No. 1571671

# Allianz Europe Limited

**Strategic report, directors' report and financial statements**

**Registered number 1571671**
**Year End Date 31 December 2017**

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# Strategic report

The directors have pleasure in presenting their strategic report together with the audited financial statements of Allianz Europe Limited, registered number 1571671, for the year ended 31 December 2017. The financial statements 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 2017, the Company made a contribution of EUR 2,591.7 million (fair value) to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,591.7 million.

On 15 December 2017, Allianz Investments II Luxembourg S.a.r.l., Luxembourg, distributed a total amount of EUR 2,594.5 million by way of distributing intercompany loans, partly as capital repayment (EUR 2,591.4 million) and partly as dividend (EUR 3.1 million).

On 27 December 2017, the Company made a contribution in cash in the capital of Allianz (UK) Limited, Guilford, United Kingdom to an amount of GBP 333.2 million (EUR 375.2 million)

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

### Loans to group companies

On 6 January 2017, 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 2,591.7 million.

On maturity date 15 September 2017, the Company received a repayment of the EUR 49.0 million loan from Allianz SE, Munich, Germany.

On 15 December 2017, the Company acquired a loan with a nominal value of EUR 2,594.0 million for an amount of EUR 2,594.5 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

On 23 February 2017, the Company as owner of convertible bonds (CASHES) participated in a rights issue of UniCredit S.p.A., Italy and acquired 421,655 shares for a total amount of EUR 5.4 million. On 6 March 2017, the Company sold these shares for a total amount of EUR 5.7 million, resulting in a gain of EUR 0.3 million.

### Equity

On 15 September 2017, the Company made a repayment of capital of EUR 60.0 million from the other reserves.

On 27 December 2017, the Company increased the share capital by issuing 333,200,000 ordinary shares of GBP 1each, the equivalent of EUR 375.2 million.

### Dividend

During the financial year 2017, the Company received a total dividend from its subsidiaries of EUR 6.9 million (2016: EUR 1,086.7 million). The Company did not receive any dividends on its securities (2016: nil).

### Results

The result for the financial year 2017 amounts to a net profit of EUR 7.4 million (2016: net profit of EUR 5.3 million). The results for the year are shown in the profit and loss account on page 10.

## 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 5 January 2018, the Company made a contribution in cash of EUR 2,594.0 million in the capital of Allianz Investments II Luxembourg S.a.r.l., Luxembourg.

On 7 May 2018, the Company sold the 120,553,986 shares Banco Portugues de Investimento S.A. (B.P.I. S.A.) for an amount of EUR 174.8 million and realized a profit of EUR 116.0 million on this transaction.

By order of the board

J.C.M. Zarnitz

Managing Director and Secretary

Amsterdam, 14 June 2018

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

# Directors' report

## Directors

The directors who served from 1 January 2017 to date were:

| | |
|---|---|
| Dr. D.F. Wemmer | Managing Director (resigned on 8 December 2017) |
| S.J.Theissing | Managing Director (resigned on 8 September 2017) |
| C. Bunschoten | 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 2017 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, Pricewaterhouse Coopers LLP will be appointed as auditors for the financial year 2018.

## 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, 14 June 2018

# 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 judgements 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

**Opinion**

We have audited the financial statements of Allianz Europe Limited ("the company") for the year ended 31st December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

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.

Kushan Tikkoo

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

14 June 2018

# Profit and loss account and other comprehensive income for the year ended 31 December 2017

| | Note | 2017 EUR 1,000 | 2017 EUR 1,000 | 2016 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Dividends from shares in group undertakings | | **6,864** | | 1,086,703 | |
| Gains on sale of investments classified as available for sale | 8 | **249** | | - | |
| Interest from loans to group companies | | **1,620** | | 2,358 | |
| Other interest receivable and similar income | 2 | **799** | | 2,137 | |
| **Total revenue** | | | **9,532** | | 1,091,198 |
| Administrative expenses | 3 | | **(159)** | | (223) |
| Impairment of non-current assets | 5 | | **-** | | (1,075,900) |
| Movement in fair value of derivatives | 11 | | **(1,357)** | | (5,770) |
| Finance costs | | | **(208)** | | (5,892) |
| **Profit / (Loss) before taxation** | | | **7,808** | | 3,413 |
| Tax charge/ (gain) | 4 | | **(425)** | | 1,838 |
| **Profit / (Loss) for the financial year** | | | **7,383** | | 5,251 |
| **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 | | | **20,178** | | 5,397 |
| Related tax | | | **(3,778)** | | (144) |
| **Total other comprehensive income for the financial year** | | | **16,400** | | 5,253 |
| **Total comprehensive income for the financial year** | | | **23,783** | | 10,504 |

The notes on pages 13 to 25 form part of these financial statements.

All income and expenditure relates to continuing operations.

# Statement of financial position as at 31 December 2017

| | | 2017 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Shares in group undertakings | 5 | 862,796 | 487,238 |
| | | 862,796 | 487,238 |
| **Current assets** | | | |
| Amounts owed by group companies | 6 | 2,636,730 | 2,683,403 |
| Debtors | 7 | 8,570 | 11,151 |
| Investments classified as available for sale | 8 | 197,905 | 177,727 |
| Cash at bank and in hand | | 90 | 74 |
| | | 2,843,295 | 2,872,355 |
| **Total assets** | | 3,706,091 | 3,359,593 |

| | | 2017 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|---|
| **Equity** | | | |
| Called up share capital | 9 | 2,739,486 | 2,364,246 |
| Revaluation reserve | | 87,632 | 71,232 |
| Other reserves | | 852,720 | 905,337 |
| Shareholders' funds | | 3,679,838 | 3,340,815 |
| **Provisions for liabilities** | | | |
| Deferred tax liability | 10 | 1,624 | - |
| | | 1,624 | - |
| **Current liabilities** | | | |
| Derivatives | 11 | 22,115 | 18,755 |
| Creditors: amounts falling due within one year | 12 | 2,514 | 23 |
| | | 24,629 | 18,778 |
| **Total equity and liabilities** | | 3,706,091 | 3,359,593 |

Approved by the directors on 14 June 2018

C. Bunschoten
Director

J.C.M. Zarnitz
Director

The notes on pages 13 to 25 form part of these financial statements.

# Statement of changes in equity for the year ended 31 December 2017

| | Called up share capital | Revaluation Reserve | Other reserves | Total shareholders' funds |
|---|---|---|---|---|
| | EUR 1,000 | EUR 1,000 | EUR 1,000 | EUR 1,000 |
| As at 1 January 2016 | 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 |
| Total comprehensive income: | | | | |
| • Profit/(loss) for the year | – | – | 7,383 | 7,383 |
| • Other comprehensive income | – | 16,400 | – | 16,400 |
| • Total comprehensive income | – | 16,400 | 7,383 | 23,783 |
| Transactions with owners of the Company: | | | | |
| • Shares issued | 375,240 | – | – | 375,240 |
| • Capital repayment in 2017 | – | – | (60,000) | (60,000) |
| • Transactions with owners of the Company | 375,240 | – | (60,000) | 315,240 |
| As at 31 December 2017 | 2,739,486 | 87,632 | 852,720 | 3,679,838 |

The notes on pages 13 to 25 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 2017, 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 Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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 2017, 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 taken 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

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Interest income on bonds | **332** | 2,133 |
| Interest on dividends receivable | **457** | - |
| Currency gains | **10** | 4 |
| | **799** | 2,137 |

## 3 Administrative expenses

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Fees payable to the Company's auditor for the audit of the Company | **12** | 43 |
| Fees payable to the Company's auditor for other services: | | |
| • services relating to taxation | **6** | – |
| Total auditors' remuneration | **18** | 43 |
| Other expenses * | **141** | 180 |
| Total administrative expenses | **159** | 223 |

* Other expenses consist of management, legal and other fees.

The Company did not employ any personnel during the financial year 2017 (2016: nil). The directors did not receive any remuneration.

# 4 Tax on profit/(loss) on ordinary activities

## Tax expenses in period

| | 2017 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|
| **Current tax expense** | | |
| *Dutch corporation tax* | | |
| Corporation tax current year | **236** | (1,848) |
| Corporation tax prior years | **–** | 10 |
| Withholding tax on dividends received on shares in group undertakings | **189** | – |
| Tax on profit on ordinary activities | **425** | (1,838) |

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

| | 2017 % | 2017 EUR 1,000 | 2016 % | 2016 EUR 1,000 |
|---|---|---|---|---|
| (Loss)/profit on ordinary activities before taxation | | **7,808** | | 3,413 |
| Tax using the Company's domestic tax rate | **20-25** | **1,952** | 20-25 | 853 |
| Tax effect of: | | | | |
| • Dividends from shares in group companies | | **(1,716)** | | (271,676) |
| • Impairment of fixed assets investments | | **–** | | 268,975 |
| • Change in estimates related to prior years | | **–** | | 10 |
| Withholding tax on dividends received on shares in group undertakings | | **189** | | – |
| Tax on profit on ordinary activities | **5.4** | **425** | (53.9) | (1,838) |

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 Shares in group undertakings

| | 2017<br>EUR 1,000 | 2016<br>EUR 1,000 |
|---|---|---|
| Shares in group undertakings | **862,796** | 487,238 |
| As at 31 December | **862,796** | 487,238 |

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

| | 2017<br>EUR 1,000 | 2016<br>EUR 1,000 |
|---|---|---|
| At 1 January at cost less impairment | **487,238** | 6,715,217 |
| Additions | **2,966,940** | 2,588,310 |
| Disposals | – | (5,152,100) |
| Capital repayments | **(2,591,382)** | (2,588,289) |
| Impairments | – | (1,075,900) |
| At 31 December at cost impairment | **862,796** | 487,238 |

On 6 January 2017, the Company made a contribution of EUR 2,591.7 million (fair value) to the capital of Allianz Investments II Luxembourg S.à r.l., Luxembourg, by way of contributing intercompany loans of EUR 2,591.7 million.

On 15 December 2017, Allianz Investments II Luxembourg S.a.r.l., Luxembourg, distributed a total amount of EUR 2,594.5 million by way of distributing intercompany loans, partly as capital repayment (EUR 2,591.4 million) and partly as dividend (EUR 3.1 million).

On 27 December 2017, the Company made a contribution in cash in the capital of Allianz (UK) Limited, Guilford, United Kingdom to an amount of GBP 333.2 million (EUR 375.2 million)

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

## 6 Amounts owed by group companies

| | 2017<br>EUR 1,000 | 2016<br>EUR 1,000 |
|---|---|---|
| At 1 January | **2,683,403** | 2,630,850 |
| Additions | **2,594,462** | 3,232,492 |
| Contribution in kind | **(2,591,700)** | (2,588,230) |
| Repayments | **(49,000)** | (591,500) |
| Amortisation | **(435)** | (209) |
| At 31 December | **2,636,730** | 2,683,403 |

On 6 January 2017, 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 2,591,7 million.

On maturity date 15 September 2017, the Company received a repayment of the EUR 49.0 million loan from Allianz SE, Munich, Germany.

On 15 December 2017, the Company acquired a loan with a nominal value of EUR 2,594.0 million for an amount of EUR 2,594.5 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.

## 7 Debtors

All debtors are due within one year.

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Amounts owed by group companies | **6,644** | 3,972 |
| Corporate income tax receivable from head of fiscal unity | – | 1,704 |
| Other debtors | **129** | 3,469 |
| Prepayments and accrued income | **1,797** | 2,006 |
| | **8,570** | 11,151 |

## 8 Investments

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Shares BPI S.A. | **141,410** | 136,347 |
| Convertible bonds | **56,495** | 41,380 |
| Shares UniCredit S.p.A. | **-** | - |
| | **197,905** | 177,727 |

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

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Fair value as at 1 January | **136,347** | 131,524 |
| Acquisitions during the year | **3,411** | – |
| Disposals during the year | **(3,411)** | – |
| Change in fair value taken to revaluation reserve | **5,063** | 4,823 |
| Fair value as at 31 December | **141,410** | 136,347 |

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 2017, the Company holds 120,553,986 (2016: 120,553,986) shares of BPI S.A., Oporto, Portugal, being an interest of 8.3%. As at 31 December 2017, the quoted market value of the shares amounted to EUR 141.4 million (2016: EUR 136.3 million). In 2017, a write up of EUR 5.1 million (2016: write up of EUR 4.8 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)

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Fair value as at 1 January | **41,380** | 40,805 |
| Acquisitions during the year | **–** | – |
| Disposals during the year | **–** | – |
| Change in fair value taken to revaluation reserve | **15,115** | 575 |
| Fair value as at 31 December | **56,495** | 41,380 |

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 308.3, and can be converted into new UniCredit S.p.A. (UCI) common shares either:

- at the investor's option at any time after 40 days from issue; or
- at any time, after the seventh anniversary of the Issue Date, if the reference price of the shares on Borsa Italiana for each of 20 out of 30 consecutive trading days exceeds 150% of the exchange price, being EUR 462,45; 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 2017, the fair value of the bonds amounted to EUR 56.5 million (31 December 2016: EUR 41.4 million). The increase of the fair value of

EUR 15.1 million (2016: increase of EUR 0.6 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 29 December 2017 into its derivative components.

The most significant assumptions in the underlying valuation technique are:

- Observable Bloomber Generic Price Bid for Cashes Note 68.763 (2016: 45.249)
- Unicredit fixing 15.6954 (2016: 2.7351)
- Volatility 34.20% (2016: 45.21%)
- Dividend yield 2.81% (2016: 2.73%)
- Interest rate structure as of 29 December 2017 (respectively as of 31 December 2016).

### Shares UniCredit S.p.A. (UCI)

| | **2017** | 2016 |
|---|---|---|
| | **EUR 1,000** | EUR 1,000 |
| Fair value as at 1 January | - | - |
| Subscription rights exercised | 2,003 | – |
| Shares acquired | 3,411 | – |
| Disposals during the year | (5,414) | – |
| Fair value as at 31 December | - | – |

As owner of the convertible bonds, on 23 February 2017 the Company participated in a rights issue and acquired 421,655 shares in UniCredit S.p.A. for a total amount of EUR 5.4 million (EUR 2.0 million subscription rights and EUR 3.4 million for the acquisition of the shares). On 6 March 2017, the Company sold these shares for a total amount of EUR 5.7 million, resulting in a gain of EUR 0.3 million (recognized as 'gains on sale investments classified as available for sale' in the profit and loss account).

## 9 Called up share capital

| | **Number of shares** | **EUR 1,000** |
|---|---|---|
| As at 31 December 2015 | **4,624,344,477** | **6,364,246** |
| Cancelling called up and fully paid GBP 1 ordinary shares | **(3,127,400,000)** | **(4,000,000)** |
| As at 31 December 2016 | **1,496,944,477** | **2,364,246** |
| Issue new called up and fully paid GBP 1 ordinary shares | **333,200,000** | **375,240** |
| As at 31 December 2017 | **1,830,144,477** | **2,739,486** |

On 27 December 2017, the Company increased the share capital by issuing 333,200,000 ordinary shares of GBP 1 each.

As at 31 December 2017, the called up share capital consists of 1,830,144,477 fully paid ordinary shares of GBP 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.

## 10 Deferred tax liability

For the year 2017, the deferred tax liability is attributable to the following:

| | **Balance as at 1 Jan. 2017 EUR 1,000** | **Recognised in equity EUR 1,000** | **Balance as at 31 Dec. 2017 EUR 1,000** |
|---|---|---|---|
| Convertible bonds (CASHES) | – | **1,624** | **1,624** |

## 11 Derivatives

| | **2017 EUR 1,000** | 2016 EUR 1,000 |
|---|---|---|
| Call option convertible bonds (CASHES) | **22,115** | 18,755 |
| | | |
| Fair value as at 1 January | **18,755** | 12,985 |
| Subscription rights exercised | **2,003** | |
| Change in fair value recognised in profit and loss account | **1,357** | 5,770 |
| Fair value as at 31 December | **22,115** | 18,755 |

The fair value of the call option as at 31 December 2017 amounts to minus EUR 22.1 million (31 December 2016: minus EUR 18.8 million). The movement in the fair value of EUR 1.4 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 29 December 2017 into its derivative components.

The most significant assumptions in the underlying valuation technique are:

- Observable BGN Bid for Cashes Note 68.763 (2016: 45.249)
- Unicredit fixing 15.6954 (2016: 2.7351)
- Volatility 34.20% (2016: 45.21%)
- Dividend yield 2.81% (2016: 2.73%)
- Interest rate structure as of 29 December 2017 (respectively as of 31 December 2016).

## 12 Creditors: amounts falling due within one year

| | 2017 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|
| Corporate income tax payable to head of fiscal unity | **2,391** | – |
| Other creditors including taxation and social security | **123** | 23 |
| | **2,514** | 23 |

| | 2017 EUR 1,000 | 2016 EUR 1,000 |
|---|---|---|
| Other creditors including taxation and social security: | | |
| • Value added tax | **119** | 2 |
| • Other creditors | **4** | 21 |
| | **123** | 23 |

## 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 | **100.0** |
| 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 | **100.0** |
| Allianz Hayat VE Emeklilik A.S., Instanbul | Turkey | Insurance | **0.01** |
| Allianz Egypt for Financial Investments S.A.E., New Cairo | Egypt | Non-trading | **5.0** |
| 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 5 January 2018, the Company made a contribution in cash of EUR 2,594.0 million in the capital of Allianz Investments II Luxembourg S.a.r.l., Luxembourg.

On 7 May 2018, the Company sold the 120,553,986 shares Banco Portugues de Investimento S.A. (B.P.I. S.A.) for an amount of EUR 174.8 million and realized a profit of EUR 116.0 million on this transaction.