

Allianz Europe Limited

**Directors' report and financial
statements**

Registered number 1571671

Year End Date 31 December 2011



Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of Allianz Europe Limited, registered number 1571671, for the year ended 31 December 2011. The accounts have been presented in Euros.

Activities

The company is and will continue to be a holding company. The principal activity of its subsidiary undertakings is the provision of financial services, including the transaction of insurance and reinsurance business of all classes.

General

Shares in Group companies

On 5 January 2011, the company did a contribution in kind of EUR 5,732 million in the capital of Allianz Investments II Luxembourg S à r l, Luxembourg by way of distributing intercompany loans.

On 22 February 2011 Treewalk (UK) Ltd was dissolved. Due to the fact that no cash was distributed, the remaining book value was written off and booked through the profit and loss account.

With value date 31 March 2011 the Company acquired 219,428 new shares of Allianz Life Egypt, Cairo, Egypt by way of stock dividend.

On 1 December 2011 the Company sold 75.00% of its interest in Allianz Takaful BSC, Bahrain.

On 30 December 2011, Allianz Compagnia Italiana Finanziamenti S p A made use of its right to convert EUR 1,365 million of the outstanding profit participation loan into equity by way of issuing 335,900 ordinary shares.

On 30 December 2011, Allianz Compagnia Italiana Finanziamenti S p A, Milan, Italy distributed a total dividend of EUR 2,714 million of which EUR 169 million in cash and EUR 2,545 million in kind by way of distributing 19.99% of the issued share capital of Allianz Suisse Versicherungs-Gesellschaft AG, Zurich, Switzerland, 19.99% of the issued share capital of AGF RAS Holding B V, Amsterdam, the Netherlands, 19.99% of the issued share capital of Companhia de Seguros Allianz Portugal S A, Lisbon, Portugal, 19.99% of the issued share capital of Allianz Global Assistance SAS, Paris, France, 50.95% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 55.43% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

On 30 December 2011, the company paid dividend of EUR 2,748 million to Allianz Europe B V of which EUR 203 million in cash and EUR 2,545 million in kind by way of distributing 19.99% of the issued share capital of Allianz Suisse Versicherungs-Gesellschaft AG, Zurich, Switzerland, 19.99% of the issued share capital of AGF RAS Holding B V, Amsterdam, the Netherlands, 19.99% of the issued share capital of Companhia de Seguros Allianz Portugal S A, Lisbon, Portugal, 19.99% of the issued share capital of Allianz Global Assistance SAS, Paris, France, 50.95% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 55.43% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

As at 31 December 2011, the company impaired its investment in Allianz Compagnia Italiana Finanziamenti S p A, Milan, Italy as well as Allianz Investments II Luxembourg S à r l, Luxembourg, Luxembourg for an amount of EUR 4,285 million respectively EUR 5,731 million.

The principal subsidiary undertakings are shown in note 19. None of the above investments are listed.

Loans to group companies

On 29 April 2011 the Company grants a profit participation loan to Allianz New Europe Holding GmbH, Vienna, Austria of EUR 173 million, being the proceeds from two early loan repayments outstanding to Allianz SE.

On 12 August 2011, Allianz Holding Eins GmbH, Vienna, Austria repurchased the outstanding profit participation loan of EUR 660 million including interest.

On 15 December 2011, respectively 16 December 2011, the Company received an interim dividend in kind of EUR 5,731 million from Allianz Investments II Luxembourg S a r l , Luxembourg The distribution did take the form of the assignment of intercompany loans to the Company

Securities

On 7 June 2011 the Company acquired a further 7,789,656 shares of Banco Português de Investimento, Oporto, Portugal by way of conversion of a rights issue

Equity

On 19 December 2011 the Company cancelled all B ordinary shares issued and converted the amount of the shares to the other reserves

Dividend

During the financial year 2011, the Company received a total dividend from its subsidiaries of EUR 9,399 million (2010 EUR 8,960 million) The Company did not receive dividend on its securities (2010 EUR 6 million)

The company declared total dividends of EUR 4,719 million during the year 2011 (2010 EUR 3,230 million)

Results

The result for the financial year 2011 amounts to a net loss of EUR 402.2 million (2010 profit of EUR 76.4 million) The decrease in the results is mainly caused by the decrease in results on shares in group companies (dividend income less impairments)

The results for the year are shown in the profit and loss account on page 7

Risk Management

The Company is exposed to risks inherent to the Company's activities described above The most important types of financial risk to which the Company is exposed are currency risk, credit risk and operational risk

Currency risk

Currency risk is the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of assets and liabilities denominated in currencies other than the euro.

Currency risks are limited as dividend receivables (in other currency than the euro) are hedged on the same day they are declared

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counter party fails to meet its contractual obligation, and arises principally from the Company's granted loans to group companies The Company reviews the creditworthiness of the group companies

Operational risk

Operational risk related mainly to issues like fraud, IT matters and legal matters For operational support, a service level agreement is concluded with Allianz Compagnia Italiana Finanziamenti S p A , Dutch branch in Amsterdam The Company considers it has set up adequate internal controls to mitigate operational risks

Directors

The directors who served from 1 January 2011 to date were

Dr P Achleitner	Chairman (resigned on 31 May 2012)
Dr M Zimmerer	Managing Director (appointed as from 31 May 2012)
C Bunschoten	Managing Director
S J Theissing	Managing Director
J C M Zarnitz	Managing Director

Dr P Achleitner has Austrian nationality, C Bunschoten has Dutch nationality, Dr M Zimmerer, S Theissing and J C M Zarnitz have German nationality

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

J.C.M. Zarnitz
Managing Director and Secretary



Amsterdam

26 July 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANZ EUROPE LIMITED

We have audited the financial statements of Allianz Europe Limited for the year ended 31 December 2011 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Murray Alexander Raisbeck

Murray Alexander Raisbeck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

6 September 2012

Profit and loss account
for the year ended 31 December 2011

	Note	2011 EUR'000	2010 EUR'000
Income from shares in group undertakings			
Dividends from shares		9,398,707	8,965,960
Other interest receivable and similar income	2	334,334	371,095
		<hr/>	<hr/>
Administrative expenses	3	9,733,041 (393)	9,337,055 (528)
		<hr/>	<hr/>
Operating profit on continuing activities		9,732,648	9,336,527
Impairment of fixed assets investments		(10,016,732)	(9,178,306)
Realized losses from liquidation group undertakings		(1)	-
Realised losses on sale group undertakings		(13,656)	(5)
Depreciation of securities		(93,472)	(59,329)
Withholding taxes	4	(12,582)	(19,963)
Interest payable and similar charges		-	(423)
		<hr/>	<hr/>
Profit / (Loss) on ordinary activities before taxation		(403,795)	78,501
Tax on profit / (loss) on ordinary activities	5	1,560	(2,094)
		<hr/>	<hr/>
Profit / (Loss) for the financial year		(402,235)	76,407

The notes on pages 9 to 19 form part of these financial statements

The company had no recognised gains or losses other than the (loss) / profit for the year

All income and expenditure relates to continuing operations

Balance sheet

As at 31 December 2011

	Note	2011	2010	Note	2011	2010
		EUR '000	EUR '000		EUR '000	EUR '000
Fixed assets						
Tangible assets						
Investments	7	4,848,379	7,779,489	12	4,524,048	14,773,243
Profit participation loans	8	3,273,000	5,125,000		-	-
				13	9,593,018	4,465,203
		8,121,379	12,904,489	14	14,117,066	19,238,446
					14,117,066	19,238,446
Current assets						
Loans to group companies	9	5,773,798	5,921,012			
Debtors	10	164,844	262,426			
Securities	11	57,110	150,582			
Cash at bank and in hand		94	136			
				15	159	199
		5,995,846	6,334,156			
Total assets		14,117,225	19,238,645		14,117,225	19,238,645

Approved by the directors on 26 July 2012

C. Bunschoten
Director

J.C.M. Zarnitz
Director

The notes on pages 9 to 19 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements are presented in Euros because the company operates in the Netherlands and accounts for its transactions in Euros

The company does not have more than one business or geographical segment

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules

The financial statements present information about the undertaking as an individual undertaking and not about its group. The accounting policies set out below have been applied consistently to all periods presented in these financial statements

The financial statements of the Company have been drawn up on a going concern basis, on the basis that the directors of the company have considered resources within the group available to the Company and group, and having taking these into consideration, the directors believe the Company has the resources to continue in operational existence for the foreseeable future

Exemption from requirement to prepare group financial statements

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The company's financial statements are included in the consolidated financial statements of Allianz SE which are drawn up according to German law in accordance with the EU Seventh Directive, and have been audited. Copies of Allianz SE's Annual Report for 2011, in English, including the consolidated financial statements and the auditors' report on them, will be filed with the UK Registrar of Companies, Companies House, Cardiff, CF4 3UZ.

Exemption from requirement to prepare a cash flow statement

Due to the existence of certain control agreements with the other shareholder, more than 90% of the voting rights of the company are controlled within the Allianz SE Group and the company is included within the published consolidated financial statements of Allianz SE Group. Advantage has therefore been taken of the exemption in FRS 1 from the requirement to prepare a cash flow statement.

Fixed asset investments

Investments in group undertakings are stated at cost less provisions for permanent diminution in value.

Notes *(continued)*

Securities

Securities are recorded at the lower of acquisition cost or fair value which is determined by reference to their quoted bid price at the reporting date

Foreign currencies

Transactions in foreign currencies are translated using the rate of exchange ruling at the date of the transaction. Foreign currency balances at the year-end are translated at the rate ruling at the year-end. All exchange differences are dealt with through the profit and loss account. Share capital is translated at the rate ruling on the day it is called up.

Deferred Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Notes (continued)

2 Other interest receivable and similar income

	2011 EUR'000	2010 EUR'000
Inter company interest	325,315	366,711
Interest income bonds	2,909	2,637
Other income	6,110	1,747
	<u>334,334</u>	<u>371,095</u>

3 Administrative expenses

	2011 EUR'000	2010 EUR'000
Fees payable to the company's auditor for the audit of the company	20	39
Fees payable to the company's auditor for other services - services relating to taxation	157	222
	<u>177</u>	<u>261</u>
Total auditors' remuneration	177	261
Other expenses *	216	267
	<u>393</u>	<u>528</u>
Total administrative expenses	393	528

* Other expenses consist of legal and other fees, bank charges and others

The company did not employ any personnel during the financial year 2011 (2010 nil) The directors did not receive any remuneration

4 Withholding tax

This item relates to withholding tax on interest received regarding profit participation loans

Notes (continued)

5 Taxation

Analysis of the charge in period

	2011		2010	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Dutch corporation tax</i>				
Corporation tax current year		(1,560)		2,056
Corporation tax prior years		-		38
		<u>(1,560)</u>		<u>2,094</u>
Tax on profit on ordinary activities		<u>(1,560)</u>		<u>2,094</u>

Current tax reconciliation

	2011		2010	
	EUR'000	EUR'000	EUR'000	EUR'000
(Loss) / Profit on ordinary activities before taxation	(403,795)		78,501	
		(403,795)		78,501
Less.				
Dividends received	(9,398,707)		(8,965,960)	
Interest income from profit participation loans	(313,420)		(360,080)	
		<u>(9,712,127)</u>		<u>(9,326,040)</u>
Add.				
Impairment of fixed assets investments	10,016,732		9,178,306	
Withholding tax	12,582		19,963	
Losses on sale group undertaking	13,656		-	
Transfer expenses group companies	-		127	
Depreciation securities	66,672		57,254	
		<u>10,109,642</u>		<u>9,255,650</u>
Taxable income		(6,280)		8,111
<i>Corporation tax</i>				
Total corporation tax for the year		<u>(1,560)</u>		<u>2,056</u>

Notes (continued)

As from 15 December 2010 the Company is a member of a fiscal unity with regard to Dutch corporation tax. As a consequence, the corporation tax shown from this date forward is a debt or receivable towards the head of the fiscal unity, being Allianz Europe B V, Amsterdam, the Netherlands. The Company is jointly and severally liable for the corporate income tax payable by all companies belonging to the fiscal unity.

6 Deferred tax

There is no provision for deferred tax as there are no transactions on events that have occurred by the balance sheet date that give rise to an obligation to pay more tax in the future or a right to pay less tax in the future.

7 Investments

Fixed asset investments

	2011 EUR'000	2010 EUR'000
Shares in group undertakings	4,848,379	7,779,489
	<hr/>	<hr/>
As at 31 December	4,848,379	7,779,489
	<hr/>	<hr/>

The movement in investments held as fixed assets, may be analysed as follows

Shares in group undertakings

	EUR'000
At 31 December 2010 at cost	7,779,489
Additions	9,644,910
Disposals	(2,559,288)
Impairments	(10,016,732)
	<hr/>
At 31 December 2011 at cost	4,848,379
	<hr/>

On 5 January 2011, the Company did a contribution in kind of EUR 5,732 million in the capital of Allianz Investments II Luxembourg S a r l, Luxembourg by way of distributing intercompany loans.

On 22 February 2011 Treewalk (UK) Ltd was dissolved. Due to the fact that no cash was distributed, the remaining book value was written off and booked through the profit and loss account.

With value date 31 March 2011 the Company acquired 219,428 new shares of Allianz Life Egypt, Cairo, Egypt by way of stock dividend.

On 1 December 2011 the Company sold 75.00% of its interest in Allianz Takaful BSC, Bahrain.

On 30 December 2011, Allianz Compagnia Italiana Finanziamenti S p A made use of its right to convert EUR 1,365 million of the outstanding profit participation loan into equity by way of issuing 335,900 ordinary shares.

On 30 December 2011, Allianz Compagnia Italiana Finanziamenti S p A, Milan, Italy distributed a total dividend of EUR 2,714 million of which EUR 169 million in cash and EUR 2,545 million in kind by way of distributing 19.99% of the issued share capital of Allianz Suisse Versicherungs-Gesellschaft AG, Zurich, Switzerland, 19.99% of the

Notes (continued)

issued share capital of AGF RAS Holding B V , Amsterdam, the Netherlands, 19.99% of the issued share capital of Companhia de Seguros Allianz Portugal S A , Lisbon, Portugal, 19.99% of the issued share capital of Allianz Global Assistance SAS, Paris, France, 50.95% of the issued share capital of Lloyd Adriatico Holding S p A , Trieste, Italy and 55.43% of the issued share capital of Allianz Subalpina Holding S p A , Turin, Italy

On 30 December 2011, the Company paid dividend of EUR 2,748 million to Allianz Europe B V of which EUR 203 million in cash and EUR 2,545 million in kind by way of distributing 19.99% of the issued share capital of Allianz Suisse Versicherungs-Gesellschaft AG, Zurich, Switzerland, 19.99% of the issued share capital of AGF RAS Holding B V , Amsterdam, the Netherlands, 19.99% of the issued share capital of Companhia de Seguros Allianz Portugal S A , Lisbon, Portugal, 19.99% of the issued share capital of Allianz Global Assistance SAS, Paris, France, 50.95% of the issued share capital of Lloyd Adriatico Holding S p A , Trieste, Italy and 55.43% of the issued share capital of Allianz Subalpina Holding S p A , Turin, Italy

As at 31 December 2011, the Company impaired its investment in Allianz Compagnia Italiana Finanziamenti S p A , Milan, Italy as well as Allianz Investments II Luxembourg S à r l , Luxembourg, Luxembourg for an amount of EUR 4,285 million respectively EUR 5,731 million

The principal subsidiary undertakings are shown in note 17. None of the above investments are listed.

8 Profit participation loans

Loan to ACIF

The perpetual subordinated loan to ACIF for EUR 2,365,000,000 bears interest of 7.31 % per annum and is subject to an interest payment trigger condition (the obligation to pay interest is conditional upon the borrower's average net income after tax during the previous three business years as determined pursuant to local GAAP having been positive. If this condition is not fulfilled, no interest will be payable for the corresponding interest period. Any interest not payable under this condition will not accrue and will not become payable in future periods)

The loan may be prepaid, in whole or in part, at the sole option of the borrower, giving 5 years previous notice and subject to prior authorization of the Italian insurance supervisory authority (ISVAP). The loan can be converted into the ordinary shares of the borrower subject to the lender's agreement and subject to compliance with applicable corporation law and specific Italian regulations on insurance companies

In 2011 ACIF converted EUR 1,365,000,000 of the loan into 335,900 ordinary shares

Loan to Allianz Holding France SAS

The perpetual subordinated loan to Allianz Holding France SAS for EUR 2,100,000,000 bears a minimum interest of 0.25 % per annum and maximum interest of 7.40 % per annum for the interest periods ending before or on 31 December 2017. Thereafter, the maximum interest rate for each interest period shall be determined annually as the 12 month-EURIBOR plus margin. The amount of interest shall be the maximum interest amount except

a) if the amount of interest calculated in respect of any interest period exceeds the borrower's statutory pretax net income for such interest period, the amount of interest due shall be capped at the borrower's statutory pre-tax net income for such interest period, provided, however, that if the borrower's simplified consolidated income for such interest period exceeds the borrower's statutory pre-tax net income for such interest period, the amount of interest shall then be capped at the borrower's simplified consolidated income for such interest period. However, the amount of interest can under no circumstances exceed the maximum interest amount

b) If the borrower's statutory pre-tax net income and the borrower's simplified consolidated income for any interest period are less than the minimum interest amount for such interest period, then the amount of interest due shall be equal to the minimum interest amount for such interest period

c) Any negative difference between the amount of interest and the maximum interest amount for a considered interest period will not accrue and will not become payable in future periods

The loan may be prepaid, annually at the end of each calendar year, but at the earliest on 31 December 2017, in whole or in part, at the sole option of the borrower, by giving 6 months prior notice. Any repayment is yet subject to prior authorization of the Autorité de Contrôle des Assurances et des Mutuelles. The loan can be converted into the

Notes (continued)

ordinary shares of the borrower, giving 60 days prior notice, subject to the lender and subject to compliance with applicable stock corporation law and specific French regulations on insurance companies

Loan to Allianz Holding Eins GmbH

On 12 August 2011, Allianz Holding Eins GmbH purchased and accepted the profit participation loan for a purchase price equal to the outstanding nominal value of the loan (EUR 660,000,000) together with the accrued interest since the last interest payment date. As a consequence the original loan agreement ended with immediate effect.

Loan receivable from Allianz New Europe Holding GmbH

The perpetual subordinated loan to Allianz New Europe Holding GmbH for EUR 173,000,000 bears an interest of 8.25% per annum for the interest periods ending before or on 31 December 2016. Thereafter the maximum interest rate for each interest period shall be determined annually as the 12-month-Euribor as determined two business days prior to the beginning of such interest period plus 512 bp, corresponding to the original launch spread vs mid-swap included in the 8.25% per annum rate applicable to the interest periods ending on or before 31 December 2016.

The interest amount for each interest period shall be the product of (1) the maximum interest rate, and (II) the weighted average outstanding loan amount, which is calculated by dividing on each calendar day in the interest period, (x) the amount outstanding of the loan amount at the end of that day with (y) the number of calendar days that fall into the respective calendar year in which the interest period ends, and adding up the sum of these quotients.

The interest amount shall be capped at the incremental value of the subsidiaries, being Allianz Pojistovna A.S., Prague, Allianz Slovenska Poistovna A.S., Bratislava, Allianz Hungaria Biztosító Rt., Budapest, Allianz Polska S.A., Warsaw and OJSC Insurance Company ROSNO, Moscow. If the incremental value of the subsidiaries is negative, the interest amount shall be zero. Any amount exceeding the cap will not accrue and will not become payable.

Subject to (I) the Company giving 60 days prior notice of its decision to convert its receivable into a share of the Allianz New Europe Holding GmbH, (II) compliance with applicable Austrian limited liability company law and insurance supervisory law as well as subject to (III) approval of the shareholder of Allianz New Europe Holding GmbH, Allianz New Europe Holding GmbH will issue a new share to the Company.

In the event of liquidation, dissolution and insolvency of Allianz New Europe Holding GmbH, its obligations will be subordinated to the claims of all other creditors.

9 Loans to group companies

	EUR'000
At 31 December 2010	5,921,012
Additions	6,419,961
Repayments	(6,567,614)
Amortization	439
	<hr/>
At 31 December 2011	<u>5,773,798</u>

On 5 January 2011, the company did a contribution in kind of EUR 5,732 million in the capital of Allianz Investments II Luxembourg S.à.r.l., Luxembourg by way of distributing intercompany loans.

Notes (continued)

On 15 December 2011, respectively 16 December 2011, the Company received an interim dividend in kind of EUR 5,731 million from Allianz Investments II Luxembourg S a r l, Luxembourg. The distribution did take the form of the assignment of intercompany loans to the Company.

10 Debtors

	2011 EUR'000	2010 EUR'000
Amounts owed by group undertakings	164,143	261,984
Receivable corporation tax	348	121
Other debtors	50	27
Prepayments and accrued income	303	294
	<hr/> 164,844 <hr/>	<hr/> 262,426 <hr/>

11 Securities

Convertible bonds (CASHES)

On 18 February 2009 the Company subscribed in convertible bonds (CASHES) for an amount of EUR 50 0 million. The CASHES are priced with a coupon of 3 month EURIBOR plus 450 bps and have a fixed exchange price of EUR 3 083, which is the reference price of the shares at the close of the market on the Italian Stock Exchange on 5 October 2008 and can be converted into new UniCredit (UCI) common shares either

- * at the investor's option at anytime after 40 days from issue, or
- * automatically either at maturity or if after 7 years, UCI stock is higher than EUR 4 60, or
- * other extraordinary events as defined in term sheet (UCI default, clean up call)

Interest payments of the bonds are quarterly and basically can be cancelled only for two kinds of events

- * conversion,
- * no earnings, if UCI has no earnings capacity after dividends have been paid

The CASHES qualify as a hybrid financial product that is comprised of a combination of a nonderivative host financial instrument (the subordinated bonds) and an embedded derivative (call option).

As at 31 December 2011, the fair value of the bonds amounted to EUR 20 3 million (31 December 2010 EUR 42 7 million). The fair value movement of EUR 22 4 million (loss) was recognised in the profit and loss account (2010 EUR 2 1 million loss). The fair value of the call option as at 31 December 2010 amounts to minus EUR 4 4 million (31 December 2010 EUR 5 0 million). As the fair value of the option at year end is below acquisition cost (nil), EUR 4 4 million is recognised as expense in the profit and loss account.

Shares Banco Português de Investimento S.A. (BPI S.A.)

On 18 September 2007, the Company acquired 65,659,233 shares in BPI S.A., Oporto, Portugal, from RAS International N.V. for a total amount of EUR 400 5 million. On 16 June 2008, the Company acquired an additional 12,237,328 shares for a total amount of EUR 30 6 million.

On 7 June 2011 the Company acquired a further 7,789,656 shares of Banco Português de Investimento, Oporto, Portugal by way of conversion of a rights issue.

Notes (continued)

As at 31 December 2011, the Company holds 85,686,217 shares of BPI S A , Oporto, Portugal, being an interest of 8.7%. As at 31 December 2011, the quoted market value of the shares amounted to EUR 41.2 million (2010 EUR 107.9 million). The decrease of EUR 66.7 million (2010 decrease of EUR 57.3 million) was recognised in the profit and loss account.

12 Called up share capital

	At 31 December 2011		At 31 December 2010	
	Number of shares	EUR'000	Number of shares	EUR'000
Allotted, called up and fully paid £1 A-ordinary shares	3,331,053,323		3,331,053,323	
Allotted, called up and fully paid £1 B-ordinary shares	-		6,865,013,076	
	<u>3,331,053,323</u>	<u>4,524,048</u>	<u>10,196,066,399</u>	<u>14,773,243</u>

13 Profit and loss account and reserves

	Profit and Loss account	Other Reserves	Total Reserves
	EUR'000	EUR'000	EUR'000
As at 31 December 2010	-	4,465,203	4,465,203
Cancellation B ordinary Shares	-	10,249,195	10,249,195
Dividend paid in 2011	-	(4,719,145)	(4,719,145)
Result for the year	(402,235)	-	(402,235)
Transfer to other reserves	402,235	(402,235)	-
As at 31 December 2011	<u>-</u>	<u>9,593,018</u>	<u>9,593,018</u>

14 Reconciliation of movements in shareholders' funds

	2011 EUR'000	2010 EUR'000
Opening shareholders' funds	19,238,446	22,392,239
Dividend paid	(4,719,145)	(3,230,200)
(Loss) / Profit for the financial year	(402,235)	76,407
Closing shareholders' funds	<u>14,117,066</u>	<u>19,238,446</u>

Notes (continued)

15 Creditors: amounts falling due within one year

	2011 EUR'000	2010 EUR'000
Other creditors including taxation and social security	159	199
Accruals and deferred income	-	-
	<u>159</u>	<u>199</u>
	<u>159</u>	<u>199</u>
Other creditors including taxation and social security		
Corporation tax	-	-
Value added tax	80	142
Insurance premium tax	43	21
Other creditors	36	36
	<u>159</u>	<u>199</u>
	<u>159</u>	<u>199</u>

16 Rental Commitments

As at 31 December 2011, the company had the following annual rental commitments

	2011 EUR'000	2010 EUR'000
Other leases which expire		
within one year	14	9
within 2 to 5 years	56	0
	<u>70</u>	<u>9</u>
	<u>70</u>	<u>9</u>

Notes (continued)

17 Principal subsidiary undertakings

The principal companies in which the company's interest at the year end is more than 20% are as follows

	Country of Incorporation	Principal activity	Proportion of ordinary shares held directly
Allianz (UK) Limited	United Kingdom	Non-trading	66.7%
Allianz Compagnia Italiana Finanziamenti S.p.A.	Italy	Non-trading	100%
Tihama Investments B.V.	The Netherlands	Non-trading	94.4%
Allianz Investments II Luxembourg S.à.r.l.	Luxembourg	Non-trading	100%
Allianz Insurance Company	Egypt	Insurance	85.0%
Allianz Life Assurance Company	Egypt	Insurance	87.8%
Allianz Re Dublin	Ireland	Reinsurance	100%

In the opinion of the directors, the aggregate value of the assets of the company consisting of shares in, and amounts owing from, the company's group undertakings is not less than the aggregate of the amounts at which those assets are included in the company's balance sheet

18 Related party transactions

Due to the existence of certain control agreements 100% of the voting rights of the company are controlled within the Allianz SE Group. Advantage has therefore been taken of the exemption from FRS 8 with respect to disclosure of transactions with other group undertakings and investees of the group qualifying as related parties.

19 Ultimate holding company

The ultimate holding company is Allianz SE, incorporated in Germany. Allianz SE is the parent company of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member. See note 1 for details of where copies of the group accounts can be obtained.