

ANNUAL REPORT 2019



Allianz pojišťovna, a. s.

BASIC ECONOMIC DATA

BRIEF SUMMARY MILLION EUR

Selected indicators (million EUR)	2019	2018	2017	2016
Gross premiums written	15 568	13,375	12,891	13,003
Life insurance	3 922	2,935	2,905	2,968
Non-life insurance	11 646	10,440	9,986	10,035
Claims paid	9 252	7,891	8,925	8,945
Life insurance	3 084	2,276	3,276	3,078
Non-life insurance	6 167	5,615	5,649	5,867
Net claims ratio retention in non-life insurance	59,4%	57,4%	64,6%	65,1%
Gross expenses ratio	24,1%	25,2%	25,0%	26,0%
Technical result	1 134	2,006	1,076	810
Profit before tax	1 804	2,085	1,007	865
Financial placements	25 237	23,177	22,585	21,532
Equity	7 425	6,162	5,281	4,500
Equity ratio (as % of net written premiums)	52,6%	50,8%	45,1%	38,3%
Technical provisions	26 354	25,408	25,975	26,965
Life insurance	14 530	14,094	14,993	16,697
Non-life insurance	11 824	11,314	10,982	10,268
Number of contracts in portfolio (thousand)	2 113	2,033	1,949	2,142
Number of employees	782	821	889	885
Number of agents	1 399	1,388	1,265	1,337

The economic data for 2016 and later years reflect the merger of Allianz pojišťovna, a. s. (successor company), Wüstenrot pojišťovna a. s. (dissolved company) and Wüstenrot, životní pojišťovna, a. s. (dissolved company).

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TEXT PART

A

CHAIRMAN'S STATEMENT

REPORT ON THE COMPANY'S BUSINESS AND ASSETS PURSUANT TO ACT NO. 90/2012 COLL.

DEAR LADIES AND GENTLEMEN,

Allianz was very successful in 2019. Awards and recognition from clients and professionals go hand in hand with the results of our sales representatives and financial specialists.

In the eleven years of history of the prestigious Insurer of the Year competition, we have been named best Insurance Innovators for the seventh time, which makes us the most innovative insurer of the last decade. This time, our new communication platform, Allianz NaDotek, lets us reach for the first place. Also, we have won the Insurance Innovator award for the fourth consecutive time.

Innovations are the drive of the Czech insurance industry and novelties let us offer more quality products and faster claims settlement in 2019. These included new motor and property insurance packages, updated version of the Allianz CZ mobile application travel insurance with optional car assistance on European roads, automated generation of cover letters for motor hull damages or a guide through the status of claims under motor insurance.

Claims related to natural disasters were an issue again in 2019. Natural disasters started with the Eberhard windstorm that blew off or damaged a number of roofs and cars, and a number of local storms with severe hail and local flooding followed.

The company's net profit in 2019 (according to Czech accounting standards) amounted to CZK 1.44 billion. The equity of Allianz pojišťovna is CZK 7.4 billion and the balance sheet sum rose to CZK 34.5 billion. Total gross written premiums for 2019 reached the volume of CZK 15.6 billion, thus adding/losing 16.4 % year on year. In non-life insurance, we collected CZK 11.4 billion in written premiums according to the Czech Insurance Association methodology. The same figure for life insurance amounted to CZK 3.1 billion.

We strive to provide our clients with perfect service in claims settlement as well as in any other area. Also, we will further digitalization of our processes and make our products simpler. Fortunately, to us, this is not a change but acceleration of things we have been working on already to make everything easier, faster and more available.

I want to thank our employees, insurance advisors and business partners for their professional work. Product innovations and improvements of our services will remain in our focus. I thank all our clients for their confidence in us. They are at the heart of our efforts and all steps we take are always for the clients' maximum benefit.

Sincerely,
Ing. **Dušan Quis**
Chairman of the Board of Management




COMPANY PROFILE

Allianz pojišťovna is a 100% subsidiary of Allianz New Europe Holding GmbH and part of the world's leading insurance group of 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 only. Step by step it expanded its portfolio, ranging from private property and liability insurance to commercial property insurance and industrial risks insurance. In 1995, motor hull insurance and travel insurance was introduced to complete the product portfolio.

In 1999, Allianz became one of 12 insurance companies offering motor third-party liability insurance. Over the more than 27 years of operations in the Czech market, Allianz Group expanded to include other companies. In October 1997, Allianz penzijní fond (Allianz pension fund) was founded to be transformed into Allianz penzijní společnost (Allianz pension company) 16 years later. Allianz Direct was created in 2006. In late February 2012, Allianz Nadační fond (Allianz endowment fund) was established to fund charity and generally beneficial projects of Allianz until the half of 2019.

Another important milestone in the history of Allianz, a merger with Wüstenrot insurance companies was completed in 2016.

In risk 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, continued development and modern product offer.

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

Over the 27 years of its existence Allianz proved its ability to take action in both product development and claims settlement. It stood the tests imposed by natural disasters, expanded its services, developed brand new products as well as client-friendly updates of the existing ones. Recognized for numerous innovative products and services, Allianz is the market's innovation leader.

AWARDS AND PRIZES 2019

In 2019, Allianz received further accolades at professional competitions and expanded its collection of prestigious awards of the past years. The company particularly scored in categories relating to innovative products and services. Traditionally, Allianz Život life insurance scored best in product categories. However, non-life products such as Můj Domov (home insurance) and Moje Auto (motor insurance) were recognized as well.

The company reached for its first medal of 2019 as early as on 29 January, when winners of the **Finparáda.cz - Financial Product of 2018** competition were announced. The competition automatically includes all financial products of selected types offered by banks, insurers, pension and investment firms in the Czech Republic.

In the Finparáda.cz - Financial Product of the Year competition, Allianz ranked first in **Life Risk Insurance** with **Allianz Život**. Not only Allianz defended its win of the year before, 2019 also marked its third consecutive gold in the category. Allianz Život is a unique product collecting awards at prestigious competitions of various organizers. It is free of any absurd fees, lets clients structure the product to suit their needs and offers an optional investment component. Moreover, popularity of the insurance is particularly based on its affordable price for people who take care of own health. Allianz penzijní společnost also won a medal at the Finparáda.cz competition for its **Supplementary Pension Savings** product.

May 2019 brought more awards with the results of the Czech Insurance Brokers Association's Best Insurer 2018 survey. Again, **Allianz Život won the first place in Life Insurance. Allianz also ended third in Industrial and Commercial Insurance and in Personal Insurance.**

The Insurer of the Year competition organized by the Czech Insurance Brokers Association focuses on, inter alia, the quality and scope of offered services, willingness and ability to adapt products to suit the client's individual needs, technical and operating support from the insurer when contracting insurance, product innovations, communication and cooperation with brokers, as well as claims settlement.

Allianz also scored in the 17th annual **Zlatá koruna** (Golden Crown) competition awarding the Czech market's best financial products. The competition rates products based on a model consisting of various criteria and comparing the products' economic, quality and security characteristics. In 2019, Allianz was recognized for the market's Best Non-Life Insurance with its **Allianz Můj Domov with assistance, legal service and a predefined selection of risks**. In the spring of 2019, Allianz transformed its property insurance into three simple packages - Komfort, Extra and Max - to suit everyone's particular needs. Můj Domov home insurance is offered in various options, ranging from basic to maximum protection. It includes insurance for permanently inhabited buildings and households, as well as liability

insurance or assistance and legal consulting. The basic package covers, for example, much-feared flood and flooding.

In the same category, Allianz received silver for its Moje Auto motor insurance where the price is based on actual annual mileage. Finally, silver for Můj Život life insurance completed Allianz' set of three medals.

In the **Insurer of the Year 2019** competition, Allianz ranked first among Insurance Innovators for the **Allianz NaDotek communication platform and reaffirmed its #3 position in the market by reaching for bronze among the Best Non-Life Insurers of 2019.**

NaDotek, the new communication platform, enables screen sharing, letting clients easily connect their computer, telephone or tablet with a representative of the insurance company to deal with any enquiry with the push of one button. Only the client's e-mail is needed, without downloading or installing any additional software.

The new functionality from Allianz pojišťovna is efficient on both sides. The well-known motto of Allianz - simple, fast, clear, transparent and confident - also applies here. It is the seventh win in the eleven years of the competition's history and fourth win in a row for Allianz, which makes it the most innovative insurer of the last decade. Not surprisingly, innovations fuel the company's development.

In late November at **Bank of the Year 2019**, a renowned competition awarding services and products of financial companies operating in the Czech Republic, including insurers, particularly from the customer experience perspective, Allianz won two silver medals, wrapping up the successful year of 2019. **The two second places** in the **Insurer of the Year and Customers' Insurer** categories were awarded by a jury of professionals in finance, state administration, academia and politics, as well as representatives of the Czech Republic's leading corporations.

The list of corporate awards must not forget to mention one individual recognition that is associated with the Allianz brand. Václav Bálek, Senior Manager of Internal and External Communications at Allianz, won the Spokesperson of the Year award among 137 colleagues and was named the Best Spokesperson of the Private Sector in the Czech Republic in 2019.

BOARD OF MANAGEMENT



Ing. Dušan Quis
Chairman of the Board of Management



Ing. Petr Sosík, Ph.D.
Member since 1 April 2019



Alexander Hollmann
Member



Mgr. Josef Lukášek
Member



Ing. Petr Hrbáček
Member

SUPERVISORY BOARD

Petros Papanikolaou
Kay Müller
Martin Wricke
Jovana Novic

since 30 July 2015
since 25 June 2015
from 1 January 2018 to 28 February 2019
since 1 March 2019

AUDIT COMMITTEE

The Audit Committee members were as of December 31, 2019:

František Dostálek chairman
Michal Petřman
Kay Müller

ORGANISATIONAL STRUCTURE

(AS OF 31 DECEMBER 2019)

CEO SECTION DUŠAN QUIS	CFO SECTION PETR SOSÍK	COO SECTION ALEXANDER HOLLMANN	CSO SECTION PETR HRBÁČEK	CPO SECTION JOSEF LUKÁŠEK
LEGAL DEPARTMENT Zdeněk Chudoba	CONTROLLING Radek Slamenov	CLAIMS SETTLEMENT Martin Hlaváč	KOS Alena Pomahačová	PORTFOLIO MANAGEMENT AND CUO Karel Pilař
COMPLIANCE Darina Jašíčková	ACTUARIAL Jarmila Ranošová	LIFE & HEALTH CLAIMS SETTLEMENT Eva Pišítková	EXTERNAL DISTRIBUTION CHANNELS Vítězslav Havliš	REINSURANCE & CUO Václav Bohdanecký
HR AFFAIRS & DEVELOPMENT Eva Koubíková	INVESTMENTS & TREASURY Petr Podolka	PMO & DIGITALIZATION Jan Andrijko	CORPORATE & BUSINESS INSURANCE + MOTOR & FLEET INSURANCE Jan Vícha	TECHNICAL IMPLEMENTATION & PRODUCT DEVELOPMENT Ema Lanzendörferová
INTERNAL AND EXTERNAL COMMUNICATIONS Václav Bálek	ACCOUNTING Anna Švehlová	IT Jiří Zahálka	ALLIANZ DIRECT Martin Dolanský	METHODOLOGY Veronika Hašplová
INTERNAL AUDIT Jitka Kazimírová	CUSTOMER PAYMENTS Daniela Volhejnová	INSURANCE ADMINISTRATION Andrea Johnová	REBR Radim Krist	METODOLOGICAL SUPPORT CORPORATE INSURANCE & RISK SERVICES Kateřina Šustrová
MARKET MANAGEMENT Martin Dolanský	PROCUREMENT & OPERATIONS SUPPORT Sandra Tomášková	CUSTOMER SERVICE CENTRE Jiří Tutsch	CENTRAL SALES SUPPORT Petr Hampejs	
RISK MANAGEMENT Kamila Šimonová	TAX	SECURITY Kamil Talavašek	ALLIANZ ACADEMY	

MOTOR INSURANCE

Allianz launched its brand new bundled insurance named MojeAuto in 2019. The insurance package comes in four versions ranging from a basic one to maximum insurance containing all the offered covers for comprehensive protection.

The reason behind bundling motor insurance was an effort to make the choice of insurance as easy for the client as possible in order to avoid any complications and notably speed up the contracting process. The offer is easy to understand and drivers choose a variant composed of insurance that best suits their needs.

The packages offered by Allianz follow the proven concept of actual annual mileage. Drivers with up to 10 thousand kilometres of annual mileage are thus provided with an attractive price for the particular insurance package. This annual mileage applies to virtually a half of all Czech drivers. The price of insurance increases for drivers travelling more.

Allianz has maintained the existing procedure where the client chooses the anticipated mileage driven in the insured car per year when taking out the insurance. If the driver actually drives fewer kilometres during the year, the insurance company refunds him or her money at the insurance anniversary. On the other hand, the driver must pay more for exceeding the mileage limit. Only

a photograph of the mileage indicator taken by the client when taking out the insurance and then at every anniversary is required. Clients send in the photographs electronically. The confidence pays off; more than 97% of the clients send mileage photographs in time, both when taking out the insurance and at anniversaries.

Actual mileage is not the only criterion considered by Allianz. The price of MTPL insurance also adapts to the age of the driver, the driver's home town or municipality, or how safe he or she is on the road, i.e. if the driver avoids accidents or not.

The year 2019 demonstrated again that a concept built on simplicity, transparency and confidence in the client is the right way to go. These aspects are appreciated by clients and got Allianz awarded in Zlatá koruna 2019 and other competitions.

MojeAuto is an insurance product conveying a clear message: 4 motor insurance packages. 1 easy choice.



PROPERTY AND LIABILITY INSURANCE FOR INDIVIDUALS AND BUSINESSES

Non-life insurance from Allianz in general belongs to the market's most awarded insurance products. Personal property and liability insurance from Allianz stands among the Czech market's best choices in the long term. The insurance offers high-quality cover for homes and common buildings as well as for apartment buildings and recreational houses.

In 2019, Allianz focused further on online sales of Allianz Domov home insurance via the company's website. However, the principal innovation was the launch of MůjDomov, a bundle product to cover both permanently and recreationally used buildings and households. For permanently used buildings, Allianz offers insurance in three different packages: Komfort, Extra and Max. The packages vary in the scope of the offered cover - Komfort is the basic package for clients seeking protection particularly against natural disasters. Extra provides extra cover for damages related to water installations or broken glass, while Max also protects the insured against losses caused by robbery, theft, vandalism or electricity.

Under building insurance, clients can insure their family houses, weekend houses, cottages, apartments, all automatically including insurance of ancillary structures. To insure a permanently used building, clients may also take out supplementary insurance of greenery; household insurance is available with insurance of selected garden items. Further, for permanently used households, customers may take out insurance of property kept at designated places (such as cloakrooms or waiting rooms), hotels or guesthouses, or personal belongings in cars.

Liability insurance, much alike the offered assistance and basic legal consulting, is automatically part of the basic package. Indemnity limits let clients choose between lower or higher product variants.

In the segment of commercial insurance, Allianz pojišťovna offers an extensive range of options. Commercial insurance covers the needs of the most diverse entities, ranging from businesses to public or government organizations or associations of apartment owners.

Clients requiring highly variable and flexible insurance opt for PRO Podnikatele, a business insurance product offering tailored covers to suit the client's current and specific needs.

Comprehensive commercial insurance is particularly designed for medium-sized and smaller businesses and is taken out in the form of affordable packages with three different indemnity limits - Normal, Optimal and Exkluziv Plus. Through these high-quality and continuously innovated insurance products, Allianz provides businesses with an opportunity to easily and promptly take out commercial property insurance (to cover buildings or other business structures, production or operating equipment, etc.) as well as liability or freight insurance.

Property insurance for private individuals and businesses also includes Home Assistance with an ever-increasing range and quality of service. Also, special assistance is available for apartment buildings.

Professional liability insurance for entities providing specialized services, where insurance is in most cases required by law, is subject to a separate product.

Allianz also offers Moji Zaměstnanci, collective insurance against employee liability for damages caused to the employer which covers all employees of the policyholder.

Other traditional products include, for example, vessel insurance or insurance of deposits when renting recreational vessels.

In 2019, Allianz pojišťovna further improved the quality of service provided to clients and communications with them.



Allianz offers 3 packages of quality insurance tailored for property owners and businesses.

LIFE INSURANCE

Simple structure, transparent terms, no unreasonable fees, focus on risk covers and a clearly separated investment component are all features of the Allianz Život insurance, attractive to both clients and professionals, as confirmed by various awards won by Allianz in Zlatá koruna or Finparáda competitions again in 2019.

Allianz ŽIVOT was a new product launched in 2017 to replace the Rytmus and Rytmus Risk products. It maintained the now standard quality of insurance protection in the form of guaranteed maximum indemnities under supplementary accident insurance, the market's first comprehensive cancer insurance named PRO boj s rakovinou, the PRO ženy supplementary insurance for women, or disability insurance for adults and children. In addition, it brought a new graphic design, simple structure of fees and easy to understand insurance conditions.

Further progress took place through digitalization in electronic communications with clients and insurance intermediaries as well as in the process of taking out the insurance, where policies concluded online become increasingly popular.

In 2019, selected brokers welcomed two new products in the form of lump-sum life insurance - MojeInvestice Titan 10 and MojeInves-

tice Zdraví. Both products build on the high quality of Allianz products and provide insurance cover for cases of death or endowment, free of any entry fee.

Transparent and easily understandable insurance terms are a matter of course. MojeInvestice Titan 10 provided clients with an opportunity to invest in the stock of ten major corporations and industry leaders from the USA, Europe or Asia. MojeInvestice Zdraví was focused on the development of stock prices of major European pharmaceutical and healthcare corporations.

Requirements of customers served the basis for product modifications towards setting up a product model with a simple and transparent structure in 2019.

Allianz ŽIVOT has been successful life insurance for 3 years, supplemented by attractive MojeInvestice innovations.



TRAVEL INSURANCE

Foreign travel insurance from Allianz is based on medical expenses insurance with unlimited coverage, supplemented by luggage insurance covering delayed luggage and flight, liability insurance against damage and other harm, accident insurance and insurance of cancellation fees subject to a single deductible amount.

The medical expenses cover also applies to risk related to terrorism, search and rescue activities of the Mountain Rescue Service and selected types of leisure sports.

Travel insurance is available to clients for their individual or group tourist trips, as well as to corporate clients for business trips. Long-term stays or repeated short trips abroad can be insured with Allianz on special terms, applicable to policies for twelve or six months. Special rates also apply to yearly insurance covering repeated short-term stays. The basic insurance encompasses over 150 sports activities. Also, Allianz offers supplementary insurance for risky sports. Taking out travel insurance online over the internet or telephone becomes increasingly popular, letting clients quickly and easily arrange for everything in the comfort of their homes. Also, people deciding to prolong their stay abroad can thus arrange for further insurance in a convenient manner.

Clients travelling only a short distance from the Czech border can take out a more cost-effective package consisting of medical expenses insurance with a limited cover of CZK 3 million and

liability insurance. Allianz also offers travel insurance without medical expenses insurance for trips within the Czech Republic.

Other important components of travel insurance include liability insurance, trip cancellation fee insurance, luggage insurance or insurance against consequences of an accident. Included in travel insurance free of charge, extensive and high-quality assistance is available to every client via AWP P&C Česká republika. Prompt and transparent claims settlement is inherent to our travel insurance.

Allianz travel insurance stands for a comprehensive package of risks providing optimal insurance protection to clients travelling in the Czech Republic and abroad. The insurance offers a wide range of insurance covers and at the same time is unique for the absence of a limit applicable to medical expenses abroad.

Allianz travel insurance stands for a comprehensive package to protect you when travelling through the homeland or abroad.



CLAIMS SETTLEMENT

In 2019, Allianz carried on the simplification and efficiency improvement of its procedures with an emphasis put on customer satisfaction. Thus, elimination of inflation impacts generated by growing prices of work and spare parts as well as amended legislation was a continued challenge in this particular area.

NON-LIFE INSURANCE

In the claims reporting department, Allianz launched a transformation of its processes in order to reduce the number of requests forwarded to the second level of claims settlement. According to the transformed scheme, a selected group of claims is attended directly by adjusters receiving the claim, which notably facilitates further communications for the clients. The claims reporting team passed an intensive programme focused on development of professional skills and modification of job roles. At the end of the year, the share of claims settled by the claims reporting department reached 40% of all motor claims, reducing the number of requests escalated to the second level to one half while also shortening the average time taken to settle motor claims by 12%.

Also, the emphasis put on swift and simple solutions was reflected in the area of mobile inspections. The technical staff of Allianz calculate losses already in the course of the car inspection at the client or in a repair shop to immediately present the loss amount in the form of a repair cost budget. Clients actively participate in the inspection by sending in own photographs documenting the damage, which eventually speeds up the claim settlement process.

Increasing indemnity cost associated with high inflation in labour cost and prices of spare parts remained the principal topic of motor claims settlement in 2019.

Windscreen repairs using the sealing method become increasingly popular among clients and reach 6.6% of all windscreen claims, a figure more than 1% up year on year. Moreover, Allianz offers mobile windscreen sealing at the customer, a convenient service receiving a very positive feedback (Net Promoter Score of 64%). Building confidence in this modern and cost-efficient technology for windscreen repairs will take some time, but will certainly increase with good driver experience similarly to neighbouring Germany where sealing is used in 20% of all windscreen claims.

Thorough controlling mechanisms became an integral part of claims settlement to monitor reasonableness of repair cost. Invoiced cost is, more frequently than ever, subjected to recalculation in an expert system comparing the billed work and prices of parts against time standards and recommended retail prices of vehicle manufacturers.

Also, claims settlement saw further development of automated processes. After implementing automated windscreen claim settlement, Allianz was the first insurer in the Czech Republic to automatically handle motor hull claims thanks to the CebiCom platform. A cover letter guaranteeing payment for repair to a shop may be sent automatically, without human intervention, if all conditions are met. The number of claims settled automatically rose to hundreds per month in the case of windscreen claims and to dozens in hull claims. Further growth is expected to come in 2020 with increasing penetration of CebiCom in the Allianz repair shop network. The final result of this method of automated claims settlement is faster delivery of the repaired car to the client.

Health-related claims arising from motor third-party liability insurance remain one of the top priorities of claims settlement. In this area, determination of compensation amounts requires a very individual approach and high expertise on the part of adjusters. In order to settle health-related claims in a more expedient manner, we continue to pro-actively offer capitalization of open losses with payment of annuities and to increasingly use settlement agreements that support legal certainty for both the insurer and the injured party and avoid unnecessary court disputes over indemnities.

Settlement of property claims, whether under private property insurance or commercial and industrial insurance, experienced peaks in operations as a result of several natural disasters (Eberhard windstorm in March 2019 and more wind- and hailstorms in June and July 2019). The total number of claims arising from natural disasters reached 6,800 with an indemnity volume of 280 million CZK. Prompt settlement of natural disaster claims required 3,300 hours of overtime work across the non-life settlement departments, which eventually fruited in settlement of claims in regular times without negative impacts on the clients.

Settlement of industrial losses in 2019 recorded a 10% increase in the number of claims with regard to growing sales in this particular area of insurance. Confirmations of registered claims sent out electronically as well as digitalization of internal procedures were some of the year's innovations. Settlement of industrial insurance claims reported stable operating results and receives positive feedback from both clients and brokers.

LIFE INSURANCE

2019 shows excellent results in settlement of life insurance claims. This fact is supported by customer satisfaction monitored using Net Promoter Score, registering repeated growth on a year-to-year basis. The excellent results are due to the company's adaption to client needs, particularly with the new comprehensive product - Allianz ŽIVOT, as well as the simplicity of reporting an insurance claim, understandable settlement letters as well as expedient claims settlement.

Also, simplification of internal procedures, methodology updates, use of all communication means as well as attentive care from our adjusters, true experts in their domains, had a clear positive impact.

In claims settlement, Allianz carried on its efforts to simplify its procedures and speed up the handling of insurance claims.

SALES

From the perspective of sales, 2019 was the best year in the history of Allianz pojišťovna, with all distribution channels contributing to the result. Particular success was achieved in retail insurance, entirely in line with the long-term strategy of Allianz in the Czech Republic.

The multi-channel sales model proved very effective, making 2019 the best year in the history of Allianz in terms of sales.

TIED AGENT SALES NETWORK

In the long term, Allianz makes intensive investments in the development of its Tied Agent Network in terms of quantity development (taking the form of managerial training and development of a structure of management or opening of new insurance offices in “white areas”) and particularly quality development. The investments aim at building a network of professional finance advisors with extensive knowledge of the financial market and own facilities in all towns with 10 thousand inhabitants or more.

In 2019, Allianz exploited the full potential of its new sales front-end system implemented the year before. The system allows for easy contracting of new policies as well as administration of sales representative portfolios. Certification of sales representatives relating to the Insurance Distribution Directive (IDD) was a major issue. The certification is to take place in 2020, but intensive preparations were already carried out in 2019 and a part of the network successfully passed the certification.

In the tied agent salesforce, 2019 was a year of growth in all areas of retail insurance in terms of both new business (13% up year on year) and existing client base (6% up year on year).

In retail insurance, the tied agent sales network remains the key distribution channel holding over one half of the retail client base of Allianz pojišťovna.

ALLIANZ DIRECT, ONLINE SALES AND TELESALES

In 2019, the Allianz Direct distribution channel attained further growth, particularly in motor insurance. Allianz Direct successfully carried on the last year's success of Telesales and expanded the number of sales specialists to 37. With modern technology, the sales specialists are able to sell and respond to the needs of prospects interested in insurance 7 days a week from any place offering an internet connection.

Travel insurance and property insurance also recorded notable growth. The growth is also supported by a much more dynamic on-

line market and, to a certain extent, changed behaviour of customers who increasingly often see the website of Allianz as a place to take out an insurance product with the same level of support as in traditional distribution channels.

In 2019, we continued searching for new sources of business opportunities with a high sales success rate for our Telesales team, to find, for example, leasing contracts that are about to expire. Expanding the range of business contacts is also the key task for the upcoming years as it will allow for full use of the high effectiveness of the Telesales channel.

MLM AND BROKER POOLS

The year 2019 saw further success in the sales of Allianz ŽIVOT life insurance giving an opportunity to clients to choose between a pure risk insurance policy or investment-linked life insurance with a regular or one-off component. Allianz was successful in becoming a significant business partner to most of the largest MLM organizations. Targeted promotions to support sales were launched throughout the year, effectively employing a system of sales discounts.

In motor insurance, the company successfully dealt with the last ambiguities related to its unique product, i.e. motor third-party liability insurance taking into account annual mileage. Also, extended implementation of Allianz web services at external partners contributed to the fulfilment of sales plans for motor insurance.

2019 was one of the best years for external distributors of Allianz (MLM networks and Broker Pools). The annual growth of new production in life insurance reached 24%. MLM and broker pools strengthen their position in non-life insurance, where Allianz registered annual growth exceeding 30%.

The significant position of Allianz with all major external partners was stabilized in 2019. The most important partners include Partners FS, OVB Allfinanz, Fincentrum, Broker Consulting and Broker Trust.

CENTRAL BROKERS, INDUSTRIAL INSURANCE

In 2019, Allianz further pursued its strategy for industrial insurance relying on growth in the medium risk segment. However, total sales results were affected by losing some large non-profitable clients and moving away from supporting environmentally unfriendly operations in line with the strategy of Allianz Group.

Nonetheless, the client base in industrial insurance added more than 3% year on year. In the segment of commercial insurance, Allianz was able to attain stable increases of the client base with higher increases particularly in apartment buildings and professional liability. The entire year was marked by increased cooperation with regional brokers. This direction proved to be very successful, both in business and private insurance. The client base in commercial insurance added more than 11% year on year.

In central broker sales, Allianz pojišťovna built on the successful cooperation with its biggest business partners. The cooperation fruited in a growing client base as well as increasing portfolio profitability. This distribution channel recorded rapid growth particularly in fleet insurance, where the client base added more than 20% while maintaining sound profitability.

LEASING AND DEALERSHIPS

In the segment of insurance sold in financing instalments, Allianz put even more emphasis on profitability and its improvement compared to the years before. Segmentation of rates similar to that applicable to retail motor insurance was gradually reflected in this insurance sector, which improved the loss ratio step by step. Despite measures aimed at improving profitability, the total client base added more than 2% year on year.

Retail motor insurance sold via vehicle dealerships added further 31% in 2019 following the record-breaking year before. The success is attributed to, inter alia, the long-term strategy of care of this particular sales channel, mainly consisting of a uniform business approach to vehicle dealerships regardless of who attends them. Regional managers of dealership sales make no difference whether the care is provided by Allianz sales representatives, insurance brokers, leasing companies or other insurance intermediaries.

BANCASSURANCE AND ALLIANZ FINANCE

2019 was the year when Allianz fully implemented its strategic cooperation in insurance sales with UniCredit Bank Czech Republic and Slovakia. Both parties realized great efforts for success of the cooperation and the efforts are paying off. Besides, this is merely the beginning of a long-term strategic synergy. Looking at the results for 2019, we can state that today, UniCredit Bank already is one of the key partners in life insurance distribution.

The successful bancassurance cooperation with Wüstenrot stavební spořitelna, exclusive intermediary of Allianz insurance among building savings companies, continued last year. The outlook of development and progress of reciprocal cooperation with Wüstenrot is also very positive, particularly with regard to the sales and market objectives of Wüstenrot in the Czech financial market for the upcoming years.

Allianz Financial Group in the Czech Republic is actively and successfully represented among loan product intermediaries, particularly intermediaries of consumer home loans. This link is provided by its subsidiary Allianz Kontakt, s.r.o. When acting as a loan intermediary, Allianz Kontakt mostly uses the base sales network of Allianz pojišťovna and selected external business partners. The volume of intermediated loans in 2019 exceeded CZK 1.6 billion. The biggest providers of such intermediated loans are UniCredit Bank, Wüstenrot Hypoteční banka and Komerční banka.

The distribution model of Allianz sales relies on multiple channels. Our strategic task is to manage the particular channels in synergy instead as rivals. The model proved to be very effective again in 2019 and generated record-breaking sales results, particularly in retail insurance.

EMPLOYEES

From the perspective of Human Resources, 2019 was again one of the most successful years in the history of Allianz in the Czech Republic. During the year, the company made major investments in its people as well as in working space alterations to follow the recent trends. As part of the Work Well project, Allianz operates a gym in the headquarters building, organizing regular health exercises and relaxation courses for the members of staff. Also, Allianz kept its last year's second place in the Insurance category of Top Employer, a prestigious competition.

Allianz pojišťovna is fully aware that the company's success relies on its people, motivated to provide the best service, create and improve the products of Allianz to best reflect the needs of customers. With regard to insurance claims, provision of a high-quality insurance cover and an unrivalled claims settlement service is essential. To achieve this, the company maintains a professional team of qualified and properly motivated experts and systematically develops their potential.

TRAINING AND PERSONAL DEVELOPMENT

Employee training and development are among the top priorities at Allianz. The company provides its employees with various courses, trainings and comprehensive programs to promote their professional, personal and managerial development. In 2019, Allianz ran the Allianz pojišťovna - corporate education project, co-financed by the European Union under the Operational Programme Employment.

The education program consisted of the following courses:

- General IT
- Soft and managerial skills on all management levels
- Expert IT
- Accounting, economy and legal

The extensive offer of courses also included:

- Soft skills with a focus on Self-motivation, Presentation skills, Difficult communication
- Professional training - MS Excel on all levels in collaboration with external contractors
- Language courses - group and individual training
- Induction training for new employees
- Training abroad and certifications for selected specialized professions
- Attendance at conferences and professional meetups
- Allianz Academy- product trainings
- Extracurricular education and training, such as expert certifications, ACCA, etc.

Furthermore, we carried on the successful training concept named Learning from each other. As part of this initiative, members of staff share their knowledge with each other and present the departments they work at. Also, a meeting with MUDr. Jan Vojáček was held for the employees within the Work Well initiative.

EMPLOYEE BENEFITS

Allianz pojišťovna aims at continuously improving its position among leading insurers as well as among important employers. The company is aware that its results are attained particularly through the high commitment of its people, and thus it offers attractive employee benefits.

The most significant benefits in 2019 were:

- One week of extra leave in addition to the statutory requirement
- Four sick days
- Flexible working hours
- Possibility to work from home
- Free beverages at the workplace
- Catering at the company's headquarters at reduced prices; catering allowances for employees working outside the headquarters
- Employer contribution to an employee's supplementary pension scheme
- Annual travel insurance for the employees and their family members for CZK 1
- Basic life insurance for the case of death due to any cause
- 50% discount on tickets to Minor Theatre
- As a part of a partnership with the Prague Botanical Garden, 50% discount on tickets
- T-Mobile program - special rates for employees and their family members
- Cafeteria system (BENshop)
- Taxi service - company rates for the employees, also applicable to private trips
- Health and relaxation exercises at the workplace
- 1 or 2 workdays for volunteering activities
- Employee events, such as the Sports Day, Cinema Day, or a St. Nicholas show for children

CORPORATE CULTURE

Allianz pojišťovna's corporate culture builds on the corporate values and management culture principles of Allianz SE aiming at fulfilling the Group's mission and a harmonized culture of governance in all its member companies. At Allianz, corporate culture also includes an annual employee motivation survey, monitoring the atmosphere at the company and generating new ideas and suggestions to improve employee satisfaction. Long-term strong participation in the voluntary survey (92% in 2019) shows the employees' continued interest in expressing their opinion and contributing to further development of the company.

Strong emphasis is put on the professional conduct of the company's employees and adherence to internal rules. The fundamental principles are stipulated in the Code of Conduct, Business Ethics and Compliance, followed by all Allianz Group companies since 2005. Respect for the rules of equal opportunities and zero tolerance of any discrimination form an integral part of the corporate culture. Major events fostering the corporate culture of Allianz include regular meetings of the staff and management on official anniversaries and other occasions, as well as other sport and social employee events promoting teamwork.

In 2019, Allianz continued in its Work Well project to promote a healthy lifestyle and harmonize the professional and personal lives of employees.

NON-FINANCIAL INFORMATION

Allianz is a highly transparent company pursuing zero tolerance to fraud and corruption in the long term. Confidence of customers and good reputation are result of the company's professional and fair business approach.

FIGHT AGAINST CORRUPTION AND BRIBERY

In 2019, Allianz continued in supplier controls and staff training with an emphasis on anti-corruption and anti-bribery issues. The topic is covered in the induction training for both new employees and new sales representatives.

In addition to the induction training, members of staff undergo anti-corruption e-learning training from time to time. In the course of the year, suppliers of Allianz were checked in line with Directive 64 - Procurement of goods and services. Processes perceived as possible corruption indicators undergo regular monitoring. Furthermore, Allianz held an electronic anti-corruption communication campaign. Fight against corruption and bribery relies on internal documents and directives, especially Directive 167- Guidelines for applying Allianz anti-corruption rules, 168 - Allianz gift, entertainment and hospitality policy, 182 - Whistleblowing guidelines, and 185 - Anti-corruption measures in cooperation with insurance intermediaries, as well as the Code of conduct for employees and Code of conduct for sales representatives. Allianz continuously assesses corruption risks and bribery according to a defined methodology.

DATA PROTECTION

Personal data and privacy protection issues become increasingly important in the recent years, both from the perspective of the individuals whose privacy is to be protected and those who encounter others' personal data in their work and who should ensure such protection. Essential legislation applicable to the manner how personal data are treated derives from Regulation (EU) 2016/679 of the European Parliament and of the Council that came into force as of 25 May 2018 ("GDPR").

In April 2018, Allianz Group adopted the Allianz Privacy Standard ("APS") containing binding corporate rules of Allianz as well as minimum requirements to ensure harmonization in the area of privacy and personal data protection within Allianz Group. Rules and requirements applicable to the processing of personal data in compliance with GDPR and APS are implemented in internal processes and documents of Allianz. The rules and processes of personal data and privacy protection are standardized in Directive 197.04 - Personal data and privacy protection.

Furthermore, Allianz Group adopted rules applicable to Privacy Impact Assessments ("PIA"). Allianz Czech Republic implemented the PIA tool and ran privacy impact assessments on processes involving high risk to the rights and freedoms of data subjects.

Compliant with the Allianz Functional Rule for Personal Data Incident Management adopted in May 2018, a system to detect and report personal data breaches has been introduced. Data breach incidents are reported to Allianz Group, GD&DP, on a quarterly basis. Data subjects were informed about the processing of personal data at Allianz by the effective date of GDPR. Information on the processing of personal data provided to data subjects is implemented in Allianz documents and websites. A GDPR-compliant system in line with the Group's Functional Rule for the handling of Subject Access Requests ("SARs") was launched.

Allianz companies that are members of the Allianz Privacy Renewal Program Community appointed a Data Protection Officer pursuant to GDPR. All employees of Allianz are trained for treatment of personal data, which training also became part of the mandatory trainings for newly recruited members of staff. The training takes place via eLearning as well as in person by the Data Protection Officer as part of the induction training. In 2019, the company's management was informed about the progress of implementation of data protection rules on a quarterly basis.

Another directive governs the manner how Allianz employees are to treat information that is sensitive for capital market development. The employees are obliged to ensure the confidentiality of such information and use it for legitimate business purposes only. Illegal disclosure of internal information, i.e. insider dealing, or market manipulation are not permitted. The issue is further contemplated in Directive 178.02- Rules of Capital Markets Compliance, which contains rules that are binding upon all employees.

CORPORATE SOCIAL RESPONSIBILITY

CSR forms another integral part of the corporate culture of Allianz pojišťovna. Both the company and people of Allianz feel responsibility to others. This idea gave rise to D Day.

VOLUNTEERING

Allianz employees take a keen interest in D Day - Day that counts, the company's volunteering project which helps non-profit organizations. In the program, all employees have an opportunity to voluntarily take part in various activities in cooperation with non-profit organizations. In 2019, 252 employees participated in the corporate volunteering program. 74 of them decided to help two times; thus, the total number of volunteers is 326. To compare, there were 238 volunteers in 2018; the increase in volunteering over the last year thus reached 37%. 42 events were held in total. The project

Allianz is a socially responsible company emphasizing environmental issues, taking care of the health of and maintaining open communication with the members of its staff.

supported 15 non-profit organizations, mostly focusing on environmental issues. Prague was the venue of most events. From the gender perspective, 111 men (34%) and 215 women (66%) participated in the volunteering activities. Wednesday was the most frequent volunteering day. To support the idea, Allianz also grants a paid day off to each employee for a D Day event.

ENVIRONMENT

Since 2008, Allianz pojišťovna has been engaged in a global environmental project of Allianz Group in order to minimize its negative impact on the environment. Through specific measures, the company pursues reduced consumption of energy, water and paper. Increased efficiency in waste management is also among the company's priorities. Business trips of Allianz employees are carried out subject to an effort to minimize the carbon footprint. Allianz also participated in the Ride a Bike to Work project, through which the company's employees further contributed to reduce the carbon footprint. The project also consisted of expanding and refurbishing the bike room. Although the program brings success at Allianz, there is still space for improvements, such as in waste recycling.

CONTRIBUTIONS TO INDIVIDUALS AND ORGANIZATIONS FOR SPECIAL CARE

Allianz pojišťovna in cooperation with Allianz nadační fond (Allianz Endowment Fund) granted financial donations to people or organizations in difficult life situations, e.g. for treatment not covered under statutory health insurance, vehicles or special personal equipment.

EMPLOYEE HEALTH

Allianz puts an emphasis on **Work Well and healthy life style of its employees**, also expanding beyond their working conditions. – flexible working hours, home office, 4 sick days etc. Much alike the year before, **all employee events in 2019 were held to support their health.**

- 2 Health Days and 8 Preventive Medical Examinations - workplace ergonomics, office exercise, as well as eye, skin mark examinations, blood tests, or a special project focused on very frequent diseases in women and men.
- support aimed at physical activities and reimbursement of starting fees within Allianz World Run, Night Run, Bike to Work, etc.
- provision of workshops on topics such as Time Management, Assertiveness, Effective Communication, Mental Hygiene
- additional gym equipment - wall bars and TRX.

OPEN COMMUNICATION

Employees are informed about all important events and changes at the company at regular meetings with the company's management as well as through digital information media, such as INFO, the company's regular electronic newsletter, Allianz TV broadcasting, or the intranet site. Also, an e-mail address is available to the employees to send their questions, or the Listárna mailbox, where they can also drop their anonymous requests. Also, members of staff may report unethical conduct anonymously via the SpeakUp line.

As mentioned above, a strong emphasis is put on the employees' professional conduct and compliance with the company's internal rules including the Code of Conduct and other regulations. Respect for the rules of equal opportunities and zero tolerance of any discrimination form an integral part of the corporate culture. Teamwork is promoted by means of regular employee meetings with the company's management as well as sports and social employee events.

Allianz is a socially responsible company respecting the environment, supporting corporate volunteering, taking care of the health of its staff and, most of all, pursuing a professional and fair approach.

A summary of all non-financial information concerning Allianz Group including Allianz pojišťovna, a. s. in the Czech Republic, is provided in a special report of the parent company, Allianz SE.

https://www.allianz.com/en/investor_relations/results-reports/annual-reports.html

https://www.allianz.com/en/investor_relations/results-reports/sustainability.html

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, as well as for their dedication, enthusiasm and professionalism.

We also thank the shareholder for support and cooperation and our clients for the confidence they have placed in Allianz pojišťovna.

Board of Management

FINANCIAL PART

B



English translation

Independent auditor's report

to the shareholder of Allianz pojišťovna, a.s.

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Allianz pojišťovna, a.s., with its registered office at Ke Štvanici 656/3, Praha 8 ("the Company") as at 31 December 2019 and of its financial performance for the year ended 31 December 2019 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year ended 31 December 2019;
- the statement of changes in equity for the year ended 31 December 2019; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("the EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic as modified by related application guidance (together "Audit regulations"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Act on Auditors, EU Regulation and International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants accepted by the Chamber of Auditors of the Czech Republic (together "Ethic regulations"), and we fulfilled our other ethical responsibilities in accordance with the Ethic regulations.

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Shareholder of Allianz pojišťovna, a.s.
Independent auditor's report

Our audit approach

Overview



Overall materiality represents 1% of Company's gross underwritten premium and has been estimated at CZK 156 million.

Valuation of technical provisions.

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements.

Overall materiality for the Company	CZK 156 million (2018: CZK 100 million)
How we determined it	The Company materiality has been determined as 1% of Company's gross underwritten premium.
Rationale for the materiality benchmark applied	We have chosen the gross underwritten premium as a benchmark for estimating materiality as it represents the industry standard as well as the key focus of the management and stakeholders. Performance of insurance companies on the market is measured on the basis of revenues and gross underwritten premium is one of the main indicators, which are monitored by external users of financial statements.



Shareholder of Allianz pojišťovna, a.s.
Independent auditor's report

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of technical provisions.

Valuation of insurance technical provisions is subject to high degree of estimation with respect to determinants of the valuation models used. Valuation requires usage of the actuary models and determination of actual economic and non-economic assumptions which may be affected by future economic and political conditions and by the regulation of insurance business.

Assumptions used to measure life insurance liabilities depend in particular on mortality, lapse rates and costs, and the current value of money is equally important. The interest rate used for discounting is also a key input to this calculation.

Based on realized earnings, earnings are credited to clients' contracts, and valuation of related obligation for bonuses also requires expert judgment and application of actuarial models and assumptions.

The assumptions used for valuation of non-life insurance contracts are primarily related to the lapse rates, the cost of processing claims, claim ratios, allocated and expected bonuses and discounts and other assumptions applied in the liability adequacy tests.

The accounting policies used by management in the area of valuation of technical provisions are disclosed in note I.4. i)-n) and related other explanatory information in note II.9 to the accompanying financial statements.

How our audit addressed the key audit matter

We have involved PwC actuarial specialists in our audit procedures to verify the models and the assumptions used. We have assessed the accuracy of the calculations and the validity of the key assumptions and parameters determined by the Company on the basis of available market data as well as our historical experience. In order to assess the model used to test the adequacy of insurance liabilities, we specifically focused on recalculating the present value of future cash flows from insurance policies.

We have discussed the changes in existing products as well as in the parameters in new products and related actuarial methods of valuing both life and non-life insurance.

In the area of non-life insurance, we focused on checking the calculation of the adequacy of premiums, testing the adequacy of the liabilities and recalculating estimate of the provision for claims incurred but not reported.

In the course of our audit procedures, we have tested the provision for reported but not settled claims on sample of contracts and analysed the result of claims settlement. We further assessed the sufficiency of the amount of the total provision for insurance claims and assessed the adequacy of the applied methods to determine it.

We also assessed the accuracy and completeness of the disclosures in the notes to the financial statements.



Shareholder of Allianz pojišťovna, a.s.
Independent auditor's report

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but it does not include other than the financial statements and auditor's report therein. The Board of Directors of the Company is responsible for the other information.

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

Based on the procedures performed, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information is prepared in compliance with the applicable legal requirements.

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

Responsibilities of the Board of Directors, Supervisory Board and Audit Committee of the company for the financial statements

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

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

The Supervisory Board of the Company is responsible for overseeing the financial reporting process.

The Audit Committee of the Company is responsible for monitoring of the financial statements preparation process.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Shareholder of Allianz pojišťovna, a.s
Independent auditor's report

As part of an audit in accordance with the above-stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Board of Directors, Supervisory Board and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Shareholder of Allianz pojišťovna, a.s
Independent auditor's report

Report on other legal and regulatory requirements

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Company for years 2018 - 2021 by the Sole Shareholder of the Company on 30 October 2017. Our uninterrupted engagement as auditors of the Company has lasted for 2 years.

Provided non-audit services

In addition to the statutory audit, no other services were provided by us to the Company.

PwC Network did not provide to the Company any prohibited services referred to in the Article 5 of the EU Regulation.

31 March 2020

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

PricewaterhouseCoopers Audit, s.r.o.

Marek Richter
Statutory Auditor, Licence No. 1800

Marek Richter

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET AS AT 31 DECEMBER 2019

(In thousands of Czech crowns TCZK)

	2019 Gross	2019 Adjustment	2019 Net	2018 Net
I. ASSETS				
B. Intangible fixed assets, thereof	999,405	842,060	157,345	183,403
C. Investments	25,364,646	127,569	25,237,078	23,177,070
II. Investments in affiliated undertakings and participating interests	1,877,701	127,569	1,750,132	1,752,050
1. Participating interests with controlling influence	1,012,748	127,569	885,179	885,179
2. Debt securities issued by, and loans and credits to, undertakings - controlling influence	864,953		864,953	866,870
III. Other investments	23,486,945		23,486,945	21,425,021
1. Shares and other variable-yield securities, other participating interests	2,972,708		2,972,708	2,548,886
2. Bonds and other fixed-income securities	19,605,011		19,605,011	18,100,602
a) bonds and other fixed-income securities valued at fair value through profit and loss	15,729,731		15,729,731	13,974,089
b) bonds and other fixed-income securities held to maturity	3,875,280		3,875,280	4,126,513
5. Other loans and credits	9,926		9,926	11,341
6. Deposits with financial institutions	53,117		53,117	52,066
7. Other investments	846,183		846,183	712,125
D. Investments for the benefit of life assurance policyholders who bear the investment risk	5,930,462		5,930,462	5,756,436

	2019 Gross	2019 Adjustment	2019 Net	2018 Net
E. Debtors	1,354,334	358,300	996,034	1,033,908
I. Receivables arising from direct insurance operations	1,143,956	346,223	797,733	799,578
1. Policyholders, thereof	1,040,304	248,835	791,469	786,383
2. Intermediaries, thereof	103,652	97,388	6,264	13,196
II. Receivables arising from reinsurance operations, thereof	159,182		159,182	113,234
III. Other receivables, thereof	51,196	12,077	39,119	121,096
F. Other assets	959,236	182,175	777,061	1,223,462
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	250,214	182,175	68,039	74,960
II. Cash on accounts in financial institutions and cash in hand	709,022		709,022	1,148,502
G. Temporary asset accounts	1,375,811		1,375,811	1,191,775
I. Accrued interest and rent				18
II. Deferred acquisition costs	768,179		768,179	573,503
a) in life-assurance business	563,848		563,848	375,934
b) in non-life insurance	204,331		204,331	197,569
III. Other temporary asset accounts, thereof	607,632		607,632	618,253
a) Estimated receivables	105,406		105,406	83,901
TOTAL ASSETS	35,983,894	1,510,105	34,473,790	32,566,054

BALANCE SHEET AS AT 31 DECEMBER 2019

(In thousands of Czech crowns TCZK)

	2019		2018
II. LIABILITIES			
A. Equity	7,424,534		6,161,501
I. Registered capital, thereof	600,000		600,000
II. Premium	29,782		29,782
IV. Other capital funds	629,570		287,837
V. Reserve fund and other funds from profit	534,463		534,463
VI. Profit or loss brought forward	4,189,419		2,990,358
VII. Profit or loss for the financial year	1,441,300		1,719,061
C. Technical provisions	19,132,360		18,498,424
1. Provision for unearned premiums			
a) gross amount	3,445,487		3,181,147
b) reinsurance share (-)	157,937	3,287,550	172,675
2. Life assurance provision			
a) gross amount	6,548,275		6,408,266
b) reinsurance share (-)	393	6,547,882	906
3. Provision for outstanding claims			
a) gross amount	9,391,399		8,921,329
b) reinsurance share (-)	1,132,742	8,258,657	979,598
4. Provision for bonuses and rebates			
a) gross amount	568,627		568,988
b) reinsurance share (-)		568,627	
6. Other technical provisions			
a) gross amount	469,644		571,872
b) reinsurance share (-)		469,644	571,872
D. Life assurance technical provision where the investment risk is borne by the policyholders	5,930,462		5,756,436
a) gross amount	5,930,462		5,756,436
b) reinsurance share (-)		5,930,462	
E. Provisions	138,200		305,392
2. Provisions for taxation	43,225		247,873
3. Other provisions	94,975		57,519

	2019		2018
F. Deposits received from reinsurers			
G. Creditors	1,304,710		1,235,721
I. Payables arising from direct insurance operations, thereof	962,107		904,190
II. Payables arising from reinsurance operations, thereof	107,117		103,708
V. Other payables, thereof	235,486		227,823
a) Tax liabilities and payables due to social security and health insurance institutions	28,277		22,119
H. Temporary liability accounts	543,524		608,580
I. Accrued expenses and deferred revenues	16,681		14,516
II. Other temporary liability accounts, thereof	526,843		594,064
TOTAL LIABILITIES	34,473,790		32,566,054

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Czech crowns TCZK)

tis. Kč	2019 Base	2019 Subtotal	2019 Result	2018 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written	11,646,426			
b) outward reinsurance premiums (-)	1,175,362	10,471,064		
c) change in the gross provision for unearned premiums (+/-)	260,333			
d) change in the provision for unearned premiums, reinsurance share (+/-)	(14,736)	275,069	10,195,995	9,209,089
2. Allocated investment return transferred from the non-technical account			208,801	109,176
3. Other technical income, net of reinsurance			536,214	503,655
4. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	6,167,454			
bb) reinsurance share (-)	421,811	5,745,643		
b) change in the provision for outstanding claims:				
aa) gross amount	461,317			
bb) reinsurance share (-)	153,169	308,148	6,053,791	5,289,211
5. Changes in other technical provisions, net of reinsurance (+/-)			(188,369)	(27,312)
6. Bonuses and rebates, net of reinsurance			335,551	339,001
7. Net operating expenses:				
a) acquisition costs		970,384		
b) change in deferred acquisition costs (+/-)		(6,762)		
c) administrative expenses		1,840,681		
d) reinsurance commissions and profit participation (-)		236,290	2,568,013	2,287,905
8. Other technical expenses, net of reinsurance			862,340	620,949
10. Sub-total on the technical account for non-life insurance			1,309,684	1,312,166

	2019 Base	2019 Subtotal	2019 Result	2018 Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written		3,921,899		
b) outward reinsurance premiums (-)		6,562		
c) change in the provision for unearned premiums, net of reinsurance (+/-)		4,010	3,911,327	2,925,806
2. Income from investments:				
a) income from participating interests, with a separate indication of that derived from controlling influence				
b) income from other investments, with a separate indication of that derived from controlling influence				
aa) income from land and buildings				
bb) income from other investments	30,000	30,000		
c) value adjustments on investments		630,738		
d) income from disposal of investments		52,600	713,338	7,776,724
3. Unrealised gains on investments			1,372,762	596,980
4. Other technical income, net of reinsurance			84,255	76,002
5. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	3,084,215			
bb) reinsurance share (-)	671	3,083,544		
b) change in the provision for outstanding claims:				
aa) gross amount	8,752			
bb) reinsurance share (-)	(25)	8,778	3,092,322	2,334,177
6. Changes in other technical provisions, net of reinsurance (+/-):				
a) life assurance provisions:				
aa) gross amount	140,008			
bb) reinsurance share (-)	(513)	140,521		
b) other technical provisions, net of reinsurance		260,167	400,688	(971,791)
7. Bonuses and rebates, net of reinsurance			22,422	11,161
8. Net operating expenses:				
a) acquisition costs		828,713		
b) change in deferred acquisition costs (+/-)		(187,914)		
c) administrative expenses		442,881		
d) reinsurance commissions and profit participation (-)		544	1,083,136	876,791
9. Expenses connected with investments:				
a) investment management charges, including interest		6,490		
b) value adjustments on investments		3,447		
c) book value of disposed investments		63,170	73,107	7,110,726
10. Unrealised losses on investments			599,752	1,062,951
11. Other technical expenses, net of reinsurance			65,039	71,262
12. Allocated investment return transferred to the non-technical account (-)			346,978	186,404
13. Sub-total on the technical account for life assurance			398,238	693,831

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Czech crowns TCZK)

	2019 Base	2019 Result	2018 Result
III. NON-TECHNICAL ACCOUNT			
1. Result of the technical account for non-life insurance		1,309,684	1,312,166
2. Result of the technical account for life assurance		398,238	693,831
4. Allocated investment return transferred from the technical account for life-assurance		346,978	186,404
6. Allocated investment return transferred to the technical account for non-life-insurance		208,801	109,176
7. Other income		60,530	57,615
8. Other expenses		102,243	55,453
9. Income tax on ordinary activities		364,806	363,506
10. Profit or loss on ordinary activities after tax		1,439,580	1,721,881
15. Other taxes not shown under the preceding items		(1,720)	2,820
16. Profit or loss for the financial year		1,441,300	1,719,061

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDEN 31 DECEMBER 2019

(In thousands of Czech crowns TCZK)

	Registered capital	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 1.1. 2018	600,000	29,782	534,463	555,714	(179,601)	3,740,625	5,280,983
Change of accounting method						(210,268)	(210,268)
FX gains (losses) and changes in valuation not included in the profit and loss statement					(88,276)		(88,276)
Net profit/loss for accounting period						1,719,061	1,719,061
Profit shares						(540,000)	(540,000)
Balance at 31.12. 2018	600,000	29,782	534,463	555,714	(267,877)	4,709,418	6,161,499
Balance at 1.1. 2019	600,000	29,782	534,463	555,714	(267,877)	4,709,418	6,161,499
FX gains (losses) and changes in valuation not included in the profit and loss statement					341,734		341,734
Net profit/loss for accounting period						1,441,300	1,441,300
Profit shares						(520,000)	(520,000)
Balance at 31.12. 2019	600,000	29,782	534,463	555,714	73,857	5,630,718	7,424,533

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

I. GENERAL INFORMATION

I.1. Description and principal activities

Allianz pojišťovna, a.s. ("the Company") was entered into the Commercial Register on 23 December 1992 (Identification number 471 15 971).

Shareholders

The Company's sole shareholder is Allianz New Europe Holding GmbH, with its registered office at Hietzinger Kai 101-105, 1130 Wien, Austria.

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

The Company carries on insurance, reinsurance and relating activities within the following range:

1. Insurance activities in compliance with Section 7 (3) of Act No. 363/1999 Coll., on Insurance and on Amendment to Some Related Laws (the Insurance Act), as amended:

in the range of insurance classes I. (a), (b), (c), II., III., VI., VII. of life assurance in part A of Appendix No. 1 to Act No. 277/2009 Coll., the Insurance Act;

in the range of insurance classes 1; 2 (a), (b), (c); 3; 4; 5; 6; 7; 8; 9; 10; 11; 12; 13; 15; 16 (b), (c), (d), (e), (f), (h), (i), (j); 17; 18 of non-life insurance in part B of Appendix No. 1 to Act No. 277/2009 Coll., the Insurance Act.

2. Reinsurance activities for non-life insurance.

3. Activities relating to insurance and reinsurance activities:

- mediation activity under the Insurance Act;
- advisory activity relating to insurance of individuals and legal entities under the Insurance Act;
- investigation of claims performed based on insurance agreements under the Insurance Act;
- mediation activity in the field of building savings or in the field of supplementary pension insurance;
- educational activities for insurance intermediaries and independent loss adjusters;
- mediation activity in the field of mortgages.

Registered office of the Company

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

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

Members of the board of directors and supervisory board as at 31 December 2019:

Members of the board of directors

Chairman: Ing. Dušan Quis, Prague
Members: Ing. Petr Sosík, Ph.D., Praha
Ing. Petr Hrbáček, Praha
Mgr. Josef Lukášek, Čelákovice
Alexander Hollmann, Mnichov

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

Members of the Supervisory Board

Chairman: Petros Papanikolaou, Munich, Germany
Members: Kay Müller, Munich, Germany
Jovana Novic, Mnichov, SRN

Changes in the board of directors and supervisory board in 2019:

Since 1 January 2019 Alexander Hollman is a member of the board of directors of the Company.

The membership of Ing. Sonie Mihaylově Slavtchevě, MBA in the board of directors was terminated on 31 March 2019.

The membership of Ing. Ing. Petr Sosík, Ph.D. in the supervisory board was created on 1 April 2019.

The membership of Martin Wricke in the board of directors was terminated on 28 February 2019.

The membership of Jovana Novic in the supervisory board was created on 1 March 2019.

Organisational structure during the financial year

RESORT CEO DUŠAN QUIS	RESORT CFO PETR SOSÍK	RESORT COO ALEXANDER HOLLMANN	RESORT CSO PETR HRBÁČEK	RESORT CPO JOSEF LUKÁŠEK
PRÁVNÍ ODDĚLENÍ Zdeněk Chudoba	CONTROLLING Radek Stamenov	LIKVIDACE Martin Hlaváč	KOS Alena Pomahačová	PORTFOLIO MANAGEMENT A CUO Karel Pilař
COMPLIANCE Darina Jašíčková	POJISTNÁ MATEMATIKA Jarmila Ranošová	LIKVIDACE POJIŠTĚNÍ OSOB Eva Pišítková	EXTERNÍ DISTRIBUČNÍ KANÁLY Vítězslav Havlíš	ZAJIŠTĚNÍ A CUO Václav Bohdanecký
PÉČE A ROZVOJ ZAMĚSTNANCŮ Eva Koubíková	INVESTICE A TREASURY Petr Podolka	PMO A DIGITALIZACE Jan Andrijko	KORPORÁTNÍ A PODNIKA- TELSKÉ POJIŠTĚNÍ+ POJIŠ- TĚNÍ VOZIDEL A FLOTIL Jan Vícha	TECHNICKÁ IMPLEMEN- TACE A PRODUKTOVÝ VÝVOJ Ema Lanzendörferová
INTERNÍ A EXTERNÍ KOMUNIKACE Václav Bálek	ÚČETNICTVÍ Anna Švehlová	IT Jiří Zahálka	ALLIANZ DIRECT Martin Dolanský	METODIKA Veronika Hašplová
INTERNÍ AUDIT Jitka Kazimírová	PLATBY KLIENTŮ Daniela Volhejnová	SPRÁVA POJIŠTĚNÍ Andrea Johnová	REBR Radim Krist	METODICKÁ PODPORA KORPORÁTNÍHO POJIŠTĚNÍ A RIZIKOVÝ SERVIS Kateřina Šustrová
MARKET MANAGEMENT Martin Dolanský	PROCUREMENT & OPERATIONS SUPPORT Sandra Tomášková	CENTRUM SLUŽEB ZÁKAZNÍKŮM Jiří Tutsch	CENTRÁLNÍ PODPORA OBCHODU Petr Hampejs	
ŘÍZENÍ RIZIK Kamila Šimonová	DANĚ	BEZPEČNOST Kamil Talavašek	ALLIANZ AKADEMIE	

I.2. Compliance with legislation

At the reporting date the Company fully complied with Act No. 277/2009 Coll., on Insurance, as amended (“the Insurance Act”), Act No. 89/2012 Coll., the Civil Code, Act No. 90/2012 Coll., Business Corporations Act, as amended, Act No. 170/2019 Coll., on the Distribution of Insurance and Reinsurance, Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended (“the Act on Motor Third-Party Liability Insurance”), and related implementing decrees and other applicable legislation. The Company carries on both life assurance and non-life insurance classes.

I.3. Basis of preparation

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

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on those records give a true and fair view of the Company's financial position and financial performance.

The financial statements are based on the assumption that the Entity will continue as a going concern and that there is no circumstance that would restrict or prevent the Entity's ability to continue as a going concern in the foreseeable future.

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

These financial statements are non-consolidated.

I.4. Significant accounting policies

(a) Tangible and intangible fixed assets

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

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

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

Fixed Assets	Method	Depreciation rate in %
Software	straight-line	20
Machinery and technical equipment	straight-line	25
Motor vehicles	straight-line	20
Office equipment	straight-line	16.7
Special technical equipment	straight-line	8.3
Investments in rented buildings	straight-line	According to the duration of lease agreement

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

(b) Investments

Securities which are not classified as Participating interests

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

Interest income is defined as:

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

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

Securities are revalued at their fair value as at the balance sheet date with the exception of securities held to maturity and bonds not intended for trading.

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

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

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

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

Fair value means the price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market value is available or if it does not sufficiently represent the fair value, the fair value is determined with the help of a qualified estimate or if appropriate based on generally accepted valuation models if these generate an acceptable market value estimate.

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

A change in the fair value of available for sale securities is recognised in the Other capital funds in equity. At the time of realization, in particular sales, the respective revaluation differences are transferred to the income statement. Impairment losses on the available for sale securities are recognised in the income statement immediately.

The Company recognises bonds held to maturity at their amortised cost as at the balance sheet date. Securities held to maturity only comprise debt securities that the accounting entity has obvious intent and ability to hold to maturity.

Amortised cost means the price used when first recognised (the acquisition cost), which is gradually increased by accrued interest income, adjusted by amortisation of the discount/premium and decreased by the amount of adjustments. The amount of adjustments to securities held to maturity only reflects the change in the risk profile of the issuer, not the change in the risk free interest rates, per individual securities.

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

For debt securities where, due to legislative amendments, the accounting policy has been changed since they were acquired such that changes in fair value are now recognised in the income statement rather than in equity, the cumulative revaluation differences

previously recognised in equity are derecognised and recognised in the income statement only at the moment of sale or maturity of the relevant security.

Investments in affiliated undertakings and participating interests

Participating interests in controlled persons are participations in another enterprise in which the company holds a controlling influence. In addition, other cases where the insurance company is a controlling person are reported under this item. Controlling influence is defined as the insurance company's ability to govern the financial and operating policies of another company in order to obtain benefits from its activities.

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

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

An ownership interest with significant influence is an ownership interest in an affiliated company which is not a subsidiary and in which the insurance company exercises significant influence. Significant influence is defined as the insurance company's ability to participate in the financial and operating policy decisions of another company, without the ability to exercise controlling influence. The insurance company exercises significant influence if it holds, directly or indirectly, at least 20% of another company's registered capital or voting rights, unless it exercises controlling influence over that company or clearly demonstrates that it is unable to exercise significant influence. If the entity holds less than 20% of another company's registered capital or voting rights, it is presumed that no significant influence exists, unless such influence can be clearly demonstrated.

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

At the acquisition date and at the balance sheet date, participating interests are stated at their acquisition cost. The acquisition cost is the amount for which the participating interests were acquired and includes all expenses directly associated with the acquisition. Similarly as for the other assets, as at the balance sheet date the Company assesses whether the participating interests are impaired.

Deposits with financial institutions

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

Reverse repurchase agreements

As at the acquisition date and as at the balance sheet date, reverse repurchase agreements with financial institutions are stated at acquisition cost increased or decreased by interest income or interest expense, similarly as deposits. Hedging securities (collaterals) are recorded in off-balance sheet accounts at fair value. In the notes to the financial statements, the book value of these reverse repurchase agreements is considered to be their fair value.

Derivatives

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

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

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

Hedging derivatives

The Company does not use hedge accounting and therefore does not account for hedge derivatives.

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.

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

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

Other derivatives – derivatives held for trading

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

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

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

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

(d) Allowances

The Company creates allowances to receivables and other assets except for investments reported at fair value. Allowances represent a temporary decrease in value of individual assets. The amount of the decrease is determined with the help of a professional risk assessment carried out by the management of the Company. Creation and utilisation of adjustments to receivables arising from direct insurance operations are recognised in Other technical expenses, net of reinsurance, and Other technical income, net of reinsurance.

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

The Company establishes allowances for doubtful receivables based on an analysis of the credit status of customers.

Allowances to bonds held to maturity are accounted for only if there is a risk that the notional principal amount of the bond, the bond yield or both the value and the yield would not be repaid.

(e) Write-offs

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

(f) Impairment of assets

At the balance sheet date the Company assesses whether those assets, which are not carried at fair value or for which changes in fair value are recognised in equity, are impaired. The impairment of an asset is recognised in the income statement.

(g) Deferred acquisition costs

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

Non-life insurance

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

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

In traditional life assurance the Company determines deferred acquisition costs using the zillmerisation method, which is the method used to calculate the life assurance provision, see note 1.4.(j). For the currently concluded risk life assurance, deferred acquisition costs in the amount of the initial commission are amortised on the straight-line basis over a period of two years while maintaining the prudence principle and taking into account the risk of lapses and cancellations.

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

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

(h) Income tax

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

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

A deferred tax asset is recognised only if the future taxable profits will be probably available against which this asset can be utilised.

(i) Provision for unearned premiums

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

(j) Life assurance provision

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

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

(k) Provision for outstanding claims

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

- a) reported but not settled till the end of period (RBNS),
- b) incurred but not reported till the end of period (IBNR).
- c) The provision for outstanding claims reported by the end of the year represents the sum of all amounts calculated for individual claims and estimated costs for liquidation of claims (ALAE).

The provision for outstanding claims created for claims incurred but not reported as at the balance sheet date is determined using statistical methods. The most common methods are: Standard chain ladder, Bornhuetter-Ferguson, Cape Cod, Complementary loss ratio, Frequency-Severity, and other methods using the morta-

lity tables. The provision has been created using the prudence principle. The prudence principle is applied by provisioning on the confidence level determined by the Reserve Committee. At present, the confidence level amounts to 75% in respect of all classes of insurance, with the exception of motor third-party liability insurance the confidence level of which amounts to 85%.

Provision for internal claims handling costs is calculated using an actuarial mathematical method. A monthly development triangle containing counts of reported claims is constructed for each line of business based on historical data. Number of claims that have occurred but have not yet been reported is then calculated based on development observed in the seven most recent years using Bornhuetter-Ferguson method at 75% confidence level. The number of claims that have been reported but not yet settled obtained from Claims handling department is also added to the obtained result. An average internal cost for one claim is then determined based on five year history. Total provision for internal claims handling costs is given by the product of the number of claims, settlement of which corresponds to the given calendar year and the average internal cost of one claim. This recalculation is conducted once a year together with run-off analysis.

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

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

When creating the provision for outstanding claims in terms of claims where the insurance company acts as the leading co-insurer, the applicable provisions of the Civil Code are taken into consideration.

Although the board of directors considers that based on the information currently available to them, the provision for outstanding claims is stated fairly, the ultimate liability may vary owing to subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used in making estimates are reviewed regularly.

(l) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts. In respect of non-life insurance and accidental rider, 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 traditional 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.

The provision for bonuses and rebates in respect of unit-linked assurance is intended to cover the liabilities the settlement of which is linked to a certain behaviour of the policyholder exactly specified in the insurance terms and conditions (duration of insurance, manner of insurance termination).

Changes in the provision for bonuses and rebates in the income statement are presented in “Bonuses and rebates”.

(m) Other technical provisions

Other technical provisions include a provision for insufficient non-life insurance premiums, a provision for liabilities arising from the applied technical interest rate, a non-life insurance provision, a provision for liabilities of the Czech Bureau of Insurance and other technical provisions (if any).

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

Provision for liabilities arising from the applied technical interest rate

The Company carries out a life assurance liability adequacy test as at the balance sheet date (“the liability adequacy test”) in order to

assess the adequacy of the life assurance provisions (provision for unearned premiums, life assurance provision, provision for outstanding claims, provision for bonuses and rebates and life assurance technical provision where the investment risk is borne by the policyholders).

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

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

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

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

Provision for liabilities of the Bureau

On December 2019, the Company, based on a decision made by the assembly of member insurance companies (i.e. members of the Bureau) settled all its obligations under Section 18, Paragraph 6 of Act on Motor Third-Party Liability Insurance, for which the Czech Insurers Bureau had no corresponding assets and released the provision for liabilities for the Czech Insurers Bureau, as the reasons for its creation ceased to exist.

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

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

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

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

(o) Reinsurance share of technical provisions

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

The Company presents the reinsurance share of the provision for unearned premiums, the provision for outstanding claims, the life assurance provision, and the provision for bonuses and rebates. The reinsurer does not participate in the other technical provisions.

(p) Provisions

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

Provision for taxes

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

(q) Gross premiums written

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

(r) Claims paid

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

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

(s) Acquisition costs

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

(t) Expenses and income from investments

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

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

The allocation is calculated using internal evidence of investments related to the respective technical life provisions (including life assurance where the investment risk is borne by the policyholder) and technical non-life provisions. According to this allocation a part of expenses and revenues from life and non-life insurance is determined and the rest of expenses and revenues remains on the non-technical account.

Method of accounting for realised gains and losses upon disposal of investments

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

(u) Loss prevention fund

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

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

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

Expenses and revenues from investments

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

Other expenses and income

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

(w) Foreign currency translation

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

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

(x) Consolidation

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

I.5. Change in accounting policies and procedures

Legislative changes in the area of tax deductibility of technical provisions were published in the Collection of Regulations of the Czech Republic on December 31, 2019, with effect from January 1, 2020.

For the Company, the above legislation, effective from 1 January 2020, means that the Company will, as a tax deductible expense and income, take into account the creation and use or release of provisions under the Insurance Act, based on Solvency II regulation, the dissolution of technical provisions created under accounting legislation. Therefore, the creation and use or release of technical provisions established under accounting regulations will no longer be tax deductible expenses and revenues.

The Company expects that legislative amendments effective from 1 January 2020 will have a material effect on the current and deferred tax values presented in the Company's financial statements.

I.6. Risk management

In compliance with Act No. 277/2009 Coll., on Insurance, and amendment No. 183/2019 Coll. to the Insurance Act dated 1 July 2019, the Company has ensured that the set-up of the internal control system covers all of its operations.

The Company has an effective management system which ensures the ordinary and prudent management of its business activities. The risk management system is governed by an internal policy defining the major requirements for this area. Its adequacy and effectiveness are subject to regular reviews. A Three Lines of Defence (TLD) principle with several levels of responsibility for control is applied throughout the Company. The board of directors plays a key role in the risk management system and is fully responsible for the Company's risk management strategy and risk appetite. The board of directors has also established a risk committee (RiCo) as a platform providing expert support. The head of RiCo is the chief risk officer, with a direct reporting line to the board of directors and the duty to regularly report the conclusions of the risk committee to the board. The risk management processes are implemented directly in the Company's processes where ever possible, including processes involving strategic decisions as well as everyday business processes that affect the Company's risk profile. This approach ensures that risk management exists primarily as a forward looking mechanism for risk regulation and only secondarily as a certain process responding to already existing situations.

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

The policies and procedures for risk management are comprehensive and interrelated with the policies and procedures for maintenance of the capital determined to cover these risks.

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

(a) Non-life insurance risk

The Company is exposed to insurance risk and underwriting risks following from the sale of non-life insurance products.

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

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

In order to manage the insurance risk the Company applies internal policies for development and valuation of products, determination of the technical provisions amount, reinsurance strategy and underwriting rules.

Concentration of insurance risk

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

Geographic concentration

The risks underwritten by the Company are primarily located in the Czech Republic. From the geographical point of view, the Company has no significant concentration of exposure to any group of persons insured, measured by social, professional or age criteria.

(b) Life assurance risk

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

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

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

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

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

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

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

In respect of the objective and subjective risks of the insured, these risks must be assessed individually upon conclusion of the contract, primarily in the event of a higher sum assured. Procedures for identifying and assessing these risks require a qualified assessment of the health condition, or, if appropriate, the financial condition of the client, or 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 to protect its own capital resources. The Company has based its reinsurance scheme primarily on cooperation with the parent company, in combination with reinsurance contracts with external reinsurers.

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

(c) Market risk

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

The main exposure is that the revenues from investments will not be sufficient to cover the liabilities from insurance contracts.

Market risk is constantly monitored, measured and managed using asset/liability management (ALM). The basic method of ALM involves adjusting the due date of assets to the liabilities from insurance contracts.

Asset/Liability Management (ALM)

The basic goal of ALM is to achieve balance in the structure of assets and liabilities, in particular from the point of view of their maturity, interest rates and currency structure. The aim is to ensure that the assets permanently generate sufficient cash flows in the required currency structure necessary to cover the due liabilities to clients (including the guaranteed revenues). At the same time, the system must allow for 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 currency structure. This type of output is one of the underlying tools for making decisions on the further allocation of financial investments.

Interest rate risk

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

Interest rate fluctuations may result in changes of liabilities as well as changes in the value of assets.

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

The risk of changes in cash flows because of interest rate changes represents exposure primarily for insurance contracts with a guaranteed interest rate, where the client compares the revenue guaranteed by the contract with the revenue offered in the market. When the market interest rates increase, some types of contracts may show an increase in the lapse rate. On the other hand, in the event of a decrease in the interest rates, an increased number of clients claiming settlement in the form of pension may be observed, or the payment of settlements from contracts with higher guaranteed revenue 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 changes in the value of the financial instrument due to changes in market prices. These changes may be caused by factors specific to a single instrument or by the issuers of the instruments or by factors affecting all instruments traded in the capital or money markets.

Currency risk

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

(d) Credit risk

The Company is exposed to credit risk following from the counterparty failing to pay the amounts due in full.

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

- reinsurance share in insurance liabilities
- reinsurer's debt relating to a claim that has already been paid
- outstanding premiums
- counterparty risk relating to derivative transactions
- risk of failure to repay the principal or income from financial investments

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

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

The outstanding premiums are regularly monitored, and the method of creating allowances is described in note I.4. (d).

Recovery of debt from insurance is carried out by the Company in cooperation with an external partner.

(e) Operational risk

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

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

(f) Liquidity risk

The Company is exposed to liquidity requirements on a daily basis. These requirements are related to claim settlements. Liquidity risk is the 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 the necessary resources.

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

II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET**II.1. Intangible fixed assets**

Intangible fixed assets of the Company as at 31 December 2019 and 2018 comprise the following items:

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2019	947,040	14,894	961,934
Additions	22,814	14,657	37,471
Transfers	14,894	(14,894)	-
Disposals	-	-	-
Acquisition cost at 31/12/2019	984,748	14,657	999,405
Accumulated amortisation at 1/1/2019	778,530	-	778,530
Amortisation expense	63,530	-	63,530
Disposals	-	-	-
Accumulated amortisation at 31/12/2019	842,060	-	842,060
Net book value at 1/1/2019	168,510	14,894	183,403
Net book value at 31/12/2019	142,688	14,657	157,345

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2018	883,738	39,237	922,975
Additions	38,959	-	38,959
Transfers	24,343	(24,343)	-
Disposals	-	-	-
Acquisition cost at 31/12/2018	947,040	14,894	961,934
Accumulated amortisation at 1/1/2018	712,032	-	712,032
Amortisation expense	66,498	-	66,498
Disposals	-	-	-
Accumulated amortisation at 31/12/2018	778,530	-	778,530
Net book value at 1/1/2018	171,706	39,237	210,942
Net book value at 31/12/2018	168,510	14,894	183,403

II.2. Investments

(a) Investments in affiliated undertakings and participating interests

Participating interests with controlling influence

2019	Participating interest as % of registered capital	Acquisition cost	Adjustment	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní společnost, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	583,607	-	583,607	50,100	1,090,303	137,701
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	-	200	*200	*12,579	*1,925
Diamond Point, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	428,941	127,569	301,372	78,793	309,586	22,624
Total	-	1,012,748	127,569	885,179	129,093	1,412,468	162,250

*) unaudited financial data

2018	Participating interest as % of registered capital	Acquisition cost	Adjustment	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní společnost, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	583,607	-	583,607	50 100	913,920	71,211
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	-	200	*200	*10,655	*1,395
Diamond Point, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	428,941	127,569	301,372	78,793	320,176	21,885
Total	-	1,012,748	127,569	885,179	129,093	1,244,751	94,491

*) neauditované finanční údaje

Participating interests with significant influence

The Company has no participating interests with significant influence.

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

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Diamond Point, a.s.	864,953	866,700	876,000	876,000
Total	864,953	866,700	876,000	876,000

Above bonds are classified as available for sale securities. These bonds are not listed.

(c) Shares and participation certificates

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Issued by financial institutions				
Listed elsewhere	1,376,053	1,243,241	1,361,262	1,333,015
Not listed	19,938	20,238	21,040	20,970
Issued by non-financial institutions				
Listed elsewhere	1,143,088	1,022,181	973,007	968,666
Not listed	433,629	263,226	433,084	256,496
Total	2,972,708	2,548,886	2,788,393	2,579,147

Participation certificates held in Allianz's portfolios are traded on European Union markets, namely on the markets of Germany, France, Ireland and Luxembourg.

(d) Available for sale securities

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Issued by financial institutions				
Listed on a recognised CR exchange	863,947	474,464	873,971	483,528
Listed elsewhere	1,821,543	1,693,978	1,677,460	1,499,765
Issued by non-financial institutions				
Listed on a recognised CR exchange	950,768	740,316	964,932	750,668
Listed elsewhere	498,349	514,545	459,927	496,911
Not listed	151,098	128,191	135,100	135,100
Issued by government sector				
Listed on a recognised CR exchange	11,071,031	9,931,236	11,150,965	10,214,435
Total	15,356,736	13,482,730	15,262,355	13,580,407

(e) Debt securities valued at fair value through profit and loss

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Issued by financial institutions				
Listed elsewhere	355,340	326,260	355,479	334,502
Not listed	17,655	165,100	17,534	158,897
Total	372,995	491,360	373,013	493,399

(f) Other securities held to maturity

	Fair value		Amortized value		Acquisition cost	
	2019	2018	2019	2018	2019	2018
Issued by financial institutions						
Listed on a recognised CR exchange		9,998		20,647	10,010	20,000
Issued by non-financial institutions						
Listed on a recognised CR exchange		95,907		97,631	98,081	95,819
Issued by government sector						
Listed on a recognised CR exchange		3,711,846		4,247,013	3,767,189	4,010,695
Total		3,817,751		4,365,291	3,875,280	4,126,514

(g) Other loans and credits

As at 31 December 2019, the Company had provided other loans to policyholders, guaranteed by the insurance contract entered into, in the amount of TCZK 9,926 (at 31/12/2018: TCZK 11,341).

(h) Deposits with financial institutions

	2019	2018
Due within 1 year	53,117	-
Due in 1 to 5 years	-	52,066
Total	53,117	52,066

(i) Other investments

	Nominal value		Fair value	
	2019	2018	2019	2018
Fixed-term transactions	1,247,289	2,599,810	31,579	(16,434)
Options	-	-	70,584	68,521
Reverse repurchase agreements	744,000	660,000	744,020	660,038
Total	1,991,289	3,259,810	846,183	712,125

Reverse repurchase agreements represent short-term transactions with a maximum maturity of 14 days. Under the reverse repurchase agreements, as at 31 December 2019 the Company acquired ISIN CZ001005755 treasury bills at the market value of TCZK 727,601 (as at 31/12/2018 - TCZK 644,033). The treasury bills are recorded in off-balance sheet accounts.

(j) Other investments - derivatives*Trading derivatives*

Fixed term contracts with a positive fair value	Nominal value		Fair value	
	2019	2018	2019	2018
Term currency transactions	1,226,199	16,150	32,024	110
Total	1,226,199	16,150	32,024	110

Fixed term contracts with a positive fair value	Nominal value		Fair value	
	2019	2018	2019	2018
Term currency transactions	21,090	2,583,660	(445)	(16,544)
Total	21,090	2,583,660	(445)	(16,544)

Remaining maturity of derivatives

As at 31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Total
Trading derivatives				
Term currency transactions	31,579	-	-	31,579
As at 31 December 2018				
Trading derivatives				
Term currency transactions	(16,434)	-	-	(16,434)

Remaining maturity of derivatives in the nominal value

As at 31 December 2018	Within 3 months	3 months to 1 year	1 to 5 years	Total
Trading derivatives				
Term currency transactions (+)	1,226,199	-	-	1,226,199
Term currency transactions (-)	21,090	-	-	21,090
As at 31 December 2018				
Trading derivatives				
Term currency transactions (+)	16,150	-	-	16,150
Term currency transactions (-)	2,583,660	-	-	2,583,660

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

Description	Nominal value		Fair value	
	2019	2018	2019	2018
Shares and other variable-yield securities	4,557,268	4,437,301	3,384,709	3,762,228
Debt securities	1,086,306	763,814	1,083,440	777,442
Deposits with financial institutions	233,898	559,898	234,000	560,000
Free cash	27,109	3,470	-	-
Derivatives	25,881	(8,047)	-	-
Total	5,930,462	5,756,436	4,702,149	5,099,670

II.4. Currency structure of investments

	Shares and variable -yield securities		Debt securities		Deposits and other financial placements		Securities where the investment risk is borne by the policyholders	
	2019	2018	2019	2018	2019	2018	2019	2018
CZK	2,025,321	1,831,700	19,105,576	17,287,221	2,557,196	2,475,494	2,272,406	2,830,486
EUR	947,387	717,187	499,435	493,445	102,162	52,087	3,387,191	2,732,093
USD	-	-	-	-	-	-	270,865	193,857
Total	2,972,708	2,548,887	19,605,011	17,780,666	2,659,358	2,527,581	5,930,462	5,756,436

II.5. Receivables

31 December 2019	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	235,993	6,264	147,145	37,896	427,298
Overdue	804,311	97,388	12,037	13,300	927,036
Total	1,040,304	103,652	159,182	51,196	1,354,334
Allowances	248,835	97,388	-	12,077	358,300
Total net	791,469	6,264	159,182	39,119	996,034
31 December 2018	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	293,678	11,620	112,029	119,318	536,645
Overdue	709,209	99,413	1,205	13,855	823,681
Total	1,002,886	111,033	113,234	133,173	1,360,326
Allowances	216,504	97,837	-	12,077	326,418
Total net	786,383	13,196	113,234	121,096	1,033,908

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

Long-term receivables with a remaining period to maturity in excess of five years as at the balance sheet date totalled TCZK 12,077 (2018: TCZK 12,077).

(b) Other receivables

	2019	2018
Inter-company receivables	4,672	649
Deferred tax asset	4,195	75,461
Advance payments for energy	26,453	34,132
Receivables from securities transactions	-	1,273
Other receivables	3,799	9,581
Total other receivables (net)	39,119	121,096

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

	Tangible fixed assets
Acquisition cost at 1/1/2019	256,722
Additions	16,076
Disposals	(22,584)
Acquisition cost at 31/12/2019	250,214
Accumulated depreciation at 1/1/2019	181,761
Depreciation expense	12,748
Disposals	(12,334)
Accumulated depreciation at 31/12/2019	182,175
Net book value at 1/1/2019	74,960
Net book value at 31/12/2019	68,039

	Tangible fixed assets
Acquisition cost at 1/1/2018	262,245
Additions	11,831
Disposals	(17,354)
Acquisition cost at 31/12/2018	256,722
Accumulated depreciation at 1/1/2018	171,379
Depreciation expense	16,671
Disposals	(6,289)
Accumulated depreciation at 31/12/2018	181,761
Net book value at 1/1/2018	90,865
Net book value at 31/12/2018	74,960

(b) Cash on accounts in financial institutions and cash in hand

Cash on accounts in financial institutions and cash in hand as at the balance sheet date totalled TCZK 709,022 (2018: TCZK 1,148,502).

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

	2019	2018
Traditional life assurance	542,657	354,959
Unit-linked assurance	21,191	20,975
Non-life insurance	204,331	197,569
Total	768,179	573,503

In 2019, deferred acquisition costs for traditional life assurance showed an increase as a result of the launch of a new life assurance product, Allianz život (Allianz Life) in 2018. Its main coverage represents assurance on death. Allianz život replaced the life assurance product Rytmus.

(b) Estimated receivables

	2019	2018
Estimated reinsurance commissions	11,681	1,567
Other	93,725	82,334
Total	105,406	83,901

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

(c) Other temporary asset accounts

	2019	2018
Other prepaid expenses - services	502,226	534,352
Total	502,226	534,352

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 2019, 100%, i.e. TCZK 600,000, of the registered capital was paid up.

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

(b) Other capital funds and revaluation differences

	2019	2018
Other capital funds	555,715	555,714
Revaluation of assets and liabilities	73,855	(267,877)
Total	629,570	287,837

Revaluation of assets and liabilities at fair value

	2019	2018
Balance at 31/12/2018	(267,877)	(179,601)
Transfer of valuation differences from retained earnings (change of accounting method of available for sale securities)	-	210,268
Balance at 1/1/2019	(267,877)	30,667
Change in fair value of investments	422,603	(306,217)
Net losses on investments reclassified to the income statement on disposal, impairment or maturity	(10,611)	(54,028)
Change in deferred tax	(70,260)	61,701
Balance at 31/12/2019	73,855	(267,877)

Proposed distribution of current period profit

Profit for the current period	1,441,300
Transfer to reserve fund	-
Profit to be added to retained earnings	1,441,300

The distribution of the 2019 profit is presented in the Statement of Changes in Equity.

No decision was made on the amount of the distribution of the share on profit as at the balance sheet date.

II.9. Technical provisions

(a) Summary of technical provisions

Type of provision	Year	Gross	Reinsurers' share	Net
Provision for unearned premiums	2019	3,445,487	157,937	3,287,550
	2018	3,181,147	172,675	3,008,472
Life assurance provision	2019	6,548,275	393	6,547,882
	2018	6,408,266	906	6,407,360
Provision for outstanding claims	2019	9,391,399	1,132,742	8,258,657
	2018	8,921,329	979,597	7,941,732
Provision for bonuses and rebates	2019	568,627	-	568,627
	2018	568,988	-	568,988
Provision for liabilities arising from the applied technical interest rate	2019	469,644	-	469,644
	2018	383,504	-	383,504
Provision for liabilities of the Bureau	2019	-	-	-
	2018	188,368	-	188,368
Life assurance provision where the investment risk is borne by the policyholders	2019	5,930,462	-	5,930,462
	2018	5,756,436	-	5,756,436
Total	2019	26,353,894	1,291,072	25,062,822
	2018	25,408,038	1,153,178	24,254,860

(b) Provision for unearned premiums (gross)

	2019	2018
Non-life insurance	3,332,911	3,072,577
Life assurance	112,576	108,570
Total	3,445,487	3,181,147

(c) Life assurance provision

	2019	2018
Unzillmerised provision	6,621,371	6,494,449
Zillmer adjustment	(73,096)	(86,183)
Zillmerised provision presented in the balance sheet	6,548,275	6,408,266

(d) Provision for outstanding claims (gross)

The provision for outstanding claims at the end of the financial year can be analysed as follows:

	2019	2018
RBNS	6,370,237	6,554,169
IBNR	2,652,490	1,957,962
ALAE + ULAE	368,672	409,198
Total	9,391,399	8,921,329

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 1 January 2019, the claims payments during 2019 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2019.

The net run-off result is as follows:

Class of insurance	2019	2018
Motor insurance	(5,645)	4,470
Motor third party liability	440,543	302,160
Industry insurance	105,080	89,563
Commercial insurance	109,298	156,564
Private property insurance	63,287	24,939
Accident insurance	130,886	175,764
Sickness insurance	(1,502)	(11,454)
Travel insurance	(1,556)	4,099
Life insurance	11,074	6,276
Total	851,465	752,380

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities after discounting is TCZK 317,782 (2018: TCZK 376,111), before discounting TCZK 363,918 (2018: TCZK 415,182)

The Company used a wage valorisation rate and a disability pension valorisation rate of 3.5% - 8.0% to calculate the provision for outstanding claims paid in the form of annuities from statutory motor third-party liability insurance for the subsequent years. The provision was also discounted at 1.5%. The annualised amount of annuities amounts to TCZK 9,987.

The expected average period of time, which will elapse before all annuity claims included within the above provision have been paid, is 17 years.

(e) Provision for bonuses and rebates (gross amount)

Class of insurance	2019	2018
Non-life insurance	183,183	205,805
Life assurance	385,444	363,183
Total	568,627	568,988

(f) Other technical provisions (gross)

The item Other technical provisions includes the provision for liabilities arising from the applied technical interest rate and the provision for liabilities. On December 2019, the Company, based on a decision made by the assembly of member insurance companies (i.e. members of the Bureau) settled all its obligations under Section 18, Paragraph 6 of Act on Motor Third-Party Liability Insurance, for which the Czech Insurers Bureau had no corresponding assets and released the provision for liabilities for the Czech Insurers Bureau, as the reasons for its creation ceased to exist.

2019	Opening balance	Addition	Utilisation	Closing balance
Provision for liabilities arising from the applied technical interest rate	-	173,660	173,660	-
Provision for liabilities of the Bureau	188,368	(16,765)	171,604	-
Provision for technical interest rate used in liabilities	383,504	(383,504)	(469,644)	469,644
Total	571,872	(226,608)	(124,380)	469,644

2018	Opening balance	Addition	Utilisation	Closing balance
Provision for liabilities arising from the applied technical interest rate	608,722	383,504	608,722	383,504
Provision for liabilities of the Bureau	215,680	-	27,312	188,368
Total	824,402	383,504	636,034	571,872

II.10. Provisions

2019	Opening balance	Addition	Utilisation	Closing balance
Provision,for,taxes	247,873	43,225	247,873	43,225
Other,provisions	57,519	80,505	43,050	94,974
Total	305,392	123,730	290,923	138,199

2018	Opening balance	Addition	Utilisation	Closing balance
Provision,for,taxes	3,789	247,873	3,789	247,873
Other,provisions	50,133	33,082	25,695	57,519
Total	53,922	280,955	29,484	305,392

Provision for taxes is reported on a gross basis, the provision is reduced by the prepayments for the tax due in the Company's financial statements.

II.11. Payables

	Payables to policy holders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
2019					
Due	588,193	324,741	96,788	166,856	1,176,578
Overdue	45,577	3,596	10,329	68,630	128,132
Total	633,770	328,337	107,117	235,486	1,304,710
2018					
Due	628,498	265,566	95,825	114,127	1,104,016
Overdue	2,078	8,048	7,883	113,696	131,705
Total	630,576	273,614	103,708	227,823	1,235,721

(a) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 15,796 (2018: TCZK 15,399), of which TCZK 10,691 (2018: TCZK 10,405) relates to social security and TCZK 5,105 (2018: TCZK 4,994) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities and subsidies

Tax liabilities amount to TCZK 12,481 (2018: TCZK 6,721).

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

Long-term payables with a remaining period to maturity in excess of five years as at the balance sheet date amounted to TCZK 0 (2018: TCZK 0).

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

The Company had a net receivable from reinsurers of TCZK 52,065 (2018: a net receivable of TCZK 9,526).

II.12. Temporary liability accounts*Estimated payables*

	2019	2018
Estimated reinsurance premiums	28,527	29,009
Commissions to intermediaries	242,744	232,958
Services	92,183	117,242
Employee bonuses	163,389	214,669
Other	-	186
Total	526,843	594,064

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	
	2019	2018	2019	2018
<i>Short-term</i>				
Allianz penzijní společnost, a.s.	4,524	649	-	-
Allianz kontakt, s.r.o.	120	-	-	-
Diamond Point, a.s.	-	-	4,176	4,603
Total	4,644	649	4,176	4,603

(b) Other inter-company receivables and payables

Company name	Receivables		Payables	
	2019	2018	2019	2018
AGCS AG Branch Office Belgium	-	-	-	26
AGCS AG Italy Branch	2,158	-	39	-
Allianz Compania de seguros y Rease	-	-	-	13
AGCS France	3,464	-	-	-
AGCS Nederlands	70	108	-	342
AGCS Singapore	-	91	-	847
AGF Assurances	192	-	986	-
Allianz Elementar	1,178	1,382	26	-
Allianz Fire and Marine Ins. Japan	26	-	26	-
Allianz GCS Austria Branch	9,406	6,189	20,710	8,629
Allianz GCS Hong Kong	284	405	3,786	5,081
Allianz GCS München	4,406	2,699	5,686	5,167
Allianz GCS Nordic Region	209	361	244	244
Allianz GCS Sweden	-	76	-	76
Allianz GCS Switzerland	477	55	92	127
Allianz GCS UK	4,632	4,464	4,848	8,269
Allianz GCS, Hamburg	-	-	-	1
Allianz Global Automotive	13,934	2,574	6,307	17,047
Allianz Global Corporate&Speciality Mnichov	5,277	2,206	11,731	6,105
Allianz Global Investors EuropeGmbH	-	-	-	26
Allianz Global Risk US	11,679	245	283	2,885
Allianz Hungária Biztosító Zrt.	7,791	2,043	-	283
Allianz Insurance Company of Canada	-	51	-	250
Allianz Insurance PLC	223	-	-	-
Allianz Investment Managemen	-	-	-	1,131
Allianz Italia s.p.a.	1,493	-	-	-
Allianz Managed Operations & Services SE	-	-	75,830	45,118
Allianz SE	29,782	32,122	7,764	18,682
Allianz Sigorta a.s.	2,066	-	-	-
Allianz Slovenská poisťovňa, a.s.	7,565	4,283	1,230	84
Allianz Technology SE Munich,Wallis	-	-	-	925
Allianz Technology SK	-	-	-	5,733
Allianz Technology HU	-	-	-	8,881
Allianz Tiriac Asigurari S.A.	1,624	2,820	-	-
Allianz Zagreb	23	-	-	112
AWP P&C Česká republika	19,761	16,602	23,714	18,014
OJSC Insurance company Allianz	-	-	103	-
Stanislas Haine	320	320	-	-
T.U. Allianz Polska S.A.	80	476	-	-
ZAO Allianz Russia	-	230	-	384
Total	128,120	79,802	163,405	154,482

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

III. ADDITIONAL DISCLOSURES IN RESPECT OF THE INCOME STATEMENT

III.1. Non-life insurance

Non-life insurance by class of insurance:

2019	Insurance class	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsur. balance	
Direct insurance							
	Accident and sickness	1,218	233,957	233,225	78,630	37,225	(14,785)
	Motor - other classes	3	4,090,267	3,970,465	2,714,288	942,983	(13,534)
	Motor - liability	10	3,256,431	3,174,700	1,987,012	721,285	8,552
	Aviation, marine and transportation insurance	4,5,6,7,11,12	99,068	98,750	102,345	19,344	(18,825)
	Fire and other damage to property	8,9,15,16	3,022,563	2,987,195	1,342,131	898,164	(267,905)
	Liability	13	944,140	912,758	404,365	184,126	(63,694)
Total		11,646,426	11,386,093	6,628,771	2,803,127	(370,191)	
2018							
Direct insurance							
	Accident and sickness	1,218	222,546	223,003	68,597	36,292	(13,677)
	Motor - other classes	3	3,514,133	3,445,355	2,263,718	765,302	(623)
	Motor - liability	10	2,853,277	2,804,111	1,780,230	644,982	(13,090)
	Aviation, marine and transportation insurance	4,5,6,7,11,12	91,510	89,336	36,107	17,232	(13,123)
	Fire and other damage to property	8,9,15,16	2,877,964	2,846,176	1,251,826	809,223	(312,760)
	Liability	13	880,701	866,419	370,546	178,651	(65,580)
Total		10,440,131	10,274,400	5,771,024	2,451,682	(418,852)	

III.2. Life assurance

Gross premiums written in life assurance:

	2019	2018
Individual (special) premiums	3,912,571	2,924,315
Premiums under group contracts	9,328	10,301
Total	3,921,899	2,934,616
Regular premium	3,015,195	2,830,311
Single premium	906,704	104,305
Total	3,921,899	2,934,616
Premiums from contracts without bonuses	1,197,087	586,491
Premiums from contracts with bonuses	216,569	242,645
Premiums from contracts where the investment risk is borne by policyholders	2,508,243	2,105,480
Total	3,921,899	2,934,616
Reinsurance balance	(5,887)	(5,037)

III.3. Total amount of gross premiums written by country

The total amount of gross premiums written by country in which the insurance contract was concluded:

Country	2019	2018
Czechia	15 469 257	13 296 963
Belgium	72	83
Bulgaria	70	39
Denmark	0	75
Estonia	2	178
Finland	3	0
France	5 113	1 607
Croatia	566	0
Italy	2 367	1 760
Lithuania	1	0
Latvia	3	0
Hungary	26 876	23 221
Germany	17 999	14 614
Netherlands	285	575
Poland	5 890	4 652
Portugal	562	152
Austria	178	106
Romania	8 834	2 791
Greece	37	0
Slovakia	25 678	24 568
Slovenia	337	0
Spain	218	74
Sweden	56	54
Switzerland	352	107
Great Britain	3 569	3 128
Total	15 568 325	13 374 747

The gross premiums written under direct insurance result from contracts concluded in the Czech Republic, other EU Member States and other states (Switzerland)

III.4. Bonuses and rebates

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

	2019	2018
Non-life insurance	358,173	300,957
Life assurance	160	199
Total bonuses and rebates	358,333	301,156

In accordance with the procedures stated in note II.9 (e) of the notes, the Company accounted for the following changes in the provision for bonuses and rebates:

	2019	2018
Non-life insurance		
Creation	583,272	497,575
Release	(605,894)	(459,532)
Change of balance	(22,622)	38,044
Life assurance		
Creation	50,077	42,939
Release	(27,815)	(31,977)
Change of balance	22,262	10,961
Total change of balance	(360)	49,005

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

	2019			2018		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	802,451 ¹⁾	760,326	1,562,777	638,317 ¹⁾	521,730	1,160,047
Renewal	1,046,140 ²⁾	91,937	1,138,077	943,425 ²⁾	77,229	1,020,655
Total commissions	1,848,591	852,263	2,700,854	1,581,742	598,959	2,180,701
Other acquisition costs	167,933	68,387	236,320	162,517	66,926	229,443
Change in deferred acquisition costs	(6,762)	(187,914)	(194,676)	(31,755)	(122,792)	(154,547)
Total commissions and other acquisition costs	2,009,762	732,736	2,742,498	1,712,504	543,093	2,255,597

- ¹⁾ of which TCZK 14,017 relates to assumed facultative reinsurance in the year 2019 and TCZK 8,402 in the year 2018
- ²⁾ of which TCZK 77,959 relates to assumed facultative reinsurance in the year 2019 and TCZK 72,623 in the year 2018

The Company discloses renewal commissions in administrative expenses.

Other acquisition costs primarily comprise costs for wages and salaries, promotion, advertising and other administrative expenses associated with the conclusion of insurance contracts.

III.6. Administrative expenses

	2019	2018
Personnel expenses (payroll, social and health insurance)	592,543	572,995
Rental	86,474	75,712
Depreciation and net book value of disposed fixed assets	84,517	85,902
Renewal commissions and bonifications	1,138,077	1,020,655
Telephone and fax fees, postage	48,597	44,443
Consultancy fees	35,463	73,897
Travel and entertainment	16,223	16,913
Material consumption	4,117	5,846
Other services	94,512	60,472
Other administrative expenses	10,799	5,445
Hardware maintenance and repair	410	521
Software maintenance and repair	18,869	25,495
Data network maintenance and repair	152,961	106,568
Total administrative expenses	2,283,562	2,094,864

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

III.7. Other technical expenses and income

	2019	Reinsurance share	Net
2019	Gross		
Non-life insurance			
Other technical expenses	862,340	-	860,340
Other technical income	536,214	-	536,214
Balance - non-life insurance	326,125	-	326,125
Life assurance			
Other technical expenses	65,039	-	65,039
Other technical income	84,255	-	84,255
Balance - life assurance	(19,216)	-	(19,216)
2018			
Non-life insurance			
Other technical expenses	620,949	-	620,949
Other technical income	503,655	-	503,655
Balance - non-life insurance	117,294	-	117,294
Life assurance			
Other technical expenses	71,262	-	71,262
Other technical income	76,002	-	76,002
Balance - life assurance	(4,740)	-	(4,740)

Based on the amendment to Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended, which came into effect on 1 January 2015, the insurance company recognises the amount of TCZK 94,997 (2018: TCZK 83,762) to be remitted to the Loss Prevention Fund in Other technical expenses in the technical account for non-life insurance.

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

Non-life insurance	2019	2018
Additions to (+)/Release of (-) allowances to receivables	29,066	22,856
Write-off of receivables	26,740	26,059
Foreign exchange losses (+)/gains (-)	3,612	873
Other technical expenses and income	266,707	67,505
Reinsurers' share	-	-
Balance of other expenses and income	326,125	117,293

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

Life assurance	2019	2018
Additions to (+)/Release of (-) allowances to receivables	4,419	(5,055)
Write-off of receivables	2,477	8,715
Foreign exchange losses (+)/gains (-)	(75)	(43)
Other technical expenses and income	(26,037)	(8,357)
Reinsurers' share	-	-
Balance of other expenses and income	(19,216)	(4,740)

III.8. Other expenses and revenues

	2019	2018
Non-technical account		
Other expenses	102,243	55,453
Other income	60,530	57,615
Balance of other expenses and income	41,713	(2,162)

Balance of other expenses and income comprises the following items:

	2019	2018
Foreign exchange gains and losses	(800)	3 167
Foreign exchange differences on revaluation	(182)	(3 813)
Provisions	34,515	402
Other	8,180	(1 918)
Balance of other expenses and income	41,713	(2 162)

Positive values represent expenses.

III.9. Employees and management

The average number of employees and executives and remuneration for 2019 and 2018 are as follows:

	Average number of employees	Payroll expense	Social and health insurance	Other expenses
2019				
Employees	688	408,427	127,449	24,714
Executives	105	162,182	42,815	9,814
Total	793	570,609	170,264	34,528
2018				
Employees	709	391,816	124,362	23,102
Executives	112	167,994	43,666	9,905
Total	821	559,810	168,029	33,007

(a) Statutory, Executive and Supervisory Board members' remuneration

In 2019, members of statutory and supervisory bodies received remuneration totalling TCZK 44,947 (2018: TCZK 58,039).

(b) Statutory, executive and supervisory board members' loans, other receivables and advances

In 2019, the Company did not present any receivables from members of the board of directors or the supervisory board relating to granted loans or advances paid.

(c) Information on remuneration for statutory auditors

Remuneration for statutory auditors is included in the Company's administrative expenses and consists of the following items:

TCZK	2019	2018
Advice and other non-auditing services	-	458
Audit of statutory financial statements	4,463	4,463
Total	4,463	4,921

In 2019, the auditor provided the Company with assurance work on group reporting forms.

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

As at the balance sheet date the total amount of revenues and expenses allocated between the technical accounts for non-life insurance and life assurance and the non-technical account by means of the method stated in note I.4.(v) amounted to TCZK 138,177 (2018: TCZK 77,228).

III.11. Result of non-technical account

The result of the non-technical account as at 31 December 2019 amounted to TCZK 96,464 (2018: TCZK 79,390).

III.12. Result before tax

The result before tax as at 31 December 2019 amounted to TCZK 1,804,386 (2018: TCZK 2,085,386).

III.13. Taxation**(a) Income tax in the income statement**

	2019	2018
Provision for current period income tax	338,227	395,014
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	22,435	(36,728)
Current income tax relating to prior periods	3,512	1,737
Change in deferred tax asset/Change in deferred tax liability	632	3,483
Income tax in the income statement	364,806	363,506

The current income tax relating to prior periods the additional tax liability assessed based on additional tax returns, or following an inspection by the tax authority.

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Difference	
	2019	2018	2019	2018	2019	2018
Tangible fixed assets	9,126	8,411	-	-	9,126	8,411
Intangible fixed assets	-	-	12,161	7,862	(12,161)	(7,862)
Receivables	6,561	4,914	-	-	6,561	4,914
Provisions	1,996	2,088	-	-	1,996	2,088
Other temporary differences recorded in Income statement	9,958	7,261	1,300	-	8,658	7,261
Total	27,641	22,674	13,461	7,862	14,180	14,812
Influence in Income statement	4,967	775	4,299	4,258	(632)	(3,482)
Revaluation of assets and liabilities	(5,937)	66,917	4,047	6,268	(9,984)	60,649
Total	(5,937)	66,917	4,047	6,268	(9,984)	60,649
Influence in Equity	(72,854)	61,701	(2,221)	-	(70,633)	(61,701)
Deferred tax asset/liability	21,704	89,591	17,508	14,129	4,196	75,461

The impact of changes in deferred tax assets and liabilities on the income statement for 2019 consisted of a loss of TCZK 632 (2018: gain of TCZK 3,482). The impact of changes in deferred tax assets and liabilities on the equity for 2019 consisted of an increase of revaluation differences in amount of TCZK 70,633 (2018: increased by TCZK 61,701).

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

IV. OTHER DISCLOSURES**IV.1. Transactions not disclosed in the balance sheet**

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

IV.2. Contingent liabilities**(a) Co-insurance**

The Company is the leading co-insurer in several coinsurance contracts in respect of which a claim of a material amount has been announced as at the end of the accounting period.

The Company considers it unlikely that the beneficiary will file a claim in the full amount against the Company as the leading co-insurer and has therefore only established a provision for outstanding claims amounting to its share.

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

As a member of the Bureau, the Company is obliged to guarantee the liabilities of the Bureau pursuant to Section 18 (6) of the Act on Motor Third Party Liability Insurance. The Company contributes to the guarantee fund and creates the provision for liabilities of the Bureau. The amount of the contribution and the provision for liabilities of the Bureau is determined using actuarial methods.

If any of the members of the Bureau would be unable to meet their obligations arising from the statutory motor third-party liability insurance due to insolvency, the Company may become liable to make additional contributions to the guarantee fund.

(c) Membership of the Czech Nuclear Pool

As a member of the Czech Nuclear Pool, the Company, under a "Joint and Several Liability" agreement, has assumed a liability, in proportion to the Company's net retention for the given contract, should one or more members of the Czech Nuclear Pool be unable to fulfil their obligation. The total contingent liability of the Company including joint and several liability is contractually limited to double the retention for the specific insured risk.

IV.3. Subsequent events

At the beginning of 2020, the existence of a new coronavirus (Covid-19), which has spread in and outside China, including the Czech Republic, has been confirmed and has disrupted many business and economic activities. The Company considers the outbreak of this epidemic to be a subsequent event that does not lead to a change in the financial statements. The Company regularly monitors the situation and assesses the potential impact on the insurance sector and our company, but does not consider it an event of significant uncertainty for the continuation of its business. The Company will include the potential impact of the epidemic on macroeconomic forecasts, our position and results in estimates of provisions and reserves in 2020.

At the balance sheet date, the management of the Company is not aware of any other significant subsequent events that would require adjustment to the Company's financial statements.

Prague, 31 March 2020



Ing. Dušan Quis
Chairman of the Board of Directors



Ing. Petr Sosík, Ph.D.
Member of the Board of Directors

REPORT ON RELATIONS BETWEEN RELATED PARTIES

This report on relations between related parties, i.e. on business relations to the controlling party, controlled parties and other related parties, is presented based on the obligation stipulated by the Act on Commercial Corporations. These parties are members of Allianz Group. Allianz pojišťovna, a.s. did not enter into any controlling agreement or transfer of profit agreement during the accounting period of 2019 or previous accounting periods.

Below are listed those Allianz group companies, with which Allianz pojišťovna, a. s. maintains material business relationships. The scope of business of Allianz pojišťovna, a. s. is the provision of insurance. Allianz pojišťovna, a. s. is one of the numerous insurers of Allianz Group.

SUMMARY

Controlling party

- **Allianz New Europe Holding GmbH**, seated at Hietzinger Kai 101-105, 1130 Vienna, Austria, is the direct and sole shareholder of Allianz pojišťovna, a. s. exercising influence over Allianz pojišťovna, a. s. through shareholder rights.
- **Allianz Holding eins GmbH**, seated at Hietzinger Kai 101-105, 1130 Vienna, Austria, is the parent company of Allianz New Europe Holding GmbH, seated at Hietzinger Kai 101-105, 1130 Vienna, Austria, and as such it is the end controlling entity.

Controlled parties

- Allianz penzijní společnost, a. s., seated in Prague
- Allianz kontakt, s. r. o., seated in Prague
- Allianz nadační fond „v likvidaci“, seated in Prague
- Diamond Point, a. s., seated in Prague

All of the above legal entities were controlled in the recent accounting period by Allianz pojišťovna, a. s. as the sole shareholder or founder.

Other related parties

The other related parties are members of Allianz Group and the most important ones are described in the organizational chart of Allianz Group on page 82.

MAJOR ACTS OF THE RECENT ACCOUNTING PERIOD

In the recent accounting period, Allianz pojišťovna, a.s. made no acts at the initiative of the controlling party, the volume of which would exceed 10% of equity reported in the last financial statements.

RELATIONS TO THE CONTROLLING PARTY AND CONTROLLED PARTIES EXCEPT FOR REINSURANCE RELATIONSHIPS

Allianz new Europe Holding GmbH

Allianz New Europe Holding GmbH is the parent company of Allianz pojišťovna, a. s., effective as of 11 May 2006. Allianz New Europe Holding GmbH acquired the 100% share in Allianz pojišťovna, a. s. from Allianz Aktiengesellschaft. In 2019, Allianz pojišťovna, a. s. paid the 2018 dividend to its shareholder.

Allianz Holding eins GmbH

Allianz Holding eins GmbH is the parent company of Allianz New Europe Holding GmbH. On 7 April 2010, Allianz SE as the parent company of Allianz New Europe Holding GmbH transferred its share in the subsidiary to Allianz Holding eins GmbH, a group company.

Allianz SE

Allianz SE performs tasks of the controlling party of the entire group. In 2003, Allianz SE and Allianz pojišťovna, a. s. entered into a management service agreement. This agreement replaced the service agreement of 1994. The management service agreement covers cooperation in management, marketing, IT, HR services (sales techniques training, HR development programs), support for work quality control, development and implementation of an internal controlling system, as well as secondment of members of staff. As part of cooperation with the parent company, employees undergo internships within the Allianz SE group to gain new experience.

In 2006 and 2007, Allianz SE and Allianz pojišťovna, a. s. concluded an IS cost sharing agreement in respect of joint holding operations.

An agreement on cost sharing and HR services as well as an agreement on software licensing and related services were signed in 2009.

In 2010, Allianz pojišťovna, a. s. entered into a cash pooling agreement with Allianz SE.

In 2012, Allianz pojišťovna, a. s. and Allianz SE concluded a consulting agreement in respect of Solvency II regulation.

In November 2013, Allianz pojišťovna, a. s. and Allianz SE entered into the Master Treasury Agreement for Intra-Group Financial Derivatives Transactions.

In October 2015, Allianz pojišťovna, a. s. and Allianz SE entered into a cost sharing agreement (Global Procurement Expenses excluding IT Procurement). Allianz pojišťovna, a.s. and Allianz SE also entered into a master cost sharing and service agreement, effective as of 2016. In addition, as of 27 May 2013, the companies concluded a cost sharing agreement in respect of software provided by Towers Watson.

In 2019, the companies entered into the Master Service Level Agreement 2.0 Allianz SE Group Center Services stipulating the terms and conditions applicable to the supply of the Group's support services and sharing of related cost. The agreement replaces the original agreement of 2016.

An agreement of 2017 for the Allianz Leadership Development Program is concluded between the companies.

In 2018, the companies concluded an inter-company agreement on the Allianz SE Employee Share Purchase Program 2018.

Allianz penzijní společnost, a. s.

Allianz penzijní společnost, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz penzijní společnost, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their business activities with each other. In 1995, the two companies signed an agreement on cooperation in the sale of supplementary pension schemes by the sales representatives of Allianz pojišťovna, a. s. Also, Allianz pojišťovna, a. s. and Allianz penzijní společnost, a. s. cooperate closely in the area of management, asset management, marketing, IT, and HR services (sales techniques training, HR development programs, parallel employment). Effective as of 1 January 2017, an agreement on cooperation and sharing of selected costs was concluded with Allianz pojišťovna, a. s. In 2013, the companies entered into an agreement on cooperation and personal data processing. In 2014, a sublease contract with Allianz pojišťovna, a. s. was concluded.

Allianz kontakt, s. r. o.

Allianz kontakt, s. r. o. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz kontakt, s. r. o. acts as an intermediary of insurance for Allianz pojišťovna, a. s. based on a sales representation agreement of 2005. In 2018, an agreement on cooperation and sharing of selected costs was concluded with Allianz pojišťovna, a.s., which agreement also covers personal data processing issues. This agreement replaces the cooperation agreement and personal data

processing agreement of 13 March 2013, the IT cooperation agreement of 2 January 2009, and the Interior equipment lease agreement of 1 January 2007.

Since 2019, Allianz kontakt, s.r.o. has been ensuring the operation of the RecruitMe software within the group. The following agreements were concluded for this purpose:

License agreement for RecruitMe software with Allianz SE, effective as of 3 May 2019

Service agreement: Regional Data Center Services with Allianz Technology SE, effective as of 1 May 2019

Project agreement with McKinsey & Company, effective as of 5 June 2019

Agreement with Allianz pojišťovna, a. s. on software use, dated 12 June 2019

Agreement with Allianz Hungária Zrt on software use, dated 12 June 2019

Agreement with ZAD Allianz Bulgaria on software use, dated 20 June 2019

Agreement with Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A. and Towarzystwo Ubezpieczeń Allianz Zycie Polska S.A. on software use, dated 26 June 2019

Agreement with Allianz Tiriac Asigurari S.A. on software use, dated 10 July 2019

Agreement with Allianz – Slovenská poisťovňa, a.s. on software use, dated 10 July 2019

Agreement with Allianz Elementar Versicherungs AG on software use, dated 19 August 2019

Agreement with Allianz Zagreb d.d. on software use, dated 24 September 2019

Allianz nadační fond „v likvidaci“

Allianz pojišťovna, a. s. founded Allianz nadační fond (Allianz endowment fund) on 7 November 2011 to prevent insurance claims, promote safe traffic and support charity and educational programmes.

As of 5 May 2019, Allianz nadační fond went into liquidation based on a resolution of the Board of Trustees of 31 May 2019 deciding to end the activities of the endowment fund and go into liquidation, as the fund's founder, Allianz pojišťovna, a.s., registered office: Ke Štvanici 656/3, 186 00 Prague 8 (hereinafter referred to as the „founder“) resolved on 31 May 2019 to cease funding of the activities of Allianz nadační fond.

Following liquidation of the organization, the Municipal Court in Prague resolved on 30 December 2019 to grant the motion to erase Allianz nadační fond from the foundation register.

Diamond Point, a. s.

Diamond Point, a.s. is a 100% subsidiary of Allianz pojišťovna, a. s. Diamond Point, a.s. is the owner of the real property at Ke Štvanici 656/3, where the registered office of Allianz pojišťovna, a. s. is located. A long-term lease relationship is agreed between the companies. Allianz pojišťovna, a. s. holds securities (fixed interest bonds) in the nominal value of CZK 876,000,000, issued by Diamond Point, a.s. in 2013. Allianz pojišťovna, a.s. also enters into relationships with other Allianz Group companies mostly on an ad hoc basis. Receivables from and liabilities to these companies as of 31 December 2019 are stated in point II.13 of the notes to the financial statements attached to this Annual Report.

RELATIONS TO RELATED PARTIES EXCEPT FOR REINSURANCE RELATIONSHIPS**Allianz - Slovenská poisťovňa, a. s.**

Cooperation between the companies relies on the cooperation agreement of 1997, which particularly applies to cooperation in the development of insurance products and IT. Also, the companies cooperate in investments.

AWP Solutions ČR a SR, s.r.o.

AWP Solutions ČR a SR, s. r. o. provides Allianz pojišťovna, a. s. with assistance service for foreign medical expenses insurance, travel insurance, motor hull insurance and motor third-party liability insurance and home insurance. The companies also entered into an agreement on telematic services and a cooperation agreement in respect of life insurance assistance.

Allianz Global Corporate & Specialty SE

The company provides Allianz pojišťovna, a.s. with consulting in respect of large and special risk insurance.

Allianz Global Investors Advisory GmbH

The company provides Allianz pojišťovna, a.s. with consulting in respect of investments, as stipulated in the Advisory Agreement of February 2008.

Allianz Investment Management SE

The company provides Allianz pojišťovna, a.s. with consulting in respect of investments, as stipulated in the Service Agreement on Investment Management Services of March 2019.

Allianz Global Investors GmbH

This company provides Allianz pojišťovna, a. s. with investment consulting, as stipulated in the Advisory and Provision of Services Agreement of September 2014.

Allianz Real Estate GmbH

This company provides Allianz pojišťovna, a. s. with investment consulting, as stipulated in the Advisory and Provision of Services Agreement of September 2014. This company provides Allianz pojišťovna, a. s. with investment consulting, as stipulated in the Service Agreement - Real Estate investments of February 2018.

Allianz pojišťovna, a. s. also uses instruments of investment management companies Allianz Global Investors GmbH and PIMCO Global Advisors (Ireland) Ltd. for the placement of its assets.

Allianz Deutschland AG

The company cooperates with Allianz pojišťovna, a.s. in customer projects based on an agreement of October 2008. In IT, Allianz pojišťovna, a. s. cooperates with Allianz Deutschland AG, Allianz Hungaria Biztosító Zrt. and Allianz Suisse Versicherungsgesellschaft-AG. Allianz pojišťovna, a. s. also uses instruments of investment management companies Allianz Global Investors GmbH and PIMCO Global Advisors (Ireland) Limited for the placement of its assets.

Allianz Technology SE

The following agreements are concluded between Allianz pojišťovna, a. s. and Allianz Technology SE:

- Master service agreement of 2017
- Contract of 2016 for the Global Sanctions Screening Solution
- Oracle Participation Agreement for Oracle Database Products of 2017
- Microsoft Enterprise Agreement, Participation Commitment of 2018 Allianz Technology GmbH
- ABAC training agreement Allianz Telematics S. P. A.
- Master agreement for telematic services

Allianz Zagreb d. d.

In 2019, an agreement was concluded with Allianz Zagreb d.d. in respect of a licensing arrangement and terms of use of the Claims tracker module.

Harro Development Praha s. r. o.

Allianz pojišťovna, a. s. has been member in the company since 2019, holding a 10% share.

RELATIONS TO THE CONTROLLING PARTY AND RELATED PARTIES IN REINSURANCE

The following Allianz Group companies participate in the reinsurance program of Allianz pojišťovna, a.s.:

- Allianz SE
- Allianz Global Corporate & Specialty SE
- AWP P&C Česká republika - branch of foreign legal entity.

Other group companies are partners to Allianz pojišťovna, a. s. in active and passive facultative reinsurance. Reinsurance is charged based on reinsurance agreements concluded between Allianz pojišťovna, a. s. and Allianz Group companies.

Allianz SE

As the group's reinsurer, Allianz SE plays a crucial role in the reinsurance program of Allianz pojišťovna, a. s. in both life and non-life insurance.

Allianz Global Corporate & Specialty SE

Allianz Global Corporate & Specialty SE participates in the reinsurance program of Allianz pojišťovna, a. s. through reinsurance for aircraft insurance and directors and officers liability insurance (D&O).

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

In its relationship with Allianz pojišťovna, a.s., AWP P&C Česká republika appears as the reinsurer for travel insurance, vehicle assistance insurance and extended warranty insurance.

In the accounting period of 2019, Allianz pojišťovna, a. s. did not grant any guarantees or loans other than listed above, and did not assume any other financial liabilities towards the related parties.

CLOSING STATEMENT OF THE BOARD OF MANAGEMENT OF ALLIANZ POJIŠŤOVNA, A.S.

Membership in the Group is particularly beneficial due to the powerful and well-perceived business brand of Allianz, the group's financial background and the strong Allianz distribution network, facilitating product sales, improving the bargaining position and boosting further development of services for end customers.

We hereby declare that the report on relations between related parties, prepared pursuant to Sec. 82 of Act No. 90/2012 Coll. on commercial corporations for the accounting period starting 1 January 2019 and ending 31 December 2019, contains all information required by law. We hereby declare that we are not aware of any harm incurred by Allianz pojišťovna, a. s. from the above listed agreements, contracts or measures.

Furthermore, we declare that no disadvantages arise out of the relationships between the controlling and controlled party or between the controlled party and parties controlled by the same party, and thus the existence of such relationships imposes no risk to Allianz pojišťovna, a.s.

In Prague, on 31 March 2020



Ing. Dušan Quis,
Chairman of the Board of Management



Ing. Petr Sosík, Ph.D.
Member of the Board of Management

THE IMPORTANT ENTREPRENEURIAL RELATIONS ALLIANZ POJIŠŤOVNA



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