Allianz Europe Limited

Strategic report, directors' report and financial statements

Registered number 1571671

Year End Date 31 December 2016

Contents

Strategic 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 2016. The accounts have been presented in Euros. The Company is operating in the Netherlands but is incorporated in the United Kingdom.

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 6 January 2016, the Company made a contribution of EUR 2,588.3 million (fair value) to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,588.2 million and a cash payment of EUR 0.1 million.

In January and June 2016, the Company received total dividends from Allianz S.p.A ., Trieste, Italy to an amount of EUR 1,075.9 million. The dividend distribution resulted in an impairment of the participation in Allianz S.p.A. to an amount of EUR 1,075.9 million from the carrying amount of EUR 6,228.0 million to the lower recoverable amount of EUR 5,152.1 million. The recoverable amount of the entity was estimated based on the present value of the future cash flows expected to be derived from the entity (value in use), using a pre-tax discount rate of 6% and a terminal growth rate of 1% from 2015.

On 30 June 2016, the Company distributed a total amount of EUR 6,228.0 milllion to Allianz Europe B.V., partly by distributing the 100% participation in Allianz S.p.A ., Trieste, Italy for an amount of EUR 5,152.1 million (book value being the lower fair value) and partly by distributing cash of EUR 1,075.9 million.

On 16 December 2016, Allianz Investments II Luxembourg S.a.r.l., Luxembourg, distributed a total amount of EUR 2,592.0 million by way of distributing intercompany loans, partly as capital repayment (EUR 2,588.3 million) and partly as dividend (EUR 3.7 million).

The principal subsidiary undertakings are disclosed in note 13. None of the above investments are listed.

Loans to group companies

On 6 January 2016, the Company made a contribution in kind to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,588.2 million.

On 13 January 2016, the Company provided a short term loan to Allianz SE, Munich, Germany to an amount of EUR 620.0 million. On 29 June 2016, the Company received a partial repayment of EUR 581.5 million. On maturity date 15 December 2016, the remaining loan of EUR 38.5 million was renewed until September 2017 and increased from EUR 38.5 million to EUR 49.0 million.

On 11 August 2016, the Company provided a short term loan to Allianz Europe B.V., Amsterdam, the Netherlands to an amount of EUR 10.0 million. The loan was repaid on 15 December 2016.

On 16 December 2016, the Company acquired a loan with a nominal value of EUR 2,591,7 million for an amount of EUR 2.592.0 million by way of a distribution in kind from Allianz Investments II Luxembourg S.a.r.l., Luxembourg. The distribution took the form of the assignment of the intercompany loan to the Company.

Securities

In 2016, there were no movements in the securities portfolio.

Equity

On 22 March 2016, the Company reduced the share capital by cancelling and extinguishing 3,127,400,000 issued ordinary shares of £1each, the equivalent of EUR 4,000 million.

Dividend

During the financial year 2016, the Company received a total dividend from its subsidiaries of EUR 1,086.7 million (2015: EUR 323.4 million). The Company did not receive any dividends on its securities (2016: nil).

The Company declared total dividends of EUR 6,228.0 million during the year 2016 (2015: EUR 270.0 million).

Results

The result for the financial year 2016 amounts to a net profit of EUR 5.3 million (2015: net loss of EUR 84.3 million). The increase in the results is mainly caused by the increase in the results on shares in group companies (dividend income minus 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, liquidity 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions. The liquidity of the Company is dependent on the ability of the group companies to pay dividends and interest.

Operational risk

Operational risk relates mainly to possible impairment of the Company's investments. This risk is managed by periodic analysis of the cash flows, profitability, revenues and cost levels of the investments and the underlying businesses. Furthermore, operational risk relates 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.

Subsequent events

On 6 January 2017 the Company made a contribution in kind of EUR 2,591.7 million in the capital of Allianz Investments II Luxembourg S.a.r.l. , Luxembourg, by way of contributing intercompany loans.

By order of the board

J.C.M. Zarnitz
Managing Director and Secretary

Amsterdam

Registered office: 6 St Andrew Street, London EC4A 3AE

7 April 2017

Directors' report

Directors

The directors who served from 1 January 2016 to date were:

Dr. D.F. Wemmer	Managing Director
C. Bunschoten	Managing Director
S. J.Theissing	Managing Director
J.C.M. Zarnitz	Managing Director

Dr. D.F. Wemmer, S.J. Theissing and J.C.M. Zarnitz have German nationality, C. Bunschoten has Dutch nationality.

Subject to the shareholder's approval, the directors propose to add the result for the year 2016 to the other reserves. This proposal has already been included in the Company's financial statements.

Auditor

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 auditor

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 auditor is 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 auditor is aware of that information.

By order of the board

J.C.M. Zarnitz
Managing Director and Secretary

Amsterdam

7 April 2017

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework.*

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 AUDITOR'S REPORT TO THE MEMBERS OF ALLIANZ EUROPE LIMITED

We have audited the financial statements of Allianz Europe Limited for the year ended 31 December 2016 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 auditor's 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 auditor

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

- 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.

Kushan Tikkoo

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, United Kingdom
E14 5GL
10 April 2017

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2016

	Note	2016 EUR'000	2016 EUR'000	2015 EUR'000	2015 EUR'000
Revenue					
Dividends from shares in group undertakings		**1,086,703**		323,410	
Interest from loans to group companies		**2,358**		2,386	
Other interest receivable and similar income	*2*	**2,137**		2,193	
Total revenue			**1,091,198**		327,989
Administrative expenses	*3*		**(223)**		(159)
Impairment of non-current assets	*7*		**(1,075,900)**		(409,198)
Movement in fair value of derivatives	*12*		**(5,770)**		(1,715)
Finance costs			**(5,892)**		(17)
Profit / (Loss) before taxation			**3,413**		(83,100)
Tax on (loss)/ profit	*4*		**1,838**		(1,194)
Profit / (Loss) for the financial year			**5,251**		(84,294)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value of investments classified as available for sale			**5,397**		6,786
Related tax			**(144)**		262
Total other comprehensive income for the financial year			**5,253**		7,048
Total comprehensive income for the financial year			**10,504**		(77,246)

The notes on pages 10 to 21 form part of these financial statements.

All income and expenditure relates to continuing operations.

Statement of Financial Position as at 31 December 2016

	Note	2016 EUR'000	2015 EUR'000		Note	2016 EUR'000	2015 EUR'000
Non-current assets				**Equity**			
Shares in group undertakings	6	**487,238**	6,715,217	Called up share capital	10	**2,364,246**	6,364,246
				Revaluation reserve		**71,232**	65,979
				Other reserves		**905,337**	3,128,086
		487,238	6,715,217	Shareholders' Funds		**3,340,815**	9,558,311
Current assets				**Current liabilities**			
Amounts owed by group companies	7	**2,683,403**	2,630,850	Derivatives	11	**18,755**	12,985
Debtors	8	**11,151**	53,226	Creditors: amounts falling due within one year	12	**23**	405
Investments classified as available for sale	9	**177,727**	172,329				
Cash at bank and in hand		**74**	79			**18,778**	13,390
		2,872,355	2,856,484				
Total assets		**3,359,593**	9,571,701	**Total equity and liabilities**		**3,359,593**	9,571,701

Approved by the directors on 7 April 2017

C. Bunschoten
Director

J.C.M. Zarnitz
Director

The notes on pages 10 to 21 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2016

	Called up share capital	Revaluation Reserve	Other Reserves	Total Shareholders' Funds
	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2015	4,524,048	58,931	3,482,382	8,065,361
Total Comprehensive Income				
Profit / (loss) for the year	-	-	(84,294)	(84,294)
Other Comprehensive Income	-	7,048	-	7,048
Total Comprehensive Income	-	7,048	(84,294)	(77,246)
Transactions with owners of the Company				
Allotted, called up and fully paid shares	1,840,198	-	-	1,840,198
Dividend paid in 2015	-	-	(270,002)	(270,002)
Transactions with owners of the Company	1,840,198	-	(270,002)	1,570,196
As at 31 December 2015	**6,364,246**	**65,979**	**3,128,086**	**9,558,311**
Total Comprehensive Income				
Profit / (loss) for the year	-	-	5,251	5,251
Other Comprehensive Income	-	5,253	-	5,253
Total Comprehensive Income	-	5,253	5,251	10,504
Transactions with owners of the Company				
Reduction in share capital	(4,000,000)	-	4,000,000	-
Dividend paid in 2016	-	-	(6,228,000)	(6,228,000)
Transactions with owners of the Company	(4,000,000)	-	(2,228,000)	(6,228,000)
As at 31 December 2016	**2,364,246**	**71,232**	**905,337**	**3,340,815**

The notes on pages 10 to 21 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Allianz Europe Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")* and presented in thousands of Euros. All financial information presented in euro has been rounded to the nearest thousand.

The Company does not have more than one business or geographical segment.

The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 2016, 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following:

- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of share capital;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures and disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- the effects of new but not yet effective IFRSs;

As the consolidated financial statements of Allianz SE, Munich, Germany (the ultimate parent of the Allianz Group) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of IFRS 7 Financial Instuments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

Notes *(continued)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in financial statements, and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016, mainly relate to the shares in group undertakings.

If an indication exists that the shares in group undertakings may be impaired, the value in use of the asset is estimated in accordance with the steps as described in IAS 36. In case of an impairment indication, the fair value of equity securities is determined using a valuation technique. Valuation techniques include market multiples and discounted cash flow analysis using expected cash flows and a market-related discount rate.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale.

Going concern

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 Allianz SE group available to the Company and Allianz SE group; and having taking these into consideration, the directors believe the Company has the resources to continue in operational existence for the foreseeable future.

Foreign currency

These financial statements are presented in euro which is the Company's functional currency, because the Company operates in the Netherlands and accounts for its transaction in euros.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Share capital is translated at the rate ruling on the day it is called up.

Non-derivative financial instruments

Non-derivative financial instruments comprise shares in group undertakings, investments in equity and debt securities, amounts owed by group companies and other debtors, cash and cash equivalents, and other creditors.

Shares in group undertakings

Shares in group undertakings are carried at cost less impairment based on the value in use of the asset.

Investments in debt and equity securities

Investments in debt and equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the revaluation reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Amounts owed by group companies and other debtors

Amounts owed by group companies and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Debtors are classified as loans and receivables.

Other creditors

Other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For shares in group companies the value in use is determined using valuation techniques, including market multiples and discounted cash flow analysis using expected cash flows and a market-related discount rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits.

Financial revenue and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income from shares in group undertakings is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Other interest receivable and similar income

	2016	2015
	EUR'000	EUR'000
Interest income on bonds	**2,133**	1,900
Currency gains	**4**	293
	2,137	2,193

3 *Administrative expenses*

	2016	2015
	EUR'000	EUR'000
Fees payable to the Company's auditor for the audit of the Company *	**43**	(2)
Fees payable to the Company's auditor for other services:		
- services relating to taxation	**-**	6
Total auditors' remuneration	**43**	4
Other expenses **	**180**	155
Total administrative expenses	**223**	159

* In 2015 release of accrued audit fees.
** Other expenses consist of management, legal and other fees.

The Company did not employ any personnel during the financial year 2016 (2015: nil). The directors did not receive any remuneration.

Notes *(continued)*

4 Tax on profit / (loss) on ordinary activities

Tax expenses in period:

	2016 EUR'000	2015 EUR'000
Dutch corporation tax		
Corporation tax current year	**(1,848)**	662
Corporation tax prior years	**10**	(5)
Withholding tax on dividends received on shares in group undertakings	**-**	537
Tax on profit on ordinary activities	**(1,838)**	1,194

The domestic tax rate is 20% (for taxable income up to EUR 200 thousand) and then respectively 25% (for taxable income higher than EUR 200 thousand).

Reconciliation of effective tax rate

	2016		2015	
	%	**EUR'000**	%	EUR'000
Loss)/profit on ordinary activities before taxation		**3,413**		(83,100)
Tax using the Company's domestic tax rate	**20-25**	**853**	20-25	(20,785)
Tax effect of:				
Dividends from shares in group companies		**(271,676)**		(80,853)
Impairment of fixed assets investments		**268,975**		102,300
Change in estimates related to prior years		**10**		(5)
Withholding tax on dividends received on shares in group undertakings		**-**		537
Tax on profit on ordinary activities	**(53.9)**	**(1,838)**	(1.4)	1,194

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.

5 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.

6 Shares in group undertakings

	2016	2015
	EUR'000	EUR'000
Shares in group undertakings	**487,238**	6,715,217
As at 31 December	**487,238**	6,715,217

The movement in shares in group undertakings may be analysed as follows:

	2016	2015
	EUR'000	EUR'000
At 31 December at cost less impairment	**6,715,217**	5,284,127
Additions	**2,588,310**	4,418,601
Disposals	**(5,152,100)**	(2)
Capital repayments	**(2,588,289)**	(2,578,311)
Impairments	**(1,075,900)**	(409,198)
At 31 December at cost impairment	**487,238**	6,715,217

On 6 January 2016, the Company made a contribution of EUR 2,588.3 million (fair value) to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,588.2 million and a cash payment of EUR 0.1 million.

In January and June 2016, the Company received total dividends from Allianz S.p.A ., Trieste, Italy to an amount of EUR 1,075.9 million. The dividend distribution resulted in an impairment of the participation in Allianz S.p.A. to an amount of EUR 1,075.9 million from the carrying amount of EUR 6,228.0 million to the lower recoverable amount of EUR 5,152.1 million. The recoverable amount of the entity was estimated based on the present value of the future cash flows expected to be derived from the entity (value in use), using a pre-tax discount rate of 6% and a terminal growth rate of 1% from 2015.

On 30 June 2016, the Company distributed a total amount of EUR 6,228.0 milllion to Allianz Europe B.V., partly by distributing the 100% participation in Allianz S.p.A ., Trieste, Italy for an amount of EUR 5,152.1 million (book value being the lower fair value) and partly by distributing cash of EUR 1,075.9 million.

On 16 December 2016, Allianz Investments II Luxembourg S.a.r.l., Luxembourg, distributed a total amount of EUR 2,592.0 million by way of distributing intercompany loans, partly as capital repayment (EUR 2,588.3 million) and partly as dividend (EUR 3.7 million).

The relevant information on the subsidiary undertakings are disclosed in note 13.

7 Amounts owed by group companies

	2016 EUR'000	2015 EUR'000
At 31 December	**2,630,850**	2,621,020
Additions	**3,232,492**	2,858,230
Contribution in kind	**(2,588,230)**	(2,578,400)
Repayments	**(591,500)**	(270,000)
Amortisation	**(209)**	-
At 31 December	**2,683,403**	2,630,850

On 6 January 2016, the Company made a contribution in kind to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,588.2 million.

On 13 January 2016, the Company provided a short term loan to Allianz SE, Munich, Germany to an amount of EUR 620.0 million. On 29 June 2016, the Company received a partial repayment of EUR 581.5 million. On maturity date 15 December 2016, the remaining loan of EUR 38.5 million was renewed until September 2017 and increased from EUR 38.5 million to EUR 49.0 million.

On 11 August 2016, the Company provided a short term loan to Allianz Europe B.V., Amsterdam, the Netherlands to an amount of EUR 10.0 million. The loan was repaid on 15 December 2016.

On 16 December 2016, the Company acquired a loan with a nominal value of EUR 2,591.7 million for an amount of EUR 2,592.0 million by way of a distribution in kind from Allianz Investments II Luxembourg S.a.r.l., Luxembourg. The distribution took the form of the assignment of the intercompany loan to the Company.

8 Debtors

All debtors are due within one year.

	2016 EUR'000	2015 EUR'000
Amounts owed by group companies	**3,972**	40,577
Corporate income tax receivable from head of fiscal unity	**1,704**	-
Other debtors	**3,469**	10,550
Prepayments and accrued income	**2,006**	2,099
	11,151	53,226

Notes (continued)

9 Investments

	2016 EUR'000	2015 EUR'000
Shares BPI S,A,	**136,347**	131,524
Convertible bonds	**41,380**	40,805
	177,727	172,329

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

	2016 EUR'000	2015 EUR'000
Fair value as at 1 January	**131,524**	123,688
Acquisitions during the year	-	-
Disposals during the year	-	-
Change in fair value taken to revaluation reserve	**4,823**	7,836
Fair value as at 31 December	**136,347**	131,524

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 Portugûes 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 2016, the Company holds 120,553,986 (2015: 120,553,986) shares of BPI S.A., Oporto, Portugal, being an interest of 8.3%. As at 31 December 2016, the quoted market value of the shares amounted to EUR 136.3 million (2015: EUR 131.5 million). In 2016 a write up of EUR 4.8 million (2015: write up of EUR 7.8 million) was recognised as "Other comprehensive income".

The fair value of the shares is determined by reference to their quoted bid price at the reporting date.

Convertible bonds (CASHES)

	2016 EUR'000	2015 EUR'000
Fair value as at 1 January	**40,805**	41,855
Acquisitions during the year	-	-
Disposals during the year	-	-
Change in fair value taken to revaluation reserve	**575**	(1,050)
Fair value as at 31 December	**41,380**	40,805

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 any time 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.

The CASHES qualify as a hybrid financial product that is comprised of a combination of a non-derivative host financial instrument (the subordinated bonds) and an embedded derivative (call option). The call option is included under "Derivatives" in the balance sheet of the Company (see note 11).

As at 31 December 2016, the fair value of the bonds amounted to EUR 41.4 million (31 December 2015: EUR 40.8 million). The increase of the fair value of EUR 0.6 million (2015: decrease EUR 1.0 million) was recognised in "Other comprehensive income".

The fair value measurements for the bond and derivatives have been categorised as Level 2 fair values based on the inputs to the valuation techniques used. The fair value of the bond and the derivatives are calculated by splitting the observable market price for CASHES as at 31 December 2016 into its derivative components.

The most significant assumptions in the underlying valuation technique are:

- Observable BGN Bid for Cashes Note 45.249 (2015: 55.641)
- Unicredit fixing 2.7351 (2015: 5.1597)
- Volatility 45.21% (2015: 37.68%)
- Dividend yield 2.73% (2015: 2.3%)
- Interest rate structure as of 31 December 2016 (respectively as of 31 December 2015).

Notes (continued)

10 Called up share capital

	Number of shares	EUR'000
As at 31 December 2014	3,331,053,323	4,524,048
Allotted, called up and fully paid £1 ordinary shares	1,293,291,154	1,840,198
As at 31 December 2015	4,624,344,477	6,364,246
Cancelling called up and fully paid £1 ordinary shares	(3,127,400,000)	(4,000,000)
As at 31 December 2016	**1,496,944,477**	**2,364,246**

On 22 March 2016, the Company reduced the share capital by cancelling and extinguishing 3,127,400,000 issued ordinary shares of £1each.

As at 31 December 2016, the called up share capital consists of 1,496,944,477 fully paid ordinary shares of £1 each, which have attached to them full voting, dividend and capital distribution (including on a winding up) rights; they do not confer any rights of redemption.

11 Derivatives

	2016 EUR'000	2015 EUR'000
Call option convertible bonds (CASHES)	**18,755**	12,985
	18,755	12,985

	2016 EUR'000	2015 EUR'000
Fair value as at 1 January	**12,985**	11,270
Change in fair value recognised in profit and loss account	**5,770**	1,715
Fair value as at 31 December	**18,755**	12,985

The fair value of the call option as at 31 December 2016 amounts to minus EUR 18.8 million (31 December 2015: minus EUR 13.0 million). The movement of EUR 5.8 million is recognised as an expense in the profit and loss account as "Movement in fair value of derivatives".

The fair value measurements for the bond and derivatives have been categorised as Level 2 fair values based on the inputs to the valuation techniques used. The fair value of the bond and the derivatives are calculated by splitting the observable market price for CASHES as at 31 December 2016 into its derivative components.

Notes (continued)

The most significant assumptions in the underlying valuation technique are:

- Observable BGN Bid for Cashes Note 45.249 (2015: 55.641)
- Unicredit fixing 2.7351 (2015: 5.1597)
- Volatility 45.21% (2015: 37.68%)
- Dividend yield 2.73% (2015: 2.3%)
- Interest rate structure as of 31 December 2016 (respectively as of 31 December 2015).

12 Creditors: amounts falling due within one year

	2016 EUR'000	2015 EUR'000
Corporate income tax payable to head of fiscal unity	**-**	399
Other creditors including taxation and social security	**23**	6
	23	405

Other creditors including taxation and social security:		
Value added tax	**2**	**-**
Other creditors	**21**	**6**
	23	**6**

Notes *(continued)*

13 Subsidiary undertakings

	Country of Incorporation	Principal activity	Proportion of ordinary shares held directly
Allianz (UK) Limited, Guildford	United Kingdom	Non-trading	66.7%
Tihama Investments B.V., Amsterdam	The Netherlands	Non-trading	94.4%
Allianz Investments II Luxembourg S.à r.l., Luxembourg	Luxembourg	Non-trading	100%
Allianz Insurance Company, New Cairo	Egypt	Insurance	89.0%
Allianz Life Assurance Company, New Cairo	Egypt	Insurance	87.8%
Medgulf Takaful B.S.C., Seef	Bahrain	Insurance	25.0%
Allianz Re Dublin, Dublin	Ireland	Reinsurance	100%
Allianz Hayat VE Emeklilik A.S., Instanbul	Turkey	Insurance	0.01%
Allianz Egypt for Financial Investments S.A.E., New Cairo	Egypt	Non-trading	5.00%
Allianz Holdings PLC, Guildford	United Kingdom	Non-trading	0.01%

None of the above investments are listed.

14 Ultimate holding company

The ultimate holding company is Allianz SE,, incorporated in Germany. Allianz SE, Koningstrasse 28, 80802, Munich, Germany 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.

15 Subsequent events

On 6 January 2017 the Company made a contribution in kind of EUR 2,591.7 million in the capital of Allianz Investments II Luxembourg S.a.r.l. , Luxembourg, by way of contributing intercompany loans.