

**Allianz Europe Limited**

**Directors' report and financial  
statements**

**Registered number 1571671**

**Year End Date 31 December 2012**

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## **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 2012. 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 2012, the Company made a contribution in kind of EUR 5,751 million to the capital of Allianz Investments II Luxembourg S à r l, Luxembourg, by way of contributing intercompany loans.

On 3 April 2012 Allianz Compagnia Italiana Finanziamenti S p A distributed a total dividend in kind of EUR 747 million by way of distributing 48.93% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 42.66% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

On 17 April 2012 the Company paid an interim dividend in kind of EUR 747 million to Allianz Europe B V by way of distributing 48.93% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 42.66% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

On 28 June 2012 Allianz Investments II Luxembourg S à r l, Luxembourg, distributed a total dividend in kind of EUR 3,328 million by way of transferring the receivables from cancelled intercompany loans. On the same day, the Company paid a total interim dividend of EUR 3,390 million to Allianz Europe B V of which EUR 62 million was in cash and EUR 3,328 million was in kind by way of transferring the receivable from cancelled intercompany loans.

On 2 July 2012 the Company acquired 1 share of Allianz Belgium SA, Brussels from Allianz Europe B V for the amount of EUR 651.

On 17 December 2012 Allianz Investments II Luxembourg S à r l, Luxembourg, distributed a total dividend in kind of EUR 2,550 million by way of distributing intercompany loans.

In December 2012 Allianz (UK) Limited, London, paid a dividend of EUR 48 million.

As at 31 December 2012, the Company impaired its investments in Allianz Compagnia Italiana Finanziamenti S p A. as well as Allianz Investments II Luxembourg S à r l with EUR 747 million, respectively EUR 5,750 million.

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

#### ***Loans to group companies***

On 25 May 2012 the Company granted a profit participation loan to Allianz New Europe Holding GmbH, Vienna, Austria of EUR 100 million.

On 17 December 2012, the Company received an interim dividend in kind of EUR 2,550 million from Allianz Investments II Luxembourg S à r l, Luxembourg. The distribution took the form of the assignment of intercompany loans to the Company.

### **Securities**

On 13 August 2012 the Company participated in a rights issue and acquired a further 34,867,769 shares for a total amount of EUR 17,433,885.

### **Equity**

In 2012 there was no movement in the capital of the Company.

### ***Dividend***

During the financial year 2012, the Company received a total dividend from its subsidiaries of EUR 6,673 million (2011 EUR 9,399 million) The Company did not receive any dividends on its securities (2011 nil)

The Company declared total dividends of EUR 4,136 million during the year 2012 (2011 EUR 4,719 million)

### ***Results***

The result for the financial year 2012 amounts to a net profit of EUR 444.2 million (2011 net loss of EUR 402.2 million) The increase in the results is mainly caused by the increase in the results on shares in group companies (dividend income minus impairments) and the increase in the value of the securities

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 relates mainly to issues like fraud, IT matters and legal matters. For operational support, a service level agreement is concluded with Allianz Europe B.V. in Amsterdam. The Company considers it has set up adequate internal controls to mitigate operational risks

## Directors

The directors who served from 1 January 2012 to date were.

Dr P M L Achleitner	Managing Director (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 M L 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

2 July 2013

## **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 2012 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 Chapter 3 of Part 16 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.

In addition, we read all the financial and non-financial information in the Director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **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 2012 and of its profit 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 Raisbeck (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

2 July 2013



**Profit and loss account**  
*for the year ended 31 December 2012*

	Note	2012 EUR'000	2011 EUR'000
<b>Income from shares in group undertakings</b>			
Dividends from shares		6,672,750	9,398,707
Other interest receivable and similar income	2	215,792	334,334
		<u>6,888,542</u>	<u>9,733,041</u>
Administrative expenses	3	(328)	(393)
		<u>6,888,214</u>	<u>9,732,648</u>
<b>Operating profit on continuing activities</b>			
Impairment of fixed assets investments		(6,497,028)	(10,016,732)
Realised losses from liquidation group undertakings		-	(1)
Realised losses on sale group undertakings		-	(13,656)
Depreciation of securities		61,884	(93,472)
Withholding taxes	4	(1,949)	(12,582)
Interest payable and similar charges		(45)	-
		<u>451,076</u>	<u>(403,795)</u>
Profit / (Loss) on ordinary activities before taxation			
Tax on profit / (loss) on ordinary activities	5	(6,865)	1,560
		<u>444,211</u>	<u>(402,235)</u>
<b>Profit / (Loss) for the financial year</b>			

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 2012*

	Note	2012	2011	Note	2012	2011
		EUR'000	EUR'000		EUR'000	EUR'000
<b>Fixed assets</b>						
Investments	7	4,101,885	4,848,379	12	4,524,048	4,524,048
Profit participation loans	8	3,373,000	3,273,000	13	5,900,782	9,593,018
		7,474,885	8,121,379	14	10,424,830	14,117,066
					10,424,830	14,117,066
<b>Current assets</b>						
Loans to group companies	9	2,622,006	5,773,798			
Debtors	10	179,179	164,844			
Securities	11	136,427	57,110			
Cash at bank and in hand		19,425	94	15	7,092	159
		2,957,037	5,995,846			
<b>Total assets</b>		10,431,922	14,117,225		10,431,922	14,117,225

Approved by the directors on 2 July 2013

**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 2012, 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)*

### ***Loans***

Profit participation loans and loans to group companies are carried at amortised cost using the effective interest method, less impairment losses

### ***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

### ***Financial income and expenses***

Dividends are recognised in the period in which they are declared. Interest income is recognised in the profit and loss account as it accrues, using the effective interest method

### ***Foreign currencies***

Transactions in foreign currencies are translated using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency 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.

### ***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.

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

	2012 EUR'000	2011 EUR'000
Inter company interest	199,139	325,315
Interest income bonds	465	2,909
Result on loan transfer	13,590	5,716
Gain on sale of subscription rights	2,502	-
Other income	96	394
	<u>215,792</u>	<u>334,334</u>

### 3 Administrative expenses

	2012 EUR'000	2011 EUR 000
Fees payable to the Company's auditor for the audit of the Company	48	20
Fees payable to the Company's auditor for other services - services relating to taxation	72	157
	<u>120</u>	<u>177</u>
Total auditors' remuneration	<u>120</u>	<u>177</u>
Other expenses *	<u>208</u>	<u>216</u>
Total administrative expenses	<u>328</u>	<u>393</u>

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

The Company did not employ any personnel during the financial year 2012 (2011 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

	2012		2011	
	EUR'000	EUR'000	EUR'000	EUR'000
<b><i>Dutch corporation tax</i></b>				
Corporation tax current year		6,998		(1,560)
Corporation tax prior years		(133)		-
		<u>6,865</u>		<u>(1,560)</u>
Tax on profit on ordinary activities		<u>6,865</u>		<u>(1,560)</u>

#### Current tax reconciliation

	2012		2011	
	EUR'000	EUR'000	EUR'000	EUR'000
(Loss) / Profit on ordinary activities before taxation	451,076		(403,795)	
		451,076		(403,795)
<b>Less:</b>				
Dividends received	(6,672,750)		(9,398,707)	
Interest income from profit participation loans	(194,238)		(313,420)	
		<u>(6,866,988)</u>		<u>(9,712,127)</u>
<b>Add</b>				
Impairment of fixed assets investments	6,497,028		10,016,732	
Withholding tax	1,949		12,582	
Losses on sale group undertaking	-		13,656	
Depreciation securities	(55,033)		66,672	
		<u>6,443,944</u>		<u>10,109,642</u>
Taxable income		28,032		(6,280)
<b><i>Corporation tax</i></b>				
Total corporation tax for the year		<u>6,998</u>		<u>(1,560)</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 to or receivable from 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 or 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*

	2012 EUR'000	2011 EUR'000
Shares in group undertakings	4,101,885	4,848,379
	<hr/>	<hr/>
As at 31 December	4,101,885	4,848,379
	<hr/>	<hr/>

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

#### *Shares in group undertakings*

	EUR'000
At 31 December 2011 at cost	4,848,379
Additions	6,497,089
Disposals	(746,555)
Impairments	(6,497,028)
	<hr/>
At 31 December 2012 at cost	4,101,885
	<hr/>

On 5 January 2012, the Company made a contribution in kind of EUR 5,751 million to the capital of Allianz Investments II Luxembourg S à r l, Luxembourg, by way of contributing intercompany loans.

On 3 April 2012 Allianz Compagnia Italiana Finanziamenti S p A distributed a total dividend in kind of EUR 747 million by way of distributing 48.93% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 42.66% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

On 17 April 2012 the Company paid an interim dividend in kind of EUR 747 million to Allianz Europe B V by way of distributing 48.93% of the issued share capital of Lloyd Adriatico Holding S p A, Trieste, Italy and 42.66% of the issued share capital of Allianz Subalpina Holding S p A, Turin, Italy.

On 28 June 2012 Allianz Investments II Luxembourg S à r l, Luxembourg, distributed a total dividend in kind of EUR 3,328 million by way of transferring the receivables from cancelled intercompany loans. On the same day, the Company paid a total interim dividend of EUR 3,390 million to Allianz Europe B V of which EUR 62 million was in cash and EUR 3,328 million was in kind by way of transferring the receivable from cancelled intercompany loans.

## Notes (continued)

On 2 July 2012 the Company acquired 1 share of Allianz Belgium SA, Brussels from Allianz Europe B V for the amount of EUR 651

On 17 December 2012 Allianz Investments II Luxembourg S à r l, Luxembourg, distributed a total dividend in kind of EUR 2,550 million by way of distributing intercompany loans

In December 2012 Allianz (UK) Limited, London, paid a dividend of EUR 48 million

As at 31 December 2012, the Company impaired its investments in Allianz Compagnia Italiana Finanziamenti S p A as well as Allianz Investments II Luxembourg S à r l with EUR 747 million, respectively EUR 5,750 million

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

## 8 Profit participation loans

### *Loan to ACIF*

The perpetual subordinated loan to ACIF with a remaining outstanding amount as at 31 December 2012 of EUR 1,000,000,000 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 of 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 pre-tax 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 Ems GmbH***

On 12 August 2011, Allianz Holding Ems 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 to Allianz New Europe Holding GmbH of EUR 173 million***

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 the 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.

### ***Loan to Allianz New Europe Holding GmbH of 100 million***

On 25 May 2012 the Company provided a second perpetual subordinated loan to Allianz New Europe Holding GmbH for EUR 100,000,000. The loan bears an interest of 8.40% 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 as determined two business days prior to the beginning of the interest period plus 694 bp, corresponding to the original launch spread vs mid-swap included in the 8.40% per annum rate applicable to the interest periods ending on or before 31 December 2017.

Other conditions are in line with the loan conditions for the EUR 175 million loan to Allianz New Europe Holding GmbH.

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. The obligations rank pari passu with the EUR 175 million loan.

## Notes (continued)

### 9 Loans to group companies

	EUR'000
At 31 December 2011	5,773,798
Additions	2,737,894
Repayments	(5,888,201)
Amortisation	(1,485)
<b>At 31 December 2012</b>	<b>2,622,006</b>

On 5 January 2012, the Company made a contribution in kind of EUR 5,751 million to the capital of Allianz Investments II Luxembourg S a r l , Luxembourg by way of distributing intercompany loans

On 17 December 2012, the Company received an interim dividend in kind of EUR 2,550 million from Allianz Investments II Luxembourg S a r l , Luxembourg. The distribution took the form of the assignment of intercompany loans to the Company

### 10 Debtors

	2012 EUR'000	2011 EUR'000
Amounts owed by group undertakings	179,116	164,143
Receivable corporation tax	-	348
Other debtors	63	50
Prepayments and accrued income	-	303
	<b>179,179</b>	<b>164,844</b>

### 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 price 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 can be cancelled only for two kinds of events

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

## Notes (continued)

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 2012, the fair value of the bonds amounted to EUR 36.5 million (31 December 2011: EUR 20.3 million). The fair value movement of EUR 16.2 million (profit) was recognised in the profit and loss account (2011: EUR 22.4 million loss). The fair value of the call option as at 31 December 2012 amounts to minus EUR 13.8 million (31 December 2011: minus EUR 4.4 million). As the fair value of the option at year end is below acquisition cost (nil), the movement of EUR 9.4 million is recognised as an 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.

On 13 August 2012 the Company participated in a rights issue and acquired a further 34,867,769 shares for a total amount of EUR 17.4 million.

As at 31 December 2012, the Company holds 120,553,986 shares of BPI S.A., Oporto, Portugal, being an interest of 8.7%. As at 31 December 2012, the quoted market value of the shares amounted to EUR 113.7 million (2011: EUR 41.2 million). In 2012 a write up of EUR 55.0 million (2011: depreciation of EUR 66.7 million) was recognised in the profit and loss account.

## 12 Called up share capital

	At 31 December 2012		At 31 December 2011	
	Number of shares	EUR'000	Number of shares	EUR'000
Allotted, called up and fully paid £1 ordinary shares	3,331,053,323		3,331,053,323	
	<u>3,331,053,323</u>	<u>4,524,048</u>	<u>3,331,053,323</u>	<u>4,524,048</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 2011	-	9,593,018	9,593,018
Dividend paid in 2012	-	(4,136,447)	(4,136,447)
Result for the year	444,211	-	444,211
Transfer to other reserves	(444,211)	444,211	-
As at 31 December 2012	<u>-</u>	<u>5,900,782</u>	<u>5,900,782</u>

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	2012 EUR'000	2011 EUR'000
Opening shareholders' funds	14,117,066	19,238,446
Dividend paid	(4,136,447)	(4,719,145)
(Loss) / Profit for the financial year	444,211	(402,235)
	<hr/>	<hr/>
Closing shareholders' funds	10,424,830	14,117,066
	<hr/>	<hr/>

### 15 Creditors' amounts falling due within one year

	2012 EUR'000	2011 EUR'000
Corporate income tax payable to head of fiscal unity	6,998	-
Other creditors including taxation and social security	94	159
Accruals and deferred income	-	-
	<hr/>	<hr/>
	7,092	159
	<hr/>	<hr/>

Other creditors including taxation and social security		
Value added tax	1	80
Insurance premium tax	58	43
Other creditors	35	36
	<hr/>	<hr/>
	94	159
	<hr/>	<hr/>

### 16 Rental Commitments

As at 31 December 2012, the Company had the following annual rental commitments

	2012 EUR'000	2011 EUR'000
Other leases which expire		
within one year	25	14
within 2 to 5 years	42	56
	<hr/>	<hr/>
	67	70
	<hr/>	<hr/>

## 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 Takaful B.S.C.	Bahrain	Insurance	25.0%
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.

### 20 Subsequent events

On 7 January 2013 the Company made a contribution in kind of EUR 2,551 million in the capital of Allianz Investments II Luxembourg S.à.r.l., Luxembourg, by way of contributing intercompany loans.