

Allianz pojišťovna, a.s.

Annual Report 2011

Allianz 

Basic Economic Facts

Brief Summary (in CZK mln)	2011	2010	Change 2011/2010
Gross premiums written	11 044	10 651	3,7%
Life insurance	3 736	3 621	3,2%
Non-life insurance	7 308	7 030	4,0%
Claims paid	6 263	5 913	5,9%
Life insurance	2 176	1 975	10,2%
Non-life insurance	4 087	3 938	3,8%
Net claims ratio retention in non-life insurance	59,6%	63,9%	-4,3 p.p.
Gross expenses ratio	23,5%	22,5%	1,0 p.p.
Technical result	1 137	1 035	9,9%
Profit before tax	1 299	1 260	3,1%
Financial placements	18 476	18 541	-0,4%
Equity	5 028	4 960	1,4%
Equity ratio (in % of net written premiums)	52,8%	54,5%	-1,7 p.p.
Technical provisions	21 086	20 614	2,3%
Life insurance	12 279	11 402	7,7%
Non-life insurance	8 807	9 212	-4,4%
Number of contracts in portfolio (ths)*	1 741	1 602	8,7%
Number of employees	778	738	5,4%
Number of agents	1 795	1 863	-3,7%

Allianz pojišťovna, a. s.

Annual Report **2011**

We invest into attractive products and services and set the direction of the insurance business

Allianz 

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Introduction of the Chairman of the Board of Management

Dear Ladies and Gentlemen,

Let me proudly open the Annual Report of Allianz pojišťovna for 2011 by saying that last year was one of the most successful in the company's history to date. It grew faster than the market in all segments of its business and achieved outstanding results in many indicators.

The company's net profit (according to Czech accounting standards) totalled CZK 1.070 billion in 2011. The equity of Allianz pojišťovna increased to CZK 5.03 billion and the balance sheet sum grew to CZK 26.6 billion.

Allianz pojišťovna's total gross written premiums amounted to CZK 11.04 billion in 2011, an increase of 3.7% compared to 2010. According to the new methodology of the Czech Association of Insurance Companies, this increase even amounts to 4.1%, with the market having dropped by minus 0.3%. In non-life insurance, our premiums written grew by 3.9% to a total of CZK 7.3 billion. In life insurance, premiums written increased by 3.2% to CZK 3.7 billion.

These positive trends in both the business and financial figures of Allianz pojišťovna are a clear signal to clients that we are a strong and reliable partner. Our solid capital background enables us to continuously develop and innovate our products and improve our client service.

Save for the storms in July, our claims settlement did not have to handle large-scale calamities in 2011. Nevertheless, there were several extraordinary events during the year, such as the eruption of the volcano in Iceland or the political unrest in Arab countries, resulting in troubles experienced by tourists. We reacted to these events promptly and flexibly and our clients could, once again, see for themselves that Allianz pojišťovna's claims settlement is a fast, transparent and client-oriented service belonging to the worlds' elite. In 2011, we celebrated ten years of our Home Assistance service. As a new feature in the market, we introduced the Blue Line in February, which is a unique information assistance service for clients to go along with their life insurance policies.

New products and innovations to client service implemented by Allianz pojišťovna during the course of 2011 won a number of awards. We are pleased to have “scored” both in public opinion polls and professional competitions. For us, these awards are not only a form of appreciation for our work, but, above all, a major commitment for the future.

I would like to thank our employees, insurance advisors and business partners for their professional work. The success of Allianz pojišťovna achieved in 2011 is particularly due to their efforts. I would also like to thank all our clients for the confidence they have placed in us through their concluded insurance contracts. The ultimate goal of Allianz pojišťovna is to never fail our clients’ trust. We work diligently for Allianz pojišťovna to continue offering highly professional products and services as well as the solid background of a strong and trustworthy insurer – and to do all this in a prompt, shrewd and friendly manner.

Sincerely,

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

Jakub Strnad
Chairman of the Board of Management

Company Profile

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

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

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

In 1999, Allianz pojišťovna was among the first twelve insurance companies to offer motor third party liability insurance. In 2010, Allianz pojišťovna became the pioneer in a motor third party liability insurance product offering the most comprehensive coverage of risks in the Czech Republic.

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

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

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

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

Awards and Prizes

Various prizes awarded to Allianz pojišťovna during 2011 in professional competitions, contests and public opinion polls are a proof of the supreme quality of the company's products and its client service.

In the prestigious Bank of the Year 2011 competition, organised by Fincentrum, Allianz pojišťovna maintained its 3rd position in the Insurance Company of the Year category, and its New Rytmus product placed 2nd in the Life Insurance of the Year category. Jakub Strnad, Chairman of the Board of Management of Allianz pojišťovna, won the extraordinary prize for Insurer of the Year 2011, who is elected by top managers of the twenty nominated insurance companies.

For the third consecutive time, Allianz pojišťovna placed 1st in its category in the Zlatý Měsíc 2011 readers opinion poll.

In the third annual Hospodářské noviny Awards, Allianz pojišťovna placed 2nd in the respective category and confirmed its result for the previous year. Moreover, it also placed 2nd in this competition in the category of the Most Client-Friendly Insurance Company of the Year 2011.

Products of Allianz pojišťovna also scored in the ninth annual Zlatá koruna (Golden Crown) competition for the best financial products of the year. Allianz's travel insurance with unlimited indemnity placed 2nd and its property insurance with the Home Assistance service placed 3rd.

The company's travel insurance also ranked 2nd in the TTG Travel Awards 2011 competition, confirming its result from the previous year.

Last year, we were also awarded the IBM Beacon Award in the Best Industry Solution for Insurance category for our system of insurance claims settlement. This system was implemented by Unicorn Systems in cooperation with the internal development team of Allianz pojišťovna.

Allianz pojišťovna also appreciates the results of the survey conducted by the independent organisation, Epsi Rating, which endeavours to find out about the satisfaction of clients of insurance companies on the Czech market with a particular focus on property insurance. In the survey, clients of Allianz pojišťovna turned out to be the most satisfied, and we also received the best rating for client loyalty.

Board of Management

Jakub Strnad

Chairman

Stefan Markschies

Member

Christoph Plein

Member

until 31 July 2011

Petr Sosík

Member

Karel Waisser

Member

since 9 September 2011

Supervisory Board

Manuel Bauer

Chairman

until 5 October 2011

Member

until 17 October 2011

Wolfgang Deichl

Member

since 28 September 2011

Chairman

since 5 October 2011

Christian Sebastian Müller

Member

until 30 August 2011

Harold Langley-Poole

Member

since 30 August 2011

Veit Valentin Stutz

Member

since 11 November 2011



Jakub Strnad



Stefan Markschies



Petr Sosík



Karel Wasser

Organisational Structure

SECTION 01

Jakub Strnad

Chairman of the Board of Management

Václav Bálek

Internal and External Communications

Ivana Fischerová

HR Development Division

Drahomír Kubáň

Legal and Compliance Division

Maya Mašková

Internal Audit and Control Department

Dalibor Šajar

Market Management

SECTION 02

Jakub Strnad

Chairman of the Board of Management

Radek Baštýř

Motor Fleet Division

Václav Bohdanecký

Industrial Corporate Clients Division

Zdeněk Kučera

Retail Property and Liability Insurance Division

Josef Lukášek

Actuarial and Product Controlling Division

Libor Novák

Life Insurance Division

Pavel Prokš

Motor Retail Division

Jana Slavíková

Division of Travel Insurance, Public Tenders and Offers

SECTION 03

Petr Sosík

Member of the Board of Management

Petr Kmínek

Risk Controlling

Robert Mareš

Asset Management

Radek Stamenov

Controlling Division

Anna Švehlová

Accounting Department

Jan Tichý

Tax Department

Martin Vítek

Reinsurance Division

Daniela Volhejnová

Collection/Financial Transactions Payment Department

SECTION 04

Karel Waisser

Member of the Board
of Management

Jiřina Cislerová

Customer Care

Martin Geba

Project and
Organization Division

Petr Jandek

Non-Life Claims Division

Tomáš Klofát

Motor, Property and
Liability Claims

Ryszard Schwarz

IT Division

Miroslav Šrámek

Facility Management Division

Jaroslav Šubrt

Life and Health Claims Division

SECTION 05

Stefan Markschies

Member of the Board
of Management

Martin Dolanský

Distribution Development
Division

Martin Grabmüller

Training Division

Martin Holub

Alternative Distribution
Channels Division

Daniela Nováková

Sales Support Division

Petr Schütz

Dealers Division

Tomáš Vysoudil

Regional Sales Division

REGIONAL OFFICES

Petr Hladný

North Moravia

Kateřina Jungmannová

North-East Bohemia

Milan Mojžiř

Prague and Central Bohemia

Petr Musil

South Moravia

Josef Zelenka

South-West Bohemia

Products

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

Motor Insurance

In 2011, Allianz pojišťovna continued selling innovated Motor Insurance product packages and assessed the impact of changes made to these products at the end of 2010.

The main reason for changing the Motor Insurance product was the overall need to make it more attractive and extend the insurance coverage to include insurance risks that would be of greatest interest to clients. In doing so, we focused primarily on motor third party liability (MTPL) insurance. Our motivation was to create a MTPL insurance with the broadest insurance protection in the Czech Republic and offer our clients, as part of MTPL, additional coverage of insurance risks that they fear most; in the past, such insurance coverage was only provided for motor hull insurance, or was not offered at all, so this is a brand new type of insurance.

Clients may choose from three packages, Normal, Optimal or Exclusive, which differ by the indemnity limits of CZK 35, 50 and 100 million, and, above all, by the range of risks covered. By concluding an insurance policy, clients may, in addition to MTPL insurance, obtain insurance for damage to their vehicle caused by natural forces, by an animal or by a collision with it. Such MTPL insurance also includes an option of direct settlement with free towing service and replacement car rental; there is also a guaranteed payment of up to CZK 0.5 million for a new car and up to CZK 30,000 per year for its operations in the event of consequences of a car accident, along with accident insurance of underage children in the vehicle and eligibility for free MTPL insurance for two small motorcycles or trailer carts.

Overall, the above changes to products fundamentally modified the structure of concluded MTPL insurance and the offered alternative packages are attractive to our clients, as more than one half of them choose the Optimal and Exclusive packages having enhanced insurance risk coverage.

Naturally, we are pleased by the increased numbers of concluded MTPL insurance policies. According to information provided by the Czech Insurers Bureau, this increase amounted to 46 thousand in 2011, with the number at the end of 2011 totalling over 713 thousand. The premiums written in MTPL insurance have also developed favourably; while the overall market in this segment dropped by -8.1%, Allianz pojišťovna's figures grew by 1.3%.

A positive trend was also confirmed in motor hull insurance; while the market dropped by -3.9%, Allianz pojišťovna's premiums written grew by 6.5%.

Owing to these results, the market shares of Allianz pojišťovna in MTPL insurance and motor hull insurance increased to 11% (+1%) and 15.4% (+1.5%), respectively.

Motor Fleet Insurance

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

Highly competitive premium rates and the pro-active approach of the Motor Fleet Division in 2011 had a positive impact on the growing number of insured vehicles. A combination of high-quality products and outstanding rates along with excellent claims adjustment services forms grounds for the success attained by Allianz motor fleet insurance.

In 2011, the Risk Service Department continued contributing to decreasing the client's claims ratio and provided companies with the know-how necessary to reduce the risk rate. This department employs modern procedures shared within the entire Allianz group. The high-quality work in risk management leads to sustainable profitability of the product. As a part of risk control, Allianz pojišťovna offers motor third party liability insurance with a deductible. This deductible is a significant tool motivating drivers to drive safely.

Allianz has also introduced a new insurance product called the Sixth Sense. This product is not only modern, but also extremely practical. It makes use of telematic services and significantly contributes to increased road safety. In the event of an accident, it speeds up intervention by rescue services and is a major help in locating a stolen car.

Entrepreneurial and Private Property Insurance

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

Allianz pojišťovna was the first insurer in the Czech Republic to offer Home Assistance services to holders of real estate or household insurance policies. Continuously developed, this highly competitive service provides clients

We enjoy our work and it is a part of everybody's life

Allianz 

with assistance during severe household problems requiring immediate intervention, such as fire or flooding, or with less serious, yet annoying situations such as locked out keys, clogged drainage or broken windows. The Home Assistance service has been modified and expanded over time. Presently, it is available to private individuals as well as clients with entrepreneurial risk insurance policies. Since 2009, the truly exceptional scope of the Home Assistance service has been made available to owners of apartment houses. Quality of the assistance services rendered has been increasing continually.

Our private property insurance received major appreciation by having placed 2nd in the private property category of the Insurance Company of the Year 2010 opinion poll and also by having placed 3rd and winning the Bronze Crown in 2011, which Allianz pojišťovna received for its Property Insurance with Home Assistance Service – Household Insurance.

To entrepreneurs, Allianz pojišťovna offers a wide range of customised products. In 2011, we innovated our PRO Podnikatele (FOR Entrepreneurs) product for larger and more sophisticated clients. Comprehensive Entrepreneurial Insurance Noe Plus is designed specially for medium-size and small entrepreneurs in the area of trade, manufacturing and services, but it can just as easily be used by owners of real estate. This product also went through further extensions and modifications in 2011.

These high-quality insurance products can be written very easily and quickly, covering all types of usual commodities, including insurance of operating and production facilities or inventory, cargo, buildings and other structures serving for business purposes, as well as liability insurance. Noe Plus is available in the form of packages, with the three variations, NORMAL, OPTIMAL and EXCLUSIVE, covering the entire segment of risks. All that clients need to do is choose the combination which matches their needs. In acknowledgement of its qualities, Comprehensive Entrepreneurial Insurance Noe was awarded the Zlatá koruna award for the best financial product of the year in 2004 and 2005. The product's exceptional success in this competition continued in 2009, winning the silver medal in the Entrepreneurs Award category. We also achieved another major success by having placed 3rd in the Industrial and Entrepreneurial Insurance category of the Insurance Company of the Year 2010 opinion poll. Promotional offers prepared for selected segments of businesses based on our previous experience have become largely popular among our clients and continued to produce very good business results in 2011.

In 2011, Allianz pojišťovna focused on further modernisation of its current entrepreneurial and private property insurance products as well as design of new attractive promotional offers. In entrepreneurial insurance, these offers were particularly for the segment of restaurants and pensions, and for the segment of sports equipment dealers and service providers.

In addition to its traditional products, such as extended warranty, vessel insurance, guarantee insurance, multiple dwelling insurance, and liability insurance for committees of owners' societies, Allianz pojišťovna has further expanded its professional liability insurance offer.

Industrial and Corporate Risk Insurance

In 2011, industrial insurance continued to be adversely influenced by decreased premium rates in both international and local markets, as well as the aggravated economic situation, particularly the declining hire-purchase and development projects market, which caused a significant drop in the demand for new insurance. There was also a dramatic decrease of demand in the area of photovoltaic plants, resulting from the curtailment of their support compared to the previous year.

Allianz pojišťovna maintained its focus on the local market and Czech industrial entities. Owing to its rich portfolio of products, competitive prices and a high-quality reinsurance programme, the company succeeded in coping with these adverse market effects. Its quite satisfactory claims ratio for 2011 owed to a high-quality underwriting policy and a significantly reduced burden of damages resulting from natural perils compared to the previous year.

Despite the strongly competitive environment, Allianz pojišťovna will continue to focus on the Czech market in 2012. Its main goals will be growth in local business and sufficient profitability. Its projects will emphasize further improvement in quality of services, increase in the efficiency of processes and development of cooperation with its insurance brokers.

Travel Insurance

Allianz travel insurance is a comprehensive package of products providing optimal insurance protection to clients travelling in the Czech Republic and abroad. Allianz travel insurance offers the widest range of insurance coverages and is unique for having unlimited coverage of medical care expenses abroad. The insurance coverage of medical care expenses also includes risks related to terrorism, search and rescue activities of the Mountain Rescue Service and selected types of risk-involving sports.

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

On-line underwriting through the Internet or by telephone has become increasingly popular for travel insurance. More than two-thirds of our travel insurance policies were concluded through these modern distribution channels in 2011.

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

Life Insurance

2011 was a year of far-reaching changes in life insurance. We substantially modernised our key product, Rytmus, distributed mainly through the Allianz tied agent sales network. The new Rytmus has quickly become popular with both clients and brokers, and reinforced its position as the flagship of life insurance. Within months of its introduction, it received independent awards confirming its excellent qualities: it placed 2nd in the Life Insurance 2011 category of the Bank of the Year competition, and 2nd in the Unit-Linked Life Insurance category of the Financial Product of the Year 2011 competition.

While the tied agent sales force remains the pillar of our life insurance sales, cooperation with broker networks and other types of distribution channels became considerably more intense in 2011. To promote cooperation with external distributors, we developed brand new products based on the new Rytmus platform: Allianz F1 and Allianz Mercury.

Successful introduction of these products in the market facilitated excellent results in life insurance for 2011. Premiums written in the key area of currently paid insurance amounted to nearly CZK 2 billion, an increase of 4.7% compared to 2010. The dynamics of this growth in the second half of 2011 is promising, justifying the expectations of above-standard growth also in 2012.

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

During the course of 2011, Allianz pojišťovna also launched new tranches of single premium unit-linked insurance with capital protection. In the first half of the year, we offered RAPIDinvest; in the autumn, we began offering the ENERGYinvest product and, in cooperation with UniCredit Bank Czech Republic, a.s., a product called CLEAN ENERGY 2016. All these products contributed to our excellent results in single premium insurance: we wrote premiums of nearly CZK 1.8 billion, which is 1.5% more than in 2010.

Claims Settlement

High-quality service and client satisfaction are a priority for Allianz pojišťovna. Communications with clients are transparent and open. Allianz pojišťovna was the first in the insurance market to allow its clients an anonymous online view of the status of a claim's settlement on the Internet..

Motor Claims Settlement

We have continued to technically upgrade, user finetune and improve the technological tool introduced in 2010 in order to meet the strictest standards of modern communications between Allianz pojišťovna and its clients. We have worked to make the technical part of the process even more automated without increasing the anonymousness of our claim adjusters or losing the personal contact between clients and our claims settlement staff. Going in this direction is correct, as has been confirmed by the ever-increasing numbers of clients and partners utilising this tool, not only due to the abundance of modern communications means in offices and households, but also because of the positive reactions to this form by external users. On the other hand, we have also kept open the other channels for mutual communications (such as mail or fax), as we understand that not all clients and aggrieved parties are, or shortly will be, able to use this method, although it is certain to be applied on an increasingly larger scale in the future.

The benefits of the system have confirmed the expectations and justified its more universal utilisation in other divisions of Allianz pojišťovna, as well as for connection by external entities. Analyses were made in this respect, and applications were proposed and prepared making use of the previously gained experience. Tasks for the next year include final finetuning, staff training and practical implementation of the system.

As the insurance portfolio grew and number of reported claims increased, we scouted and hired new personnel for the claims settlement process, which required their initial training and integration within our existing teams. The department we reinforced most was the Insurance Claims Client Centre, as the first point of call for claims reporting and processing of incoming documents in all forms. Naturally, liquidation teams were not left behind, but the expert training of adjusters requires more time. During the course of 2011, we succeeded in stabilising and suitably complementing all teams. Our aim for next year will be to continue increasing overall expertise at all levels.

Save for minor local cases, Allianz pojišťovna did not have to deal with the settlement of claims resulting from large-scale natural calamities and disasters in 2011, so its claim adjusters could devote their maximum efforts to increasing the quality of standard procedures, reducing bureaucracy and improving communications. This

facilitated further reductions in the total settlement time including the time from submission of the last document until issuance of a coverage letter for common damages to one business day, or until payment of indemnity for common damages to two to three business days.

We were also extremely active in relation to our contracting partners, particularly contract car repair shops. Save for several exceptions, their number (approximately 700 within the Czech Republic) did not increase; instead of quantity, we worked to improve the quality and scope of services within cooperation concerning repair of damaged vehicles, not only by enhancing powers and expertise in mediating reported claims, but also in vehicle inspections and taking over of documents. This cooperation was also improved through enhancing client service to include new or less expensive services (such as rental or windows).

We also carefully analysed our internal costs of claims settlement and made some radical decisions; one of the most important of these was the transition to different software for calculating damages with respect to vehicles.

2011 confirmed the long-term tendency of key accounts to request, whether directly or through brokers, specific terms and rules of claims settlement. The motor claims settlement division is always prepared to discuss and accommodate these wherever the organisation of work and technical support permit, provided that the quality of the claims settlement service and cost intensity are maintained.

Analyses of our regular client satisfaction surveys have indicated that the motor claims settlement division is heading in the right direction. Despite these admittedly positive references, the claims settlement service will continue to strive for further simplification and acceleration of all processes in 2012.

Property Claims Settlement

Our property claims settlement is a high-quality and professional service, complementing the high standard of the business services offered by Allianz pojišťovna. In line with our corporate business strategy, we work continuously to improve our standards as a client-oriented company.

We make changes building on a higher quality in the company's approach to clients, working with process management and using modern technologies. These efforts speed up the entire process of claims settlement and, above all, increase client satisfaction. Changes have also been reflected in the organisation of property claims settlement, which was integrated within a single specialised division of motor, property and liability claims.

Claims are reported mostly by telephone and online over the Internet. Reporting by telephone is the most common, but online reporting is on the rise. These options have brought greater comfort to clients and have cut their costs to a minimum. In addition to these up-to-date means of communication, we have also preserved traditional methods such as fax or mail, which are mainly used by retail customers.

On a long-term basis we build
on expertise and professionalism
of our people

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Allianz pojišťovna actively communicates with its clients in the form of satisfaction surveys regarding claims settlement. Evaluations of claims settlement services of Allianz pojišťovna continued to be highly positive in 2011. The survey conducted by the independent organisation, Epsi Rating, which endeavours to find out about the satisfaction of clients of insurance companies on the Czech market with a particular focus on property insurance, rated clients of Allianz pojišťovna as the most satisfied. Claims settlement has been a major contributor to client satisfaction.

Optimisation of claims settlement processes will continue. This will no longer involve fundamental changes to the processes, but rather their finetuning and supplementing.

Claims Settlement – Life and Health

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

Client satisfaction is monitored by means of the Net Promoter Score indicator. In 2011, the figures for claims settlement in life and health improved significantly compared to the previous year.

In the long term, injuries account for the vast majority of claims raised by clients. It is these claims where adjustment tends to proceed in a particularly prompt and flexible way, and without delays. These claims may be reported by telephone or using an online form, which substantially shortens the time of the main adjustment process. In 2011, every fourth report of a claimed injury was received by telephone or over the Internet. The promptness of claims adjustment is evidenced by the fact that 65% of claims in cases of child injuries are adjusted by the next day after they are reported (the time from delivery of the report until the adjuster's decision); 94% of the total number of claims are closed within one week of being reported.

An integral part of claims settlement is the system for prevention and detection of insurance fraud. Through these activities, the claims settlement section in charge of life and health claims saved over CZK 13 million in this area in 2011.

Sales

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

Tied Agent Sales Force

The tied agent sales force is the largest distribution channel of Allianz pojišťovna and its role is and will remain crucial for the company. In 2011, it generated over 52% of the company's sales. Allianz pojišťovna invested in the development of this distribution channel in 2010, aiming for its long-term intensive and extensive growth, including increased quality of services for our clients.

Changes were also made in the organisation of sales; as part of the multi-channel concept integration, 5 new territorial head offices were established in July 2011 to coordinate the tied agent sales force and its 10 regional offices, as well as the regional broker business within administered locations in the Czech Republic.

As of December 2011, the tied agent sales network included 1,795 insurance advisors. Sales development is also supported by over 250 insurance offices and other points of contact located all over the Czech Republic. Important tools for further development and growth of the tied agent sales force are a new system of remuneration and a career plan, the segmentation of clients and working with the portfolio by means of building relationships with clients and client satisfaction in order to enhance the value of the Allianz pojišťovna brand.

In 2012, the company plans to introduce a new system of training and education in order to develop the advisor method of sale as well as improve management and business skills.

Central Brokers

In 2011, Allianz pojišťovna successfully continued in developing cooperation with its major insurance brokers, primarily in the area of industrial insurance.

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

Results of the broker business show that Allianz is an important player on the market of large-scale industrial risks and has a clear strategy for the future, aiming to confirm its role as TOP 3 in both life and non-life insurance.

In 2012, our central brokers will focus on reinforcing their position in industrial insurance and maintaining their position in motor fleet insurance. Their strategy will also include improved profitability in individual segments of insurance.

Direct Sales

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

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

Allianz pojišťovna expects a further increase in online sales and an expansion of its electronic communications with clients. This trend has been confirmed by the year-on-year increase in the number of policies in individual areas and clients' responses to our gradually expanding online services.

Bancassurance

In 2011, Allianz pojišťovna successfully continued its cooperation with UniCredit Bank, which offers Allianz's private property insurance, and newly also single premium life insurance, to clients at its branch offices. This mutual cooperation further expanded in the area of mortgage loans.

We also continued our successful cooperation with LBBW Bank. LBBW Bank offers life and non-life insurance products of Allianz at all of its branches and its clients may also conclude Allianz supplementary pension insurance. In addition to its traditional partners in the banking sector, Allianz pojišťovna successfully cooperated with the Makro C&C wholesale chain store, mainly in the area of extended guarantees.

In 2012, Allianz pojišťovna intends to continue developing its good cooperation with its banking partners. Primarily, we want to actively engage in motivational events and also in jointly addressing small entrepreneurs as well as large corporations.

Alternative Distribution Channels

In 2011, we succeeded in activating cooperation with our external VIP partners (MLM), OVB and Partners For Life Planning. This success owed particularly to the release of the Allianz Mercury and Allianz F1 products for

We can decide what the best is
for the satisfaction of our
clients and business partners

Allianz 

unit-linked life insurance. The result was a significant increase in our production and our gaining a key production share with the largest consulting structures and territorial head offices. We also achieved a significant share with Fincentrum, having cooperated mainly in concluding private property insurance and, in the second half of the year, also unit-linked life insurance.

With our production increasing in 2011, we continued to reinforce the service team that has, since its creation, been an important part of sales support, primarily in life insurance. Our external VIP partners have highly appreciated the work of this service team, highlighting the quality of the service as a cornerstone of successful collaboration. We are committed to enhancing the service's quality and its development will be one of our key activities in 2012.

In 2012, we want to concentrate on further development of the Allianz Mercury and Allianz F1 products in order to keep up the increased production with our VIP partners and maintain our leading position in the offering of life insurance. Apart from this, it is also very important for us to develop closer cooperation with our other external VIP partners, Fincentrum, Broker Consulting, AWD and AWD Rentia. The ideal option is to also develop cooperation in the sale of non-life insurance.

Growing production also increases the risk of declining payout rate. This is why we want to concentrate on the quality of our portfolio in 2012, both by improving the quality of our control mechanisms and through the follow-up service to increase the insurance rate and the satisfaction of our clients.

Public Contracts

Allianz pojišťovna considers all announced public tenders for insurance and, in many cases, tenders its bids for these public contracts.

With our extensive portfolio of products and services and the cooperation between entrepreneurial and industrial insurance, we cover nearly all of the risks requested by potential clients in both life and non-life insurance.

Allianz pojišťovna actively follows the Public Contracts Act and its changes, as well as attends seminars concerning this topic; it is also owing to these efforts that we have won public contracts for insuring some of the central bodies of the Czech Republic, cities and also major industrial enterprises. Our successes in public contracts have contributed to Allianz being one of the key players on the insurance market.

Social Responsibility

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

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

Sponsorship

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

Key Projects

THEATRE MINOR

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

PRAGUE BOTANICAL GARDEN

This joint project of Allianz pojišťovna and the Prague Botanical Garden is one of the smaller, but highly family-oriented partnerships. During 2011, visitors to the Prague Botanical Garden had an opportunity to see attractive items from the world of plants and encounter signage combining the garden’s exhibits with products of Allianz pojišťovna in an educational, yet untraditional form.

CZECH MISS

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

PRAGUE INTERNATIONAL MARATHON

Allianz pojišťovna has been a long-term official partner to one of the largest sports events in the Czech Republic. More than 60,000 runners from all over the world take part in the event every year. On routes designed for professional racers as well as children and their parents, in-line skaters or relay runners, the support from Allianz pojišťovna is visible everywhere and contributes to encouraging a sporting and active approach to life in all age categories.

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

CZECH SKIERS ASSOCIATION – ALPINE SKIING

Since it broadened its activities in the area of sports and support of talents in the autumn of 2010, Allianz pojišťovna has been the official partner of the Czech Skiers Association, especially its Alpine Skiing Section.

PRAGUE TO CHILDREN

In 2011, Allianz pojišťovna became a partner of Prague to Children, organised under the auspices of BESIP. This sporting and cultural charitable event was designed to acquaint the general public, in an entertaining manner, with the fundamentals of giving first aid in an accident and to educate them about accident prevention.

Other major projects included the long-term partnership of Allianz pojišťovna with the BERNARDFEST music festival and its partnership with the golf resorts at Slapy and Konopiště, which commenced in 2011.

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

Environmental

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

We make complex things
simple and user friendly

Allianz 

Innovations

Since 2006, Allianz pojišťovna has had in place a programme for promoting innovations, entitled “i2s – Ideas to Success.” This programme supports innovations and ideas of employees and work teams, agents or clients, and promotes their implementation. Ideas building on day-to-day practice significantly contribute to the success of Allianz pojišťovna in the area of new products and services, improving client service as well as internal procedures and processes. Every year, we also take part in the international Global Innovation Awards competition organised by the Allianz Group.

Charitable Projects

In 2011, Allianz pojišťovna was also actively involved in social activities and not only contributed financial amounts to those in need, but also lent a helping hand.

SOMEWHAT DIFFERENT DINNER

With Allianz, Hilton and KPMG as its partners, the civic association Remedium invited 60 senior citizens between 65 and 90 years of age to a dinner party at the Hilton Hotel in Prague on 4 October 2011. The party was held on the occasion of International Seniors Day; the wait staff for the dinner were members of the top management of the above companies and, together with the host and imitator Vladimír Hron, they did their best to make this an enjoyable evening for their senior guests.

CONTRIBUTION TO REHABILITATION TREATMENT OF BARBORA PEKÁRKOVÁ

Allianz pojišťovna also contributes to people needing special care. In this particular case, a financial donation went to Alena Pekárková, mother of heavily disabled Barbora Pekárková, for rehabilitation treatment that is vital for little Barborka.

Employees

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

Employee Training and Development

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

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

Employee Benefits

Allianz pojišťovna aims at continuously reinforcing its position among leading insurers as well as among important employers. The company fully appreciates that its excellent results are, to a large extent, owed to the high commitment of its employees. To motivate them and award them for their efforts, the company provided the following employee benefits package in 2011:

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

Corporate Culture

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

Our corporate culture also includes regular annual surveys of employees' motivations 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, which was 93% in 2011, reflects the interest of employees in expressing their opinions and contributing to the further development of the company.

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

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

To ensure fluent communications with employees about important corporate events and changes in the company, Allianz pojišťovna circulates regular letters by the Board of Management, provides regular weekly information, operates a new intranet portal and makes use of other electronic informational media.

A Word of Thanks from the Board of Management

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

Board of Management



KPMG Česká republika Audit, s.r.o.
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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

Financial statements

On the basis of our audit, on 21 February 2012 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Allianz pojišťovna, a. s., which comprise the balance sheet as of 31 December 2011, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note I.1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Allianz pojišťovna, a. s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

IČ 49619187
DIČ CZ699001996



Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Allianz pojišťovna, a. s. as of 31 December 2011, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Allianz pojišťovna, a. s. for the year ended 31 December 2011. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Allianz pojišťovna, a. s. for the year ended 31 December 2011 contains material factual misstatements.


Annual report


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

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

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

Prague
10 April 2012


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


Romana Benešová
Partner
Licence number 1834

Balance sheet as at 31 December 2011

(In thousands of Czech crowns TCZK)

	2011	2011	2011	2010
	Gross	Adjustment	Net	Net
I. ASSETS				
A. Receivables for subscribed registered capital				
B. Intangible fixed assets, thereof	633 847	514 710	119 137	119 683
a) Incorporation expenses				
b) Goodwill				
C. Financial placements (investments)	18 476 121		18 476 121	18 541 060
I. Land and buildings (real estate), thereof				
a) Land and buildings - self-occupied				
II. Investments in affiliated undertakings and participating interests	577 657		577 657	554 759
1. Participating interests with controlling influence	184 007		184 007	184 007
2. Debt securities issued by, and loans to, undertakings - controlling influence				
3. Participating interests with significant influence				
4. Debt securities issued by, and loans to, undertakings - significant influence	393 650		393 650	370 752
III. Other financial placements	17 898 464		17 898 464	17 986 301
1. Shares and other variable-yield securities, other participating interests	256 476		256 476	176 899
2. Bonds and other fixed-income securities	17 491 292		17 491 292	17 272 695
a) bonds and other fixed-income securities valued at fair value through profit and loss	15 242 372		15 242 372	15 258 186
b) "OECD" bonds held to maturity	2 248 920		2 248 920	2 014 509
c) other bonds and other fixed-income securities held to maturity				
3. Financial placements in investment associations				
4. Other loans	15 007		15 007	17 227
5. Deposits with financial institutions	205 134		205 134	535 591
6. Other financial placements	-69 445		-69 445	-16 111
IV. Deposits with ceding undertakings				
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	5 317 194		5 317 194	4 485 545

	2011	2011	2011	2010
	Gross	Adjustment	Net	Net
E. Debtors	2 023 270	363 210	1 660 060	1 725 959
I. Receivables arising from direct insurance operations	1 149 248	347 422	801 826	790 714
1. Receivables due from the policyholders, thereof	1 039 233	238 962	800 271	788 077
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
2. Receivables due from intermediaries, thereof	110 015	108 460	1 555	2 637
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	402 340		402 340	524 860
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	471 682	15 788	455 894	410 385
a) Receivables due from entities in which the Company has a controlling influence	1 016		1 016	538
b) Receivables due from entities in which the Company has a significant influence				
F. Other assets	498 987	165 685	333 302	246 840
I. Tangible fixed assets other than land and buildings (real estate), and inventories	244 105	165 685	78 420	85 751
II. Cash on accounts in financial institutions and cash in hand	254 882		254 882	161 089
IV. Other assets				
G. Temporary asset accounts	685 369		685 369	472 471
I. Accrued interest and rent	8 457		8 457	2 964
II. Deferred acquisition costs	592 187		592 187	372 336
a) in life-assurance business	465 539		465 539	231 852
b) in non-life insurance	126 648		126 648	140 484
III. Other temporary asset accounts, thereof	84 725		84 725	97 171
a) Estimated receivables	52 849		52 849	59 037
TOTAL ASSETS	27 634 788	1 043 605	26 591 183	25 591 558

Balance sheet as at 31 December 2011

(In thousands of Czech crowns TCZK)

		2011		2010
II. LIABILITIES				
A. Equity		5 027 631		4 960 439
I. Registered capital, thereof		600 000		600 000
a) Changes in registered capital				
II. Share premium		29 782		29 782
III. Revaluation fund				
IV. Other capital funds		549 038		549 890
V. Statutory reserve fund and other funds from profit		385 423		331 253
VI. Profit or loss brought forward		2 393 344		2 366 117
VII. Profit or loss for the financial year		1 070 044		1 083 397
B. Subordinated liabilities				
C. Technical provisions		14 322 635		14 318 941
1. Provision for unearned premiums				
a) gross amount	2 050 435		1 983 275	
b) reinsurance share (-)	302 986	1 747 449	337 595	1 645 680
2. Life assurance provision				
a) gross amount	6 039 699		6 099 368	
b) reinsurance share (-)	15 825	6 023 874	21 429	6 077 939
3. Provision for outstanding claims				
a) gross amount	6 481 567		6 764 742	
b) reinsurance share (-)	1 107 163	5 374 404	1 433 013	5 331 729
4. Provision for bonuses and rebates				
a) gross amount	223 391		196 496	
b) reinsurance share (-)		223 391		196 496
5. Equalization provision				
a) gross amount	198 673		399 160	
b) reinsurance share (-)		198 673		399 160
6. Other technical provisions				
a) gross amount				
b) reinsurance share (-)				
7. Provision for liabilities from the technical interest rate applied				
a) gross amount	137 205		115 390	
b) reinsurance share (-)		137 205		115 390
8. Non-life insurance provision				
a) gross amount				
b) reinsurance share (-)				
9. Provisions for liabilities of the Bureau				
a) gross amount	637 800		570 428	
b) reinsurance share (-)	20 161	617 639	17 881	552 547
D. Life assurance technical provision where the investment risk is borne by the policyholders		5 317 194		4 485 545
a) gross amount				
b) reinsurance share (-)				
E. Provisions		249 161		196 744
1. Provisions for pensions and similar obligations				
2. Provisions for taxation		221 390		181 737
3. Other provisions		27 771		15 007

	2011	2010
F. Deposits received from reinsurers	31 827	53 018
G. Creditors	1 278 811	1 255 516
I. Payables arising from direct insurance operations, thereof	611 701	689 624
a) Payables to entities in which the Company has a controlling influence	48	167
b) Payables to entities in which the Company has a significant influence		
II. Payables arising from reinsurance operations, thereof	430 026	432 442
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
III. Debenture loans		
a) Payables to entities in which the Company has a controlling influence, thereof		
aa) Convertible loans		
b) Payables to entities in which the Company has a significant influence, thereof		
ba) Convertible loans		
IV. Amounts owed to credit institutions, thereof		
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
V. Other payables, thereof	237 084	133 450
a) Tax liabilities and payables due to social security and health insurance institutions	35 739	21 339
b) Payables to entities in which the Company has a controlling influence		
c) Payables to entities in which the Company has a significant influence		
VI. Guarantee Fund of the Bureau		
H. Temporary liability accounts	363 924	321 355
I. Accrued expenses and deferred revenues	65 457	77 268
II. Other temporary liability accounts, thereof	298 467	244 087
a) Estimated payables	298 467	244 087
TOTAL LIABILITIES	26 591 183	25 591 558

Profit and loss account for the year 2011

(In thousands of Czech crowns TCZK)

	2011	2011	2011	2010
	Base	Subtotal	Result	Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	7 307 603	x	x	x
b) outward reinsurance premiums (-)	1 483 652	5 823 951	x	x
c) change in the gross provision for unearned premiums (+/-)	71 010	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	-31 476	102 486	5 721 465	5 454 254
2. Allocated investment return transferred from the non-technical account	x	x	263 741	242 948
3. Other technical income, net of reinsurance	x	x	674 645	1 092 510
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	4 087 023	x	x	x
bb) reinsurers' share (-)	631 891	3 455 132	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	-355 942	x	x	x
bb) reinsurers' share (-)	-312 700	-43 242	3 411 890	3 483 778
5. Changes in other technical provisions, net of reinsurance (+/-)	65 092	x	65 092	18 276
6. Bonuses and rebates, net of reinsurance	x	x	220 787	252 064
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	565 638	x	x
b) change in deferred acquisition costs (+/-)	x	13 836	x	x
c) administrative expenses	x	1 198 042	x	x
d) reinsurance commissions and profit participation (-)	x	278 491	1 499 025	1 426 244
8. Other technical expenses, net of reinsurance	x	x	680 247	1 014 810
9. Change in the equalisation provision (+/-)	x	x	-200 486	-200 278
10. Sub-total on the technical account for non-life insurance	x	x	983 296	794 818

	2011	2011	2011	2010
	Base	Subtotal	Result	Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	x	3 736 203	x	x
b) outward reinsurance premiums (-)	x	35 903	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-718	3 701 018	3 585 047
2. Income from financial placements (investments):	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings (real estate)	x	x	x	
bb) income from other financial placements (investments)	x	x	x	x
c) value adjustments on financial placements	755 771	755 771	x	x
d) income from disposal of financial placements	x	2 731 670	3 487 441	4 852 902
3. Unrealised gains on financial placements	x	x	1 893 017	1 634 347
4. Other technical income, net of reinsurance	x	x	116 325	264 440
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	2 176 013	x	x	x
bb) reinsurers' share (-)	14 136	2 161 877	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	72 769	x	x	x
bb) reinsurers' share (-)	-13 149	85 918	2 247 795	1 962 829
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	-59 669	x	x	x
bb) reinsurers' share (-)	-5 604	-54 065	x	x
b) other technical provisions, net of reinsurance	x	853 463	799 398	1 157 966
7. Bonuses and rebates, net of reinsurance	x	x	15 049	18 782
8. Net operating expenses	x	x	x	x
a) acquisition costs	x	724 491	x	x
b) change in deferred acquisition costs (+/-)	x	-233 687	x	x
c) administrative expenses	x	310 599	x	x
d) reinsurance commissions and profit participation (-)	x	12 182	789 221	660 408
9. Expenses connected with financial placements (investments):	x	x	x	x
a) investment management charges, including interest	x	2 687	x	x
b) value adjustments on financial placements	x	x	x	x
c) book value of disposed financial placements	x	2 700 187	2 702 874	4 064 207
10. Unrealised losses on financial placements (investments)	x	x	1 904 228	1 514 568
11. Other technical expenses, net of reinsurance	x	x	148 141	268 675
12. Allocated investment return transferred to the non-technical account (-)	x	x	437 151	449 177
13. Sub-total on the technical account for life assurance	x	x	153 944	240 124

Profit and loss account for the year 2011

(In thousands of Czech crowns TCZK)

	2011	2011	2011	2010
	Base	Subtotal	Result	Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	983 296	794 818
2. Result of the technical account for life assurance	x	x	153 944	240 124
3. Income from financial placements:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	x	x	x	x
bb) income from other financial placements (investments)	x	x	x	x
c) value adjustments on financial placements	x	x	x	x
d) income from disposal of financial placements	x	x	x	x
4. Allocated investment return transferred from the technical account for life-assurance	x	x	437 151	449 177
5. Expenses connected with financial placements:	x	x	x	x
a) investment management charges, including interest	x	x	x	x
b) value adjustments on financial placements	x	x	x	x
c) book value of disposed financial placements	x	x	x	x
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	263 741	242 948
7. Other income	x	x	29 874	105 935
8. Other expenses	x	x	41 674	86 749
9. Income tax on ordinary activities	x	x	228 788	176 538
10. Profit or loss on ordinary activities after tax	x	x	1 070 062	1 083 819
11. Extraordinary income	x	x	x	x
12. Extraordinary expenses	x	x	x	x
13. Extraordinary profit or loss	x	x	x	x
14. Income tax on extraordinary activities	x	x	x	x
15. Other taxes not shown under the preceding items	x	x	18	422
16. Profit or loss for the financial year	x	x	1 070 044	1 083 397

Statement of changes in equity for the year 2011

(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. 2010	600 000		29 782	265 712	555 714	30 964	3 433 657	4 915 829
Correction of significant errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						-36 788		-36 788
Net profit/loss for accounting period							1 083 397	1 083 397
Dividends							-1 002 000	-1 002 000
Transfers to fund				65 541			-65 541	
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes							1	1
Balance at 31.12. 2010	600 000		29 782	331 253	555 714	-5 824	3 449 514	4 960 439
Balance at 1.1. 2011	600 000		29 782	331 253	555 714	-5 824	3 449 514	4 960 439
Correction of significant errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						-852		-852
Net profit/loss for accounting period							1 070 044	1 070 044
Dividends							-1 002 000	-1 002 000
Addition to funds				54 170			-54 170	
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes							-1	-1
Balance at 31.12. 2011	600 000		29 782	385 423	555 714	-6 676	3 463 387	5 027 630

Notes to the financial statements 31 December 2011

I. GENERAL CONTENTS

I. 1. Description and principal activities

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

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

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

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

Life assurance

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

Non-life insurance

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

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

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

Registered office of the Company

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

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

Members of the Board of Directors as at 31 December 2011:

Chairman: RNDr. Jakub Strnad, Ph.D., Dobřejovice
Members: Dr. Christoph Plein, Prague¹⁾
Ing. Petr Sosík, Ph.D., CFA, Prague
Stefan Markschies, Prague
Mgr. Karel Waisser, Nučice²⁾

¹⁾Dr. Christoph Plein resigned as a member of the Board of Directors with effect as at 31 July 2011.

²⁾Mgr. Karel Waisser was appointed as a new member of the Board of Directors with effect as at 9 September 2011.

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

Members of the Supervisory Board as at 31 December 2011:

Chairman: Manuel Bauer, Munich, Germany³⁾
Wolfgang Deichl, Dachau, Germany⁴⁾
Members: Christian Sebastian Müller, Mainburg, Germany⁵⁾
Harold Langley-Poole, Munich, Germany⁶⁾
Veit Valentin Stutz, Munich, Germany⁷⁾

³⁾Manuel Bauer resigned as a member of the Supervisory Board of Allianz pojišťovna, a.s. with effect as at 17 October 2011.

⁴⁾Wolfgang Deichl was elected a new member of the Supervisory Board of Allianz pojišťovna, a.s., with effect as at 28 September 2011. On 5 October 2011 he was elected the Chairman of the Supervisory Board.

⁵⁾Christian Sebastian Müller resigned as a member of the Supervisory Board of Allianz pojišťovna, a.s., with effect as at 30 August 2011.

⁶⁾Harold Langley-Poole was elected a member of the Supervisory Board of Allianz pojišťovna, a.s., with effect as at 30 August 2011.

⁷⁾Veit Valentin Stutz was elected a member of the Supervisory Board of Allianz pojišťovna, a.s., with effect as at 11 November 2011.

Proxies of the Company as at 31 December 2011

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

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

Proxies who act on behalf of the Company independently:

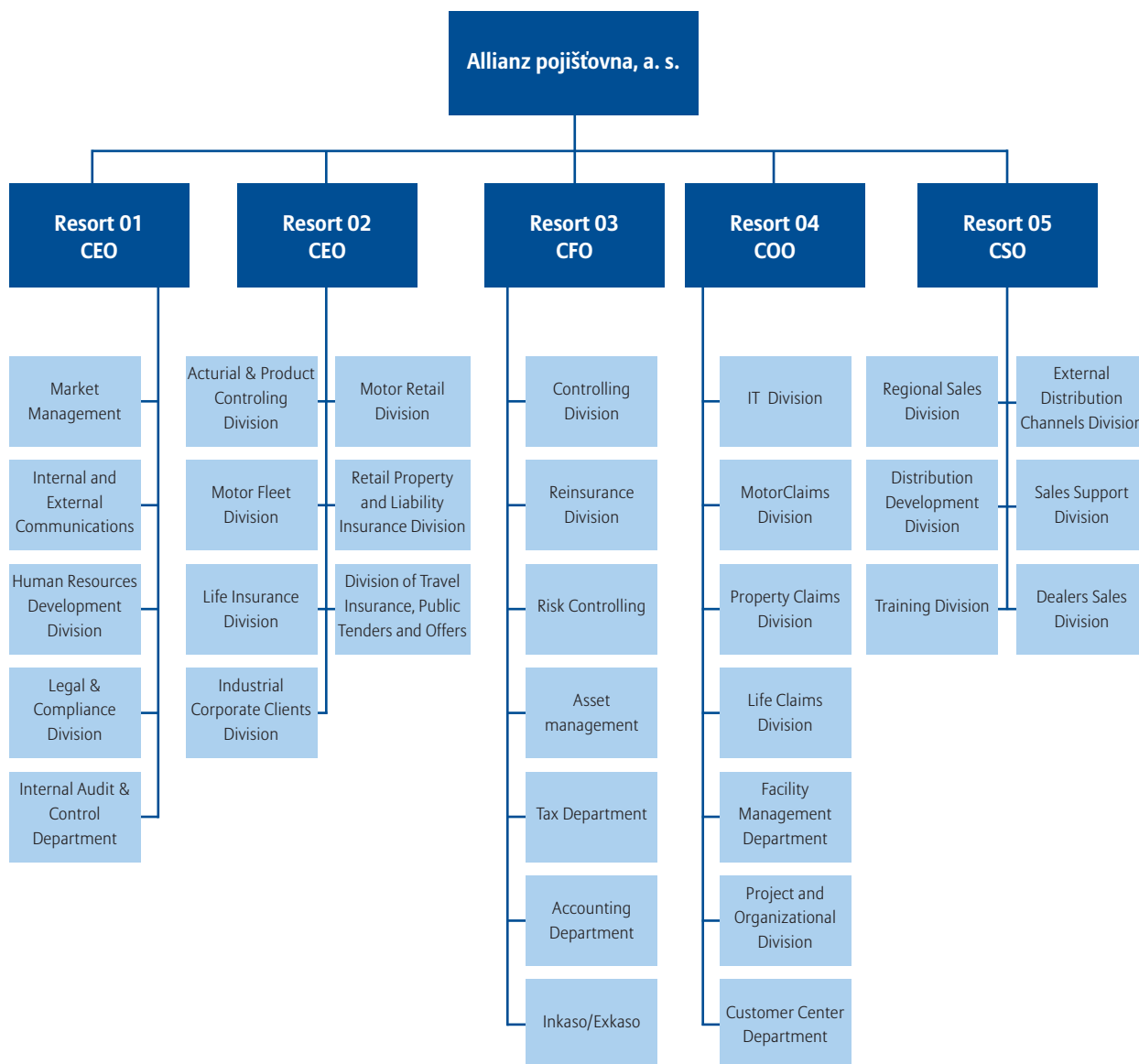
Ing. Václav Bohdanecký, Roztoky
Ivana Fischerová, Prague
Ing. Pavel Prokš, Poděbrady
Mgr. Radek Baštýř, Beroun

Ing. Pavel Novotný was removed as a proxy of Allianz pojišťovna, a.s. with effect as at 17 August 2011.

Significant events

On 8 June 2004 the Company informed the Ministry of Finance of its intention to extend its operations to the territory of all Member States of the European Union and countries forming the European Economic Area based on freedom of services. In 2011, the Company carried on its operations in the Slovak Republic, Poland, Austria, Germany, Hungary, Bulgaria, Lithuania, Latvia, Romania, Estonia, France, the Great Britain, Netherlands and Cyprus based on freedom of services.

Organisational structure



I. 2. Compliance with legislation

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

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

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

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

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

I. 4. Significant accounting policies

(a) *Tangible and intangible fixed assets*

Tangible and intangible fixed assets are stated at acquisition cost.

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

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

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

(b) Financial placements (investments)

Debt securities

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

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

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

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

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

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

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

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

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

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

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

Shares and other variable-yield securities

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

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

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

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

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

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

Participating interests

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

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

At the acquisition date, participating interests are stated at their acquisition cost. The acquisition cost is the amount for which the participating interests were acquired and includes all expenses directly associated with the acquisition. The fair value of participating interests is determined based on a qualified estimate or the opinion of a qualified external appraiser.

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

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

Deposits with financial institutions

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

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

Derivatives

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

Hedging derivatives

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

Hedge accounting is only applied where:

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

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

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

Embedded derivatives

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

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

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

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

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

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

(d) Adjustments

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

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

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

(e) Impairment of assets

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

(f) Deferred acquisition costs

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

Non-life insurance

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

Life assurance (except Unit-linked assurance)

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

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

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

(g) Income tax

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

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

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

(h) Provision for unearned premiums

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

(i) Life assurance provision

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

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

(j) Provision for outstanding claims

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

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

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

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

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

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

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

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

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

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

(k) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts. In respect of non-life insurance, the provision is created principally in cases where the Company is liable to refund to policyholders a portion of the premiums relating to the current financial year due to favourable claims experience.

In respect of life assurance, the provision for bonuses and rebates includes shares of surpluses arising as at 31 December of the current period, which have not been allocated to individual insurance contracts and thus are not included within the provision for life assurance.

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

(l) Equalisation provision

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

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

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

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

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

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

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

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

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

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

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

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

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

(n) Provision for liabilities of the Bureau

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

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

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

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

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

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

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

(p) Reinsurers' share of technical provisions

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

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

(q) Provisions

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

Provision for taxes

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

(r) Gross premiums written

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

(s) Claims paid

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

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

(t) Acquisition costs

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

(u) Expenses and income from financial placements

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

All expenses and revenues from financial placements are recorded initially in the technical account for life assurance. Expenses and revenues from financial placements, which are not related to life assurance activities, are subsequently transferred to the non-technical account. The relevant amount of the expenses and revenues from financial placements to cover the non-life insurance provisions is subsequently transferred to the technical account for non-life insurance from the non-technical account.

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

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

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

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

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

Expenses and revenues from financial placements

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

Other revenues and expenses

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

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

(w) Foreign currency translation

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

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

(x) Consolidation

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

I. 5. Change in accounting policies and procedures

During the year 2011, there were no changes in accounting policies and procedures made by the Company, and during the financial year the Company did not apply any deviations from these policies and procedures.

I. 6. Risk management

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

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

The risk management policies and procedures are comprehensive and interrelated with the policies and procedures governing maintenance of capital determined to cover these risks, which not only comply with the legislative requirements but also with the Allianz Group standards.

Since the beginning of 2011, the Company has used a new internal model for economic capital calculation and risk management. This internal model is based on requirements of the Solvency II framework and thus includes the key quantifiable risks the insurance company is exposed to. 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) to be required in the future. This assessment will be required in terms of the preparations for Solvency II.

The main risk exposures of the Company are as follows:

(a) Non-life underwriting risk

The Company is exposed to underwriting risks following from the sale of non-life insurance products. The basic quantification of non-life underwriting risks is included in two subcategories, the subcategory of premium risk and reserve risk.

The insurance risk is defined as the risk of losses caused by an unexpectedly high volume of claims, which cannot be covered from the collected premiums. In the internal model the insurance risk is further divided into the catastrophe risk and non-catastrophe risk.

The reserve risk is the risk of losses caused by the difference between the actual amount of insurance settlements paid and the provisions for incurred claims, which have not been fully settled yet, or as a result of use of insufficient data for determining the amount of provisions.

This category stands for the major portion of the capital requirement within the liabilities from non-life insurance.

The Company also applies the following internal directives to managing these risks: The process of creation of a new product and change of a product, Additions to and utilisation of technical provisions, Minimum underwriting standards in terms of non-life insurance and reinsurance strategy.

The Company applies the geographic information system (GIS) to concentration risk management and monitoring in terms of catastrophic claims, primarily the risk of floods. Its contribution is, next to the check of concentration of the insured values, also an adequate measurement of the potential insurance liabilities.

(b) Life underwriting risk

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

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

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

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

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

The Company uses an internal model to quantify and monitor the risks. This model covers all significant and quantifiable risks relating to life assurance.

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

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

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

The Company has no significant concentration of exposure to any group of persons insured. In order to manage the insurance risk, the Company primarily uses reinsurance and a prudent underwriting policy.

Reinsurance strategy

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

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

(c) Market risk

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

The basic quantification in terms of the market risks is comprised in the following subcategories:

- Interest rate risk – the risk of losses incurred due to the impact of market interest rate fluctuations
- Equity risk – the risk of losses incurred as a result of changes of the market value of shares and equity funds
- Volatility risk – the risk of fluctuation of the financial instrument prices on the financial markets
- Real estate market risk – the risk of losses incurred as a result of changes of real estate market prices
- Currency risk – the risk of losses incurred as a result of movements in the exchange rates of foreign currencies

The main exposure is that the revenues from investments will not be sufficient to cover the liabilities from insurance contracts. The market risks are also a basic part of the internal model.

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.

Equity risk

The equity risk is connected with the losses incurred as a result of changes of the market value of shares and equity funds. The Company manages this risk by diversifying the portfolio and determining and monitoring the limits both for the individual and total investments in this type of asset.

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.

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

Asset/Liability management (ALM)

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

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

(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 credit risks are fully a part of the internal model.

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

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

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

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

In accordance with the requirements of the Allianz Group, the Company further determines internal limits for the individual issuers/counterparties based on their credit quality and regularly monitors whether these are met. The limits are reassessed on a regular basis. This limit system is an integral part of the internal model.

Receivables from policyholders are monitored continually and the manner of establishing adjustments is described in note I.4.(d). Recovery of debt from insurance is carried out by the Company in cooperation with an external partner.

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

(e) Operational risk

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

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

The calculation of the capital requirement for operational risks is also an integral part of the internal model.

(f) Liquidity risk

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

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

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

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

II. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2011 comprised the following items:

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2011	558 396	20 553	578 949
Additions	50 301	16 499	66 800
Disposals	-659	-11 243	-11 902
Acquisition cost at 31/12/2011	608 038	25 809	633 847
Accumulated depreciation at 1/1/2011	459 266	-	459 266
Depreciation expense	55 444	-	55 444
Disposals	-	-	-
Accumulated depreciation at 31/12/2011	514 710	-	514 710
Net book value at 1/1/2011	99 130	20 553	119 683
Net book value at 31/12/2011	93 328	25 809	119 137

II. 2. Investment

(a) Participating interests

Participating interests with controlling influence

2011						
Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní fond, a.s. Ke Stvanici 656/3 186 00 Praha 8	100	183 607	183 607	*60 000	*1 044 375	*357 587
Allianz kontakt, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*3 534	*1 163
Allianz generální služby, s.r.o. Ke Stvanici 656/3 186 00 Praha 8	100	200	200	*200	*163	*287
Total	-	184 007	184 007	60 400	1 048 072	359 037

*) unaudited financial data

2010

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

*) unaudited financial data

Participating interests with significant influence**2011**

Trade name, registered office	Participating interests as % of registered capital	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
VERONIA SHELF, s.r.o. Mánesova 917/28 120 00 Praha 2, Vinohrady	49	7 526	0	*200	*-70 551	*-52 049
Total	-	7 526	0	200	-70 551	-52 049

*) unaudited financial data

2010

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

*) unaudited financial data

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

(b) Loans to associated companies

	Fair value		Acquisition cost	
	2011	2010	2011	2010
VERONIA SHELF, s.r.o.	393 650	370 752	359 279	413 273
Total	393 650	370 752	359 279	413 273

(c) Shares and participation certificates

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Issued by financial institutions				
Listed elsewhere	60 503	50 441	79 447	58 649
Issued by non-financial institutions				
Listed elsewhere	3 969	0	3 857	0
Other				
Listed elsewhere	192 004	126 458	228 866	152 747
Total	256 476	176 899	312 170	211 396

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

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Issued by financial institutions				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	2 743 687	2 823 187	2 364 093	2 512 879
Issued by non-financial institutions				
Listed on a recognised CR exchange	-	156 382	-	155 515
Listed elsewhere	20 494	70 873	20 000	70 655
Issued by government sector				
Listed on a recognised CR exchange	11 822 308	11 581 986	11 076 707	11 175 393
Listed elsewhere	128 532	124 171	81 404	81 404
Issued by insurance institutions				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	522 417	-	492 300	-
Other				
Listed on a recognised CR exchange	-	-	-	-
Listed elsewhere	4 934	501 587	4 709	492 300
Total	15 242 372	15 258 186	14 039 213	14 488 146

(e) OECD debt securities held to maturity

	Fair value		Amortised value		Acquisition cost	
	2011	2010	2011	2010	2011	2010
Listed on a recognised CR exchange	2 248 920	2 014 509	2 194 192	1 966 588	2 195 156	1 966 456
Total OECD debt securities held to maturity	2 248 920	2 014 509	2 194 192	1 966 588	2 195 156	1 966 456

(f) Other loans

As at 31 December 2011, the Company had provided other loans to policyholders, guaranteed by the insurance contract entered into, in the amount of TCZK 15 007 (2010: TCZK 17 227).

(g) Deposits with financial institutions

As at 31 December 2011 deposits due within one year with financial institutions totalled TCZK 205 134 (2010: TCZK 535 591).

(h) Other financial placements

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Fixed-term transactions	1 351 464	1 085 224	-79 989	-23 102
Options			10 544	6 991
Total	1 351 464	1 085 224	-69 445	-16 111

(i) Derivatives**Hedging derivatives**

Fixed-term contracts with a negative fair value	Fair value		Acquisition cost	
	2011	2010	2011	2010
Term currency transactions	1 351 464	1 085 224	-79 989	-23 102
Total	1 351 464	1 085 224	-79 989	-23 102

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

Remaining maturity of derivatives

At 31 December 2011	Up to 3 months	3 months to 1 year	1 to 5 years	Total
Hedging derivatives				
Term currency transactions	-38 479	-23 517	-17 993	-79 989
At 31 December 2010				
Hedging derivatives				
Term currency transactions	-	-640	-22 462	-23 102

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

Description	Fair value		Acquisition cost	
	2011	2010	2011	2010
Shares and other variable-yield securities	4 699 207	3 917 103	4 549 888	3 729 245
Debt securities	614 799	558 467	578 962	517 288
Deposits with financial institutions	24 982	10 428	24 982	10 428
Derivatives	- 21 794	-453	-	-
Total	5 317 194	4 485 545	5 153 832	4 256 961

II. 4. Currency structure of financial placements

Currency	Variable-yield securities		Fixed income securities		Deposits and other financial placements		Securities where the investment risk is borne by the policyholder	
	2011	2010	2011	2010	2011	2010	2011	2010
CZK	36 167	12 977	16 439 653	16 312 158	395 891	705 050	2 764 726	1 819 083
EUR	220 309	163 922	951 115	864 920	350 455	386 416	2 551 631	2 666 462
USD	-	-	100 524	95 617	-17 993	-	837	-
Total	256 476	176 899	17 491 292	17 272 695	728 353	1 091 466	5 317 194	4 485 545

II. 5. Receivables

31 December 2011	Receivables from policy holders	Receivables from insurance brokers	Receivables from reinsurance transactions	Other receivables	Total
Not overdue	155 921	1 676	266 756	456 109	880 462
Overdue	883 312	108 339	135 584	15 573	1 142 808
Total	1 039 233	110 015	402 340	471 682	2 023 270
Adjustment	238 962	108 460	-	15 788	363 210
Total net	800 271	1 555	402 340	455 894	1 660 060

31 December 2010	Receivables from policy holders	Receivables from insurance brokers	Receivables from reinsurance transactions	Other receivables	Total
Not overdue	116 731	1 435	451 740	413 967	983 873
Overdue	946 213	102 590	73 120	11 784	1 133 707
Total	1 062 944	104 025	524 860	425 751	2 117 580
Adjustment	274 867	101 388	-	15 366	391 621
Total net	788 077	2 637	524 860	410 385	1 725 959

(a) Other receivables

	2011	2010
Inter-company receivables	2 266	1 916
Deferred tax asset	9 728	11 385
Income tax prepayments	366 843	345 162
Other receivables	77 057	51 922
Total other receivables	455 894	410 385

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

	Tangible fixed assets
Acquisition cost at 1/1/2011	279 163
Additions	27 262
Disposals	-62 320
Acquisition cost at 31/12/2011	244 105
Accumulated depreciation at 1/1/2011	193 412
Depreciation expense	26 736
Disposals	-54 463
Accumulated depreciation at 31/12/2011	165 685
Net book value at 1/1/2011	85 751
Net book value at 31/12/2011	78 420

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

	2011	2010
Traditional life assurance	4 108	4 204
Unit-linked life assurance	461 431	227 648
Total	465 539	231 852

(b) Estimated receivables

	2011	2010
Estimated written premiums	11 175	19 356
Estimated reinsurance commissions	5 117	8 721
Recourses	32 521	29 412
Other	4 036	1 548
Total	52 849	59 037

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 2011, 100%, i.e. TCZK 600 000, of the share capital was paid up.

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

Based on the decision of the sole shareholder, the Company paid out dividends amounting to TCZK 1 002 000 (2010: TCZK 1 002 000).

(b) Other capital funds

	2011	2010
Other capital funds	555 714	555 714
Revaluation of assets and liabilities	-6 676	-5 824
Total	549 038	549 890

Revaluation of assets and liabilities at fair value

	2011	2010
Balance at 1/1	-5 824	30 964
Change in fair value of financial placements (excl. hedging derivatives)	-	-
Change in fair value of hedging derivatives	-476	-1 790
Net losses on financial placements reclassified to the Profit and loss account on disposal, impairment or maturity	-576	-43 627
Change in deferred tax	200	8 629
Balance at 31/12	-6 676	-5 824

Proposed distribution of current period profit

Current period profit	1 070 044
Transfer to statutory reserve fund	53 502
Profit to be added to retained earnings	1 016 542

II. 9. Technical provisions

(a) Summary of technical provisions

Type of provision	Year	Gross	Reinsurer's share	Net
Provision for unearned premiums	2011	2 050 435	302 986	1 747 449
	2010	1 983 275	337 595	1 645 680
Life assurance provision	2011	6 039 699	15 825	6 023 874
	2010	6 099 368	21 429	6 077 939
Provision for outstanding claims	2011	6 481 567	1 107 163	5 374 404
	2010	6 764 742	1 433 013	5 331 729
Provision for bonuses and rebates	2011	223 391	-	223 391
	2010	196 496	-	196 496
Equalisation provision	2011	198 673	-	198 673
	2010	399 160	-	399 160
Provision for liabilities arising from the applied technical interest rate	2011	137 205	-	137 205
	2010	115 390	-	115 390
Provision for liabilities of the Bureau	2011	637 800	20 161	617 639
	2010	570 428	17 881	552 547
Life assurance technical provision where the investment risk is borne by the policyholder	2011	5 317 194	-	5 317 194
	2010	4 485 545	-	4 485 545
Total	2011	21 085 964	1 446 135	19 639 829
	2010	20 614 404	1 809 918	18 804 486

(b) Provision for unearned premiums (gross)

	2011	2010
Non-life insurance	1 939 808	1 868 797
Life assurance	110 627	114 478
Total	2 050 435	1 983 275

(c) Life assurance provision

	2011	2010
Unzillmerised provision	6 334 464	6 443 795
Zillmer adjustment	-299 499	-349 232
Elimination of negative reserves	4 734	4 805
Zillmerised provision presented in the balance sheet	6 039 699	6 099 368

(d) Provision for outstanding claims

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

	2011	2010
RBNS	5 204 512	5 400 829
IBNR	1 277 055	1 363 913
Celkem	6 481 567	6 764 742

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2010, the claims payments during 2011 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2011.

The net run-off result is as follows:

Class of insurance	2011	2010
Motor	135 503	195 772
Motor third party liability	724 935	763 745
Industry	64 860	13 454
Commercial	31 589	17 998
Private property	29 233	14 519
Accident	-	-
Sickness	-	-
Travel	4 648	7 029
Other	-	-
Total	990 768	1 012 517

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities is, after discounting, TCZK 595 029 (2010: TCZK 626 027).

The Company used a wage valorisation rate and a disability pension valorisation rate of 5.4% to calculate the provision for outstanding claims paid in the form of annuities from statutory motor third-party liability insurance for the subsequent years. The provision was then discounted at 2%. Annualised annuities amount to TCZK 12 280 (2010: TCZK 14 011).

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

(e) Provision for bonuses and rebates (gross)

Class of insurance	2011	2010
Non-life insurance	105 821	92 795
Life assurance	117 570	103 701
Total	223 391	196 496

(f) Equalisation provision

	2011	2010
Insurance against damage to property caused by storm, natural forces, landslide or subsidence, hailstorm or frost, and other types of property insurance	41 007	84 299
Insurance against damage caused by nuclear energy	2	2
Credit insurance	941	1 411
Insurance against damage to ground transportation vehicles	154 748	309 497
Other classes	1 975	3 951
Total	198 673	399 160

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

(g) Provision for liabilities of the Bureau

	Opening balance	Additions	Utilisation	Closing balance
Provision for liabilities of the Bureau	570 428	137 372	70 000	637 800
Total	570 428	137 372	70 000	637 800

The reinsurer's share in the provision for liabilities of the Bureau amounts to TCZK 20 161 (2010: TCZK 17 881).

II. 10. Provisions

Type of provision	Opening balance	Additions	Utilisation	Closing balance
Provision for taxes	181 737	275 995	236 342	221 390
Other provisions	15 007	25 859	13 095	27 771
Total	196 744	301 854	249 437	249 161

II. 11. Payables

31 December 2011	Payables to policyholders	Payables to brokers	Payables from reinsurance transactions	Other payables	Total
Not overdue	400 968	113 014	417 530	226 646	1 158 158
Overdue	17 800	79 919	12 496	10 438	120 653
Total	418 768	192 933	430 026	237 084	1 278 811

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

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 13 794 (2010: TCZK 15 898), of which TCZK 9 655 (2010: TCZK 11 116) relates to social security and TCZK 4 139 (2010: TCZK 4 782) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities

Tax liabilities amount to TCZK 21 945 (2010: TCZK 5 441). None of these liabilities are overdue.

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

Long-term payables with a remaining period to maturity in excess of five years as at the balance sheet date totalled TCZK 15 476 (2010: TCZK 24 162).

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

The Company has a net receivable from reinsurers of TCZK 59 513 (2010: a net payable of TCZK 39 400).

II. 12. Temporary liability accounts**Estimated payables**

	2011	2010
Estimated reinsurance premiums	49 866	71 458
Commissions to brokers	131 655	94 895
Services	34 883	27 629
Employee bonuses	48 575	27 240
Other	33 488	22 865
Total	298 467	244 087

II. 13. Inter-company receivables and payables**(a) Receivables and payables due to or from companies in which the Company has a controlling influence**

Company name	Receivables		Payables	
	2011	2010	2011	2010
<i>Short-term</i>				
Allianz penzijní fond, a.s.	1 008	538	48	-
Allianz kontakt, s.r.o	8	-	-	167
Allianz generální služby, s.r.o.	-	-	-	-
Total	1 016	538	48	167

(b) Other inter-company receivables and payables

Company name	Receivables		Payables	
	2011	2010	2011	2010
Allianz SE	188 947	361 476	194 282	269 501
AGR US Los Angeles	-	89	-	1 194
Allianz Global Risk Nederland	1 000	62	-	6 811
Allianz GCS Switzerland	-	109	-	631
Allianz S.p.A	-	482	-	-
Stanislas Haine	-	350	-	-
Allianz Elementar	183	47	183	47
Allianz Insurance Company of Canada	163	-	680	-
AGA International SA	8 055	9 105	8 060	15 541
Allianz Global Risk US	682	1 974	8 001	11 701
Allianz Global Corporate & Specialty Mnichov	382	4 497	11 968	8 142
Allianz GCS, Hamburg	1 893	63	2 445	-
Allianz Global Corporate & Specialty France	30	-	36	-
Allianz Compañía de Seguros	-	2	-	28
AGF La Lilloise	-	24	-	25
Allianz GCS München	9 534	8 270	11 364	7 965
Allianz Slovenská poisťovňa, a.s.	9 209	1 602	244	1 433
Allianz Zagreb d.d., Chorvatsko	2	196	-	-
T.U. Allianz Polska S.A.	4 747	2 418	195	114
Allianz Hungária Biztosító Zrt.	922	1 384	257	-
Allianz GCS UK	1 308	2 051	6 952	13 596
Allianz GCS Austria Branch	205	144	-	680
Allianz Sigorta a.s.	24	-	36	-
AGCS Nederlands	74	-	443	-
AGCS AG Italy Branch	-	281	-	1 073
Allianz Managed Operations & Services SE	-	-	721	-
Allianz Business Services, spol. s r.o.	-	-	2	-
Mondial Assistance s.r.o.	-	-	7 071	3 451
Insurance Joint Stock Comp AZ	519	-	-	-
Allianz Ukraine LLC	70	-	-	-
Allianz Tiriatic Assicurari S.A.	317	369	-	-
Allianz Direct s.r.o.	1 202	-	-	1 453
Allianz GCS Nordic Region	-	25	-	306
Total	229 468	395 020	252 940	343 692

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 2011 and 2010 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					
2011		201 187	201 347	74 080	38 846	-5 132
2010		181 208	180 518	52 761	33 736	-2 333
Motor – other classes	3					
2011		2 289 057	2 256 547	1 579 006	547 625	-5 167
2010		2 148 535	2 108 336	1 507 505	500 788	66 230
Motor – liability	10					
2011		2 236 051	2 235 386	1 210 118	542 184	-104 307
2010		2 206 885	2 175 747	1 009 338	504 676	-198 588
Aviation, marine and transport	4,5,6,7,11,12					
2011		145 243	147 151	10 559	25 097	-73 000
2010		141 042	140 027	58 633	25 253	-111 944
Fire and other damage to property	8,9,15,16					
2011		1 984 994	1 956 275	721 245	514 898	-590 993
2010		1 924 784	1 886 358	1 458 319	525 984	-22 787
Liability	13					
2011		451 071	439 887	136 073	108 866	-136 568
2010		427 836	419 851	148 652	103 454	-167 844
Total						
	2011	7 307 603	7 236 593	3 731 081	1 777 516	-915 167
	2010	7 030 290	6 910 837	4 235 208	1 693 891	-437 266

III. 2. Life assurance

Gross premiums written in life assurance:

	2011	2010
Individual (special) premium	3 721 705	3 606 194
Premiums under group contracts	14 498	14 733
Total	3 736 203	3 620 927
Regular premium	1 959 495	1 870 938
Single premium	1 776 708	1 749 989
Total	3 736 203	3 620 927
Premiums from non profit-sharing contracts	812 782	776 563
Premiums from profit-sharing contracts	550 826	674 556
Premiums from contracts where the investment risk is borne by the policyholder	2 372 595	2 169 808
Total	3 736 203	3 620 927
Reinsurance balance	-9 195	-13 385

III. 3. Gross premiums written by country

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

Country	2011	2010
Czech Republic	10 988 399	10 599 850
Belgium	0	0
Bulgaria	432	1 379
Estonia	1 629	55
Finland	0	0
Lithuania	60	88
Latvia	27	42
Hungary	1 868	2 139
Netherlands	339	1 808
Poland	5 128	2 868
Austria	10	12
Romania	1 237	2 254
Slovakia	31 068	29 789
Germany	12 759	10 583
France	0	0
Cyprus	292	350
Great Britain	558	0
Total	11 043 806	10 651 217

III. 4. Bonuses and rebates

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

	2011	2010
Non-life insurance	207 761	244 819
Life assurance	1 180	-
Total bonuses and rebates	208 941	244 819

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

	2011	2010
Non-life insurance		
Additions	302 255	328 273
Utilisation	-289 229	-321 028
Change	13 026	7 245
Life assurance		
Additions	107 385	68 354
Utilisation	-93 516	-49 572
Change	13 869	18 782
Total change	26 895	26 027

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

	2011			2010		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	354 286 ¹⁾	594 771	949 057	375 876 ³⁾	316 280	692 156
Renewal	608 690 ²⁾	66 022	674 712	543 542 ⁴⁾	65 338	608 880
Total commissions	962 976	660 793	1 623 769	919 418	381 618	1 301 036
Other acquisition costs	211 352	129 721	341 073	229 957	162 305	392 262
Change in deferred acquisition costs	13 836	-233 687	-219 851	-35 600	-90 096	-125 696
Total commissions and other acquisition costs	1 188 164	556 827	1 744 991	1 113 775	453 827	1 567 602

¹⁾ of which TCZK 26 060 relates to assumed facultative reinsurance

²⁾ of which TCZK 16 796 relates to assumed facultative reinsurance

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

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

The Company discloses renewal commissions under administrative expenses.

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

III. 6. Administrative expenses

	2011	2010
Personnel expenses (payroll, social and health insurance)	457 111	408 885
Rental	76 506	86 372
Depreciation and net book value of disposed of fixed assets	63 963	66 582
Renewal commissions	674 712	608 880
Telephone and fax fees, postage	52 460	59 127
Consultancy fees	34 057	41 917
Travel and entertainment	14 611	15 099
Materials consumption	12 524	9 802
Other services	78 985	74 213
Other administrative expenses	5 787	3 626
Hardware maintenance and repair	6 363	7 090
Software maintenance and repair	18 949	19 138
Data network maintenance and repair	12 613	13 724
Total administrative expenses	1 508 641	1 414 455

III. 7. Other technical expenses and income

2011	Gross	Reinsurer's share	Net
Non-life insurance			
Other technical expenses	680 247	-	680 247
Other technical income	674 645	-	674 645
Balance – non-life insurance	5 602	-	5 602
Life assurance			
Other technical expenses	148 141	-	148 141
Other technical income	116 325	-	116 325
Balance – life assurance	31 816	-	31 816
2010			
Non-life insurance			
Other technical expenses	1 014 810	-	1 014 810
Other technical income	1 092 510	-	1 092 510
Balance – non-life insurance	-77 700	-	-77 700
Life assurance			
Other technical expenses	268 675	-	268 675
Other technical income	264 440	-	264 440
Balance – life assurance	4 235	-	4 235

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

2011	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	-75 140	-	-75 140
Write-off of receivables	79 042	-	79 042
Foreign exchanges losses (+)/gains (-)	9 876	-	9 876
Other technical expenses and income	-8 176	-	-8 176
Balance of other expenses and income	5 602	-	5 602
2010	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	-136 588	-	-136 588
Write-off of receivables	74 105	-	74 105
Foreign exchanges losses (+)/gains (-)	5 273	-	5 273
Other technical expenses and income	-20 490	-	-20 490
Balance of other expenses and income	-77 700	-	-77 700

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

2011	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	46 310	-	46 310
Write-off of receivables	24 370	-	24 370
Foreign exchanges losses (+)/gains (-)	16 217	-	16 217
Other technical expenses and income	-55 081	-	-55 081
Balance of other expenses and income	31 816	-	31 816
2010	Gross	Reinsurer's share	Net
Additions to (+)/Release of (-) adjustments to receivables	14 482	-	14 482
Write-off of receivables	11 625	-	11 625
Foreign exchanges losses (+)/gains (-)	131	-	131
Other technical expenses and income	-22 003	-	-22 003
Balance of other expenses and income	4 235	-	4 235

III. 8. Other expenses and income

	2011	2010
Non-technical account		
Other expenses	41 674	86 749
Other income	29 874	105 935
Balance of other expenses and income	11 800	-19 186

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

	2011	2010
Foreign exchange gains and losses	1 061	1 387
Foreign exchange differences on revaluation	-712	-1 111
Provisions	10 197	-21 047
Other	1 254	1 585
Balance of other expenses and income	11 800	-19 186

III. 9. Employees and executives

Average adjusted number of employees and executives and remuneration for 2011 and 2010:

2011	Average adjusted number	Payroll expense	Social and health insurance	Other expenses
Employees	692	350 258	111 209	7 354
Executives	86	110 358	32 006	1 223
Total	778	*460 616	*143 215	*8 577

2010	Average adjusted number	Payroll expense	Social and health insurance	Other expenses
Employees	650	313 783	102 890	6 835
Executives	88	110 373	27 750	873
Total	738	*424 156	*130 640	*7 708

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

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

In 2011 members of statutory and supervisory bodies received remuneration totalling TCZK 17 733 (2010: TCZK 29 624).

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

In 2011 and 2010 the Company had no receivables from members of the Board of Directors or the Supervisory Board relating to loans or advances provided.

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

As at the balance sheet date the total amount of expenses allocated between the technical accounts for life assurance and non-life insurance and the non-technical account based on the method stated in note I. 4. (u) amounted to TCZK 244 577 (2010: TCZK 225 459).

III. 11. Result of the non-technical account

The result of the non-technical account as at 31 December 2011 amounted to TCZK 161 610 (2010: TCZK 225 415).

III. 12. Profit before tax

The Company's profit before tax as at 31 December 2011 amounted to TCZK 1 298 850 (2010: TCZK 1 260 357).

III. 13. Taxation**(a) Income tax in the profit and loss account**

	2011	2010
Provision for current period income tax	221 390	181 737
Difference between prior period income tax and the release of the prior period income tax provision	12 150	-707
Current income tax relating to prior periods	-6 609	-4 396
Change in deferred tax asset/liability	1 857	-96
Income tax in the profit and loss account	228 788	176 538

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

(b) Deferred tax assets/liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Tangible fixed assets	315	2 256	-	-	315	2 256
Intangible fixed assets	1 039	2 720	-	-	1 039	2 720
Receivables	2 376	3 884	-	-	2 376	3 884
Provisions	3 855	1 611	-	-	3 855	1 611
Losses carried forward	-	-	-	-	-	-
Other temporary differences recorded in Profit and Loss account	2 342	1 313	-	-	2 342	1 313
Effect on Profit and Loss account	9 927	11 784	-	-	9 927	11 784
Revaluation of assets and liabilities	2 751	2 678	2 950	3 077	-199	-399
Other temporary differences recorded in Equity	-	-	-	-	-	-
Effect on Equity	2 751	2 678	2 950	3 077	-199	-399
Deferred tax asset/(liability)	12 678	14 462	2 950	3 077	9 728	11 385
Offset of related deferred tax assets and liabilities	-	-	-	-	-	-
Deferred tax asset/(liability)	12 678	14 462	2 950	3 077	9 728	11 385

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

IV. OTHER DISCLOSURES

IV. 1. Group relations

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

IV. 2. Transactions not disclosed in the balance sheet

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

IV. 3. Contingent liabilities

(a) Co-insurance

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

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

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

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

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

(c) Membership of the Czech Nuclear Pool

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

IV. 4. Subsequent events

Allianz New Europe Holding GmbH, the sole shareholder of the Company, appointed PhDr. Tomáš Vysoudil as a member of the Board of Directors of Allianz pojišťovna, a.s., with effect as at 3 February 2012.

As at the same date, Stefan Markschies resigned as a member of the Board of Directors of Allianz pojišťovna, a.s.

In Prague, 21 February 2012



Jakub Strnad
Chairman of the Board of Directors



Petr Sosík
Member of the Board of Directors

Report on Relationships between Related Parties

We provide this report on relationships between related parties based on the duty as stipulated by the Czech Commercial Code. By relationships, we mean commercial relationships to controlling, controlled and other related parties. The parties involved are companies of the Allianz Group. During accounting period 2011, or during preceding periods, Allianz pojišťovna, a. s. did not conclude any controlling agreement and transfer of profit agreement.

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

Summary

Controlling party

Allianz New Europe Holding GmbH, Vienna, Austria;

Allianz Holding eins GmbH, Vienna, Austria;

Allianz SE, Munich, Germany.

Controlled parties

Allianz penzijní fond, a. s., Prague;

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

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

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

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;

AGA International SA, Paris, France, through its branch in Prague, as the legal successor of Mondial Assistance International AG, Wallisellen, Switzerland, through its branch Mondial Assistance International AG – organizační složka, Prague;

Allianz Global Corporate & Specialty AG, Munich, Germany;

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

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

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

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

Allianz Deutschland AG, Munich, Germany;

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

Allianz Global Investors Luxembourg S.A., Luxembourg;

PIMCO Europe Ltd., London, Great Britain.

Relationships to Controlling and Controlled Parties, other than via Reinsurance

Allianz New Europe Holding GmbH

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

Allianz Holding eins GmbH

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

Allianz SE

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

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

Allianz penzijní fond, a. s.

Allianz penzijní fond, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their sales activities. In 1995, the two companies signed an agreement on cooperation regarding the sale of supplementary pension schemes by Allianz pojišťovna, a. s. sales agents. The contract is automatically renewable for one year at a time, with the option of termination by notice. Contracts on supplementary pension scheme brokerage, including commission arrangements, have been concluded under the standard terms and conditions as would apply to third parties.

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

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

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

Allianz Direct, s. r. o.

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

Allianz kontakt, s. r. o.

Allianz kontakt, s. r. o. is a 100% subsidiary of Allianz pojišťovna, a. s. Established in 2005, the company brokers insurance for Allianz pojišťovna, a. s. on the basis of a sales representation agreement from 2005. In connection with the change of Allianz kontakt's registered office, a sublease agreement was concluded in 2006 to replace the sublease agreement of 2005. The

sublease agreement has been concluded under the standard terms and conditions as would apply to third parties. An agreement on the lease of interior equipment was signed in 2007, replacing a similar agreement from 2006. In 2009, the companies entered into an agreement on cooperation in the use of information technologies.

Allianz generální služby, s. r. o.

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

Relationships to Related Parties, other than via Reinsurance

Allianz – Slovenská poisťovňa, a. s.

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

Allianz Business Services, spol. s r. o.

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

Mondial Assistance s. r. o.

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

Euler Hermes Čescob Service s. r. o.

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

Euler Hermes Čescob, úvěrová pojišťovna, a. s.

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

Allianz Managed Operations & Services SE

Allianz Managed Operations & Services SE is a member of Allianz Group. In April 2008, Allianz pojišťovna, a. s., Allianz SE and the said company entered into an agreement on the assignment of rights and obligations under an agreement on sharing cost of information systems concluded between Allianz SE and Allianz pojišťovna, a. s. to Allianz Managed Operations &

Services SE. Further, the agreement newly provides for certain other relationships within the cooperation between Allianz pojišťovna, a. s. and the new contracting partner. In 2009, the two companies entered into a framework agreement on the provision of IT infrastructure services.

Allianz Global Corporate & Specialty AG

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

Allianz Global Investors Advisory GmbH

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

Allianz Deutschland AG

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

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

Relationships to Controlling and Related Parties in the Area of Reinsurance

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

Allianz SE;

Allianz Global Corporate & Specialty AG;

Allianz Versicherungs AG;

AGA International SA – organizační složka.

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

Allianz SE

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

Allianz Global Corporate & Specialty AG

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

Allianz Versicherungs AG is the Allianz pojišťovna, a. s. reinsurer for extended warranty insurance.

AGA International SA – organizační složka acts as the Allianz pojišťovna, a. s. reinsurer for travel insurance and technical assistance insurance for vehicles as well as extended warranty insurance.

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

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

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

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

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

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