allianz.com/v_1462349129000/en/sustainability/media-2016/Allianz-Sustainability-Report-2015.pdf



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 shareholder for 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 1a
 186 00 Prague 8
 Czech Republic
 +420 222 123 111
 www.kpmg.cz

This document is an unsigned 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.

Opinion

We have audited the accompanying financial statements of Allianz pojišťovna, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, and the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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

IČO 49819187
 DIČ CZ699001996
 ID daňová adresa: 8h3gta



Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance



with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Allianz pojišťovna, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague
28 March 2017

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

Jindřich Vašina
Partner
Registration number 2059



Balance sheet as at 31 December 2016

(In thousands of Czech crowns TCZK)

	2016 Gross	2016 Adjustment	2016 Net	1. 1. 2016 Net
I. ASSETS				
A. Receivables for subscribed registered capital				
B. Intangible fixed assets, thereof	953 400	754 821	198 579	211 180
b) Goodwill				
C. Investments	21 659 592		21 532 023	21 072 530
I. Land and buildings, thereof				
1. Land				
2. Buildings				
a) Land and buildings - self-occupied				
II. Investments in affiliated undertakings and participating interests	1 970 808	127 569	1 843 239	1 842 233
1. Participating interests with controlling influence	1 012 748	127 569	885 179	881 292
2. Debt securities issued by, and loans and credits to, undertakings - controlling influence	958 060		958 060	960 941
3. Participating interests with significant influence				
4. Debt securities issued by, and loans and credits to undertakings - significant influence				
III. Other investments	19 688 784		19 688 784	19 230 297
1. Shares and other variable-yield securities, other participating interests	1 477 709		1 477 709	1 471 217
2. Bonds and other fixed-income securities	18 024 188		18 024 188	17 348 929
a) bonds and other fixed-income securities valued at fair value through profit and loss				
b) "OECD" bonds held to maturity				
3. Financial placements in investment associations				
5. Other loans and credits	9 372		9 372	15 385
6. Deposits with financial institutions	141 861		141 861	375 742
7. Other investments	35 653		35 653	19 024
IV. Deposits with ceding undertakings				
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	7 716 613		7 716 613	8 510 561

	2016 Gross	2016 Adjustment	2016 Net	1. 1. 2016 Net
E. Debtors	1 525 584	327 271	1 198 314	1 106 611
I. Receivables arising from direct insurance operations	1 002 405	311 470	690 935	713 020
1. Policyholders, thereof	885 875	195 485	690 390	712 255
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. Intermediaries, thereof	116 530	115 985	545	767
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	229 768		229 768	128 308
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	293 411	15 800	277 611	265 282
a) Receivables due from entities in which the Company has a controlling influence				1 796
b) Receivables due from entities in which the Company has a significant influence				
F. Other assets	1 122 138	71 043	1 051 095	984 444
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	180 043	71 043	109 000	114 957
II. Cash on accounts in financial institutions and cash in hand	942 095		942 095	869 487
III. Other assets				
G. Temporary asset accounts	501 339		501 339	633 478
I. Accrued interest and rent	6 579	0	6 579	205
II. Deferred acquisition costs	405 218	0	405 218	427 047
a) in life-assurance business	222 499	0	222 499	211 168
b) in non-life insurance	182 719	0	182 719	215 879
III. Other temporary asset accounts, thereof	89 542	0	89 542	206 226
a) Estimated receivables	60 528	0	60 528	184 452
TOTAL ASSETS	33 478 667	1 280 703	32 197 963	32 518 803



Balance sheet as at 31 December 2016

(In thousands of Czech crowns TCZK)

	2016	1. 1. 2016
II. LIABILITIES		
A. Equity	4 499 802	4 448 245
I. Registered capital, thereof	600 000	600 000
a) Changes in registered capital		
II. Premium	29 782	29 782
IV. Other capital funds	367 138	260 569
V. Reserve fund and other funds from profit	534 463	534 463
VI. Profit or loss brought forward	2 223 431	2 213 984
VII. Profit or loss for the financial year	744 988	809 447
B. Subordinated liabilities		
C. Technical provisions	18 065 855	17 565 927
1. Provision for unearned premiums		
a) gross amount	2 975 953	2 939 057
b) reinsurance share (-)	193 922	2 782 031
2. Life assurance provision		
a) gross amount	6 456 663	6 683 902
b) reinsurance share (-)	232	6 456 431
3. Provision for outstanding claims		
a) gross amount	7 910 593	7 155 661
b) reinsurance share (-)	988 029	6 922 565
4. Provision for bonuses and rebates		
a) gross amount	448 696	437 738
b) reinsurance share (-)		448 696
6. Other technical provisions		
a) gross amount	1 456 132	1 508 237
b) reinsurance share (-)		1 456 132

	2016	1.1. 2016
D. Life assurance technical provision where the investment risk is borne by the policyholders	7 716 613	8 510 561
a) gross amount	7 716 613	8 510 561
b) reinsurance share (-)		7 716 613
E. Provisions	147 895	202 513
1. Provisions for pensions and similar obligations		
2. Provisions for taxation	108 355	164 136
3. Other provisions	39 540	38 377
F. Deposits received from reinsurers		
G. Creditors	1 166 464	1 173 349
I. Payables arising from direct insurance operations, thereof	697 247	752 944
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
II. Payables arising from reinsurance operations, thereof	250 752	229 217
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. Payables arising from debt securities, thereof		
a) Payables to entities in which the Company has a controlling influence, thereof		
aa) Convertible bonds		
b) Payables to entities in which the Company has a significant influence, thereof		
ba) Convertible bonds		
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	218 466	191 188
a) Tax liabilities and payables due to social security and health insurance institutions	39 123	40 479
b) Payables to entities in which the Company has a controlling influence		287
c) Payables to entities in which the Company has a significant influence		
VI. Guarantee Fund of the Bureau		
VII. Loss prevention fund		
H. Temporary liability accounts	601 334	618 208
I. Accrued expenses and deferred revenues	18 025	21 913
II. Other temporary liability accounts, thereof	583 309	596 295
a) Estimated payables	583 309	596 295
TOTAL LIABILITIES	32 197 963	32 518 803



Income statement (In thousands of Czech crowns TCZK)

for the year ended 31 December 2016

	2016 Base	2016 Subtotal	2016 Result	1. 1. 2016 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written	10 035 155			
b) outward reinsurance premiums (-)	1 241 017	8 794 138		
c) change in the gross provision for unearned premiums (+/-)	40 401			
d) change in the provision for unearned premiums, reinsurers' share (+/-)	-33 083	73 485	8 720 653	
2. Allocated investment return transferred from the non-technical account			51 293	
3. Other technical income, net of reinsurance			356 890	
4. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	5 867 401			
bb) reinsurers' share (-)	802 135	5 065 266		
b) change in the provision for outstanding claims:				
aa) gross amount	673 458			
bb) reinsurers' share (-)	59 261	614 197	5 679 463	
5. Changes in other technical provisions, net of reinsurance (+/-)			-97 071	
6. Bonuses and rebates, net of reinsurance			273 254	
7. Net operating expenses:				
a) acquisition costs		744 419		
b) change in deferred acquisition costs (+/-)		33 159		
c) administrative expenses		1 816 175		
d) reinsurance commissions and profit participation (-)		190 235	2 403 517	
8. Other technical expenses, net of reinsurance			464 397	
9. Change in the equalisation provision (+/-)				
10. Sub-total on the technical account for non-life insurance			405 275	

	2016 Base	2016 Subtotal	2016 Result	1. 1. 2016 Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written		2 968 250		
b) outward reinsurance premiums (-)		4 889		
c) change in the provision for unearned premiums, net of reinsurance (+/-)		-3 558	2 966 920	
2. Income from financial placements (investments):				
a) income from participating interests, with a separate indication of that derived from controlling influence				
b) income from other investments, with a separate indication of that derived from controlling influence				
aa) income from land and buildings				
bb) income from other financial placements (investments)	15 613	15 613		
c) value adjustments on financial placements		640 330		
d) income from disposal of financial placements		2 685 938	3 341 882	
3. Unrealised gains on financial placements			1 183 091	
4. Other technical income, net of reinsurance			63 644	
5. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	3 077 598			
bb) reinsurers' share (-)	65 635	3 011 963		
b) change in the provision for outstanding claims:				
aa) gross amount	81 474			
bb) reinsurers' share (-)	-2 949	84 423	3 096 386	
6. Changes in other technical provisions, net of reinsurance (+/-):				
a) life assurance provisions:				
aa) gross amount	-265 254			
bb) reinsurers' share (-)	232	-265 486		
b) other technical provisions, net of reinsurance		-710 968	-976 454	
7. Bonuses and rebates, net of reinsurance			28 681	
8. Net operating expenses:				
a) acquisition costs		375 347		
b) change in deferred acquisition costs (+/-)		-11 331		
c) administrative expenses		439 888		
d) reinsurance commissions and profit participation (-)		403	803 501	
9. Expenses connected with financial placements (investments):				
a) investment management charges, including interest		4 460		
b) value adjustments on financial placements		127 569		
c) book value of disposed financial placements		2 694 410	2 826 439	
10. Unrealised losses on financial placements (investments)			1 201 980	
11. Other technical expenses, net of reinsurance			71 389	
12. Allocated investment return transferred to the non-technical account (-)			98 654	
13. Sub-total on the technical account for life assurance			404 960	



	2016 Base	2016 Subtotal	2016 Result	1. 1. 2016 Result
III. NON-TECHNICAL ACCOUNT				
1. Result of the technical account for non-life insurance			405 275	
2. Result of the technical account for life assurance			404 960	
3. Income from financial placements:				
a) income from participating interests, with a separate indication of that derived from controlling influence				
b) income from other investments, with a separate indication of that derived from controlling influence				
aa) income from land and buildings				
bb) income from other financial placements (investments)				
c) value adjustments on financial placements				
d) income from disposal of financial placements				
4. Allocated investment return transferred from the technical account for life-assurance			98 654	
5. Expenses connected with financial placements:				
a) investment management charges, including interest				
b) value adjustments on financial placements				
c) book value of disposed financial placements				
6. Allocated investment return transferred to the technical account for non-life-insurance			51 293	
7. Other income			270 151	
8. Other expenses			263 021	
9. Income tax on ordinary activities			118 737	
10. Profit or loss on ordinary activities after tax			745 989	
11. Extraordinary income				
12. Extraordinary expenses				
13. Extraordinary profit or loss				
14. Income tax on extraordinary activities				
15. Other taxes not shown under the preceding items			1 001	
16. Profit or loss for the financial year			744 988	

Statement of changes in equity

for the year ended 31 December 2016
(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. 2016	600 000	0	29 782	534 463	555 714	-295 145	3 023 431	4 448 245
Correction of significant errors								
Effect of changes in legislation						131 657		131 657
FX gains (losses) and changes in valuation not included in the profit and loss statement						-25 088		-25 088
Net profit/loss for accounting period							744 988	744 988
Profit shares							-800 000	-800 000
Addition to funds								
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
Balance at 31.12. 2014	600 000		29 782	534 463	555 714	-188 576	2 968 419	4 499 802



Notes to the financial statements as at 31 December 2016

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 471 15 971).

Shareholders

The Company's sole shareholder is Allianz New Europe Holding GmbH, with its registered office at Hietzinger Kai 101-105, 1130 Wien, 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 insurance, reinsurance and relating activities within the following range:

1. Insurance activities in compliance with Section 7 (3) of Act No. 363/1999 Coll., on Insurance and on Amendment to Some Related Laws (the Insurance Act), as amended:
 - in the range of insurance classes I. (a), (b), (c), II., III., VI., VII. of life assurance in part A of Appendix No. 1 to Act No. 277/2009 Coll., the Insurance Act;
 - in the range of insurance classes 1; 2 (a), (b), (c); 3; 4; 5; 6; 7; 8; 9; 10; 11; 12; 13; 15; 16 (b), (c), (d), (e), (f), (h), (i), (j); 17; 18 of non-life insurance in part B of Appendix No. 1 to Act No. 277/2009 Coll., the Insurance Act.
2. Reinsurance activities for non-life insurance.
3. Activities relating to insurance and reinsurance activities:
 - mediation activity under the Insurance Act;
 - advisory activity relating to insurance of individuals and legal entities under the Insurance Act;
 - investigation of claims performed based on insurance agreements under the Insurance Act;
 - mediation activity in the field of building savings or in the field of supplementary pension insurance;
 - educational activities for insurance intermediaries and independent loss adjusters;
 - mediation activity in the field of mortgages.

Registered office of the Company

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

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

Members of the Board of Directors and Supervisory Board as at 31 December 2016:

Members of the Board of Directors

Chairman: RNDr. Jakub Strnad, Ph.D., Dobřejovice
Members: Ing. Sonia Mihaylova Slavtcheva, MBA, Prague
Aleš Jelínek, MBA, Prague
Ing. Petr Hrbáček, Prague
Mgr. Josef Lukášek, Čelákovice

Two members of the Board of Directors or one member of the Board of Directors together with a proxy-holder shall always act jointly on behalf of the Company. In order to sign on behalf of the Company, the signatures are required alongside the printed or written name of the Company.

Members of the Supervisory Board

Chairman: Petros Papanikolaou, Munich, Germany
Members: Kay Müller, Munich, Germany
Alexander Protsenko, Munich, Germany

Significant events

Based on the project of merger by acquisition dated 18 April 2016, Wüstenrot pojišťovna a.s., with its registered office at Na Hřebenech II 1718/8, 140 23 Praha 4, identification no. 28400682, and Wüstenrot, životní pojišťovna, a.s., with its registered office at Na Hřebenech II 1718/8, 14 023 Praha 4, identification no. 25720198, ceased to exist and their assets and liabilities were transferred to the successor company, Allianz pojišťovna, a.s., with its registered office at Ke Štvanici 656/3, post code 18600, identification number 47115971.

The Company disclosed the pro-forma opening balance sheet as at 1 January 2016. For this reason, these financial statements include prior period data as at 1 January 2016 in the balance sheet and they do not include prior period data in the income statement.



Organisational structure and major changes to the organisational structure during the financial year



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. 89/2012 Coll., Civil Code, Act No. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, as amended, Act No. 168/1999 Coll., on 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 of 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, Regulation 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 ("Regulation No. 502/2002 Coll."), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll., as amended, and other relevant legislation.

As a result of the above legislation being amended as at 1 January 2016, some of the accounting policies described in note I.4. have been changed.

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.

The financial statements have been prepared on a going concern basis.

All amounts are presented in thousands of Czech crowns (TCZK), except when indicated otherwise.

These financial statements are non-consolidated.

I.4. Significant accounting policies

(a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost and depreciated using the straight-line basis over their estimated useful lives.

Tangible fixed assets costing less than TCZK 40 and intangible fixed assets costing less than TCZK 60 are charged to the income statement 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	20
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 agreement

(grouped according to material subclasses with the same depreciation rate)



(b) Investments

Securities which are not classified as Participating interests

At the acquisition date securities are stated at acquisition cost.

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

Interest income is defined as:

- a) (for coupon debt securities) the accrued coupon specified in issue terms and conditions and the accrued difference between the nominal value and net cost, described as a premium or discount. Net cost is defined as the cost of a coupon bond reduced by the accrued coupon as at the date of acquisition of the security,
- b) (for zero-coupon bonds and bills of exchange/promissory notes) the accrued difference between the nominal value and cost.

The Company amortises premiums and discounts on all debt securities. Premiums and discounts are amortised to the income statement on the basis of the effective interest rate method from the date of acquisition to their maturity. Securities are revalued at their fair value as at the balance sheet date with the exception of securities held to maturity and bonds not intended for trading.

For the purposes of subsequent measurement, securities that are recognised in assets and that are not considered ownership interests with controlling or significant influence are classified as securities at fair value through profit or loss, available-for-sale securities, or held-to-maturity securities.

A security at fair value must meet either of the following conditions:

- a) it is classified as held for trading
- b) upon initial recognition it is designated by the accounting entity as a security at fair value.

An available-for-sale security is a security which is a financial asset and which the insurance company has decided to classify as an available-for-sale security and which has not been classified as a security at fair value, a security held to maturity, or a security not intended for trading.

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 value is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate or if appropriate based on generally accepted valuation models if these generate an acceptable market value estimate.

A change in the fair value of securities valued through profit and loss or available for sale is recognised in the income statement.

The Company recognises the bonds held to maturity and the bonds not intended for trading at their amortised cost as at the balance sheet date. Securities held to maturity only comprise those debt securities which the accounting entity has obvious intent and ability to hold to maturity.

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. The amount of adjustments to securities held to maturity only reflects the change in the risk profile of the issuer, not the change in the risk free interest rates, per individual securities.

Where 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 income statement rather than in equity, the cumulative revaluation differences previously recognised in equity are derecognised and recognised in the income statement only at the moment of sale or maturity of the relevant security.

Investments in affiliated undertakings and 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. Controlling influence is defined as the insurance company's ability to govern the financial and operating policies of another company so as to obtain benefits from its activities.

The insurance company exercises controlling influence if it meets at least one of the following conditions:

- a) it is a majority shareholder, or
- b) it has the majority of voting rights based on an agreement concluded with another shareholder/other shareholders, or
- c) it has the power to appoint, elect or remove the majority of individuals who constitute the statutory body or are members thereof, or the majority of individuals who are members of the supervisory body of the legal entity of which it is a shareholder.

An ownership interest with significant influence is an ownership interest in an affiliated company which is not a subsidiary and in which the insurance company exercises significant influence. Significant influence is defined as the insurance company's ability to participate in the financial and operating policy decisions of another company, without the ability to exercise controlling influence. The insurance company exercises significant influence if it holds, directly or indirectly, at least 20% of another company's registered capital or voting rights, unless it exercises controlling influence over that company or clearly demonstrates that it is unable to exercise significant influence. If the entity holds less than 20% of another company's registered capital or voting rights, it is presumed that significant influence does not exist, unless such influence can be clearly demonstrated.



Investments in affiliated undertakings and participating interests in the form of debt securities issued by the controlled persons or persons in which the accounting entity exercises significant influence, and which are classified as securities at fair value through profit or loss or securities available for sale are presented in C.II.2 Debt securities issued by, and loans and credits to, undertakings - controlling influence.

At the acquisition date and at the balance sheet 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. Similarly as for the other assets, as at the balance sheet date the Company assesses whether the participating interests are impaired.

Deposits with financial institutions

As at the acquisition date and as at the balance sheet date, deposits with financial institutions are stated at acquisition cost increased or decreased by interest income or interest expense. In the notes to the financial statements, the book value of these deposits is considered to be their fair value.

Derivatives

A derivative is a financial instrument that meets all of the following conditions:

- a) its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable ("the underlying asset").
- b) it requires a small or no initial net investment compared with other types of contracts based on a similar response to changes in market factors,
- c) it is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet 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

The method of recognizing fair value of hedging derivatives depends on the hedge accounting model 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, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- as for hedging forecast transactions, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

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 income statement.

If the derivative hedges the exposure to changes in cash flows related to recorded assets and liabilities or to expected transactions which are highly probable, the effective part of the change in its fair value is recognised in equity. The ineffective portion is recognised in profit or loss.

If the hedging of forecast transactions results in the recording of a financial asset or liability, the cumulative gains or losses arising from changes in the fair value of the hedging derivative reported in equity are charged to the income statements at the same moment as the gains or losses arising from revaluation of the hedged item.

If a hedging derivative expires or is terminated, or a hedge no longer meets the conditions for designating a derivative as a hedging derivative, the gain or loss on the hedging instrument that has been recognised in equity from the period when the hedge was effective continues to be recognised in equity until the forecast transaction occurs, after which it is recognised in profit or loss.

If the Company no longer expects the forecast transaction to occur, the gain or loss on the hedging instrument that has been recognised in equity from the period when the hedge was effective is reclassified to profit or loss.

If the Company decides to stop designating a derivative as a hedging derivative and, at the same time, expects the forecast transaction to occur, the gain or loss on the hedging instrument that has been recognised in equity from the period when the hedge was effective continues to be recognised in equity until the forecast transaction occurs, after which it is recognised in profit or loss.

If the Company decides to stop designating a derivative as a hedging derivative and, at the same time, does not expect the forecast transaction to occur, the gain or loss on the hedging instrument that has been recognised in equity from the period when the hedge was effective is reclassified to profit or loss.



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 carried at fair value or it is carried at fair value but the revaluation is reported in the balance sheet.

Other derivatives – derivatives held for trading

Financial derivatives which do not meet the requirements for the application of hedge accounting or for which the Company has decided not to apply hedge accounting are carried at fair value with gains (losses) from changes in fair value recognised in profit or loss.

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

Investments for the benefit of life assurance policyholders who bear the investment risk are accounted for separately from other investments.

At the balance sheet date, investments 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 income statement.

(d) Adjustments

The Company creates adjustments to receivables and other assets except for investments 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. Creation and utilisation of adjustments to receivables arising from direct insurance operations are recognised in Other technical expenses, net of reinsurance, and Other technical income, net of reinsurance.

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 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) Amortisation expense

Receivables are written off based on the Company’s decision, which reflects the ageing structure of receivables and a particular receivable being assessed as effectively uncollectible or irrecoverable. This involves a permanent reduction in the value of a receivable. The full book value of the respective receivable is written off.

(f) 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 income statement.

(g) 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 and the ratio of the gross provision for unearned premiums at the balance sheet date to the total gross premiums written for the financial year. Direct acquisition costs are deferred on an individual basis according to the deferrals of premium of individual insurance contracts.

Life assurance (other than assurance connected with an investment fund / unit-linked assurance)

In life assurance the Company determines deferred acquisition costs using the zillmerisation method, which is the method used to calculate the life assurance provision, see note 1.4.(j).

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.



(h) 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 utilised.

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

(i) 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.

(j) 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 acquisition costs are included in the life assurance provision using actuarial methods. The provision is net of 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.

(k) 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 till the end of period (RBNS),
- b) Incurred but not reported till the end of 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 most common methods are: Standard chain ladder, Bornhuetter-Ferguson, Cape Cod, Complementary loss ratio, Frequency-Severity, and other methods using the mortality tables. The provision has been created using the prudence principle. The prudence principle is applied by provisioning on the confidence level determined by the Reserve Committee. At present, the confidence level amounts to 75% in respect of all classes of insurance, with the exception of motor third-party liability insurance the confidence level of which amounts to 90%.

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

The provision is reduced by an estimate of the value of salvage and subrogation recoveries, which were or will be enforced against debtors (the party that caused the damage) or other insurance companies arising from liability insurance. The estimated value of future salvage and subrogation is included directly in the calculation of the total IBNR liability.

When calculating the provision for outstanding claims, no discounting is carried out except for the provision for outstanding claims where claims payments are made in the form of annuities (in particular in terms of motor third-party liability insurance).

When creating the provision for outstanding claims in terms of claims where the insurance company acts as the leading co-insurer, the applicable provisions of the Civil Code 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 currently available to them, 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.

(l) 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 income statement are presented in “Bonuses and rebates”.



(m) Other technical provisions

Other technical provisions include the provision for insufficient premiums in non-life insurance, provision for liabilities arising from the applied technical interest rate, non-life insurance provision, provision for liabilities of the Czech Bureau of Insurance and other technical provisions, if created by the accounting entity.

At the end of the accounting period, the Board of Directors reassesses the amount of other technical provisions based on all information available to them as at the date of preparation of the financial statements.

1. Provision for liabilities arising from the applied technical interest rate

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 technical provision where the investment risk is borne by the policyholders).

The liability adequacy test is performed using discounted projected cash flows.

The minimum value of liabilities to policyholders 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.

The change in this provision is presented in note II.6.b) in the income statement.

Provision for liabilities of the Bureau

The Company is a member of the Czech Bureau of Insurers ("the Bureau").

The provision for liabilities of the Bureau is intended to cover the Company's share in the liabilities of the Bureau pursuant to the Motor Third-Party Liability Insurance Act. The provision is intended to cover the above mentioned liabilities as the Bureau does not have adequate assets to cover these liabilities. The extent of this provision equals the Company's share in the total liabilities of the Bureau and it is calculated using actuarial methods.

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.

(n) Life assurance technical provision where the investment risk is borne by the policyholders

The life assurance technical 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.

(o) Reinsurance share of technical provisions

Technical provisions are presented as a net liability, i.e. after deduction of the reinsurance 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 reinsurance share of the provision for unearned premiums, the provision for outstanding claims, the life assurance provision, and the provision for bonuses and rebates. The reinsurer does not participate in the other technical provisions.

(p) Provisions

Provisions are intended to cover payables or expenses, 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.

(q) 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.



(r) 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.

(s) Acquisition costs

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

(t) Expenses and revenues from investments

Accounting treatment of expenses and revenues from investments and their allocation between life assurance and non-life insurance accounts

All expenses and revenues from investments are recorded initially in the technical account for life assurance. Expenses and revenues from investments, 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 investments 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 investments related to the respective technical life provisions (including life assurance where the investment risk is borne by the policyholder) 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 investments

The disposal of investments 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.

(u) Loss prevention fund

Under Section 23a (2) of the amendment to Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, which came into effect on 1 January 2015, the insurance company is obliged to pay at least 3% of annual premiums collected for motor third-party liability insurance for each calendar year to a Loss Prevention Fund.

(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 investments

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

Other expenses and revenues

During the accounting period clearly attributable expenses and income are accounted for directly in the life assurance or non-life insurance technical account 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 analysed the activities of the business and assigned them to the life and non-life technical segments. The rate for allocation of other revenues and expenses between life and non-life technical accounts is calculated based on the ratio of those segments.

(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 CNB official rate on that date. Unless stated otherwise, foreign currency gains and losses are recorded in Company's income statement.

(x) Consolidation

Pursuant to Section 38 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 Sections 22aa (2c) and 21a of the Act on Accounting. The consolidated financial statements are available at the registered office of Allianz pojišťovna, a.s., Ke Štvanici 656/3, 186 00 Praha 8. As all requirements stipulated in the Act on Accounting have been met, the Company will not prepare consolidated financial statements.



I.5. Change in accounting policies and procedures

The Company adjusted the valuation of selected items from investments as at 1 January 2016 based on the amendments to legal regulations stated in note I.3. The above mentioned changes were carried out as follows:

Investments in affiliated undertakings and participating interests

Until the end of 2015, participating interests were carried at fair value. Effective from 2016, these items are valued in accordance with note I.4.(b). The Company carried out a one-off derecognition of the revaluation difference recognised in A.IV. Other capital funds as at 31 December 2015 and it also derecognised the relevant amount from C.II. Investments in affiliated undertakings and participating interests. The total impact of these changes on the Company's financial statements is as follows:

	1. 1. 2016 before adjustment	Adjustment	1. 1. 2016 after adjustment
C.II. Investments in affiliated undertakings and participating interests	297 357	131 657	428 942
A.IV. Other capital funds	131 657	-131 657	0

Securities held to maturity

All securities held to maturity have been valued at amortised cost since 2016 in accordance with note I.3.(b) and presented in C.III.2.b) Bonds and other fixed-income securities held to maturity in the Company's balance sheet. These securities include securities held to maturity that were until 2015 revalued at fair value and the resulting change in fair value was recognised in equity. The Company carried out a one-off derecognition of the revaluation difference recognised in A.IV. Other capital funds as at 31 December 2015 and it also derecognised the relevant amount from C.III.2.b) Other securities held to maturity. The total impact of these changes on the Company's financial statements including the impact on deferred tax is as follows:

	1. 1. 2016 before adjustment	Adjustment	1. 1. 2016 after adjustment
C.III.2.b) Securities held to maturity	4 050 951	-29 346	4 021 605
A.IV. Other capital funds	-29 346	29 346	0
G.V. Other payables, thereof	-4 258	4 258	0
A.IV. Other capital funds	4 258	-4 258	0

During 2016, the Company did not make any other significant corrections of prior year errors and change any accounting policies and procedures and during the financial year it did not apply any significant deviations from these policies and procedures.

I.6. Risk management

In compliance with Act No. 277/2009 Coll., on Insurance, and amendment No. 304/2016 Coll. to the Insurance Act dated 23 September 2016, 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 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 exposed to insurance risk, which naturally results from the underwritten insurance contracts as well as other risks, mainly 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.

The Company uses a standard model for economic capital calculation and risk management. The other risks not incorporated directly in this model are monitored and managed through other tools and methodologies in compliance with the Allianz Group standards, which are an integral part of the own risk and solvency assessment (ORSA).

(a) Non-life insurance risk

The Company is exposed to insurance risk and underwriting risks following from the sale of non-life insurance products. 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 for development and valuation of products, determination of the technical provisions amount, reinsurance strategy and underwriting rules.

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. From the geographical point of view, the Company has no significant concentration of exposure to any group of persons insured, measured by social, professional or age criteria.

(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 and elimination of risks in order to prevent changes that have a negative impact on the profit (loss) of the Company and the Company's equity.

The Company applies profit testing when valuing insurance products and further the liability adequacy test in order to identify, quantify and eliminate the risks. 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 primarily on cooperation with the parent company, in combination with reinsurance contracts with external reinsurers.

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.

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.

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.

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.

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

- Reinsurance share of 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 Company sets its own limits for the structure of investments and for the 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.

(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 investments in liquid financial instruments.



II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET

II.1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2016 comprise the following items:

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2016	754 313	29 269	783 582
Additions	181 405	17 840	199 245
Transfers	2 112	-2 112	0
Disposals	-4 075	-25 352	-29 427
Acquisition cost at 31/12/2016	933 755	19 645	953 400
Accumulated amortisation at 1/1/2016	572 402	0	572 402
Amortisation expense	182 419	0	182 419
Disposals	0	0	0
Accumulated amortisation at 31/12/2016	754 821	0	754 821
Net book value at 1/1/2016	181 911	29 269	211 180
Net book value at 31/12/2016	178 934	19 645	198 579

II.2. Investments

(a) Investments in affiliated undertakings and participating interests

Participating interests with controlling influence 31/12/2016

Trade name, registered office	Participating interest as % of registered capital		Acquisition cost	Adjustment	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní společnost, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	583 607	-	583 607	*300 000	*872 595	*72 163	
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	-	200	*200	*7 466	*2 527	
Diamond Point, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	428 941	127 569	301 372	*78 793	*277 904	*23 469	
Total	-	1 012 748	127 569	885 179	378 993	1 157 965	98 159	

*) unaudited financial dat

1/1/2016

Trade name, registered office	Participating interest as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní společnost, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	583 607	583 607	*300 000	*800 432	*41 943
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	200	*200	*4 940	*101
Allianz generální služby, s.r.o. , v likvidaci Ke Štvanici 656/3, 186 00 Praha 8	100	200	200	*200	*118	*-3
Diamond Point, a.s. Mánesova 917/28, 120 00 Praha 2	100	428 941	297 285	*78 793	*297 285	*16 435
Total	-	1 012 948	881 292	379 193	1 102 775	58 476

*) unaudited financial data

Participating interests with significant influence

The Company has no participating interests with significant influence.

(b) Debt securities issued by controlled persons and loans provided to them

	Fair value		Acquisition cost	
	2016	1/1/2016	2016	1/1/2016
Diamond Point, a.s.	958 060	960 947	876 000	876 000
Total	958 060	960 941	876 000	876 000

**(c) Shares and participation certificates**

	2016	Fair value 1/1/2016	2016	Acquisition cost 1/1/2016
Issued by financial institutions				
Listed on a recognised CR exchange	0	19 160	0	18 431
Listed elsewhere	1 218 553	1 163 388	1 165 826	1 146 304
Issued by non-financial institutions				
Listed elsewhere	259 156	288 669	180 957	222 766
Other				
Listed elsewhere	-	-	-	-
Total	1 477 709	1 471 217	1 346 783	1 387 501

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

	2016	Fair value 1/1/2016	2016	Acquisition cost 1/1/2016
Issued by financial institutions				
Listed on a recognised CR exchange	1 846 788	1 944 346	1 815 719	1 852 503
Listed elsewhere	1 427 883	1 299 761	1 140 263	1 011 282
Issued by non-financial institutions				
Listed on a recognised CR exchange	549 412	510 895	531 721	491 651
Listed elsewhere	833 579	651 281	776 964	614 117
Issued by government sector				
Listed on a recognised CR	9 082 611	8 494 909	8 220 110	7 732 787
Listed elsewhere	393 888	396 786	391 590	391 590
Issued by insurance institutions				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	-	-	-	-
Other				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	-	-	-	-
Total	14 134 161	13 297 978	12 876 367	12 093 931

(e) OECD debt securities held to maturity

	Amortised value		Fair value		Acquisition cost	
	2016	1/1/2016	2016	1/1/2016	2016	1/1/2016
Listed on a recognised CR exchange	3 448 059	3 476 873	4 155 315	4 294 067	3 373 570	3 631 507
Total OECD debt securities held to maturity	3 448 059	3 476 873	4 155 315	4 294 067	3 373 570	3 631 507

(f) Other securities held to maturity

	Amortised value		Fair value		Acquisition cost	
	2016	1/1/2016	2016	1/1/2016	2016	1/1/2016
Issued by financial institutions						
Listed on a recognised CR exchange	40 001	141 808	42 291	145 231	40 003	143 454
Listed elsewhere	208 433	212 417	210 946	219 547	208 554	210 456
Issued by non-financial institutions						
Listed on a recognised CR exchange	127 761	129 931	139 218	141 935	127 682	127 426
Listed elsewhere	19 999	20 023	20 002	20 043	20 000	20 000
Issued by government sector						
Listed on a recognised CR exchange	45 774	46 280	47 748	47 321	45 717	45 687
Listed elsewhere	-	-	-	-	-	-
Issued by insurance institutions						
Listed on a recognised CR exchange	-	-	-	-	-	-
Listed elsewhere	-	-	-	-	-	-
Other						
Listed on a recognised CR exchange	-	-	-	-	-	-
Listed elsewhere	-	-	-	-	-	-
Total	441 968	550 460	460 205	574 078	441 956	547 023

(g) Other loans and credits

As at 31 December 2016, the Company had provided other loans to policyholders, guaranteed by the insurance contract entered into, in the amount of TCZK 9 372 (at 1/1/2016: TCZK 15 385).

(h) Deposits with financial institutions

	2016	1/1/2016
Due within 1 year	91 861	287 340
Due in 1 to 5 years	50 000	88 402
Due in more than 5 years	-	-
Total	141 861	375 742

**(i) Other investments**

	Nominal value		Fair value	
	2016	1/1/2016	2016	1/1/2016
Fixed-term transactions	1 452 368	1 251 472	-14 563	-13 241
Options	-	-	50 216	32 265
Total	1 452 368	1 251 472	35 653	19 024

(j) Other investments - derivatives**Hedging derivatives**

	Nominal value		Fair value	
	2016	1.1.2016	2016	1.1.2016
Fixed term contracts with a negative fair value				
Term currency transactions	1 452 368	1 251 472	-14 563	-13 241
Total	1 452 368	1 251 472	-14 563	-13 241

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

Remaining maturity of derivatives

	Up to 3 months	3 months to 1 year	1 to 5 years	Total
As at 31 December 2016				
Hedging derivatives				
Term currency transactions	-5 207	-9 356	0	-14 563
At 1 January 2016				
Hedging derivatives				
Term currency transactions	-3 201	-	-10 040	-13 241

II.3. Investments for the benefit of life assurance policyholders who bear the investment risk

	Fair value		Acquisition cost	
	2016	1/1/2016	2016	1/1/2016
Shares and other variable-yield securities	6 728 360	7 572 139	5 473 140	6 501 287
Debt securities	988 240	892 126	952 973	844 029
Deposits with financial institutions	3 217	48 581	2 900	48 578
Derivatives	-3 205	-2 285	-	-
Total	7 716 613	8 510 561	6 429 013	7 393 894

The assets included in the table above also include some assets of Wuestenrot for which the acquisition cost could not have been identified. These assets are included in column "Acquisition cost / 1/1/2016" at their fair value.

II.4. Currency structure of the investments

Currency	Shares and variable -yield securities		Debt securities		Deposits and other financial placements		Securities where the investment risk is borne by the policyholders	
	2016	1/1/2016	2016	1/1/2016	2016	1/1/2016	2016	1/1/2016
CZK	678 222	701 412	17 380 019	16 835 150	1 994 473	2 233 360	4 250 783	5 076 106
EUR	799 787	769 8045	644 169	513 779	35 653	19 024	3 347 291	3 367 760
USD	-	-	-	-	-	-	118 539	66 695
Total	1 477 709	1 471 217	18 024 188	17 348 929	2 030 126	2 252 384	7 716 613	8 510 561

II.5. Receivables

	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
31 December 2016					
Due	263 085	190	229 555	276 447	769 277
Overdue	622 790	116 340	213	16 965	756 307
Total	885 875	116 530	229 768	293 411	1 525 584
Adjustment	195 485	115 985	0	15 800	327 271
Total net	690 390	545	229 768	277 611	1 198 314

1 January 2016

	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	193 104	1 116	122 956	262 728	579 904
Overdue	722 825	124 946	5 352	18 354	871 477
Total	915 930	126 062	128 308	281 082	1 451 381
Adjustment	203 675	125 295	0	15 800	344 770
Total net	712 255	767	128 308	265 282	1 106 611

(a) Long-term receivables (maturity over five years)

Long-term receivables with a remaining period to maturity in excess of five years as at the balance sheet date totalled TCZK 15 800 (at 1/1/2016: TCZK 15 800).

**(b) Other receivables**

	2016	1/1/2016
Inter-company receivables	4 635	2 047
Deferred tax asset	24 701	8 712
Income tax prepayments	200 397	204 976
Other receivables	47 878	49 547
Total other receivables (net)	277 611	265 282

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

	Tangible fixed assets
Acquisition cost at 1/1/2016	184 524
Additions	36 397
Disposals	-40 878
Acquisition cost at 31/12/2016	180 043
Accumulated amortisation at 1/1/2016	69 567
Amortisation expense	21 173
Disposals	-18 519
Accumulated amortisation at 31/12/2016	71 043
Net book value at 1/1/2016	114 957
Net book value at 31/12/2016	109 000

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

	2016	1/1/2016
Traditional life assurance	8 188	398
Unit-linked assurance	214 311	210 770
Non-life insurance	182 719	215 879
Total	405 218	427 047

(b) Estimated receivables

	2016	1/1/2016
Estimated reinsurance commissions	2 043	73 896
Salvage value	0	54 988
Other	58 485	55 568
Total	60 528	184 452

The Company has refined the accounting treatment of salvage and subrogation. As at 31 December 2016, salvage and subrogation is recognised as part of the provision for outstanding claims (under IBNR), not as an estimated item.

The Company discloses in other estimated receivables an estimate of the written premiums for December in respect of motor insurance and motor third-party liability insurance, where insurance intermediaries report to the Company on a monthly basis in arrear.

(c) Other temporary asset accounts

	2016	1/1/2016
Other prepaid expenses - services	29 014	21 774
Total	29 014	21 774

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 2016, 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 authorized to carry on insurance activities.

(b) Other capital funds and revaluation differences

	2016	1/1/2016
Other capital funds	555 714	555 714
Revaluation of assets and liabilities	-188 576	-295 145
Total	367 138	260 569

Revaluation of assets and liabilities at fair value

	2016
Balance at 1/1	-295 146
Change in fair value of investments (without hedging derivatives)	-
Change in fair value of hedging derivatives	-
Net losses on investments reclassified to the income statement on disposal, impairment or maturity	- 29 346
Change in deferred tax	4 258
Revaluation of participating interests with controlling influence	131 657
Balance at 31/12	-188 576

Proposed distribution of current period profit

Current year profit	744 988
Transfer to reserve fund	0
Profit to be added to retained earnings	744 988



II.9. Technical provisions

(a) Provision for unearned premiums (gross)

	2016	1/1/2016
Non-life insurance	2 867 517	2 827 917
Life assurance	108 436	111 140
Total	2 975 953	2 939 057

(b) Life assurance provision

	2016	1/1/2016
Unzillmerised provision	6 574 392	6 825 862
Zillmer adjustment	-117 729	-141 960
Elimination of negative reserves	-	-
Zillmerised provision presented in the balance sheet	6 456 663	6 683 902

(c) Provision for outstanding claims (gross)

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

	2016	1/1/2016
RBNS	6 806 092	6 072 509
IBNR	1 104 501	1 083 152
Total	7 910 593	7 155 661

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 1 January 2016, the claims payments during 2016 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2016.

The net run-off result is as follows:

Class of insurance	2016
Motor insurance	-66 632
Motor third party liability	354 345
Industry insurance	52 157
Commercial insurance	13 948
Private property insurance	32 148
Accident insurance	-
Sickness insurance	-
Travel insurance	4 979
Other	-
Total	390 944

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 after discounting is TCZK 409 863 (at 1/1/2016: TCZK 399 731).

The Company used a wage valorisation rate and a disability pension valorisation rate of 2.5% - 6.0% 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 1%-2%. The annualised amount of annuities amounts to TCZK 12 323.

The expected average period of time, which will elapse before all annuity claims included within the above provision have been paid, is 19 years.

**(d) Provision for bonuses and rebates (gross)**

Class of insurance	2016	1/1/2016
Non-life insurance	147 303	165 027
Life assurance	301 393	272 711
Total	448 696	437 738

(e) Other technical provisions (gross)

	Opening balance	Additions	Release	Closing balance
Provision for liabilities arising from the applied technical interest rate	1 099 688	2 187 855	2 235 056	1 146 890
Provision for liabilities of the Bureau	402 084	112 988	20 147	309 242
Other technical provisions	4 229	0	4 229	0
Non-life insurance provision	2 236	0	2 236	0
Total	1 508 237	2 300 843	2 261 667	1 456 132

II.10. Provisions

Type of provision	Opening balance	Additions	Release	Closing balance
Provision for taxes	164 136	179 854	235 635	108 355
Other provisions	38 377	30 561	29 398	39 540
Total	202 513	210 415	265 033	147 895

II.11. Payables

	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
31 December 2016					
Due	503 278	108 202	212 978	213 330	1 037 788
Overdue	1 087	84 680	37 774	5 136	128 676
Total	504 365	192 882	250 752	218 466	1 166 464
1 January 2016					
Due	548 700	114 698	229 429	173 185	1 066 012
Overdue	1 920	87 626	-213	18 003	107 337
Total	550 620	202 324	229 217	191 188	1 173 349

(a) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 16 493 (at 1/1/2016: TCZK 44 811), of which TCZK 11 112 (at 1/1/2016: TCZK 31 775) relates to social security and TCZK 5 381 (at 1/1/2016: TCZK 13 036) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities and subsidies

Tax liabilities amount to TCZK 22 630 (at 1/1/2016: TCZK 27 521). 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 amounted to TCZK 18 374 (2015: TCZK 17 790).

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

The Company had a net payable to reinsurers of TCZK 20 984 (2015: a net payable of TCZK 100 909).

II.12. Temporary liability accounts

Estimated payables

	2016	1/1/2016
Estimated reinsurance premiums	48 110	51 175
Commissions to intermediaries	207 948	174 281
Services	130 774	92 241
Employee bonuses	196 477	199 185
Other	0	79 413
Total	583 309	596 295



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	2016	Receivables 1/1/2016	2016	Payables 1/1/2016
Short-term				
Allianz penzijní společnost, a.s.	4 401	1 750	37	-
Allianz kontakt, s.r.o.	97	46	-	-
Diamond Point, a.s.	-	-	9 601	287
Total	4 499	1 796	9 638	287

(b) Other inter-company receivables and payables

Company name	2016	Receivables 1/1/2016	2016	Payables 1/1/2016
AGCS AG Branch Office Belgium	284	27	772	117
AGCS AG Italy Branch	437	275	601	1 032
AGCS France	183	-	-	-
AGCS Nederlands	216	81	342	337
AGCS Singapore	29	-	46	-
AGF Assurances	455	151	122	352
Allianz Business Services, s.r.o.	-	-	435	8 942
Allianz Deutschland AG	-	-	-	97
Allianz Elementar	166	377	-	-
Allianz GCS Austria Branch	20	237	101	620
Allianz GCS Chicago	4 868	69	-	1 262
Allianz GCS München	2 872	2 009	7 363	6 300
Allianz GCS Nordic Region	47	464	244	2 892
Allianz GCS Switzerland	27	-	99	-
Allianz GCS UK	16 590	2 086	4 495	7 723
Allianz GCS, Hamburg	-	-	125	335
Allianz Global Automotive	43 216	-	30 353	-
Allianz Global Corporate&Speciality Mnichov3 091	-	2 085	12 842	5 718
Allianz Global Investors EuropeGmbH	-	-	-	10
Allianz Global Risk US	286	1 724	2 979	19 766
Allianz Hungária Biztosító Zrt.	-	81	269	540
Allianz Insurance Company of Canada	27	53	71	704
Allianz Insurance PLC	431	-	-	-
Allianz Italia s.p.a.	1 439	598	-	-
Allianz Managed Operations & Services SE	-	-	9 642	4 508
Allianz New Europe Holding GMBH	40	-	-	-
Allianz SE	52 286	40 754	22 184	49 846
Allianz Shared Infrastructure Services GmbH	-	-	-	-
Allianz Sigorta a.s.	3 253	129	-	151
Allianz Slovenská poisťovňa, a.s.	1 879	4 816	949	324
Allianz SNA sal, Beirut Lebano	73	-	-	-
Allianz Suisse	-	19	-	250
AGCS Spain	58	-	-	-
Allianz Tiriac Asigurari S.A.	223	200	-	-
AWP P&C Česká republika	22 042	12 485	26 772	14 243
OJSC Insurance company Allianz	30	187	-	-
Stanislas Haine	320	320	-	-
T.U. Allianz Polska S.A.	30	250	426	426
ZAO Allianz Russia	-	-	-	-
Total	154 919	69 477	120 806	126 496

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 2015 and 2014 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					
2016		212 074	214 629	76 369	40 192	-11 742
Motor - other classes	3					
2015		3 337 841	3 309 524	2 359 848	821 719	-24 181
Motor - liability	10					
2016		2 831 825	2 878 810	2 095 995	720 330	10 791
Aviation, marine and transport	4,5,6,7,11,12					
2016		99 518	102 588	-20 434	20 615	-89 753
Fire and other damage to property	8,9,15,16					
2016		2 802 527	2 762 286	1 609 211	814 094	-108 240
Liability	13					
2016		751 370	726 916	419 870	176 803	971
Total	2016	10 035 155	9 994 753	6 540 859	2 593 753	-222 154

III.2. Life assurance

Gross premiums written in life assurance

	2016
Individual (special) premium	2 959 817
Premiums under group contracts	8 433
Total	2 968 250
Regular premium	2 808 838
Single premium	159 412
Total	2 968 250
Premiums from non profit-sharing contracts	221 807
Premiums from profit-sharing contracts	319 399
Premiums from contracts where the investment risk is borne by the policyholder	2 427 044
Total	2 968 250
Reinsurance balance	57 734

III.3. Gross premiums written by country

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

Country	2016
Czech Republic	12 937 593
Belgium	68
Bulgaria	239
Denmark	-
Estonia	246
France	233
Italy	1 468
Cyprus	-
Lithuania	27
Hungary	21 724
Netherlands	418
Poland	4 165
Austria	13
Romania	626
Slovak Republic	18 203
Germany	13 735
Sweden	300
Turkey	1
Great Britain	4 346
Total	13 003 405



III.4. Bonuses and rebates

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

	2016
Non-life insurance	290 977
Life assurance	-
Total bonuses and rebates	290 977

In accordance with the methods described in II.9(d) the Company recorded the following changes in the provision for bonuses and rebates:

	2016
Non-life insurance	
Additions	309 522
Utilisation	-327 246
Change	-17 724
Life assurance	
Additions	28 681
Utilisation	0
Change	28 681
Total change	10 957

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

	2016		
	Non-life insurance	Life assurance	Total
Commission			
Initial	556 017 ¹⁾	297 981	853 998
Renewal	910 569 ²⁾	64 339	974 908
Total Commission	1 466 586	362 320	1 828 906
Other acquisition costs	188 402	77 366	265 768
Change in deferred acquisition costs	33 159	-11 331	21 828
Total commissions and other acquisition costs	1 688 147	428 355	2 116 502

¹⁾ of which TCZK 11 535 relates to assumed facultative reinsurance

²⁾ of which TCZK 70 497 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

	2016
Personnel expenses (payroll, social and health insurance)	53 994
Rental	103 046
Depreciation and net book value of disposed fixed assets	86 035
Renewal commissions and bonifications	1 113 297
Telephone and fax fees, postage	57 954
Consultancy fees	42 955
Travel and entertainment	25 882
Materials consumption	6 020
Other services	102 326
Other administrative expenses	6 277
Hardware maintenance and repair	3 516
Software maintenance and repair	87 402
Data network maintenance and repair	105 747
Total administrative expenses	2 394 451

The amounts in table III.6. Administrative expenses reflect expenses allocated to claims.

III.7. Other technical expenses and income

2016	Gross	Reinsurers share	Net
Non-life insurance			
Other technical expenses	464 397	-	464 397
Other technical income	356 575	315	356 890
Balance – non-life insurance	107 822	- 315	107 507
Life assurance			
Other technical expenses	71 389	-	71 389
Other technical income	64 397	-753	63 644
Balance – life assurance	6 992	753	7 745

Based on the amendment to Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended, which came into effect on 1 January 2015, the insurance company recognises the amount of TCZK 84 376 to be remitted to the Loss Prevention Fund in Other technical expenses in the technical account for non-life insurance.



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

Non-life insurance	2016
Additions to (+)/Release of (-) adjustments to receivables	-7 330
Write-off of receivables	34 177
Foreign exchanges losses (+)/gains (-)	1 554
Other technical expenses and income	79 421
Reinsurers' share	-315
SBalance of other expenses and income	107 507

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

Life assurance	2016
Additions to (+)/Release of (-) adjustments to receivables	-10 169
Write-off of receivables	13 389
Foreign exchanges losses (+)/gains (-)	65
Other technical expenses and income	3 707
Reinsurers' share	753
Balance of other expenses and income	7 745

III.8. Other expenses and income

	2016
Non-technical account	
Other expenses	263 021
Other income	270 151
Saldo ostatních nákladů a výnosů	-7 130

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

	2016
Foreign exchange gains and losses	1 154
Foreign exchange differences on revaluation	33
Provisions	536
Other	-8 852
Balance of other expenses and income	-7 130

III.9. Employees and executives

The average adjusted number of employees and executives and remuneration for 2016.

2016	Average adjusted number	Payrols expense	Social and health insurance	Other expenses
Employees	3	499 914	153 435	22 181
Executives	82	134 898	31 376	5 985
Total	885	634 812	184 811	28 166

(a) Remuneration of members of statutory and supervisory bodies

In 2016 members of statutory and supervisory bodies received remuneration totalling TCZK 65 328.

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

In 2016 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 I.4.(v) amounted to TCZK 375 549.

III.11. V Result of the non-technical account

The result of the non-technical account before tax as at 31 December 2016 amounted to TCZK 54 491.

III.12. Profit before tax

The Company's profit before tax as at 31 December 2016 amounted to TCZK 864 726.



III.13. Taxation

(a) Income tax in the profit and loss account

	2016
Provision for current period income tax	108 355
Difference between prior period income tax and the release of the prior period income tax provision	16 229
Current income tax relating to prior periods	2 549
Change in deferred tax asset/liability	-8 396
Income tax in profit and loss account	118 737

The current income tax relating to prior periods comprises adjusted tax liability assessed based on inspections by the tax authority.

(b) Deferred tax assets/liabilities

Deferred tax assets and liabilities are as follows:

	Assets			Liabilities			Difference		
	2016	2016	2016	2016	2016	2016	2016	2016	2016
Temporary differences									
Tangible fixed assets	5 831	-	5 830						
Intangible fixed assets	-	1 495	-1 495						
Receivables	3 411	-	3 411						
Provisions	2 266	-	2 266						
Losses carried forward	-	-	-						
Other temporary differences recorded in Profit and loss account	7 977	-	7 977						
Total	19 485	1 495	17 990						
Influence in Profit and loss account	5 216	6 497	-1 281						
Other temporary differences recorded in Equity	-	-	-						
Total	5 216	6 497	-1 281						
Influence in Equity	24 701	7 992	16 709						
Other temporary differences recorded in Profit and loss account									
Deferred tax asset/(liability)	24 701	7 992	16 709						

The impact of changes in deferred tax assets and liabilities on the profit and loss account for the year 2016 was TCZK 8 396 (expense). The impact of changes in deferred tax assets and liabilities into equity for 2016 was TCZK 399 (decrease in Equity).

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. Transactions not disclosed in the balance sheet

As at the balance sheet date, the Company did not have any transactions not disclosed in the balance sheet.

IV.2. 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 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, the loss prevention 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.3. Subsequent events

At the date of the financial statements, Company management was not aware of any significant subsequent events that would require an adjustment to the financial statements.

In Prague, 28 March 2017

RNDr. Jakub Strnad, Ph.D.
Chairman of the Board of Directors

Ing. Sonia Mihaylova Slavtcheva, MBA
Member of the Board of Directors



Report on Relations between Related Parties

We provide this report on relationships between related parties on 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 2016, 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.

Subject matter of enterprise of Allianz pojišťovna, a.s is provision of insurance.. Allianz pojišťovna, a.s. is one of insurance companies within Allianz Group.

Summary

Controlling party

- Allianz New Europe Holding GmbH, Hietzinger Kai 101-105, 1130 Vienna, Austria is direct and sole shareholder of Allianz pojišťovna, a.s. performing the influence in Allianz pojišťovna, a.s. by means of enforcement of shareholder rights.
- Allianz Holding eins GmbH, Vienna, Austria
- Allianz SE, Koniginstrasse 28, 80802 Munich, Germany is last controlling legal entity

Controlled parties

- Allianz penzijní společnost, a.s., Prague
- Allianz kontakt, s.r.o., Prague
- Allianz nadační fond, Prague
- Diamond Point, a.s., Prague

All above-mentioned legal entities are controlled by Allianz pojišťovna, a.s. as the sole shareholder or founder.

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 Lebensversicherung-AG, Stuttgart, Germany
- AWP P&C Česká republika- branch of foreign legal entity AWP P&C, SA 93400 Saint-Quen, 7, Rue Dora Maar, France
- Allianz Global Corporate & Specialty AG, Munich, Germany

- Euler Hermes Services Česká republika, s.r.o.
- Euler Hermes SA, organizační složka
- Allianz Managed Operations & Services SE, Munich, Germany
- Allianz Managed Operations & Services SE, organizační složka, Slovakia
- Allianz Global Investors Advisory GmbH, Frankfurt am Main, Germany
- Allianz Deutschland AG, Munich, Germany
- Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany
- Allianz Global Investors Luxembourg S.A., Luxembourg
- PIMCO Europe Ltd., London, Great Britain
- PIMCO Global Advisors (Ireland) Limited, Dublin, Ireland
- Allianz Biztosító Zrt, Budapest, Hungary;
- Allianz Suisse Versicherungs-gesellschaft- AG
- Allianz Investment Management SE, Munich, Germany

Relationships to Controlling and Controlled Parties, other than via Reinsurance

Allianz New Europe Holding GmbH

Allianz New Europe Holding GmbH is the parent company of Allianz pojišťovna, a.s. from 11 May 2006.

Allianz New Europe Holding GmbH acquired the 100% holding in Allianz pojišťovna, a.s. from Allianz Aktiengesellschaft. In 2016, Allianz pojišťovna, a.s. paid a dividend for 2015 to its shareholder.

Allianz Holding eins GmbH

Allianz Holding eins GmbH is the parent company of Allianz 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 controlling party of the whole group.

Allianz SE and Allianz pojišťovna, a.s. concluded an agreement on management services in 2003, which replaced the service agreement concluded in 1994. The agreement on management services includes cooperation in management, marketing, IT, services in the area of human resources (sales techniques training, personnel development programs), temporary or permanent secondment of employees and support of quality work, development and implementation of corporate controlling system.

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. concluded an agreement on cash pooling with Allianz SE. In 2012, Allianz pojišťovna, a.s. and Allianz SE concluded an agreement on provision of consultation services in implementation of Solvency II. In October 2013, Allianz pojišťovna, a.s. and Allianz SE concluded agreement on conclusion of transactions with financial derivatives (Master Treasury Agreement for Intra-Group Financial Derivatives Transactions). In October 2015, Allianz pojišťovna, a.s. concluded cost sharing agreement (Global Procurement Expenses excluding IT Procurement) with Allianz SE.



Allianz penzijní společnost, a. s.

Allianz penzijní společnost, a.s. is a 100% subsidiary of Allianz pojišťovna, a.s.

Allianz penzijní společnost, a.s. and Allianz pojišťovna, a.s. cooperate closely and coordinate their entrepreneurial 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.

In 2012, with effectiveness from January 2013, the agreement on business representation in offer and intermediation of contracts conclusion about supplementary pension saving and pension saving was signed between Allianz penzijní společnost, a.s. and Allianz kontakt s.r.o. as investment intermediary.

Allianz pojišťovna, a.s. and Allianz penzijní společnost, a.s. cooperate closely in the area of management, asset management, marketing, IT, and services in the area of human resources (sales techniques training, personnel development programs, 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.

In 2012, with effectiveness from January 2013, Allianz penzijní společnost, a.s. and Allianz pojišťovna, a.s. signed an agreement on cooperation in using IT. In 2013, the companies concluded an agreement on provision and personnel data processing.

In 2012, the companies concluded sublease agreement and an agreement on the lease of interior equipment. In 2014, due to effectiveness and clear arrangement of contractual relation, a new sublease contract was concluded that replaced fully the original sublease contract as amended.

Allianz kontakt, s.r.o.

Allianz kontakt, s.r.o. is a 100% subsidiary of Allianz pojišťovna, a.s. The company brokers of Allianz kontakt, s.r.o. intermediate the insurance for Allianz pojišťovna, a.s. on the basis of a sales representation agreement from 2005. In 2012, the companies concluded Agreement on cooperation in IT. In 2012, the companies concluded the sublease agreement and agreement of lease of interior equipment. In 2013, the companies concluded an agreement on cooperation and agreement on personnel data processing. Allianz kontakt, s.r.o. is a company ensuring intermediation of insurance and other financial and pension products.

Allianz generální služby, s.r.o., in liquidation

Allianz generální služby, s.r.o. was a 100% subsidiary of Allianz pojišťovna, a.s. This company ceased to exist on 26.05.2016.

Allianz nadační fond (Allianz Endowment Fund)

On 7 November 2011, Allianz pojišťovna established the Allianz Endowment Fund. Purposes of the Fund, without limitation, are prevention of insured losses, promotion of road traffic safety and support of cultural and educational programs.

Diamond Point, a.s.

Diamond Point, a.s. is a 100% subsidiary of Allianz pojišťovna.

Diamond Point, a.s. is an owner of the real estate property Ke Štvanici 656/3, in which Allianz pojišťovna, a.s. has its registered office. The companies concluded the agreement on long-term lease. Allianz pojišťovna is owner of fixed interest securities in nominal value of CZK 876 000 000 that the company issued in 2013.

Relations to related Parties, other than via Reinsurance

Allianz - Slovenská poisťovňa, a.s.

The mutual cooperation between the two companies is based on an agreement on cooperation concluded in 1997 which involves cooperation in insurance product development and IT. The two companies also collaborate in the field of investments.

Allianz Business Services, spol. s r. o.

Allianz Business Services, spol. s r.o. cooperated with Allianz pojišťovna part of year 2016 in IT sphere. This activity came after the change of company Allianz Business Services, spol. s r.o. to Allianz Managed Operations & Services SE, organizační zložka, Slovakia.

AWP P&C Česká republika- branch of foreign legal entity

AWP P&C Česká republika- branch of foreign legal entity provides Allianz pojišťovna, a.s. with assistance services for medical expenses abroad insurance, travel insurance, casco insurance of vehicles, liability insurance and household insurance.

Euler Hermes Services Česká republika, s.r.o.

On the basis of agency agreement from 1999, this company brokers for Allianz pojišťovna, a.s. the warranty insurance and receivables insurance.

Euler Hermes SA, organizační složka

Allianz pojišťovna, a.s. and Euler Hermes SA, organizační složka 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 SA, organizační složka.

Allianz Managed Operations & Services SE

This company cooperates with Allianz pojišťovna, a.s. in IT.

Allianz Managed Operations & Services SE, organizační zložka,

Slovakia has been cooperating with Allianz pojišťovna, a.s. on the basis of general agreements in the area of IT.

Allianz Global Corporate & Specialty SE

This company renders consulting services to Allianz pojišťovna, a.s., in the area of large-scale and special risks insurance.

Allianz Global Investors Advisory GmbH

This company renders investment consulting services to Allianz pojišťovna, a.s. under the agreement dated February 2008.



Allianz Investment Management SE

This company renders investment consulting services to Allianz pojišťovna, a.s. under the agreement dated February 2011.

Allianz Deutschland AG

The two companies collaborate in the area of client projects under an agreement dated October 2008.

In the area of IT, Allianz pojišťovna, a.s. cooperates with Allianz Deutschland AG, Allianz Hungaria Bistosító Zrt. and Allianz Suisse Versicherungsgesellschaft-AG.

In addition, Allianz pojišťovna, a.s. uses instruments of investment companies Allianz Global Investors Kapitalanlagegesellschaft GmbH, Allianz Global Investors Luxembourg S.A., PIMCO Europe Ltd. And PIMCO Global Advisors (Ireland) Limited.

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 SE
- AWP P&C Česká republika- branch of foreign legal entity
- Allianz Global Automotive, Munich, Germany
- Allianz General Laos

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 mentioned companies of Allianz Group.

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 SE

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

AWP P&C Česká republika- branch of foreign legal entity

AWP P&C Česká republika- branch of foreign legal entity acts as Allianz pojišťovna, a.s. reinsurer of travel insurance and technical assistance for vehicles as well as extended warranty insurance.

In the course of the reporting period 2016, Allianz pojišťovna, a.s. issued no guarantees and provided no loans other than described above, and assumed no other financial liabilities in respect of the related parties.

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

We declare that, according to Section 82 of law about commercial corporations, the report of Allianz pojišťovna for accounting period starting 1 January 2016 and ending 31 December 2016 includes all information pursuant to the law.,

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. Further we declare no disadvantage follow from the relationships between controlling and controlled party and between controlled party and controlled parties by the same person and that there is no risk for controlled party.

We declare that in 2016 there were no negotiations on the instigation or in the interest of controlling party or controlled parties by it concerning property which would exceed 10% of equity capital of Allianz pojišťovna, a.s., according to last financial statement, except of dividend payment to the sole shareholder.

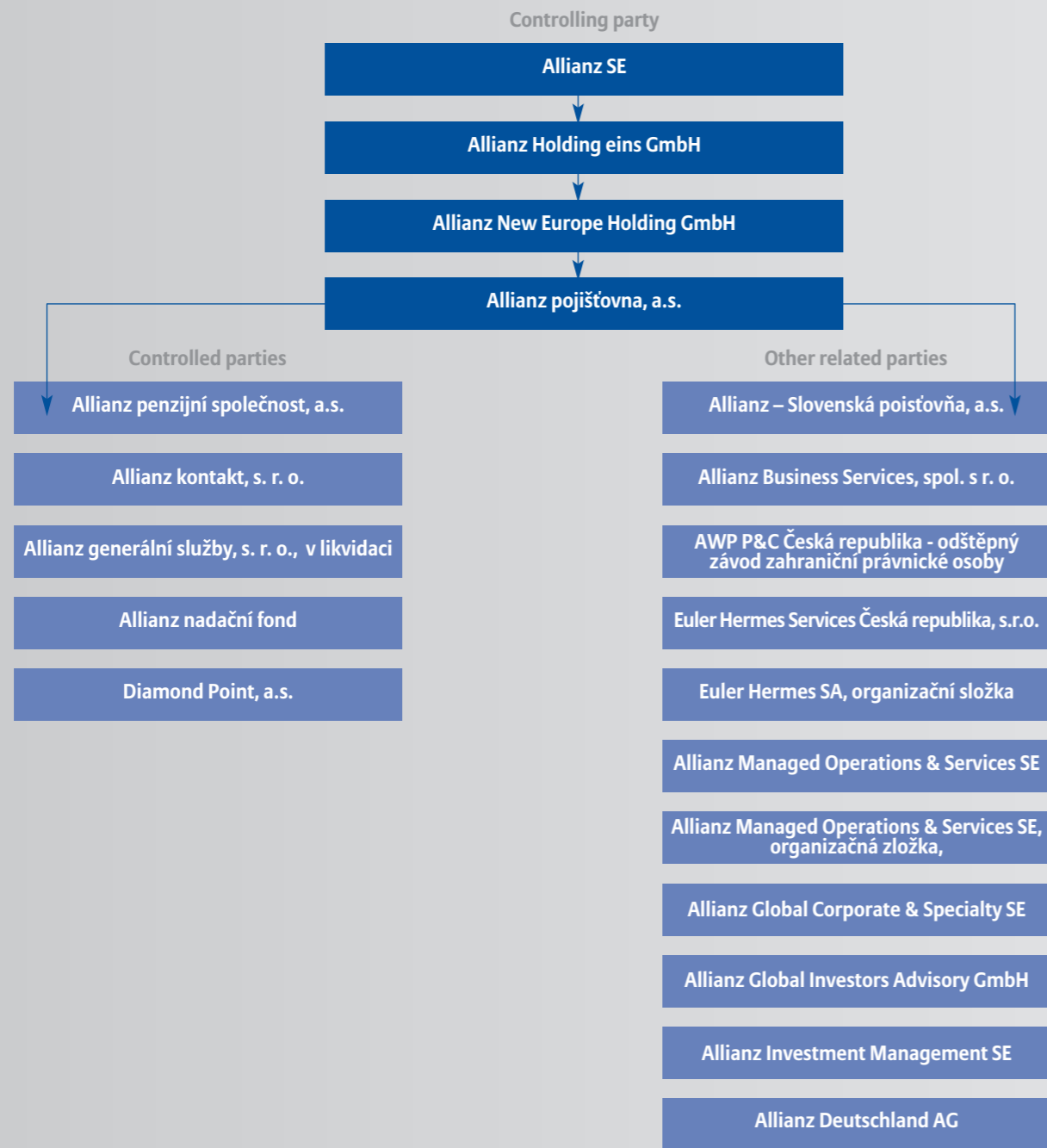
In Prague, 28 February 2017

Jakub Strnad
Chairman of the Board of Directors

Sonia Mihaylova Slavcheva
Member of the Board of Directors



The important entrepreneurial relations Allianz pojišťovna



Contacts

GENERÁLNÍ ŘEDITELSTVÍ

Allianz pojišťovna, a.s.

Ke Štvanici 656/3, 186 00 Praha 8

Tel.: 241 170 000 Fax: 242 455 555
e-mail: info@allianz.cz, www.allianz.cz
Kontaktní centrum: 241 170 00
Datová schránka: vfycqww

REGIONÁLNÍ ŘEDITELSTVÍ

Regionální ředitelství Praha

Českomoravská 2420/15, 190 93 Praha 9
Tel.: 284 011 567, 284 011 590

Regionální ředitelství střední Čechy

Bucharova 2, 158 00 Praha 5
Tel.: 224 405 771, Fax: 224 405 772

Regionální ředitelství Plzeň

Lochotínská 22, 301 11 Plzeň
Tel.: 373 374 002, 373 374 016, Fax: 373 374 041

Regionální ředitelství České Budějovice

F. A. Gerstnera 52, 370 01 České Budějovice
Tel.: 385 791 304

Regionální ředitelství Ústí nad Labem

Špitálské náměstí 3517, 400 01 Ústí nad Labem
Tel.: 472 707 111, e-mail: usti@allianz.cz

Regionální ředitelství Severovýchodní Čechy

U Koruny 1742/16, 500 02 Hradec Králové
Tel.: 494 492 001

Regionální pobočka Liberec

Palachova 1404, 460 01 Liberec 3
Tel.: 484 486 833, Fax: 484 486 823

Regionální ředitelství Brno I, II

Čechyňská 23, 602 00 Brno
Tel.: 543 425 850, Fax: 543 425 864

Regionální ředitelství Ostrava

28. října č. 29, 702 00 Ostrava
Tel.: 596 279 000, Fax: 596 279 001

Regionální ředitelství Olomouc

Jeremenkova 40B, 772 00 Olomouc
Tel.: 585 582 050

Vydal

© 2017 Allianz pojišťovna, a.s.
Ke Štvanici 656/3, 186 00 Praha 8
Tel.: 224 405 111
Fax: 242 455 555
www.allianz.cz

Produkce

TAC-TAC agency s.r.o.
www.tac-tac.cz