

ANNUAL REPORT 2017



Allianz pojišťovna, a. s.

BASIC ECONOMIC DATA

BRIEF SUMMARY (IN TCZK)

Selected indicators (in CZK mil.)	2017	2016	2015	2014
Gross premiums written	12 891	13 003	12 031	12 247
Life insurance	2 905	2 968	3 125	4 036
Non-life insurance	9 986	10 035	8 906	8 211
Claims paid	8 925	8 945	7 739	7 204
Life insurance	3 276	3 078	2 837	2 699
Non-life insurance	5 649	5 867	4 902	4 505
Net claims ratio retention in non-life insurance	64,6 %	65,1%	61,1%	54,3%
Gross expenses ratio	25,0 %	26,0%	24,7%	27,8%
Technical result	1 076	810	886	1 070
Profit before tax	1 007	865	981	1 280
Financial placements	22 585	21 532	19 127	18 761
Equity	5 281	4 500	4 615	4 693
Equity ratio (in % of net written premiums)	45,1 %	38,3%	42,6%	44,2%
Technical provisions	25 975	26 965	25 286	25 505
Life insurance	14 993	16 697	16 364	16 738
Non-life insurance	10 982	10 268	8 922	8 767
Number of contracts in portfolio (ths)	1 949	2 142	2 038	1 972
Number of employees	889	885	827	818
Number of agents	1 265	1 337	1 530	1 674

In basic economic data 2016 and 2017 there is a merger of companies Allianz pojišťovna, a. s., (successor company) Wüstenrot pojišťovna, a. s. (expiring company) and Wüstenrot, životní pojišťovna, a. s. (expiring company) Economic facts 2014-15 show only data for Allianz pojišťovna, a. s.

CONTENTS

A— Text part

Page 8-30

- 08 Introduction by the Chairman of the Board of Management
- 10 Company profile
- 11 Awards and Prizes
- 12 Board of Management and Supervisory Board
- 13 Organisational Structure
- 14 Motor Insurance
- 16 Entrepreneurial and Private Property Insurance
- 18 Life Insurance
- 20 Travel Insurance
- 22 Claims settlement
- 24 Sales
- 26 Human resources
- 28 Nonfinancial information
- 30 A Word of Thanks from the Board of Management

B— Financial Part

Page 32-81

- 34 Independent Auditor's Report to the Shareholders of Allianz pojišťovna, a. s.,
- 38 Balance sheet as at 31 December 2017
- 42 Profit and loss account for the year 2017
- 45 Statement of changes in equity for the year 2017
- 46 Notes to the financial statements 2017
- 76 Report on Relations between Related Parties

- 82 Contacts



TEXT PART

A

INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR LADIES AND GENTLEMEN,

At regular annual looking back we can see success of our products, a lot of prestigious awards and good business results. 2017 was very successful for Allianz pojišťovna.

At the beginning of the year we introduced a new product which was as good as our legendary motor insurance. It is life insurance Allianz ŽIVOT (Allianz LIFE) for the people who dislike reading a lot of boring texts, they have a healthy lifestyle and if something happened to them, they would like to have certainty to get the most money in the market. We created a brand new product: Insurance of professional liability for accredited persons in the sphere of debt forgiveness. Motor insurance Allianz AUTO with the price according to driven kilometres without obligation to install monitoring equipment obtained over 100.000 new clients during 2017. Some innovations made a contribution to the fact that it is always a strong magnet for motor public.

The company's net profit (according to Czech accounting standards) totalled CZK 772 million in 2017. The equity of Allianz pojišťovna is CZK 5,3 billion and the balance sum grew to CZK 32,1 billion. The total gross written premiums amounted to CZK 12,9 billion in 2017. In non-life insurance we collected premium written amounting to CZK 9,7 billion according to methods. In life insurance it was CZK 2,8 billion.

During 2017, Allianz pojišťovna got 9 medal positions in various prestigious competitions. The win in the competition Finparáda and 5 medals in Zlatá koruna (Golden Crown) were during the first half of the year. The second part was still more important. At first we got 2 gold medals in survey Nejlepší pojišťovna (Best Insurer) - Award of Hospodářské noviny; at the end of the year our company was a total winner in the competition Banka roku (Bank of the Year) - Allianz won the category Insurer of the Year 2017.

However, we will not enjoy our success, because we have space for further improvement of our products and services.

I want to thank all our employees, insurance advisors and business partners for their professional work. I would like to thank all clients for their trust and at the same time I want to ensure them we will never fail their trust.



Sincerely,
RNDr. **Jakub Strnad**, Ph.D.,
Chairman of the Board of Management



COMPANY PROFILE

Allianz pojišťovna is a wholly-owned subsidiary of Allianz new Europe holding GmbH and part of the leading world insurance Group Allianz.

Allianz pojišťovna entered the Czech market in 1993 and has become one of the top three insurers in the Czech Republic over the years.

It started out by offering only life insurance. Step by step it has expanded its portfolio, ranging from private property insurance with liability, property insurance for entrepreneurs and industrial risks insurance. Since 1995, the portfolio was completed with casco insurance of vehicles and travel insurance. In 1999, Allianz became one of 12 insurance companies offering liability insurance.

During 25 years, Allianz Group in the Czech Republic was expanding with other companies. In October 1997, Allianz penzijní fond (Allianz pension fund) was added which changed into Allianz penzijní společnost (Allianz pension company) after 6 years. At the end of 2012, Allianz Nadační fond (Allianz Foundation Fund) was established and there was a merger with Wüstenrot insurance companies 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 and continued development. Prompt, transparent and modern claims settlement of Allianz pojišťovna forms an integral part of services rendered to clients and ranks at the top in the market.

Allianz concluded over 10 million policies since the beginning of its operation, it insures more than 1 200 000 Czech drivers, property owners and tourists, over 100 000 entrepreneurial subjects and obtained a lot of prestigious awards.

During almost 25 years of its being, Allianz confirmed to be action not only in development of new products but also in claims settlement. It stood the disasters, grew faster than domestic insurance market, increased its services, made changes in the current products and has always space for next innovations.

AWARDS AND PRIZES 2017

Also in 2017, Allianz pojišťovna became Pojišťovna roku (Insurer of the Year) again. Golden medal at the end of the year completed its rich collection of prestigious awards for the whole period of 2017 for innovative products and services. 2 products - Allianz AUTO and Allianz ŽIVOT were the most successful in the competitions.

The insurance company reached medal results immediately at the beginning of the year, in the survey **Pojišťovna roku** (Insurer of the Year), which is declared by Association of Czech Insurance Brokers. It got altogether four 3rd places in Motor Insurance, Industrial and Entrepreneurial Insurance, Citizens Insurance and Life Insurance.

Next successful competition was "Finparáda.cz" - Financial product of 2016 into which all financial products of selected types are included; these products are offered by Czech banks, insurance companies, pension and investment companies. At the beginning of 2017, always three best products in each category were declared. Life Insurance Allianz Rytmus became Product of 2016 in category Risk life insurance. The Golden Way of Product which can be concluded under the name **Allianz ŽIVOT** since the beginning of 2017, started already in September 2016 and still continues, especially due to its exceptionality. It does not include any senseless fees, it allows the clients to insure exactly how they need, so they create the product alone and pay only for what they want really to have.

From the anniversary 15th year of competition **Zlatá koruna (Golden Crown)** Allianz brought the award for best novelty in financial products in the Czech market, namely for insurance **Allianz AUTO** with price according to driven kilometres. In the category Novelty of the Year, to which 26 products were enrolled, Allianz won bronze for the insurance **Allianz ŽIVOT (Allianz LIFE)** again. Altogether, Allianz pojišťovna had five medal positions in this competition.

In the competition of **Hospodářské noviny** called **Nejlepší pojišťovna (The Best Insurer)** of 2017, Allianz pojišťovna gained two 1st positions. It won in the category Pojišťovací inovátor (Insurance Innovator) for Motor Insurance Allianz AUTO with the tariffs according to driven kilometres. It had gold medal for various innovation already in 2012, 2014 and 2016.

In the category Clients' most friendly life insurance company, Allianz pojišťovna found no competitor. The exact and careful analysis of a lot of economic indicators but also detailed verification of characteristics of particular products and services which the organizers tested secretly, decided about this title. Allianz pojišťovna won over 13 competitors in category life insurance.

Incomplete month after gaining two golden medals in survey Nejlepší pojišťovna (The Best Insurer), Allianz pojišťovna gained control over next financial competition at the end of November and became **Insurer of the Year 2017**. Bank of the year 2017 awards services and products of Czech financial companies mainly from the customer experience point of view. The professional jury that consists of about 50 members- specialists in financial sphere, public administration, academic and political sphere and, not least, representatives of leading corporations in the Czech Republic votes for win of eight declared categories. Allianz won in competition of 24 insurance companies and completed this very successful year.

BOARD OF MANAGEMENT



Jakub Strnad
Chairman



Sonia Slavtcheva
Member



Petr Hrbáček
Member



Josef Lukášek
Member



Aleš Jelínek
Member
until 30. 11. 2017

SUPERVISORY BOARD

Petros Papanikolaou
Alexander Protsenko
Kay Müller

Chairman
Member until 31. 12. 2017
Member

ORGANISATIONAL STRUCTURE

(VALID AS OF 31. 12. 2017)

RESORT CEO JAKUB STRNAD	RESORT CFO SONIA SLAVTCHEVA	RESORT COO ALEŠ JELÍNEK UNTIL 30. 11. 2017	RESORT CSO PETR HRBÁČEK	RESORT CPO JOSEF LUKÁŠEK
LEGAL Michal Smrček	CONTROLLING Tomáš Lain	CLAIMS SETTLEMENT Ludvík Bohman	KOS Petr Hladný	PORTFOLIO AND MANAGEMENT Karel Pilař
COMPLIANCE Hana Hendrychová	RISK CONTROLLING AND ACTUARIAL MATHEMATICS Kamila Šimonová	CLAIMS SETTLEMENT LIFE&HEALTH Hana Svatošová	COUNTY DIRECTORS Josef Zelenka Petr Špičák	REINSURANCE AND CUO Václav Bohdanecký
HUMAN RESOURCES Nelly Talášková / Eva Koubíková	ASSET MANAGEMENTRY Petr Podolka	PMO AND DIGITALIZATION Jan Andrijko	ALLIANZ AKADEMY David Ječmenka	PRODUCT DEVELOPMENT Ema Lanzendörferová
INTERNAL AND EXTERNAL COMMUNICATION Václav Bálek	TAX DEPARTMENT Jan Tichý	IT Jiří Zahálka	SALES DEVELOPMENT Aleš Vogel	METHODOLOGY Veronika Hašplová
INTERNAL AUDIT Jitka Kazimírová	ACCOUNTING Anna Švehlová	INSURANCE ADMINISTRATION - NON-LIFE Andrea Johnová	SALES SUPPORT Jana Citterbergová	METHODICAL SUPPORT OF CORPORATE INSURANCE Kateřina Šustrová
MARKET MANAGEMENT Martin Podávka	COLLECTION/FINANCIAL TRANSACTION PAYMENT Daniela Volhejnová	INSURANCE ADMINISTRATION - LIFE, PENSION Darina Kocsisová	EXTERNAL DISTRIBUTION CHANNELS Vítězslav Havlíš	
	PROCUREMENT & FACILITIES Sandra Tomášková	CALL CENTRE Martin Hlaváč	CAR AND FLEET INSURANCE Karel Platl	
		SECURITY Libor Hrbek	INDUSTRIAL AND ENTREPRE-NEURIAL INSURANCE Jan Vícha	
			ALLIANZ DIRECT Martin Dolanský	
			REBR Radim Krist	

MOTOR INSURANCE

In 2017 the product motor insurance continued on development under the motto "I drive little, I pay little".

As the first insurance company in this country, Allianz started to calculate the rates of MTPL (also casco insurance and glass insurance) according to the driven kilometres in 2016. New principle of premium calculation comes out from easy consideration: the shorter time a driver spends on the roads, the lower risk it is. However, it is not essential, how strong car he/she drives. Allianz aims at those drivers who are less dangerous based on long-term analysis.

For the drivers who drive up to 10.000 kilometres every year, Allianz has the cheapest MTPL (possibly in combination with glass insurance) in the Czech Republic also in 2017. This annual volume of driven kilometres concerns half of drivers. The drivers who drive more have policy that increases progressively.

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

The whole conception is based on trust in the client. Only the photo of tachometer made by client at policy conclusion and then after each anniversary is the proof of driven kilometres. The clients send photo in the electronic way. The clients do not misuse this trust, on the contrary, more than 97% of them send the photo of tachometer in time, both at policy conclusion and to its anniversary. Since autumn 2017, the driver has a new possibility to choose the version: he/she does not want to mention the number of driven kilometres and send the photos of tachometer.

Allianz installs no telemetric units to the cars, the drivers do not have to be afraid of permanent monitoring. However, the specialists from Allianz pojišťovna are prepared for attempted frauds and the company will be uncompromising towards the fraudsters.

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

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

Since autumn 2017, there were several changes, which aim at making the no-claim drivers more favourable, and, on the contrary, taking this matter of fact into consideration in the premium at risk and claim drivers. In casco insurance, the fixed retentions were implemented; the client will be able to participate in any damage always with the same amount which he/she chooses at insurance conclusion. In case of policy conclusion by means of premium payment, the clients can use the scope of assistance services in full range also in the period of time, when they will not be clients of Allianz yet, because they postponed the beginning of insurance- it is an important benefit for new clients.

Allianz AUTO obtained with its slogan „I drive little, I pay little“ more than 100 thousand clients.



PRIVATE PROPERTY AND ENTREPRENEURIAL INSURANCE

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

In 2017 Allianz pojišťovna continued on the sale of new insurance called Allianz Domov (Allianz Home) whose main advantage is modularity. The clients can create the product according to their needs for permanently inhabited property. The client can conclude insurance for three buildings and three households within one policy, the product has new building types, new risks, subjects and also places of insurance were added to the product.

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

There is a choice among low, middle and high version in the insurance of buildings and households is instead of fixed amounts, in addition, the clients can choose various amounts for various risks and the selected limits of indemnification can be increased according to the client's requirement. In liability insurance, Allianz increase limits of basic risks up to CZK 30 million. Newly, the company covers damages in accommodation facilities and on taken over things and also liability of employee towards employer was increased. Assistance offers now IT help via distant access, e.g. in case of forgotten password, but it can help also cyclist in emergency. Further, Allianz pojišťovna made the modular product accessible on its websites also for clients who prefer to conclude the insurance online.

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

In the sphere of entrepreneurial insurance, Allianz pojišťovna offers a wide scale of possibilities. Entrepreneurial insurance covers the needs of various subjects, from entrepreneurs, contributory and budgetary organizations to community of housing unit owners. The product PRO Podnikatele is for clients who require a big variability and flexibility and offers "customised" insurance according to current specific needs. Comprehensive Entrepreneurial insurance is especially for medium-sized and small entrepreneurs and is concluded in bargain packages in three variations of insurance cover-Normal, Optimal and Exclusive Plus. By means of this high-quality and continuously innovated insurance products, the entrepreneurs are offered to conclude easily and quickly both insurance of entrepreneurial property (buildings and other structures serving for business purposes, production and operating facilities etc), and liability insurance and cargo.

In previous years, Allianz paid attention to offer of entrepreneurial insurance for small entrepreneurs. Currently more attention is paid to middle and larger enterprises with ownership exceeding CZK 100 million. Allianz pojišťovna focused on creation of attractive offers for particular types of enterprise.

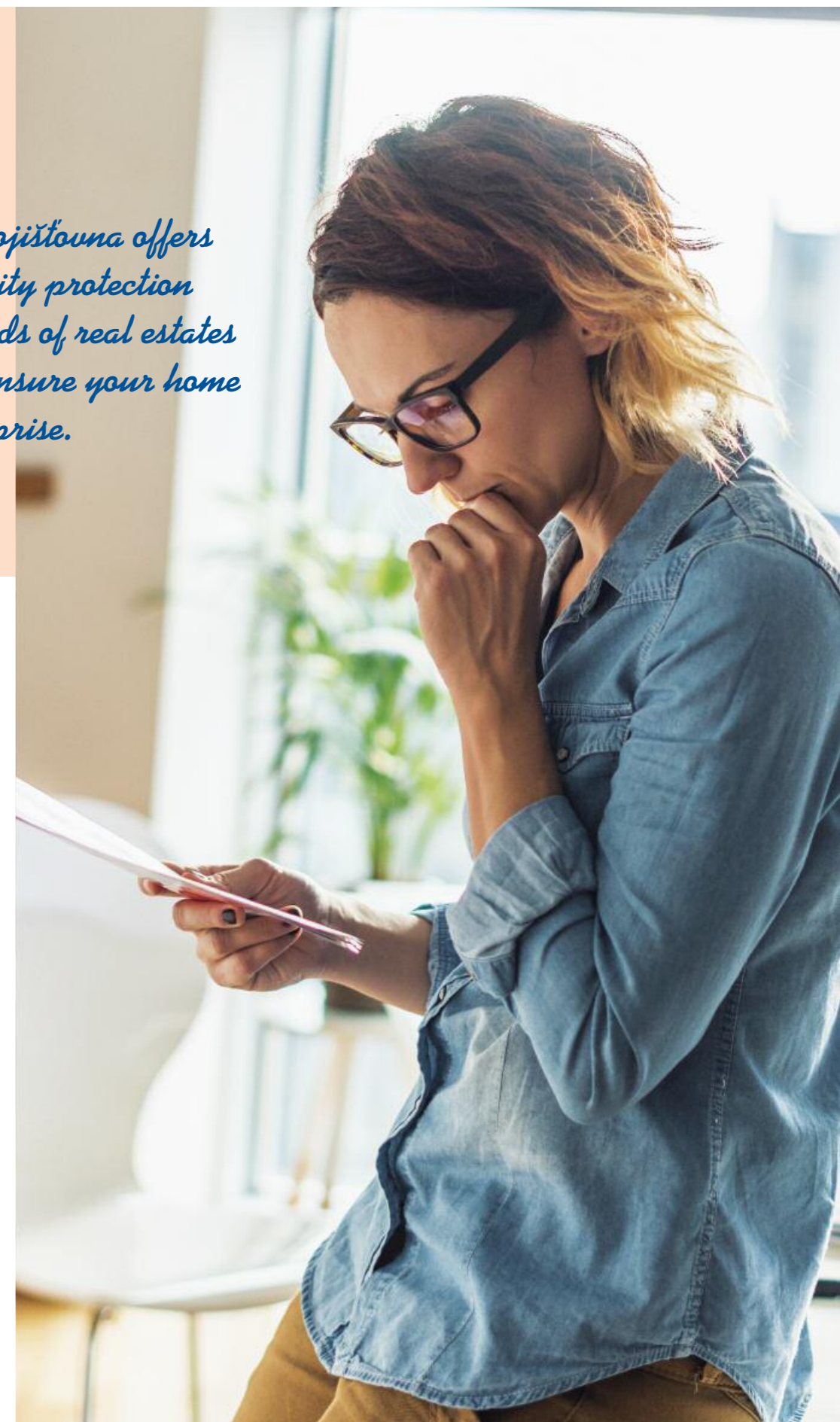
The Home Assistance services are integral part of property insurance for private persons and entrepreneurs. There is a special kind of assistance for apartment houses. Allianz pojišťovna always increases the range and quality of provided assistance services.

Allianz pojišťovna offers high-quality protection for all kinds of real estates and will ensure your home and enterprise.

The profession liability insurance providing the professional services, where the insurance is mostly mandatory pursuant to the law, is an independent product. Since 2017, we also offer insurance of professional liability of accredited persons in the sphere of debt forgiveness, and, by means of this, we enable our clients who are working in this sphere to fulfil his/her new legal obligation.

Other traditional products are e.g. insurance of car showrooms, car repair shops, used cars, vessel insurance and deposit for lease of holiday vessel.

Also in 2017, Allianz pojišťovna continued on improvement of the services provided to clients and on improvement and simplification of client's communication. Insurance company continues on improving the communication style of information. Its goal is to communicate with clients in the easy, brief and understandable way under all circumstances.



LIFE INSURANCE

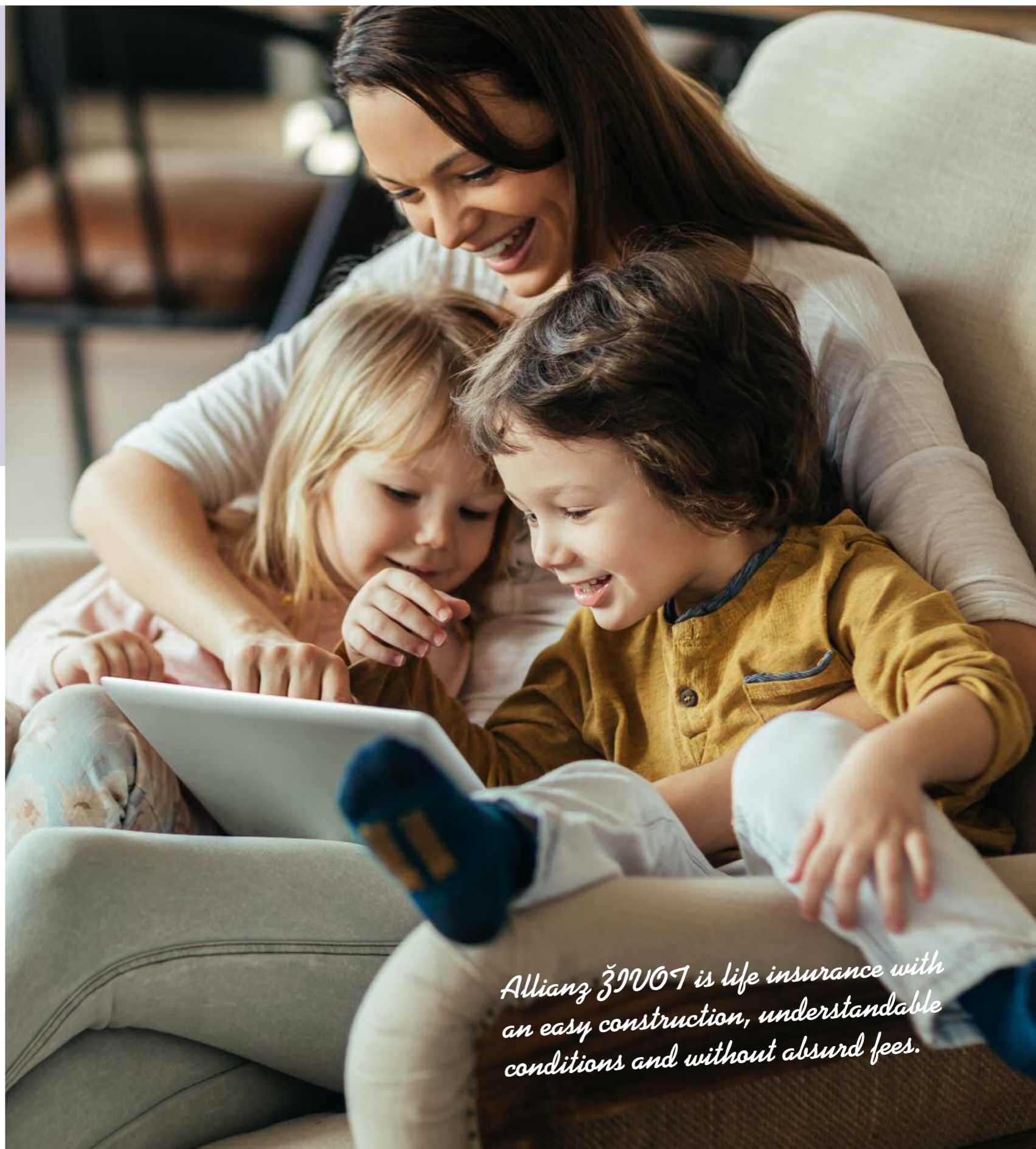
Year 2017 continued on initiated strategy of last year and with the claim "Life insurance without absurd fees", a new life insurance Allianz Život (Allianz Life) continued that replaced the product Rytmus.

Easy construction, comprehensible terms, no absurd fees, focus on risk insurance and clear separation of investment component were so much interesting for both clients and professional public, that Allianz pojišťovna won the 1st position in competition The Best Insurer of 2017- award of Hospodářské noviny in category The Most Friendly Clients' Life insurance 2017.

Allianz Život was product novelty of year 2017, which continued on product Rytmus and Rytmus risk. It preserved its qualities of insurance coverage in the form of Warranty of highest settlement at accident supplementary insurance, the first comprehensive cancer insurance in the Czech market called PRO boj s rakovinou (FOR fight with cancer), supplementary insurance PRO ženy (FOR ladies) or disability insurance for both adults and children. In addition, it brought new graphic form, easy fee structure and comprehensible insurance terms for clients. Next progress was seen in the sphere of electronic communication with clients and intermediaries

due to digitalization, and, last but not least, in process of insurance conclusion, where on-line conclusion has bigger and bigger importance. There was an important and long time expected legislative change in the sphere of provided information to clients who conclude life insurance with investment component at the end of the year. The goal of this regulation is to provide the client with tool for easier comparison of investment products.

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



Allianz ŽIVOT is life insurance with an easy construction, understandable conditions and without absurd fees.

TRAVEL INSURANCE

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

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

The basis of insurance is medical care expense insurance with unlimited coverage which is supplemented by luggage insurance, including luggage and flight delay, liability insurance and other loss, accident insurance and insurance of cancellation fees with a common amount of deductible. In addition to individual and group tariffs for mass tourism and business travel products for corporate clients.

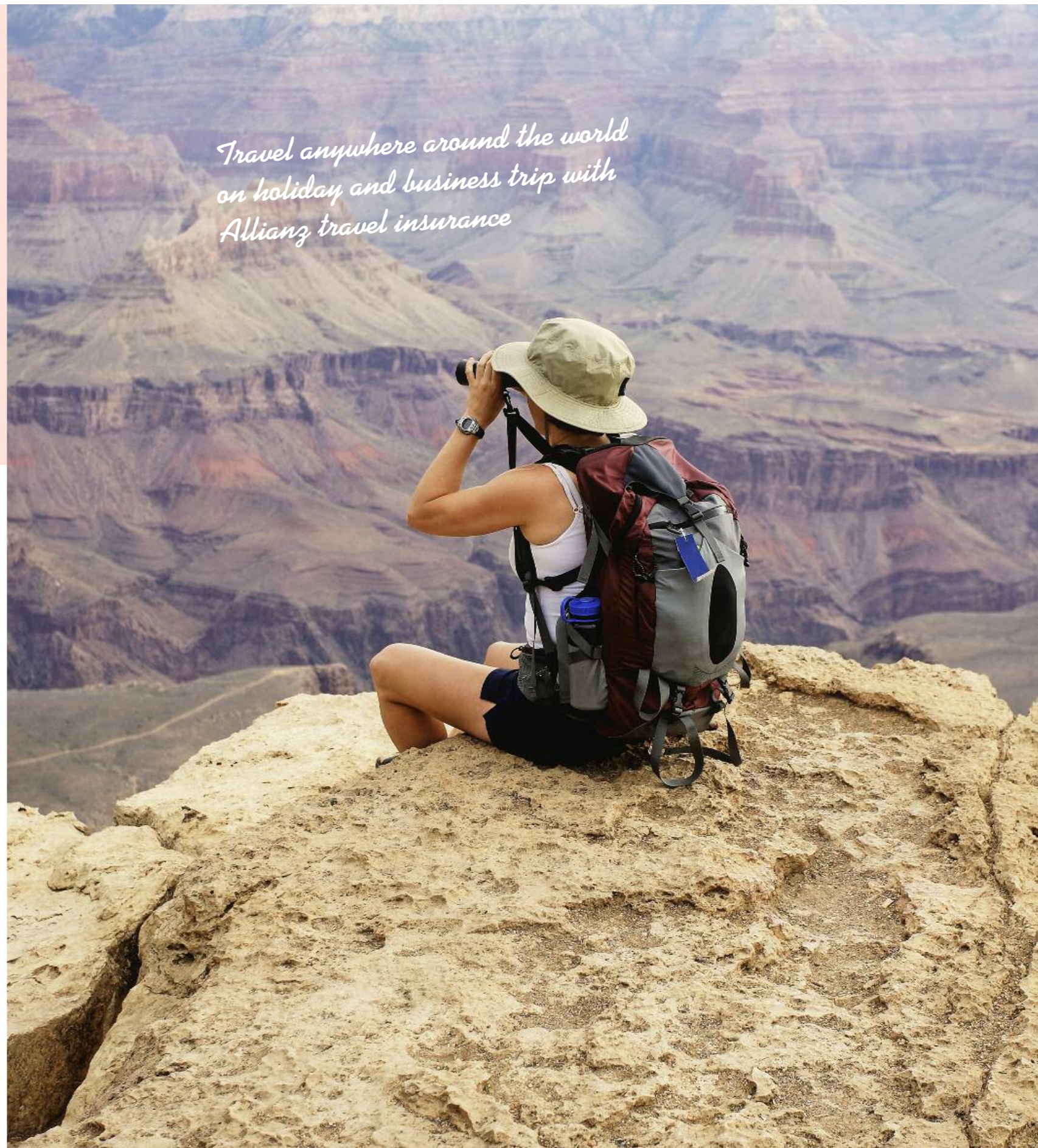
Allianz pojišťovna offers advantageous annual or semi-annual travel insurance policies that cover long-term foreign travel as well as repeated short trips abroad or annual insurance for repeated short trips. More than 150 sports activities are included in the basic insurance. We offer supplementary insurance to insure risky sports.

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

An integral part of Allianz travel insurance is extensive and high-quality assistance service, offered free-of-charge via AWP P&C Česká republika.

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

*Travel anywhere around the world
on holiday and business trip with
Allianz travel insurance*



CLAIMS SETTLEMENT

In 2017, there were a lot of changes and big challenges in the claims settlement. The claims settlement has an essential influence on creation of good client's experience and on the business result of the company. Allianz is fully aware of it and it continued on process of simplification leading to growth of client satisfaction.

NON-LIFE INSURANCE

In 2017, the goal of claims settlement was reorganization of the department in order to make operation, costs optimization, positive client's experience more effective and to ensure the process excellence by means of processes and tools of 21st century.

The biggest changes were in the unit of claims settlement on the vehicles; after setting a new organizational structure, the specialized teams focus on particular insurance events separately, which enabled growth of productivity and total claims settlement production.

All 2017, claims settlement paid its attention to costs optimization for indemnifications. The main goal was to eliminate external impacts into costs sphere of insurance company following from both prices growth of work or spare parts, higher compensations of damage to health and by influence of legislation.

Besides this, the managers' attention was paid to ensuring the early and high-quality communication with clients, which influences the clients' satisfaction in combination with processes speed the most.

In this respect, claims settlement department in cooperation with clients' call centre focused on more detailed monitoring of daily tasks of individual team members, so that the set communication standards are fulfilled maximally.

In the sphere of management of cooperation with external partners, a new process of front glass repair was ensured for clients of Allianz. If the damage of glass is convenient for possibility to use new technologies, Allianz is able to ensure this service for its client in the mobile way. After claim registration, the client does not have to do anything, he/she will wait for technician's arrival, who comes to client's home or to any place according to the agreement with client and will repair damaged glass within 1 hour.

Rebuilding of network of contractual car repair shops was the next important change; by means of it a higher quality of provided services for clients of Allianz pojišťovna and also costs efficiency of repairs were ensured.

For the sphere of property, entrepreneurs and industry insurance and also technicians in terrain the claims from calamity, the most from the storm Herwart, were a big challenge; this storm caused over 5 thousand insurance events to our clients during one weekend. This emergency number of asserted claims brought a necessity to work out even triple growth of phone calls from our clients who reported the damage to their property. The capacity of workers in call centre and mobile technicians performing the inspections in the terrain had to be increased. The result of this maximal work was realization of inspections of damaged places in more than 90% finished within 3 weeks after natural perils.

LIFE INSURANCE

The main goal of 2017 was digitalization and simplification again. We managed to adjust completely and to simplify maximally the on-line process of insurance events in life insurance reporting. Currently, the client can report on-line any insurance event, only by means of few steps with possibility of comfortable putting all necessary documents. Graphics and appearance of on-line solution changed completely, the clients evaluated it very positively.

At the same time, a lot of partial adjustments of internal system of claims settlement were introduced- for comfortable work of claims adjusters and for acceleration of claims settlement process.

A higher success rate in detection of unfair clients was a consequence of increased quality of claims settlement process. This year Allianz pojišťovna reached record result exceeding CZK 300 million of saved indemnification for the first time in history.

All steps were shown positively in gradual increasing of clients' satisfaction which reached higher values in 2017 than last year.

Claims settlement has an essential influence on creation of good clients' experience and also good reputation of insurance company.

SALES

Sales mixture of Allianz pojišťovna contributed, that insurance company can consider 2017 to be commercially successful year, we managed to increase portfolio premium.

TIED AGENT SALES FORCE

The so called tied agent sales service plays the key role within multichannel distribution model, it is created by exclusive business representatives. That is why Allianz pojišťovna invests into development of its representatives, not only into knowledge from insurance business but also into wider financial topics, e.g. credits, mortgages and investment. The aim is to create a network of professional finance advisors with wide range of knowledge in the financial market.

In 2017, the product changes from the end of 2016 were implemented successfully, it means Motor insurance according to driven kilometres, innovated Allianz Domov and Allianz Život. In retail insurance, this distribution channel always arranges majority of production and keeps more than one half of portfolio and that is why it has a strategic importance for the company. In 2017, portfolio of tied agent sales forces increased almost CZK 80 million, the most of lines of business participated in it.

ALLIANZ DIRECT, ONLINE SALE AND TELESALLES

In 2017, Allianz continued on the support of online sale under the own brand. In this connection, it made building of sales call centres (hereinafter to be mentioned only as "Telesales") more intensive, with aim to be able to gain the unfinished calculations of motor insurance effectively, whose number is growing year by year. Within development of business opportunities, Allianz devoted big effort to start business campaigns with possibility to conclude also motor insurance just by means of salesman from Telesales. Marketing communication on internet was focused on communication of motor insurance advantage and aimed at potential clients of motor insurance conclusion on business portal of Allianz. The result of all these measures is year-on-year growth of sale of motor insurance by means of operators from call centres with 52%. The conclusion of motor insurance on internet by the client him/herself, i.e. without

assistance of the salesman from call centre showed also year-on-year growth with almost 11%. Also sale of travel insurance was successful. Despite the marketing investments into advertising of travel insurance decreased, its year-on-year sale increased with 15%.

In the product sphere, Allianz decided to increase its portfolio with property insurance, which it published on its business portal online.allianz.cz at the end of the first quarter. The offer of property insurance conclusion caused a big interest.

In 2017, Allianz reduced the cooperation with external business partners performing in online world. The main reason was a limited ability of these partners to compare the offers of insurance companies on their websites and to offer conclusion of motor insurance.

MLM AND BROKER POOLS

2017 was a year of significant growth for external distribution by means of so-called MLM partners and broker pools. These distribution channels succeeded in fulfilling the planned business results in the sphere of life insurance to 98% and in strengthening the position at external business partners. In 2017, there was a beginning of sale a new risk life insurance Allianz ŽIVOT, respectively Partners ŽIVOT (version of product for company Partners Financial Services) which offer the clients the unique possibility to choose between purely risk life insurance policy or investment life insurance with regular or extraordinary part. After agreement with management of Partners Financial Services, only two versions were allowed into distribution in this network- purely risk version and version with extraordinary premium. In autumn 2017, also the intermediation of life insurance version Partners Život with extraordinary premium was subsequently terminated after the agreement with management of company Partners. The company offers its clients only purely risk version. Compared to 2016, in the sphere of life insurance the production of MLM networks and broker pools increased

Multichannel distribution model of sales in Allianz had a big success also in 2017.

with more than 27%. Totally, the production of MLM networks and broker pools increased more than 10% compared to 2016. The most important external business partners in the sphere of life company sale were the companies Partners FS (45%), OVB Allfinanz (19%), Fincentrum (13%) and Broker Consulting (8%), in nonlife insurance Broker Trust (21%), OVB Allfinanz (19%), Fincentrum (18%) and Partners FS (18%). In 2017, the amendments to contract with all MLM networks and broker pools were concluded, they intensify the observing of production quality of these partners.

CENTRAL BROKERS AND INDUSTRIAL INSURANCE

2017 was influenced by "cleaning" the portfolio in the sphere of industrial insurance. Remediation affected mostly unprofitable clients and the segment of agricultural insurance. This year the source of new acquisitions was especially in the sphere of small and middle risks. The organizational change on middle results appeared on these results- universal note. Also this year the successful cooperation with the biggest business partners continued.

LEASING AND DEALERS

In 2017, the market with insurance sold in instalment financing showed an effort to improve its profitability. Thanks to this trend, Allianz focused on fairer setting of premium prices for particular clients of leasing companies, i.e. similarly to retail motor insurance. This step helped to improve the segment profitability of insurance in instalments and, at the same time, to reach the growth of a new business production influenced by more attractive prices for less risk clients. By means of its business politics, insurance in instalment financing comes nearer to fairer model for customers applied in retail motor insurance, where each client pays the premium corresponding to the amount of achieved claims performance and claims frequency. That is why we focused on bigger interconnection of business activities at the sale of insurance which is realized at car sellers. The particular managers of dealer business in the Czech Republic are

responsible for sale support of retail motor insurance that is concluded at the cars dealer, but also insurance in instalment financing and so-called branded insurance. The last sphere cooperation with dealers of Allianz cars continued on strengthening of its position. Except of well-known branded products like Toyota Insurance, ŠKODA Insurance, Volkswagen Insurance, Audi Insurance, SEAT Insurance, BMW Insurance, Volvo Car Insurance and KIA Insurance, Allianz introduced a new product Ford Insurance into pilot phase.

BANCASSURANCE AND ALLIANZ FINANCE

In 2017, the strategic cooperation with UniCredit Bank, Wüstenrot stavební spořitelna (Wüstenrot building society) and Wüstenrot hypoteční banka (Wüstenrot mortgage bank) continued. Commercially most important, from the point of view of the volume of intermediated mortgage loans by tied agent sales force of Allianz pojišťovna and selected business partners are Wüstenrot hypoteční banka, Komerční banka and UniCredit Bank again. The volume of intermediated mortgage loans and consumer loans is on the limit CZK 2 billion. Owing to this, Allianz is among the biggest loans intermediaries in the Czech market.

From the point of view of insurance products sale, Wüstenrot stavební spořitelna, Modrá Pyramida and Moneta Money Bank belonged to the main partners. The production of life insurance in the sphere of bancassurance increased 10% compared to 2016, in the sphere of non-life insurance the production stagnated. The distribution of investment products of companies Pioneer Investments (Amundi) and Conseq Invest Management, by means of representatives of tied agent sales force, developed also successfully. In 2017, they concluded for their clients the investments exceeding in total value CZK 50 million. In the 4th part of 2017 there was an organizational change, the departments of Bancassurance and Allianz Finance were transferred under Manager of Tied agent sales, Mr. Petr Hladný.

HUMAN RESOURCES

From the HR point of view, 2017 was one of the most successful years in history of Allianz. This year the company invested both into its people and into adjustments of working space according to last trends. Within project WORK WELL, Allianz operates a gym in the building of headquarters, where the regular courses in health exercises and relaxation are organized. We placed 2nd in the prestigious competition TOP Employer.

Allianz pojišťovna is aware fully that the basis of its success are the employees. The employees, who are motivated to provide their clients with the best services, to create and improve products of Allianz, they offer products that best reflect the customer's needs. In case of insured accidents it will provide high-quality insurance protection which will provide our clients with unmatched settlement service. The company maintains a highly professional team of motivated experts and systematically develops their potential.

EMPLOYEE TRAINING AND DEVELOPMENT

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

- Soft skills- Self-motivation, Presentation skills, Difficult communication
- Special courses for management- Managerial skills, Project management, Stress management
- Professional training- Excel on all levels in collaboration with external suppliers
- We learn each other-system of internal professional training with topics: Allianz Academy, Internal communication, IT
- Language courses- group and individual training
- Induction training for new employees
- Training abroad for selected specialized professions
- Participation of employees in conferences and professional gatherings
- Allianz Academy- system of in-house training for business
- Extra-work education, such as expert certification or ACCA etc.

In 2017, the employees of Allianz pojišťovna had possibility to attend a lot of interesting trainings that were focused on professional, personnel and managerial development. Increase of MS Excel knowledge was taken into account, almost half of employees attended the course based on categorization test. Further, we continued on successful concept under the title **We learn each other**. Within this project, the employees share their knowledge and introduce the department, in which they work. Further, the employees could attend the large-scale meeting with MUDr. Martin Holý with the topic Stress management.

EMPLOYEE BENEFITS

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

The most significant benefits in 2017:

- A week of vacation in addition to the time prescribed by law
- Four sick days
- Flexible working time
- Possibility to work from home
- Free beverages at the workplace
- Catering at the company's head office at reduced prices; a catering allowance for employees working outside the head office
- Significantly reduced tariffs on all Allianz pojišťovna insurance products, with selected products, the offer extended to family members and partners
- Employer contribution to the employee's supplementary pension scheme
- Basic life insurance for the case of death due to any cause
- 50% discount on tickets to Theatre Minor

- As a part of partnership with the Botanical Garden, 50% discount on tickets
- T-Mobile programme- special tariffs for employees and their family members
- Cafeteria system (BENshop)
- Taxi service-company rates for employees and private purpose
- Health and relaxation exercises at the workplace- yoga, overballs, ESG
- 1-2 working days for voluntary activity

CORPORATE CULTURE

Allianz pojišťovna's corporate culture is based on corporate values and principles of the management culture as adopted by Allianz SE, aiming at fulfilling the group's mission and a uniform culture of governance in all of its member companies. Our corporate culture also includes regular annual survey of employees' motivation in order to monitor the atmosphere in the company and invite new suggestions for increasing employee satisfaction. The long-term strong participation in these voluntary surveys reflects the interest of employees in expressing their opinions and contributing to the further development of the company.

The Allianz Code of Conduct, Business Ethics and Compliance reiterates the company's strong emphasis on the professional conduct of its employees and their adherence to internal rules. In 2005, the Allianz Group introduced this uniform code in all of its companies. Observance of the rules of equal opportunities and intolerance of any discrimination form are an integral part of our corporate culture. The corporate culture of Allianz pojišťovna is supported by regular meetings with employees for official anniversaries and on other occasions, as well as other sporting and social events for employees to promote team spirit.

Allianz pojišťovna invested into its employees and into adjustments of working place according to last trends. In 2017, the company introduced a project WORK WELL.

NONFINANCIAL INFORMATION

Allianz is a highly transparent company that promotes an attitude of zero tolerance to fraudulent behaviour and corruption in the long term. Clients' trust and good reputation are result of its professional and fair business attitude.

OPEN COMPANY

During 2017, Allianz realized several rounds of campaign called "Leaders in Integrity" which was world-wide in the frame of Allianz group. This campaign included both aimed workshops with the company's management and higher management and communication and interactive activities focused on all employees. The aim of this initiative was to point to the sense and value of integrity during negotiation or to give insight into situations that can mean so-called dilemmas in decision and to show the possibilities how to proceed while solving them. The given topic was presented to the employees by means of mobile game Allianz D.A.R.E. and by means of publishing the electronic questionnaire about integrity, which each employee could fill in and find out how he/she perceives the integrity.

FIGHT AGAINST CORRUPTION AND BRIBERY

In 2017, Allianz continued on controls of suppliers or on trainings with the topic fight against corruption. This topic is included in the opening training for both new employees and new business representatives. In 2017, there were aimed anti-corruption e-learning trainings for all employees and all business representatives. Some suppliers of Allianz or all recipients of presents from Allianz Nadační fond were controlled during the year ad hoc. Also the processes perceived as possible corruption indicators undergo the monitoring. Further, Allianz opened communication campaign on Whistleblowing and SpeakUp application again. The basis of fight against corruption and bribery are internal documents and regulations, especially nr. 167- Handbook for application the anti-corruption

rules in Allianz, nr. 168- Politics of Allianz for presents, entertainment and hospitality, nr. 182- Instructions for Whistleblowing and nr. 185- Anti-corruption measures during cooperation with intermediaries and Code of behaviour, business ethic and compliance with regulations. Anti-corruption risks and bribery are evaluated in Allianz according to the given methodology continuously.

DATA PROTECTION

The topic protection of personal data and privacy becomes more and more important during last years, not only from the point of view of individual persons whose privacy has to be protected, but also from the point of view of these people who are in contact with personal data of foreign people at their work and who should ensure protection of clients' privacy. In Allianz, the basic principles concerning work with personal data are e.g. setting the purpose of processing, gaining the consent with processing or information about processing. The rules and processes of personal data and privacy protection are standardized in regulation nr. 197.02- Protection of personal data and privacy. In 2017, Allianz started to prepare for new European legislation concerning personal data protection-GDPR. Other regulation regulates the Allianz employees' handling with sensitive information for development of capital markets. The employees are obliged to secure the confidentiality of such information and use it only for legitimate business purposes. The illegal publishing of internal information is not allowed, so-called insider dealing, manipulation with market. The regulation nr. 178.02- Rules of Capital Markets Compliance which includes the binding rules for all employees of Allianz devotes to this problem.

Allianz is socially responsible company which pays attention to ecology, supports company volunteering, takes care of employees' health and propagates professional and fair attitude.

SOCIAL RESPONSIBILITY

It is an integral part of corporate culture of Allianz pojišťovna. Not only company Allianz but also its employees can feel responsibility for other people. D Day- Day that counts arose from this idea.

COMPANY'S VOLUNTEERING

The employees take a keen interest in the company's volunteer project "D Day- A Day That Counts" which helps non-profit organizations. All employees have a possibility to participate in various activities in cooperation with non-profit organizations. In 2017, altogether 35 voluntary events were organized, 187 Allianz employees took part in D Day -25% men and 75% women devoted one working day to the help. Allianz supports this idea by providing each employee with a paid day off.

ECOLOGY

Allianz pojišťovna has been engaged in global ecological project of Allianz Group since 2008 which aims to minimize negative influence on environment, by means of savings in the sphere of energy, water and paper consumption, handling with waste. In the sphere of working ways, the Allianz employees try to minimize the carbonaceous tracks.

CONTRIBUTIONS TO PEOPLE AND ORGANIZATIONS FOR SPECIAL CARE

Allianz pojišťovna in cooperation with Allianz nadační fond (Allianz Endowment Fund) provides people or organization in difficult life situation with financial presents, e.g. for treatment that is not covered by any insurance company, vehicle, other or specific aids.

EMPLOYEES' HEALTH

Allianz puts emphasize on **Work Well and healthy life style of its employees**, not only within working conditions.

- flexible working time, home office, 4 sick days etc. In 2017, all events **for employees were focused on employees' health support**.
- 2x Day of health and 8x prevention check up of the employees-ergonomics of working place, physical exercise in the office but also - check up of sight, birthmarks, blood or special project focused on very often female and male illnesses
- Support of movement activities and reimbursement of start fee within Allianz World Run with charity impact, Night Run and Ride a bike to work etc.

OPEN COMMUNICATION

The employees are informed about all important events and changes at regular meetings with company management, but also by means of digital information media, as regular electronic newsletter INFO or broadcasting of Allianz TV or intranet portal. The e-mail address is available for employees, where they can send their questions, or the box LISTÁRNA, where they can throw their questions, also anonymously.

As we have already mentioned, the big emphasis is put on professional behaviour of employees and compliance with internal company's rules, to which the Code of behaviour and other regulations belong. Respecting the rules of equal employment and intolerance of any discrimination are an integral part of corporate culture. Team cooperation is supported by regular meetings of employees with the company management, similarly to sport and social events for employees.

The summary of all nonfinancial information concerning Allianz Group, incl. Allianz pojišťovna, a. s., in the Czech Republic, is included in special report of parent company Allianz SE https://www.allianz.com/v_1491919948000/en/sustainability/media2017/Allianz_Group_Sustainability_Report_2016.pdf

A WORD OF THANKS FROM THE BOARD OF MANAGEMENT

The Board of Management would like to thank all sales agents, brokers, external partners, business partners and all employees for their work for Allianz pojišťovna, their dedication, enthusiasm and professionalism.

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

Board of Management

FINANCIAL PART

B

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLIANZ POJIŠŤOVNA, A. S.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Allianz pojišťovna, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

BASIS FOR OPINION

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

ADEQUACY OF PROVISION FOR LIABILITIES ARISING FROM THE APPLIED TECHNICAL INTEREST RATE.

KEY AUDIT MATTER

The Company recognizes the provision for liabilities arising from the applied technical interest rate in the amount of MCZK 609 as a part of Other technical provision.

We have designated the above issue as a Key Audit Matter as the management of the Company uses subjective and complex assumptions and judgements to determine the amount of the provision for liabilities arising from the applied technical interest rate. While testing adequacy of liabilities arising from the applied technical interest rate, the company compares present value of expected cash flows from insurance policies with reported value of technical provisions.

These cash flows are determined based on best estimate of assumptions of future development of input parameters adjusted for risk premium and uncertainty. The input parameters used mostly represent expected claims paid in case of death or injury resulting from existing policies, expected behavior of clients with long term life insurance policies and expected cost, discounting and yield rates.

For more information see Note II.9.f) notes to the financial statements of the Company.

HOW THE AUDIT MATTER WAS ADDRESSED

While dealing with above mentioned Key Audit Matter we primarily performed following procedures:

Based on our knowledge, experience and market standards in insurance sector and with use of our specialists in the field of insurance mathematics we critically evaluated method used for determining the amount of the provision for liabilities arising from the applied technical interest rate.

We analyzed key assumptions, for example claim characteristics of particular insurance strain, expected behavior of the clients with long term life insurance contracts, used yield and discount rate and other economic and non-economic assumptions. We compared applied assumptions with analyses obtained from, and performed by, the Company, available market data and assumptions applied in prior periods.

We tested correctness of the provision for liabilities arising from the applied technical interest rate calculation and we critically reviewed analyses performed by the management of the Company and we discussed significant relevant year to year variances from expected values.

KPMG Česká republika Audit, s.r.o.

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



We also assessed the sufficiency of data published by the Company in notes to the Financial statements. Detailed testing of the Company's calculations concerning liability adequacy testing.

VALUATION OF CLAIMS PROVISION

KEY AUDIT MATTER

The company recognizes the provision for claims that are already incurred but not yet reported ("IBNR provision") in the amount of MCZK 1 272 and provisions for claims that are reported, but not yet settled ("RBNS provisions") in the amount of MCZK 7 435. Both provisions as a whole represent Claims provision.

We have designated the above mentioned area as Key Audit Matter as the management of the company determines subjective and complex assumptions and judgements while determining the amount of Claims provision.

The company uses insurance-mathematical and statistical methods and calculations for determining the IBNR provision. The process is influenced by a number of factors resulting from judgements of the Company about used method, expected claims ration, handling nonstandard values in historical data, risk premium, discount rate, data stratification into homogenous groups, etc.

The input parameters used for determining the IBNR provision represent mostly information about claims incurred in the prior period, primarily their amount and frequency.

RBNS provision is determined as a summary of provisions calculated for individual claims, which is then lowered by estimate of expected recourses and other claims of the Company. The risk of inaccuracy in estimate of RBNS provision depends on quality of information about particular claims and on their appropriate usage while determining the provision.

All expected internal and external claim handling costs are also part of the Claims provision.

For more information see Note II.9.d) notes to the financial statements of the Company.

The level of subjectivity in the estimated impact of uncertain or unknown future events and the diversity of risks written by the Company serve to increase the level of judgement required and subjectivity inherent in the estimation of insurance liabilities. Risk of error arises due to the extensiveness and complexity of the historical data involved in the underlying calculations.

HOW THE AUDIT MATTER WAS ADDRESSED

While dealing with above mentioned Key Audit Matter we primarily performed following procedures:

Based on our knowledge, experience and market standards in insurance sector and with use of our specialists in the field of insurance mathematics we critically evaluated method used for determining the amount of IBNR provision.

We tested correctness of the IBNR provision calculation. We critically reviewed assumptions applied by the management of the Company and discussed significant relevant year to year variances from expected values. We also performed our own independent calculations of chosen parts of IBNR provision.

We tested design, implementation and effectiveness of system and manual controls of determining claims paid and RBNS provision. The testing was performed using questioning, observing and inspecting the documents and calculations.

We also performed detailed testing of valuation on sample of chosen items of RBNS provision, we discussed their development in time and we agreed the accounting data to data in information system of the Company.

We performed detailed analysis of result of claims settlement process. We evaluated sufficiency of Claims provision and we evaluated suitability of applied method of calculation.

We also assessed the sufficiency of data published by the Company in notes to the Financial statements.

Carrying out independent estimation of the level of the IBNR reserve based on alternative methods and comparing the result of our assessment to the recorded provisions.

KPMG Česká republika Audit, s.r.o., člen sítě nezávislých členských společností KPMG přidružených ke KPMG International Cooperative („KPMG International“), švýcarské organizační jednotce.

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

IČO 49619187
DIČ CZ699001996
ID datové schránky: 8h3gtra

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALLIANZ POJIŠŤOVNA, A. S.

OTHER INFORMATION

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

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

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

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

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

RESPONSIBILITIES OF THE STATUTORY BODY, SUPERVISORY BOARD AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

KPMG Česká republika Audit, s.r.o.

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



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 18 April 2017 and our uninterrupted engagement has lasted for 25 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 8 March 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

In addition to the statutory audit, we provided the services specified in note III. 9. (c) in the notes to the financial statements to the Company and its controlled undertakings.

STATUTORY AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Allianz pojišťovna, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague, 28 March 2018

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

Ing. Jindřich Vašina
Partner
Registration number 2059

KPMG Česká republika Audit, s.r.o., člen sítě nezávislých členských společností KPMG přidružených ke KPMG International Cooperative („KPMG International“), švýcarské organizační jednotce.

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

IČO 49619187
DIČ CZ699001996
ID datové schránky: 8h3gtra

BALANCE SHEET AS AT 31 DECEMBER 2017

(In thousands of Czech crowns TCZK)

	2017 Gross	2017 Adjustment	2017 Net	2016 Net
I. ASSETS				
A. Receivables for subscribed registered capital				
B. Intangible fixed assets, thereof	922 975	712 032	210 943	198 579
b) Goodwill				
C. Investments	22 712 848	127 569	22 585 279	21 532 023
I. Land and buildings, thereof				
1. Land				
2. Buildings				
a) Investments - self-occupied				
II. Investments in affiliated undertakings and participating interests	1 915 921	127 569	1 788 352	1 843 239
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	903 173		903 173	958 060
3. Participating interests with significant influence				
4. Debt securities issued by, and loans and credits to, undertakings - significant influence				
III. Other investments	20 796 927		20 796 927	19 688 784
1. Shares and other variable-yield securities, other participating interests	1 964 824		1 964 824	1 477 709
2. Bonds and other fixed-income securities	16 895 038		16 895 038	18 024 188
a) bonds and other fixed-income securities valued at fair value through profit and loss	12 721 761		12 721 761	14 134 161
b) bonds and other fixed-income securities held to maturity	4 173 277		4 173 277	3 890 027
3. Investments in investment associations				
5. Other loans and credits	11 122		11 122	9 372
6. Deposits with financial institutions	252 238		252 238	141 861
7. Other investments	1 673 705		1 673 705	35 653
IV. Deposits with ceding undertakings				
D. Investments for the benefit of life assurance policyholders who bear the investment risk	6 403 217		6 403 217	7 716 613

	2017 Gross	2017 Adjustment	2017 Net	2016 Net
E. Debtors	1 413 176	308 619	1 104 558	1 089 959
I. Receivables arising from direct insurance operations	1 021 609	296 542	725 067	690 935
1. Policyholders, thereof	901 839	191 518	710 321	690 390
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
2. Intermediaries, thereof	119 770	105 024	14 746	545
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
II. Receivables arising from reinsurance operations, thereof	219 384		219 384	229 768
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
III. Other receivables, thereof	172 183	12 077	160 106	169 256
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
F. Other assets	1 277 049	171 380	1 105 669	1 051 095
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	262 245	171 380	90 865	109 000
II. Cash on accounts in financial institutions and cash in hand	1 014 804		1 014 804	942 095
IV. Other assets				
G. Temporary asset accounts	513 192		513 192	501 339
I. Accrued interest and rent	89		89	6 579
II. Deferred acquisition costs	418 956		418 956	405 218
a) in life-assurance business	253 142		253 142	222 499
b) in non-life insurance	165 814		165 814	182 719
III. Other temporary asset accounts, thereof	94 147		94 147	89 542
a) Estimated receivables	70 919		70 919	60 528
TOTAL ASSETS	33 242 458	1 319 600	31 922 858	32 089 608

BALANCE SHEET AS AT 31 DECEMBER 2017

(In thousands of Czech crowns TCZK)

	2017		2016
II. LIABILITIES			
A. Equity	5 280 983		4 499 802
I. Registered capital, thereof	600 000		600 000
a) Changes in registered capital			
II. Premium	29 782		29 782
III. Revaluation fund			
IV. Other capital funds	376 113		367 138
V. Reserve fund and other funds from profit	534 463		534 463
VI. Profit or loss brought forward	2 968 419		2 223 431
VII. Profit or loss for the financial year	772 206		744 988
B. Subordinated liabilities			
C. Technical provisions	18 346 978		18 065 855
1. Provision for unearned premiums			
a) gross amount	3 012 761	2 975 953	
b) reinsurance share (-)	169 444	193 922	2 782 031
2. Life assurance provision			
a) gross amount	6 507 440	6 456 663	
b) reinsurance share (-)	288	232	6 456 431
3. Provision for outstanding claims			
a) gross amount	8 707 419	7 910 593	
b) reinsurance share (-)	1 055 294	988 029	6 922 565
4. Provision for bonuses and rebates			
a) gross amount	519 982	448 696	
b) reinsurance share (-)		519 982	448 696
6. Other technical provisions			
a) gross amount	824 402	1 456 132	
b) reinsurance share (-)		824 402	1 456 132
D. Life assurance technical provision where the investment risk is borne by the policyholders	6 403 217		7 716 613
a) gross amount	6 403 217	7 716 613	
b) reinsurance share (-)		6 403 217	7 716 613
E. Provisions	53 922		39 540
1. Provisions for pensions and similar obligations			
2. Provisions for taxation	3 789		
3. Other provisions	50 133		39 540

	2017		2016
F. Deposits received from reinsurers			
G. Creditors	1 248 255		1 166 464
I. Payables arising from direct insurance operations, thereof	770 817		697 247
a) Payables to entities in which the Company has a controlling influence			
b) Payables to entities in which the Company has a significant influence			
II. Payables arising from reinsurance operations, thereof	173 092		250 752
a) Payables to entities in which the Company has a controlling influence			
b) Payables to entities in which the Company has a significant influence			
III. Payables arising from debt securities, thereof			
a) Payables to entities in which the Company has a controlling influence, thereof			
aa) Convertible bonds			
b) Payables to entities in which the Company has a significant influence, thereof			
ba) Convertible bonds			
IV. Amounts owed to credit institutions, thereof			
a) Payables to entities in which the Company has a controlling influence			
b) Payables to entities in which the Company has a significant influence			
V. Other payables, thereof	304 346		218 466
a) Tax liabilities and payables due to social security and health insurance institutions	53 374		39 123
b) Payables to entities in which the Company has a controlling influence			
c) Payables to entities in which the Company has a significant influence			
VI. Guarantee Fund of the Bureau			
VII. Loss prevention fund			
H. Temporary liability accounts	589 503		601 334
I. Accrued expenses and deferred revenues	14 362		18 025
II. Other temporary liability accounts, thereof	575 141		583 309
a) Estimated payables	575 141		583 309
TOTAL LIABILITIES	31 922 858		32 089 608

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(In thousands of Czech crowns TCZK)

tis. Kč	2017 Base	2017 Subtotal	2017 Result	2016 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written	9 985 541			
b) outward reinsurance premiums (-)	1 119 277	8 866 264		
c) change in the gross provision for unearned premiums (+/-)	39 329			
d) change in the provision for unearned premiums, reinsurance share (+/-)	-24 663	63 992	8 802 272	8 720 653
2. Allocated investment return transferred from the non-technical account			-168 564	51 293
3. Other technical income, net of reinsurance			546 373	356 890
4. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	5 648 532			
bb) reinsurance share (-)	639 567	5 008 965		
b) change in the provision for outstanding claims:				
aa) gross amount	747 498			
bb) reinsurance share (-)	69 314	678 184	5 687 149	5 679 463
5. Changes in other technical provisions, net of reinsurance (+/-)			-93 562	-97 071
6. Bonuses and rebates, net of reinsurance			312 945	273 254
7. Net operating expenses:				
a) acquisition costs		633 680		
b) change in deferred acquisition costs (+/-)		16 905		
c) administrative expenses		1 807 005		
d) reinsurance commissions and profit participation (-)		158 091	2 299 499	2 403 517
8. Other technical expenses, net of reinsurance			667 867	464 397
10. Sub-total on the technical account for non-life insurance			306 183	405 275

	2017 Base	2017 Subtotal	2017 Result	2016 Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE				
1. Earned premiums, net of reinsurance:				
a) gross premiums written		2 904 927		
b) outward reinsurance premiums (-)		5 844		
c) change in the provision for unearned premiums, net of reinsurance (+/-)		-2 706	2 901 789	2 966 920
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				
c) value adjustments on investments		635 354		
d) income from disposal of investments		5 874 652	6 510 006	3 341 882
3. Unrealised gains on investments			1 088 694	1 183 091
4. Other technical income, net of reinsurance			98 056	63 644
5. Claims incurred, net of reinsurance:				
a) claims paid:				
aa) gross amount	3 275 746			
bb) reinsurance share (-)	2 914	3 272 832		
b) change in the provision for outstanding claims:				
aa) gross amount	49 328			
bb) reinsurance share (-)	-2 049	51 377	3 324 209	3 096 386
6. Changes in other technical provisions, net of reinsurance (+/-):				
a) life assurance provisions:				
aa) gross amount	50 777			
bb) reinsurance share (-)	56	50 721		
b) other technical provisions, net of reinsurance		-1 851 563	-1 800 842	-976 454
7. Bonuses and rebates, net of reinsurance			51 031	28 681
8. Net operating expenses:				
a) acquisition costs		393 431		
b) change in deferred acquisition costs (+/-)		-30 643		
c) administrative expenses		399 056		
d) reinsurance commissions and profit participation (-)		412	761 432	803 501
9. Expenses connected with investments:				
a) investment management charges, including interest		4 279		
b) value adjustments on investments		10 897		
c) book value of disposed investments		5 924 240	5 939 416	2 826 439
10. Unrealised losses on investments			1 681 911	1 201 980
11. Other technical expenses, net of reinsurance			74 954	71 389
12. Allocated investment return transferred to the non-technical account (-)			-203 859	98 654
13. Sub-total on the technical account for life assurance			770 293	404 960

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(In thousands of Czech crowns TCZK)

	2017 Base	2017 Subtotal	2017 Result	2016 Result
III. NON-TECHNICAL ACCOUNT				
1. Result of the technical account for non-life insurance			306 183	405 275
2. Result of the technical account for life assurance			770 293	404 960
3. 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				
c) value adjustments on investments				
d) income from disposal of investments				
4. Allocated investment return transferred from the technical account for life-assurance			-203 857	98 654
5. Expenses connected with investments:				
a) investment management charges, including interest				
b) value adjustments on investments				
c) book value of disposed investments				
6. Allocated investment return transferred to the technical account for non-life-insurance			-168 564	51 293
7. Other income			58 695	270 151
8. Other expenses			93 098	263 021
9. Income tax on ordinary activities			234 650	118 737
10. Profit or loss on ordinary activities after tax			772 130	745 989
11. Extraordinary income				
12. Extraordinary expenses				
13. Extraordinary profit or loss				
14. Income tax on extraordinary activities				
15. Other taxes not shown under the preceding items			-76	1 001
16. Profit or loss for the financial year			772 206	744 988

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDEN 31 DECEMBER 2017

(In thousands of Czech crowns TCZK)

	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 1.1. 2016	600 000		29 782	534 463	555 714	-295 145	3 023 431	4 448 245
Correction of fundamental errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						-25 088		-25 088
Net profit/loss for accounting period							744 988	744 988
Profit shares							-800 000	-800 000
Transfers to funds								
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes						131 657		131 657
Balance at 31.12. 2016	600 000		29 782	534 463	555 714	-188 576	2 968 419	4 499 802
Balance at 1.1. 2017	600 000		29 782	534 463	555 714	-188 576	2 968 419	4 499 802
Correction of significant errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement						8 975		8 975
Net profit/loss for accounting period							772 206	772 206
Profit shares								
Transfers to funds								
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
Balance at 31.12. 2017	600 000		29 782	534 463	555 714	-179 601	3 740 625	5 280 983

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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:

- 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.
- Reinsurance activities for non-life insurance.
- 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 2017:

Members of the board of directors

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

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

Members of the Supervisory Board

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

Changes in the board of directors and supervisory board in 2017:

The membership of Aleš Jelínek, MBA in the board of directors was terminated on 30 November 2017.

The membership of Alexandr Protsenko in the supervisory board was terminated on 31 December 2017.

Organisational structure during the financial year

RESORT CEO JAKUB STRNAD	RESORT CFO SONIA SLAVTCHEVA	RESORT COO ALEŠ JELÍNEK UNTIL 30. 11. 2017	RESORT CSO PETR HRBÁČEK	RESORT CPO JOSEF LUKÁŠEK
LEGAL	CONTROLLING	SETTLEMENT	KOS A REBR	PORTFOLIO MANAGEMENT AND CUO
COMPLIANCE	RISK CONTROLLING AND ASCTURIAL MATHEMATICS	CLAIMS SETTLEMENT LIFE & HEALTH	COUNTY DIRECTORS	SECURING
HUMAN RESOURCES	ASSET MANAGEMENT	PMO AND DIGITALIZATION	EXTERNAL DISTRIBUTION CHANELS	PRODUCT DEVELOPMENT
INTERNAL AND EXTERNAL	TAX DEPARTMENT	IT	ALLIANZ AKADEMY	METHODOLOGY
INTERNAL AUDIT	ACCOUNTING	INSURANCE ADMINISTRATION NON-LIFE	SALES DEVELOPMENT	METHODOLOGICAL SUPPORT OF COPORATE INSURANCE
MARKET MANAGEMENT	COLLECTION FINANCIAL TRANSACTION PAYMENT	INSURANCE ADMINISTRATION LIFE, PENSION	SALES SUPPORT	
	PROCUREMENT & FACILITIES	CUSTOMER SERVICE CENTER	CAR AND FLEET INSURANCE	
		SECURITY	INDUSTRIAL AND ENTREPRENEURIAL INSURANCE	
			ALLIANZ DIRECT	
			REBR	

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. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, as amended, Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended (“the Act on Motor Third-Party Liability Insurance”), 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 or available for sale is recognised in the income statement.

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 method of recognising fair value of hedging derivatives depends on the applied hedge accounting model. Hedge accounting is only applied where:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is highly effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk,
- as for hedging forecast transactions, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

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

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

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

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

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

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

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

Embedded derivatives

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

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) Adjustments

The Company creates adjustments to receivables and other assets except for investments reported at fair value. Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined 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.

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

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

Adjustments to bonds held to maturity are accounted for only if there is a risk that the notional principal amount of the bond, 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 I.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 there is no doubt that future taxable profits will be available against which this asset can be utilised.

(i) Provision for unearned premiums

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

(j) Life assurance provision

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

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).

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

The provision for outstanding claims created for claims incurred but not reported as at the balance sheet date is determined using statistical methods. The most common methods are: Standard chain ladder, Bornhuetter-Ferguson, Cape Cod, Complementary loss ratio, Frequency-Severity, and other methods using the mortality tables. The provision has been created using the prudence principle. The prudence principle is applied by provisioning on the confidence level determined by the Reserve Committee. At present, the confidence level amounts to 75% in respect of all classes of insurance, with the exception of motor third-party liability insurance the confidence level of which amounts to 85%.

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

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

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

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

Although the board of directors considers that 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

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

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

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

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

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

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

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

(o) Reinsurance share of technical provisions

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

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

(p) Provisions

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

Provision for taxes

The provision for taxes is created at the balance sheet date and amounts to the estimated corporate income tax liability due 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 Section 38 of Decree No. 502/2002 Coll., the financial statements of the Company have been included in the consolidated financial statements of Allianz SE, with its registered office in Munich, Federal Republic of Germany, prepared in compliance with International Financial Reporting Standards. The consolidated financial statements of Allianz SE will be published in accordance with Sections 22aa (2c) and 21a of the Act on Accounting. The consolidated financial statements are available at the registered office of Allianz pojišťovna, a.s., Ke Štvanici 656/3, 186 00 Praha 8. As all requirements stipulated in the Act on Accounting have been met, the Company will not prepare consolidated financial statements.

1.5. Change in accounting policies and procedures

During 2017, the Company did not make any significant corrections of prior year errors and change any accounting policies and procedures and during the financial year it did not apply any significant deviations from these policies and procedures.

1.6. Risk management

In compliance with Act No. 277/2009 Coll., on Insurance, and amendment No. 183/2017 Coll. to the Insurance Act dated 1 July 2017, 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.

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

(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 adjustments is described in note I.4. (d).

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

(e) Operational risk

Operational risk is the risk of a potential loss 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 2017 comprise the following items:

	Software	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2017	933 755	19 645	953 400
Additions	86 048	35 691	121 739
Transfers	16 100	-16 100	0
Disposals	-152 164	0	-152 164
Acquisition cost at 31/12/2017	883 739	39 236	922 975
Accumulated amortisation at 1/1/2017	754 821	0	754 821
Amortisation expense	76 965	0	76 965
Disposals	-119 754	0	-119 754
Accumulated amortisation at 31/12/2017	712 032	0	712 032
Net book value at 1/1/2017	178 934	19 645	198 579
Net book value at 31/12/2017	171 707	39 236	210 943

II.2. Investments**(a) Investments in affiliated undertakings and participating interests***Participating interests with controlling influence*

2017	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	916 653	44 058
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	-	200	*200	*9 261	*1 794
Diamond Point, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	428 941	127 569	301 372	78 793	317 680	19 881
Celkem	-	1 012 748	127 569	885 179	129 093	1 243 594	65 733

*) neauditované finanční údaje

2016	Participating interest as % of registered capital	Acquisition cost	Adjustment	Fair value	Total registered capital	Total equity	Profit or loss for the financial year
Allianz penzijní společnost, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	583 607	-	583 607	300 000	872 595	72 163
Allianz kontakt, s.r.o. Ke Štvanici 656/3, 186 00 Praha 8	100	200	-	200	*200	*7 466	*2 527
Diamond Point, a.s. Ke Štvanici 656/3, 186 00 Praha 8	100	428 941	127 569	301 372	78 793	277 904	23 469
Celkem	-	1 012 748	127 569	885 179	378 993	1 157 965	98 159

*) unaudited financial data

Participating interests with significant influence

The Company has no participating interests with significant influence.

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

	Fair value		Acquisition cost	
	2017	2016	2017	2016
Diamond Point, a.s.	903 173	958 060	876 000	876 000
Total	903 173	958 060	876 000	876 000

(c) Shares and participation certificates

	Fair value		Acquisition cost	
	2017	2016	2017	2016
Issued by financial institutions				
Listed on a recognised CR exchange	0	0	0	0
Listed elsewhere	1 759 772	1 218 553	1 794 291	1 165 826
Issued by non-financial institutions				
Listed elsewhere	205 052	259 156	123 894	180 957
Other				
Listed elsewhere	-	-	-	-
Total	1 964 824	1 477 709	1 918 185	1 346 783

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

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

	Fair value		Acquisition cost	
	2017	2016	2017	2016
Issued by financial institutions				
Listed on a recognised CR exchange	507 520	1 846 788	500 964	1 815 719
Listed elsewhere	1 761 026	1 427 883	1 542 693	1 140 263
Issued by non-financial institutions				
Listed on a recognised CR exchange	918 414	549 412	905 200	531 721
Listed elsewhere	618 901	833 579	600 108	776 964
Vydané vládním sektorem				
Listed on a recognised CR exchange	8 915 900	9 082 611	8 753 505	8 220 110
Listed elsewhere	0	393 888	0	391 590
Total	12 721 761	14 134 161	12 203 470	12 876 367

(e) Other securities held to maturity

	Amortised value		Fair value		Acquisition cost	
	2017	2016	2017	2016	2017	2016
Issued by financial institutions						
Listed on a recognised CR exchange	29 999	40 001	30 934	42 291	30 003	40 003
Listed elsewhere	108 982	208 433	108 621	210 946	108 494	208 554
Issued by non-financial institutions						
Listed on a recognised CR exchange	127 728	127 761	134 528	139 218	127 682	127 682
Listed elsewhere	20 035	19 999	19 988	20 002	20 000	20 000
Issued by government sector						
Listed on a recognised CR exchange	3 886 533	3 493 834	4 324 186	4 203 063	3 823 644	3 419 287
Listed elsewhere	-	-	-	-	-	-
Total	4 713 277	3 890 028	4 618 257	4 615 520	4 109 823	3 815 526

(f) Other loans and credits

As at 31 December 2017, the Company had provided other loans to policyholders, guaranteed by the insurance contract entered into, in the amount of TCZK 11 122 (at 31/12/2016: TCZK 9 372).

(g) Deposits with financial institutions

	2017	2016
Due within 1 year	200 431	91 861
Due in 1 to 5 years	51 807	50 000
Due in more than 5 years	-	-
Total	252 238	141 861

(h) Other investments

	Nominal value		Fair value	
	2017	2016	2017	2016
Fixed-term transactions	2 067 355	1 452 368	39 616	-14 563
Options	-	-	65 521	50 216
Reverse repurchase	1 570 000	0	1 568 568	0
Total	3 637 355	1 452 368	1 673 705	35 653

Reverse repurchase agreements represent short-term transactions with a maximum maturity of 14 days. Under the reverse repurchase agreements, as at 31 December 2017 the Company acquired ISIN CZ000005235 treasury bills at the market value of TCZK 1 529 704 (as at 31/12/2016 - CZK 0). The treasury bills are recorded in off-balance sheet accounts.

(i) Other investments - derivatives*Hedging derivatives*

Fixed term contracts with a positive fair value	Nominal value		Fair value	
	2017	2016	2017	2016
Term currency transactions	1 319 606	0	46 812	0
Total	1 319 606	0	46 812	0

Fixed term contracts with a negative fair value	Nominal value		Fair value	
	2017	2016	2017	2016
Term currency transactions	747 749	1 452 368	-7 196	-14 563
Total	747 749	1 452 368	-7 196	-14 563

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

Remaining maturity of derivatives in the nominal value

As at 31 December 2017	Within 3 months	3 months to 1 year	1 to 5 years	Total
Hedging derivatives				
Term currency transactions (+)	1 319 606	0	0	1 319 606
Term currency transactions (-)	389 046	100 080	258 623	747 749
As at 31 December 2016				
Hedging derivatives				
Term currency transactions (+)	0	0	0	0
Term currency transactions (-)	1 352 288	100 080	0	1 452 368

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

Description	Fair value		Acquisition cost	
	2017	2016	2017	2016
Shares and other variable-yield securities	5 163 734	6 565 668	4 114 851	5 473 140
Debt securities	1 121 057	988 240	1 116 007	952 973
Deposits with financial institutions	0	3 217	0	2 900
Free cash	104 824	162 691	0	0
Derivatives	13 602	-3 205	0	0
Total	6 403 217	7 716 613	5 230 858	6 429 013

II.4. Currency structure of investments

Currency	Shares and variable -yield securities		Debt securities	Deposits and other financial placements		Securities where the investment risk is borne by the policyholders	
	2017	2016		2017	2016	2017	2016
CZK	974 123	678 222	16 354 357	17 380 019	3 620 279	1 994 473	3 286 005
EUR	990 701	799 487	540 681	644 169	105 137	35 653	2 937 129
USD	-	-	-	-	-	-	180 083
Total	1 964 824	1 477 709	16 895 038	18 024 188	3 725 416	2 030 126	6 403 217

II.5. Receivables

31 December 2017	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	229 047	11 582	210 774	150 848	602 251
Overdue	672 792	108 188	8 610	21 335	810 925
Total	901 839	119 770	219 384	172 183	1 413 176
Adjustment	191 518	105 024	0	12 077	308 619
Total net	710 321	14 746	219 384	160 106	1 104 558

31 December 2016	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	263 085	190	229 555	168 092	660 922
Overdue	622 790	116 340	213	16 965	756 307
Total	885 875	116 530	229 768	185 056	1 417 229
Adjustment	195 485	115 985	0	15 800	327 271
Total net	690 390	545	229 768	169 256	1 089 959

(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 (2016: TCZK 15 800).

(b) Other receivables

	2017	2016
Inter-company receivables	7 287	4 635
Deferred tax asset	27 115	24 701
Income tax prepayments	0	92 042
Advance payments for energy	32 949	29 398
Receivables from securities transactions	85 148	0
Other receivables	7 607	18 480
Total other receivables (net)	160 106	169 256

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

Tangible fixed assets	
Acquisition cost at 1/1/2017	271 871
Additions	12 042
Disposals	-21 668
Acquisition cost at 31/12/2017	262 245
Accumulated depreciation at 1/1/2017	162 871
Depreciation expense	16 949
Disposals	-8 441
Accumulated depreciation at 31/12/2017	171 379
Net book value at 1/1/2017	109 000
Net book value at 31/12/2017	90 865

II.7. Temporary asset accounts

(a) Deferred acquisition costs for life assurance contracts

	2017	2016
Traditional life assurance	163 826	8 188
Unit-linked assurance	89 317	214 311
Non-life insurance	165 813	182 719
Total	418 956	405 218

In 2017, deferred acquisition costs for unit-linked assurance contracts showed a decrease and 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). Its main coverage represents assurance on death. Allianz život replaced the life assurance product Rytmus.

(b) Estimated receivables

	2017	2016
Estimated reinsurance commissions	2 373	2 043
Other	68 546	58 485
Total	70 919	60 528

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

	2017	2016
Other prepaid expenses - services	23 228	29 014
Total	23 228	29 014

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 2017, 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

	2017	2016
Other capital funds	555 714	555 714
Revaluation of assets and liabilities	-179 601	-188 576
Total	367 113	367 138

Revaluation of assets and liabilities at fair value

	2017	2016
Balance at 1/1	-188 576	-295 146
Change in fair value of investments (without hedging derivatives)	-	-
Change in fair value of hedging derivatives	-	-
Net losses on investments reclassified to the income statement on disposal, impairment or maturity	8 975	-29 346
Change in deferred tax	0	4 258
Revaluation of participating interests with controlling influence	0	131 657
Balance at 31/12	-179 601	-188 576

Proposed distribution of current period profit

Profit for the current period	772 206
Transfer to reserve fund	0
Profit to be added to retained earnings	772 206

II.9. Technical provisions

(a) Summary of technical provisions

Type of provision	Year	Gross	Reinsurers share	Net
Provision for unearned premiums	2017	3 012 761	169 443	2 843 318
	2016	2 975 953	193 922	2 782 031
Life assurance provision	2017	6 507 440	288	6 507 152
	2016	6 456 663	232	6 456 431
Provision for outstanding claims	2017	8 707 419	1 055 294	7 652 125
	2016	7 910 593	988 029	6 922 564
Provision for bonuses and rebates	2017	519 982	-	519 982
	2016	448 696	-	448 696
Provision for liabilities arising from the applied technical interest rate	2017	608 722	-	608 722
	2016	1 146 890	-	1 146 890
Provision for liabilities of the Bureau	2017	215 680	-	215 680
	2016	309 242	-	309 242
Life assurance provision where the investment risk is borne by the policyholders	2017	6 403 217	-	6 403 217
	2016	7 716 613	-	7 716 613
Total	2017	25 975 222	1 225 025	24 750 196
	2016	26 964 650	1 182 182	25 782 468

(b) Provision for unearned premiums (gross)

	2017	2016
Non-life insurance	2 906 846	2 867 517
Life assurance	105 915	108 436
Total	3 012 761	2 975 953

(c) Life assurance provision

	2017	2016
Unzillmerised provision	6 615 170	6 574 392
Zillmer adjustment	-107 732	-117 729
Elimination of negative provisions	2	-
Zillmerised provision presented in the balance sheet	6 507 440	6 456 663

(d) Provision for outstanding claims (gross)

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

	2017	2016
RBNS	7 435 337	6 806 092
IBNR	1 272 082	1 104 501
Total	8 707 419	7 910 593

Claims run-off result

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

The net run-off result is as follows:

Class of insurance	2017	2016
Motor insurance	6 328	-66 632
Motor third party liability	215 437	354 345
Industry insurance	100 789	52 157
Commercial insurance	-3 043	13 948
Private property insurance	24 144	32 148
Accident insurance	0	-
Sickness insurance	0	-
Travel insurance	8 785	4 979
Other	0	-
Total	352 439	390 944

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities after discounting is TCZK 442 168 (2016: TCZK 409 863).

The Company used a wage valorisation rate and a disability pension valorisation rate of 1.5% - 4.5% 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%. The annualised amount of annuities amounts to TCZK 14 325.

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

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

Class of insurance	2017	2016
Non-life insurance	167 761	147 303
Life insurance	352 221	301 393
Total	519 982	448 696

(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.

	Opening balance	Addition	Utilisation	Closing balance
Provision for liabilities arising from the applied technical interest rate	1 146 890	1 517 995	2 056 162	608 722
Provision for liabilities of the Bureau	309 242	5 684	99 247	215 680
Other technical provisions	-	-	-	-
Non-life insurance provision	-	-	-	-
Total	1 456 132	1 523 679	2 155 409	824 402

II.10. Provisions

Type of provision	Opening balance	Addition	Utilisation	Closing balance
Provision for taxes	0	175 221	171 432	3 789
Other provisions	39 540	33 021	22 428	50 133
Total	39 540	208 242	193 860	53 922

The Other provisions item includes the provision for untaken holidays and liabilities from options.

II.11. Payables

	Payables to policy holders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
2017					
Due	539 651	222 315	160 879	211 554	1 134 399
Overdue	1 858	6 993	12 213	92 792	113 856
Total	541 509	229 308	173 092	304 346	1 248 255
2016					
Due	503 278	108 202	212 978	213 330	1 037 788
Overdue	1 087	84 680	37 774	5 136	128 676
Total	504 365	192 882	250 752	218 466	1 166 464

(a) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 16 811 (2016: TCZK 16 493), of which TCZK 11 333 (2016: TCZK 11 112) relates to social security and TCZK 5 478 (2016: TCZK 5 381) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities and subsidies

Tax liabilities amount to TCZK 36 563 (2016: TCZK 22 630). None of these liabilities are overdue.

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

Long-term payables with a remaining period to maturity in excess of five years as at the balance sheet date amounted to TCZK 10 927 (2016: TCZK 18 374).

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

The Company had a net receivable from reinsurers of TCZK 46 292 (2016: a net payable of TCZK 20 984).

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

	2017	2016
Estimated reinsurance premiums	36 473	48 110
Commissions to intermediaries	211 318	207 948
Services	110 621	130 774
Employee bonuses	216 729	196 477
Total	575 141	583 309

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	
	2017	2016	2017	2016
<i>Short-term</i>				
Allianz penzijní společnost, a.s.	7 260	4 401	39	37
Allianz kontakt, s.r.o.	27	97	-	-
Diamond Point, a.s.	-	-	-	9 601
Total	7 287	4 498	39	9 638

(b) Other inter-company receivables and payables

Company name	Receivables		Payables	
	2017	2016	2017	2016
AGCS AG Branch Office Belgium	69	284	190	772
AGCS AG Italy Branch	402	437	9	601
AGCS France	9	183	-	-
AGCS Netherlands	108	216	342	342
AGCS Singapore	53	29	66	46
AGCS Spain	-	58	-	-
AGF Assurances	45	455	122	122
Allianz Business Services, s.r.o.	-	-	-	435
Allianz GCS Hong Kong	353	-	4 420	-
Allianz Elementar	158	166	368	-
Allianz GCS Austria Branch	1 598	20	5 243	101
Allianz GCS Chicago	4 127	4 868	64	-
Allianz GCS München	2 062	2 872	760	7 363
Allianz GCS Nordic Region	94	47	371	244
Allianz GCS Switzerland	85	27	539	99
Allianz GCS UK	14 449	16 590	5 368	4 495
Allianz GCS, Hamburg	-	-	10	125
Allianz Global Benefits GmbH	-	-	64	-
Allianz Global Automotive	22 563	43 216	23 663	30 353
Allianz Global Corporate&Speciality Mnichov	5 367	3 091	5 217	12 842
Allianz Global Risk US	356	286	4 365	2 979
Allianz Hungária Biztosító Zrt.	-	-	198	269
Allianz Insurance Company of Canada	32	27	432	71
Allianz Insurance PLC	2	431	-	-
Allianz Italia s.p.a.	1 364	1 439	-	-
Allianz Managed Operations & Services SE	-	-	62 592	9 642
Allianz New Europe Holding GMBH	-	40	-	-
Allianz SE	67 882	52 286	57 470	22 184
Allianz Technology GmbH	-	-	247	-
Allianz Technology HU	-	-	37 513	-
Allianz Technology SK	-	-	36 825	-
Allianz Sigorta a.s.	2 066	3 253	-	-
Allianz Slovenská poisťovňa, a.s.	4 356	1 879	1 093	949
Allianz SNA sa, Beirut Lebano	-	73	-	-
Allianz Zagreb	-	-	112	-
Allianz Tiriac Asigurari S.A.	283	223	-	-
AWP P&C Česká republika	38 952	22 042	22 642	26 772
Mondial Assistance s.r.o.	-	-	784	-
OJSC Insurance company Allianz	-	30	432	-
Stanislas Hoine	320	320	-	-
T.U. Allianz Polska S.A.	1	30	-	426
Total	167 156	159 418	271 518	130 444

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:

2017	Insurance class	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsur. balance
Direct insurance						
Accident and sickness	1,2,18	217 073	219 198	77 550	36 150	-12 626
Motor - other classes	3	3 300 333	3 290 841	2 268 096	768 164	-8 675
Motor - liability	10	2 695 088	2 714 824	1 951 229	637 605	-6 902
Aviation, marine and transportation insurance	4,5,6,7,11,12	88 359	87 675	101 033	17 539	20 795
Fire and other damage to property	8,9,15,16	2 855 470	2 839 210	1 609 118	812 130	-262 619
Liability	13	829 219	294 464	389 004	186 001	-6 940
Total		9 985 541	9 946 212	6 396 030	2 457 590	-276 967
2016						
Direct insurance						
Accident and sickness	1,2,18	212 074	214 629	76 369	40 192	-11 742
Motor - other classes	3	3 337 841	3 309 524	2 359 848	821 719	-24 181
Motor - liability	10	2 831 825	2 878 810	2 095 995	720 330	10 791
Aviation, marine and transportation insurance	4,5,6,7,11,12	99 518	102 588	-20 434	20 615	-89 753
Fire and other damage to property	8,9,15,16	2 802 527	2 762 286	1 609 211	814 094	-108 240
Liability	13	751 370	726 916	419 870	176 803	971
Total		10 035 155	9 994 753	6 540 859	2 593 753	-222 154

III.2. Life assurance

Gross premiums written in life assurance:

	2017	2016
Individual (special) premiums	2 896 157	2 959 817
Premiums under group contracts	8 770	8 433
Total	2 904 927	2 968 250
Regular premium	2 786 918	2 808 838
Single premium	118 009	159 412
Total	2 904 927	2 968 250
Premiums from contracts without bonuses	314 751	221 807
Premiums from contracts with bonuses	273 932	319 399
Premiums from contracts where the investment risk is borne by policyholders	2 316 244	2 427 044
Total	2 904 927	2 968 250
Reinsurance balance	-4 325	57 734

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	2017	2016
Czech Republic	12 828 519	12 937 593
Belgium	70	68
Bulgaria	235	239
Estonia	-	246
France	173	233
Italy	1 243	1 468
Lithuania	-	27
Hungary	20 799	21 724
Netherlands	439	418
Poland	4 151	4 165
Austria	25	13
Romania	681	626
Slovak Republic	16 865	18 203
Germany	13 516	13 735
Spain	61	-
Sweden	316	300
Turkey	-	1
United Kingdom	3 375	4 346
Total	12 890 468	13 003 405

III.4. Bonuses and rebates

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

	2017	2016
Non-life insurance	292 487	290 977
Life insurance	203	-
Total bonuses and rebates	292 690	290 977

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

	2017	2016
Non-life insurance		
Creation	430 759	309 522
Release	-410 301	-327 246
Change of balance	20 458	-17 724
Life insurance		
Creation	94 427	61 271
Release	-43 599	-32 590
Change of balance	50 828	28 681
Total change of balance	71 286	10 957

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

	2017			2016		
	Non-life insurance	Life assurance	Total	Non-life pojištění	Life assurance	Total
Commissions						
Initial	487 360 ¹⁾	330 314	817 674	556 017 ²⁾	297 981	853 998
Renewal	978 538 ³⁾	70 782	1 049 321	910 569 ⁴⁾	64 339	974 908
Total commissions	1 465 899	401 096	1 866 995	1 466 586	362 320	1 828 906
Other acquisition costs	146 320	63 117	209 436	188 402	77 366	265 768
Change in deferred acquisition costs	16 905	-30 643	-13 738	33 159	-11 331	21 828
Total commissions and other acquisition costs	1 629 124	433 570	2 062 693	1 688 147	428 355	2 116 502

- ¹⁾of which TCZK 8 297 relates to assumed facultative reinsurance
²⁾of which TCZK 81 156 relates to assumed facultative reinsurance
³⁾of which TCZK 11 535 relates to assumed facultative reinsurance
⁴⁾of which TCZK 70 497 relates to assumed facultative reinsurance

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

	2017	2016
Personnel expenses (payroll, social and health insurance)	623 032	653 994
Rental	90 313	103 046
Depreciation and net book value of disposed fixed assets	104 834	86 035
Renewal commissions and bonifications	1 049 320	974 909
Telephone and fax fees, postage	52 509	57 954
Consultancy fees	32 338	42 955
Travel and entertainment	18 548	25 882
Material consumption	4 628	6 020
Other services	70 697	102 326
Other administrative expenses	3 447	6 277
Hardware maintenance and repair	618	3 516
Software maintenance and repair	26 911	87 402
Data network maintenance and repair	128 868	105 747
Total administrative expenses	2 206 062	2 256 063

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

III.7. Other technical expenses and income

	Gross	Reinsurance share	Net
2017			
Non-life insurance			
Other technical expenses	667 867	0	667 868
Other technical income	546 373	0	546 373
Balance – non-life insurance	121 494	0	121 495
Life assurance			
Other technical expenses	74 954	0	74 954
Other technical income	98 056	0	98 056
Balance – life assurance	-23 102	0	-23 102
2016			
Non-life insurance			
Other technical expenses	464 397	-	464 397
Other technical income	356 575	315	356 890
Balance – non-life insurance	107 822	- 315	107 507
Life assurance			
Other technical expenses	71 389	-	71 389
Other technical income	64 397	-753	63 644
Balance – life assurance	6 992	753	7 745

Based on the amendment to Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended, which came into effect on 1 January 2015, the insurance company recognises the amount of TCZK 80 650 (2016: TCZK 84 376) to be remitted to the Loss Prevention Fund in Other technical expenses in the technical account for non-life insurance.

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

Non-life insurance	2017	2016
Additions to (+)/Release of (-) adjustments to receivables	1 919	-7 330
Write-off of receivables	27 741	34 177
Foreign exchange losses (+)/gains (-)	4 088	1 554
Other technical expenses and income	87 746	79 421
Reinsurers' share	0	- 315
Balance of other expenses and income	121 494	107 507

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

Life assurance	2017	2016
Additions to (+)/Release of (-) adjustments to receivables	-16 848	-10 169
Write-off of receivables	20 140	13 389
Foreign exchange losses (+)/gains (-)	-459	65
Other technical expenses and income	-25 935	3 707
Reinsurers' share	0	753
Balance of other expenses and income	-23 102	7 745

III.8. Other expenses and revenues

	2017	2016
Non-technical account		
Other expenses	93 098	263 021
Other income	58 695	270 151
Balance of other expenses and income	34 403	-7 130

Balance of other expenses and income comprises the following items:

	2017	2016
Foreign exchange gains and losses	-1 243	1 154
Foreign exchange differences on revaluation	20 157	33
Provisions	-1 340	536
Other	16 828	-8 852
Balance of other expenses and income	34 403	-7 130

Positive values represent expenses.

III.9. Employees and management

The average number of employees and executives and remuneration for 2017 and 2016 are as follows:

	Average number of employees	Payroll expense	Social and health insurance	Other expenses
2017				
Employees	777	432 613	134 799	20 690
Executives	112	166 843	44 478	7 979
Total	889	599 456	179 278	28 670
2016				
Employees	771	499 914	153 435	22 181
Executives	114	134 898	31 376	5 985
Total	885	634 812	184 811	28 166

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

In 2017, members of statutory and supervisory bodies received remuneration totalling TCZK 71 293 (2016: TCZK 65 328).

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

In 2017, 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	2017	2016
Advice and other non-auditing services	2 465	797
Audit of statutory financial statements	5 027	6 118
Total	7 492	6 915

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 -35 293 (2016: TCZK 47 361).

III.11. Result of non-technical account

The result of the non-technical account as at 31 December 2017 amounted to TCZK -69 697 (2016: TCZK 54 491).

III.12. Result before tax

The result before tax as at 31 December 2017 amounted to TCZK 1 006 780 (2016: TCZK 864 726).

III.13. Taxation

(a) Income tax in the income statement

	2017	2016
Provision for current period income tax	159 909	108 355
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	10 476	16 229
Current income tax relating to prior periods	64 570	2 549
Change in deferred tax asset/		
Change in deferred tax liability	-305	-8 396
Income tax in the income statement	234 650	118 737

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	
	2017	2016	2017	2016	2017	2016
Tangible fixed assets	7 372	5 831	-	-	7 372	5 831
Intangible fixed assets	-	-	3 604	1 495	-3 604	-1 495
Receivables	3 851	3 411	-	-	3 851	3 411
Provisions	2 011	2 266	-	-	2 011	2 266
Losses of previous periods	-	-	-	-	-	-
Other temporary differences recorded in Income statement	8 665	7 977	-	-	8 665	7 977
Total	21 899	19 485	3 604	1 495	18 295	17 990
Influence in Income statement	2 414	2 560	2 109	-5 836	305	8 396
Revaluation of assets and liabilities	5 216	5 216	6 268	6 497	-1 052	-1 281
Other temporary differences recorded in Equity	-	-	-	-	-	-
Total	5 216	5 216	6 268	6 497	-1 052	-1 052
Influence in Equity	-	-	-	-	-	-
Deferred tax asset/liability	27 115	24 701	9 872	7 992	17 243	16 709
Off-setting of relating deferred tax assets and liabilities	-	-	-	-	-	-
Deferred tax asset/liability	27 115	24 701	9 872	7 992	17 243	16 709

The impact of changes in deferred tax assets and liabilities on the income statement for 2017 consisted of a gain of TCZK 305 (2016: TCZK 8 396).

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 improbable 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

On 1 January 2018, Alexander Hollman was appointed a member of the Board of Directors.

On the same date, Martin Wricke became a member of the Supervisory Board.

Prague, 28 March 2018



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



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

REPORT ON RELATIONS BETWEEN RELATED PARTIES

We provide this report on relationships between related parties on duty as stipulated by the Czech Commercial Code. By relationships, we mean commercial relationships to controlling, controlled and other related parties. The parties involved are companies of the Allianz Group. During accounting period 2017, or during preceding periods, Allianz pojišťovna, a. s., did not conclude any controlling agreement and transfer of profit agreement.

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

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

SUMMARY

Controlling party

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

Controlled parties

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

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

Other related parties

Other related parties are parties from Allianz Group and the most important of them are described in Allianz Group Structure on pages 80 - 81.

RELATIONSHIPS TO CONTROLLING AND CONTROLLED PARTIES, OTHER THAN VIA REINSURANCE

Allianz new Europe Holding GmbH

Allianz New Europe Holding GmbH is the parent company of Allianz pojišťovna, a. s., from 11 May 2006. Allianz New Europe Holding GmbH acquired the 100% holding in Allianz pojišťovna, a. s., from Allianz Aktiengesellschaft. In 2017, Allianz pojišťovna, a. s., paid a dividend for 2016 to its shareholder.

Allianz Holding eins GmbH

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

Allianz SE

Allianz SE is the controlling party of the whole group. Allianz SE and Allianz pojišťovna, a. s., concluded an agreement on management services in 2003, which replaced the service agreement concluded in 1994. The agreement on management services includes cooperation in management, marketing, IT, services in the area of human resources (sales techniques training, personnel development programs), temporary or permanent secondment of employees and support of quality work, development and implementation of corporate controlling system. In 2006 and 2007, Allianz SE and Allianz pojišťovna, a. s., concluded an agreement on sharing IT system costs in common holding operations. An agreement on cost sharing and provision of services in human resources and an agreement on provision of software licences and related services were entered into in 2009. In 2010, Allianz pojišťovna, a. s., concluded an agreement on cash pooling with Allianz SE. From 2017, the agreement on „Allianz Leadership Development Program“ is concluded between the parties.

In 2012, Allianz pojišťovna, a. s., and Allianz SE concluded an agreement on provision of consultation services in implementation of Solvency II. In November 2013, Allianz pojišťovna, a. s., and Allianz SE concluded agreement on conclusion of transactions with financial derivatives (Master Treasury Agreement for Intra-Group Financial Derivates Transactions). In October 2015, Allianz pojišťovna, a. s. concluded cost sharing agreement (Global Procurement Expenses excluding IT Procurement) with Allianz SE. With effectiveness from 2016, Allianz pojišťovna, a. s., and Allianz SE concluded general agreement on provision of services and costs sharing. Further, from 27 May 2013, the agreement on costs sharing concerning software usage provided by Towers Watson is concluded between the companies.

Allianz penzijní společnost, a. s.

Allianz penzijní společnost, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s., Allianz penzijní společnost, a. s. and Allianz pojišťovna, a. s., cooperate closely and coordinate their entrepreneurial activities. In 1995, the two companies signed an agreement on cooperation regarding the sale of supplementary pension schemes by Allianz pojišťovna, a. s., sales agents. Allianz pojišťovna, a. s., and Allianz penzijní společnost, a. s. cooperate closely in the area of management, asset management, marketing, IT and services in the area of human resources (sales techniques training, personnel development programs, parallel employment). With effectiveness from 1 January 2017, the agreement on cooperation and on sharing of selected costs was concluded. In 2013, the companies concluded an agreement on provision and personnel data processing. In 2014, a new sublease contract was concluded that replaced fully the original sublease contract.

Allianz kontakt, s. r. o.

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

Allianz nadační fond (Allianz Endowment Fund)

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

Diamond Point, a. s.

Diamond Point, a. s. is a 100% subsidiary of Allianz pojišťovna. Diamond Point, a. s. is an owner of the real estate property Ke Štvanici 656/3, in which Allianz pojišťovna, a. s. has its registered office. The companies concluded the agreement on long-term lease. Allianz pojišťovna is owner of fixed interest securities in nominal value of CZK 876 000 000 that the company issued in 2013. Further, Allianz pojišťovna, a.s. enters the relations with other companies of Allianz Group based on ad hoc. Receivables and payables as of 31 December 2017 are mentioned in point II.13 of Notes to the financial statements that is an integral part of this annual report.

RELATIONS TO RELATED PARTIES, OTHER THAN VIA REINSURANCE

Allianz - Slovenská poisťovňa, a. s.

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

AWP Solutions ČR and SR

This company provides Allianz pojišťovna, a. s., with assistance services for medical expenses abroad insurance, travel insurance, casco insurance of vehicles, liability insurance and household insurance. The agreement on provision of telematic services and agreement on cooperation with assistance services provision in the sphere of life insurance are concluded between the parties.

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

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

Euler Hermes SA, organizační složka

Allianz pojišťovna, a. s., and Euler Hermes SA, organizační složka coordinate their activities in the sale of credit and warranty insurance products. In 2006, the two companies concluded an agreement on cooperation. Sales of insurance products are brokered for the said company by Euler Hermes SA, organizační složka.

Allianz Global Corporate & Specialty SE

This company renders consulting services to Allianz pojišťovna, a. s., in the area of large-scale and special risks insurance under agreement dated February 2008..

Allianz Global Investors Advisory GmbH

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

Allianz Investment Management SE

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

Allianz Deutschland AG

The two companies collaborate in the area of client projects under an agreement dated October 2008. In the area of IT, Allianz pojišťovna, a. s., cooperates with Allianz Deutschland AG, Allianz Hungaria Bistosító Zrt. and Allianz Suisse Versicherungsgesellschaft-AG. In addition, Allianz pojišťovna, a. s., uses instruments of investment companies Allianz Global Investors Kapitalanlagegesellschaft GmbH, Allianz Global Investors Luxembourg S.A., PIMCO Europe Ltd. And PIMCO Global Advisors (Ireland) Limited.

Allianz Technology SE

Allianz pojišťovna and Allianz Technology SE concluded the following agreements:

- general agreement on provision of services from 2017,
- general agreement for work with licence stipulation from 2017 concerning the project “One web”,
- general agreement in the sphere of IT from 2016,
- sub-licence agreement on the product “ORACLE ULA” from 2015
- agreement from 2016 for delivery of “Global Sanctions Screening Solution”,
- agreement from 2015 for “Services Description Agreement”.

Allianz Technology GmbH

- agreement on ABAC training

Allianz Telematics S.P.A.

- general agreement on provision of telematic services

RELATIONSHIPS TO CONTROLLING AND RELATED PARTIES IN THE AREA OF REINSURANCE

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

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

Other group members are active and passive facultative reinsurers of Allianz pojišťovna, a. s., Reinsurance is invoiced on the basis of reinsurance contracts concluded between Allianz pojišťovna, a. s., and the above mentioned companies of Allianz Group.

Allianz SE

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

Allianz Global Corporate & Specialty SE

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

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

AWP P&C Česká republika- branch of foreign legal entity acts as Allianz pojišťovna, a. s., reinsurer of travel insurance and technical assistance for vehicles as well as extended warranty insurance. In the course of the reporting period 2017, Allianz pojišťovna a.s issued no guarantees and provided no loans other than described above, and assumed no other financial liabilities in respect of the related parties.

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

We declare that, according to Section 82 of law about commercial corporations, the report of Allianz pojišťovna for accounting period starting 1 January 2017 and ending 31 December 2017 includes all information pursuant to the law.,

We hereby declare that we are not aware of any of the above agreements or arrangements being detrimental to the assets of Allianz pojišťovna, a. s., Further we declare no disadvantage follow from the relationships between controlling and controlled party and between controlled party and controlled parties by the same person and that there is no risk for controlled party.

We declare that in 2017 there were no negotiations on the instigation or in the interest of controlling party or controlled parties by it concerning property which would exceed 10% of equity capital of Allianz pojišťovna, a. s., according to last financial statement, except of dividend payment to the sole shareholder.

In Prague, 28 March 2018

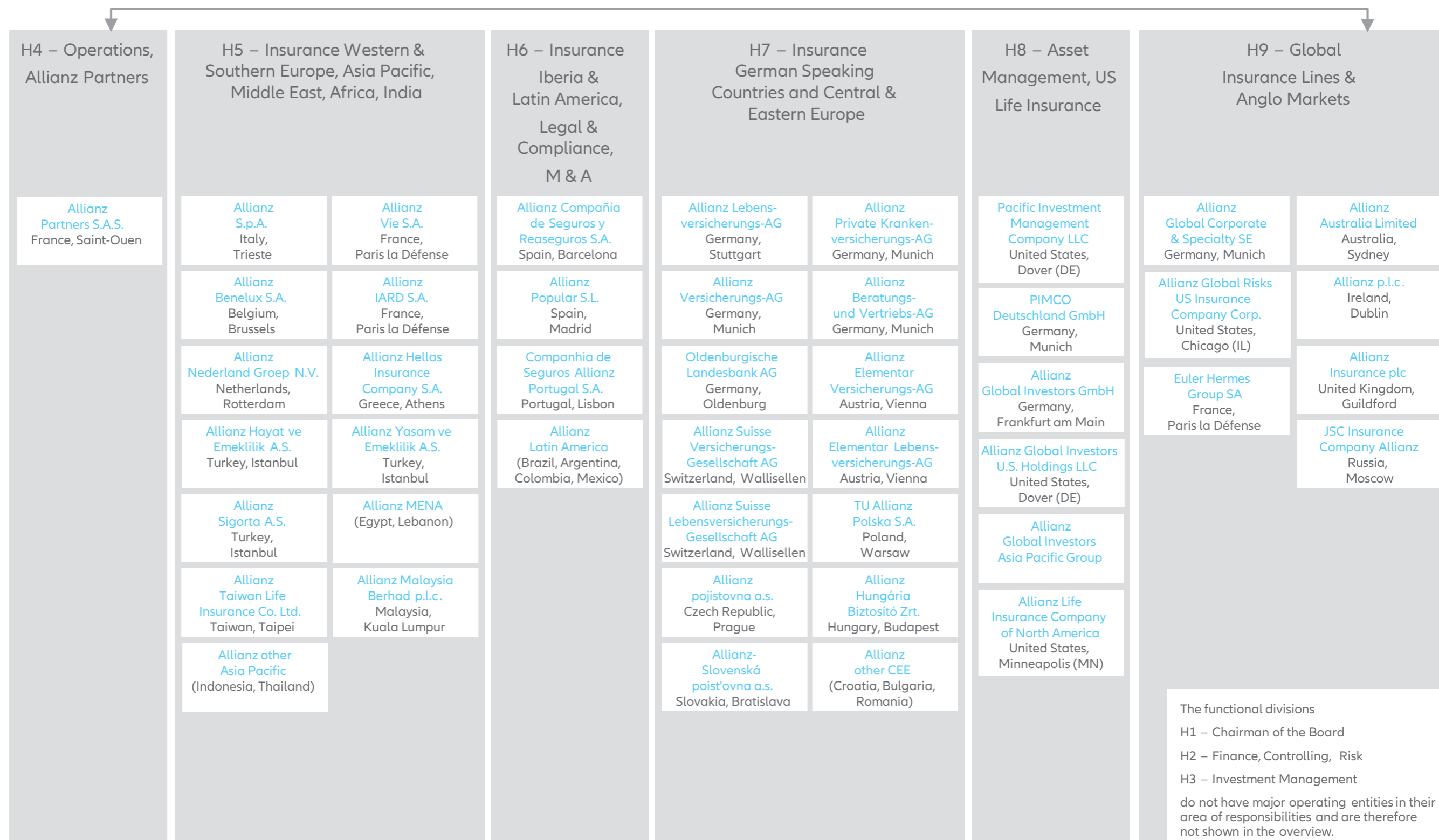
RNDr. Jakub Strnad, Ph.D.
Chairman of the Board of Directors

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

ALLIANZ GROUP STRUCTURE

This overview is simplified. It focuses on major operating entities and does not contain all entities of Allianz Group. It does not show whether a shareholding is direct or indirect. This overview shows the status as of December 31, 2017.

Allianz SE



CONTACTS

GENERÁLNÍ ŘEDITELSTVÍ

Allianz pojišťovna, a.s.

Ke Štvanici 656/3, 186 00 Praha 8

Tel.: 241 170 000 Fax: 242 455 555

e-mail: info@allianz.cz, www.allianz.cz

Kontaktní centrum: 241 170 00

Datová schránka: vfycqvw

REGIONÁLNÍ ŘEDITELSTVÍ

Regionální ředitelství Praha

Českomoravská 2420/15, 190 93 Praha 9

Tel.: 284 011 567, 284 011 590

Regionální ředitelství střední Čechy

Bucharova 2, 158 00 Praha 5

Tel.: 224 405 771, Fax: 224 405 772

Regionální ředitelství Plzeň

Lochotínská 22, 301 11 Plzeň

Tel.: 373 374 002, 373 374 016, Fax: 373 374 041

Regionální ředitelství České Budějovice

F. A. Gerstnera 52, 370 01 České Budějovice

Tel.: 385 791 304

Regionální ředitelství Ústí nad Labem

Špitálské náměstí 3517, 400 01 Ústí nad Labem

Tel.: 472 707 111, e-mail: usti@allianz.cz

Regionální ředitelství Severovýchodní Čechy

U Koruny 1742/16, 500 02 Hradec Králové

Tel.: 494 492 001

Regionální pobočka Liberec

Palachova 1404, 460 01 Liberec 3

Tel.: 484 486 833, Fax: 484 486 823

Regionální ředitelství Brno I, II

Čechyňská 23, 602 00 Brno

Tel.: 543 425 850, Fax: 543 425 864

Regionální ředitelství Ostrava

28. října č. 29, 702 00 Ostrava

Tel.: 596 279 000, Fax: 596 279 001

Regionální ředitelství Olomouc

Jeremenkova 40B, 772 00 Olomouc

Tel.: 585 582 050

Published by

© 2018 Allianz penzijní společnost, a. s.

Ke Štvanici 656/3, 186 00 Praha 8

Tel.: 224 405 111

Fax: 242 455 555

www.allianz.cz

Produkce

TAC-TAC agency s.r.o.

www.tac-tac.cz